



# FORTUNE

置富產業信託

# REIT

Results for the quarter ended 31 Mar 2008

**ARA** Asset Management (Singapore) Limited



Quarter ended 31 Mar 2008

## Contents



- Results Highlights
- Financial Results
- Hong Kong Economy
- Portfolio Performance
- Asset Enhancement Initiatives
- Growth Strategies

# Results Highlights

<b>Total Revenue, 1Q08</b>	HK\$152.4 mil
<b>Net Property Income (NPI), 1Q08</b>	HK\$114.0 mil
<b>Distribution Per Unit (DPU), 1Q08</b>	HK\$0.0879
<b>Annualized Tax-exempt Yield<sup>1</sup></b>	7.0%
<b>Net Asset Value (NAV) Per Unit</b>	HK\$8.91
<b>Total Asset<sup>2</sup></b>	HK\$9,944.2 mil
<b>Gearing</b>	23.6%
<b>Portfolio Rental Reversion<sup>3</sup></b>	13.9%
<b>Portfolio Occupancy<sup>4</sup></b>	94.2%

**Notes:**

1. Based on the closing Unit price of HK\$5.11 on 31 Mar 08.
2. Investment properties were valued at HK\$9,713 mil. as at 31 Dec 07 by Knight Frank Petty Limited ("Knight Frank").
3. For all renewal leases from 1 Jan 08 to 31 Mar 08.
4. Committed occupancy at 31 Mar 08.

# Contents



**The Metropolis Mall**

- Results Highlights
- Financial Results
- Hong Kong Economy
- Portfolio Performance
- Asset Enhancement Initiatives
- Growth Strategies

## Trust Income

	1Q08 (HK\$'000)	1Q07 (HK\$'000)	Variance (%)
<b>Total revenue</b>	<b>152,383</b>	<b>155,951</b>	<b>(2.3%)</b>
Property operating expenses	(34,849)	(36,229)	(3.8%)
Manager's performance fee	(3,526)	(3,592)	(1.8%)
<b>Net property income ("NPI")</b>	<b>114,008</b>	<b>116,130</b>	<b>(1.8%)</b>
Borrowing costs	(26,960)	(26,385)	2.2%
<b>Profit before tax</b>	<b>87,048</b>	<b>89,745</b>	<b>(3.0%)</b>
Hong Kong tax	(15,059)	(15,471)	(2.7%)
Net profit of property companies	71,989	74,274	(3.1%)
<b>Income available for distribution</b>	<b>71,528</b>	<b>73,375</b>	<b>(2.5%)</b>
<b>DPU (HK\$)</b>	<b>0.0879</b>	<b>0.0907</b>	<b>(3.1%)</b>

## Distribution Yield

### Delivers Tax Exempt Yield Of 7.0%

1Q08	Tax-exempt	Actual Pre-tax <sup>1</sup> Equivalent
<b>DPU<sup>2,3</sup> (HK\$)</b>	<b>0.0879</b>	<b>0.1065</b>
<b>DPU yield<sup>4</sup></b>	<b>7.0%</b>	<b>8.5%</b>

**Notes:**

1. Before HK income taxes. This figure is shown solely to illustrate the yield before the impact of HK taxes on the property companies. It does not imply investors are eligible for any dividend tax credits.
2. Fortune REIT pays tax-exempt distributions semi-annually (for the half years ending Jun and Dec).
3. Based on the deemed Units in issue of approximate 813.7m Units.
4. Based on the closing Unit price of HK\$5.11 on 31 Mar 08.

# Debt Management

## Low Gearing At 23.6% Offers Financing Flexibility

As at 31 Mar 2008	Debt Profile	
Total Debt <sup>1</sup>	HK\$2,349 mil	22% debt floated at 3M HIBOR 78% debt fixed at different maturities
Gearing Ratio <sup>2</sup>	23.6%	Further debt flexibility of approximately HK\$1.7 bn to HK\$3.9 bn to finance new acquisitions <sup>4</sup>
Interest Cover <sup>3</sup>	4.2x	
Weighted Avg. Cost of Debt	4.58%	

Source: ARASL

Notes:

- Excludes the debt front end fee.
- According to the Singapore Property Fund Guidelines, Aggregate Borrowing Limit as a % of Deposited Property must not exceed 35%, but it can increase to 60% with a credit rating.
- Interest cover = EBIT / Total interest expense.
- Assume a gearing ratio of between 35% to 45%.

# Balance Sheet

As at 31 Mar 2008	(HK\$'000)
Current Asset	228,252
Non Current Asset	9,715,942
<b>Total Asset</b>	<b>9,944,194</b>
Current Liabilities	220,342
Non Current Liabilities	2,533,779
<b>Total Liabilities</b>	<b>2,754,121</b>
<b>Net Asset</b>	<b>7,190,073</b>
<b>Units In Issue ('000)</b>	<b>812,266</b>
<b>NAV Per Unit <sup>1, 2</sup></b>	<b>HK\$8.91</b>



Ma On Shan Plaza

Source: ARASL

Notes:

- Based on net assets of the Group excluding hedging reserve.
- The number of Units used for computation of NAV per Unit is 813,690,240 Units. This comprises: (a) number of Units in issue as at 31 Mar 2008 of 812,266,047 Units; (b) Units issued on 10 Apr 2008 to the Manager as the Manager's Base Fees for 1Q 2008 of 1,424,193 Units.



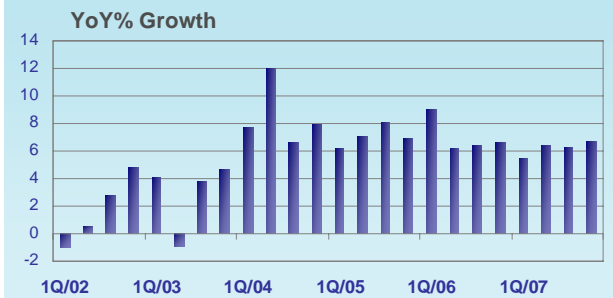


The Metropolis Mall

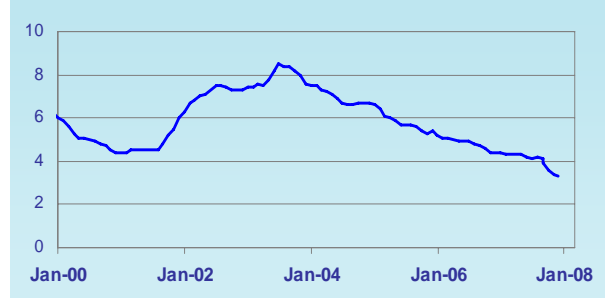
- Results Highlights
- Financial Results
- Hong Kong Economy
- Portfolio Performance
- Asset Enhancement Initiatives
- Growth Strategies

**Solid And Sustainable Economic Growth**

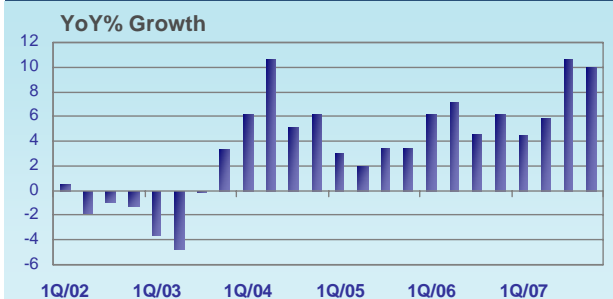
**GDP – Strong Growth Of 6.3% In 2007**



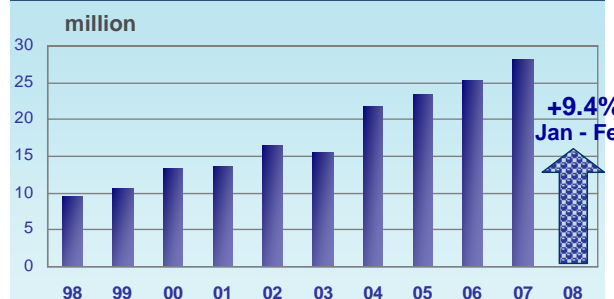
**Unemployment – Lowered To 3.3% In Dec 07-Feb 08**



**Private Consumption – 7.8% Growth In 2007**



**Tourist Arrivals – Up 9.4% In First 2 Months Of 08**

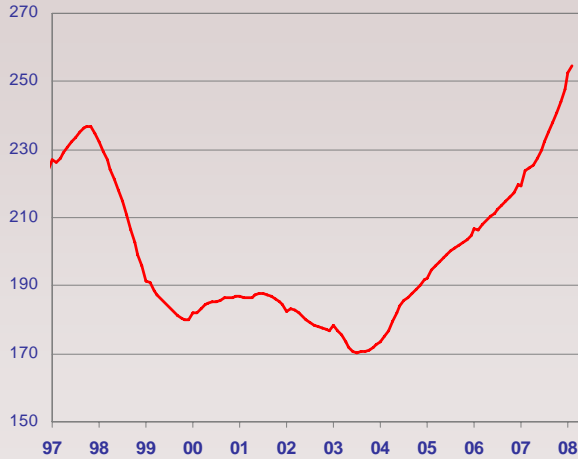


Source: Census & Statistics Department, HK

**Improving Retail Sales In Hong Kong**

**Retail Sales – Strong Growth Of 16.4% In First 2 Months Of 2008**

HK\$ bn (Retail sales-moving annual total)



Source: Census & Statistics Department, HK

**Growth Across Wide Spectrum Of Trades**

Growth – Jan to Feb 08 over same period in 07



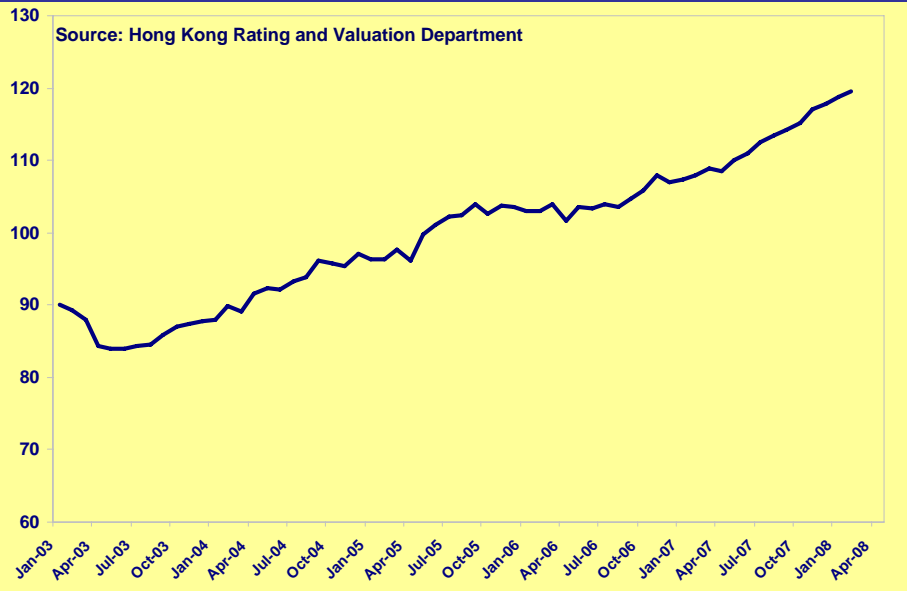
Source: Census & Statistics Department, HK

**Retail Rents Continue To Improve**



Centre de Laguna Property

**Private Retail Rental Index - Jan 2003 to Feb 2008**





The Metropolis Mall

- Results Highlights
- Financial Results
- Hong Kong Economy
- **Portfolio Performance**
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City One Shatin Property  
 414,469 sf

- Renewals enjoyed a healthy reversion of 12% in 1Q08 and a 100% tenant retention
- Various opportunities for AEIs under evaluation; a major focus in 2008.



Ma On Shan Plaza  
 310,084 sf

- Strong reversion of 62% for renewals in 1Q08; average passing rent up 12% y-o-y to over HK\$28 psf
- Various energy saving measures installed to save utilities expense



Metropolis Mall  
 332,168 sf

- Committed Occupancy 94.5%
- Changing tenants mix to capture newly developed hotels, serviced apartments and deluxe residential apartments in catchment



Waldorf Garden Property  
 80,842 sf

- Rental reversion is 27% for renewals in 1Q08
- Phase 1 AEI completed last year while phase 2 AEI was completed in 1Q08.

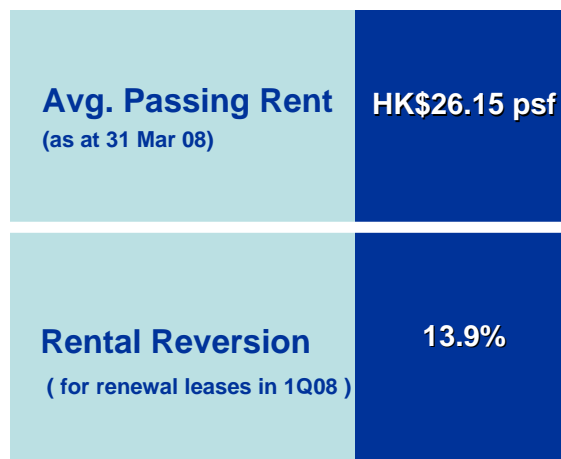
# Occupancy And Passing Rent

**Portfolio Committed Occupancy At 94.2%; Passing Rent At HK\$26.15psf**

As at 31 Mar 08	GRA (sf)	Actual Occupancy	Committed Occupancy
1. City One Shatin Property	414,469	96.1%	96.1%
2. Ma On Shan Plaza	310,084	100.0%	100.0%
3. The Metropolis Mall	332,168	85.1%	94.5%
4. Waldorf Garden Property	80,842	88.7%	98.6%
5. Smartland	123,544	85.4%	91.8%
6. Jubilee Court Shopping Centre	170,616	77.6%	83.8%
7. Tsing Yi Square Property	78,836	93.0%	93.0%
8. The Household Center	91,779	80.8%	81.4%
9. Centre de Laguna Property	43,000	97.7%	97.7%
10. Lido Garden Property	9,836	97.8%	97.8%
11. Rhine Garden Property	14,604	100.0%	100.0%
<b>Portfolio Total</b>	<b>1,669,778</b>	<b>90.7%</b>	<b>94.2%</b>

Source: ARASL

## Portfolio Passing Rents up 10 % Y-o-Y



Source: ARASL

# Portfolio Expiry Profile

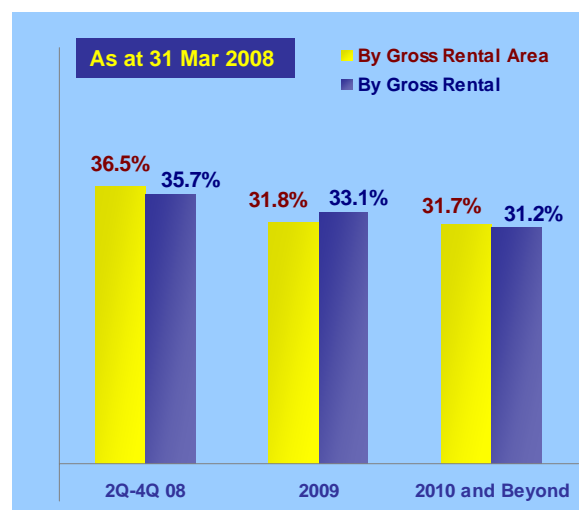
**36.5% Of Leases Due For Renewal In 2Q-4Q Of 2008**

## Expiry Profile By Gross Rentable Area

As at 31 Mar 2008	% of occupied space expiring		
	2Q-4Q 08	2009	2010 & Beyond
1. City One Shatin	32.2	41.7	26.1
2. Ma On Shan Plaza	41.6	21.3	37.1
3. The Metropolis Mall	40.3	25.0	34.7
4. Waldorf Garden	22.5	6.8	70.7
5. Smartland	37.0	40.4	22.6
6. Jubilee Court Shopping Centre	18.3	48.5	33.2
7. Tsing Yi Square	35.1	31.6	33.3
8. The Household Center	55.0	38.0	7.0
9. Centre de Laguna	37.9	31.0	31.1
10. Lido Garden	53.1	29.7	17.2
11. Rhine Garden	96.0	2.4	1.6
<b>Portfolio Total</b>	<b>36.5</b>	<b>31.8</b>	<b>31.7</b>

Source: ARASL

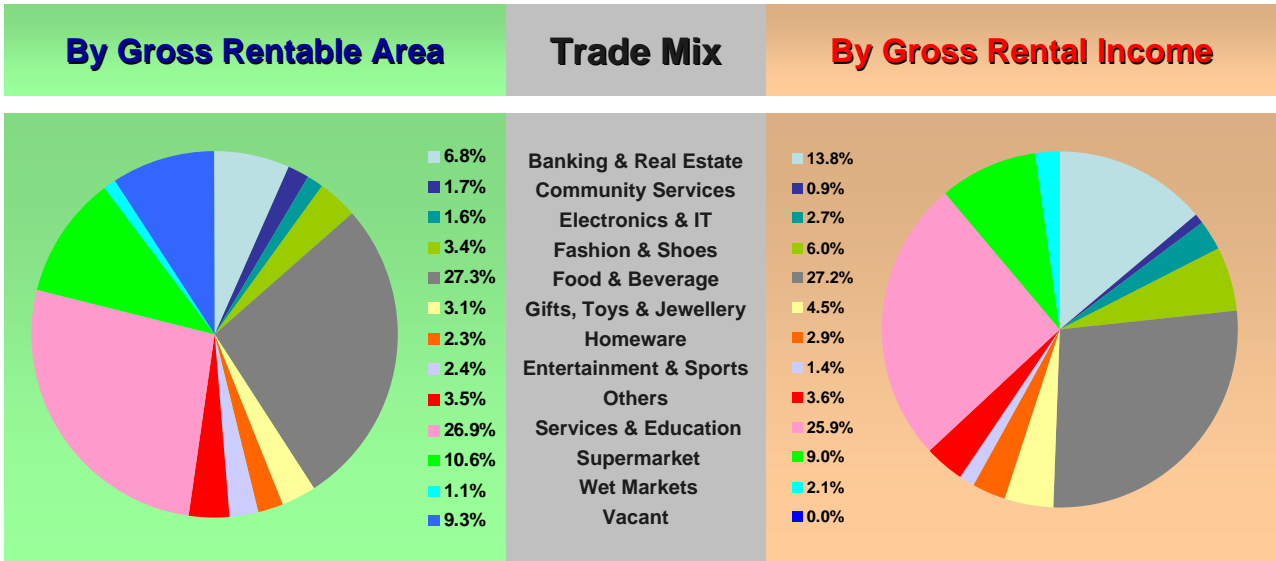
## Portfolio Expiry Profile



Source: ARASL



**Trade Mix Well Diversified To Meet Catchment Needs**



Source: ARASL

**Ma On Shan Plaza**



**Pivotal Promotional Activities Draw Crowds**

**The Metropolis Mall**



# Marketing and Promotions...

## City One Shatin

## Carving A Family Niche Through Targeted Activities



## Festive Celebrations In The Malls

From left to right: CNY lion dances in City One Shatin, Metropolis, Ma On Shan Plaza, Household Centre and Smartland.



# Contents



The Metropolis Mall

- Results Highlights
- Financial Results
- Hong Kong Economy
- Portfolio Performance
- **Asset Enhancement Initiatives**
- Growth Strategies



# City One Shatin Property (“COP”) AEI



**Proposed Total CAPEX**

HK\$ 95 million

**Target Start Date**

4Q 2008

**Target Completion Date**

From 4Q09 to 2Q10

**Scope Of Works**

City One Shatin Property, total GRA of 414,496sf, largest property in Fortune REIT

**Overall**

To upgrade external facade

**City One Plaza (COP)**

To enhance the open atrium. Upgrade the trade mix. Reposition it to a specialty food bazaar.

**Ngan Shing Com. Ctr (NS)**

To improve the linkages between COP and NS. To differentiate NS as a service trade centre.

**Wet Market**

Repositioning to a modern, clean and up-market Wet Market

# COP AEI: Open Atrium

## Open Atrium Be The New Focal Point



*\*Conceptual drawings for reference only*

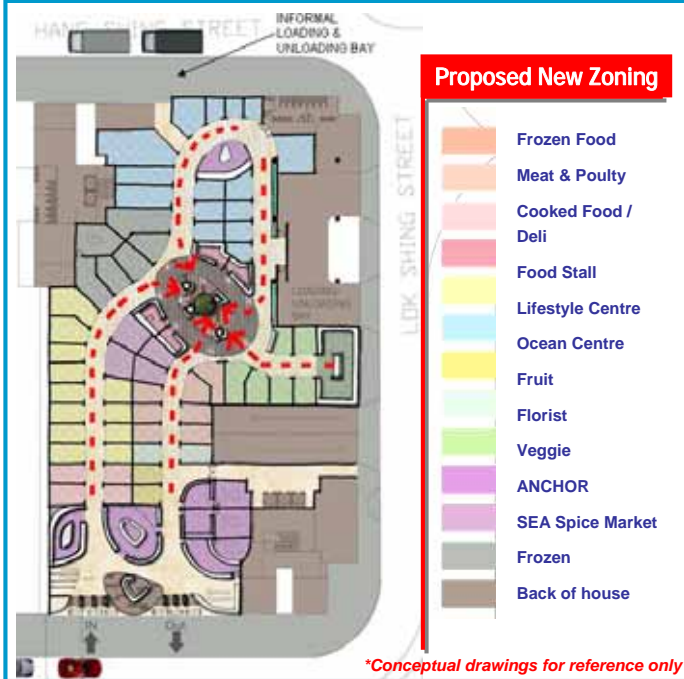


➤ F&B trades surround the open atrium to enjoy better ambiance

➤ Features to attract family shoppers with children

# COP AEI – Wet Market

## Reconfiguration and re-layout of 14,000sf Wet Market



- To offer a new shopping experience
  - More hygienic and comfortable shopping environment
  - New sterilizing system for seafood stalls
- To strengthen retail offerings
  - More variety of products including popular organic food, lifestyle houseware
- Zoning to differentiate wet and dry products
- Improved circulation by putting purpose driven product at the rear

# Waldorf Garden AEI, Completed



<b>Value creation of AEI</b>	Waldorf Garden, total GRA of 80,842sf
Incremental rental for the enhanced zone p.a.	<b>HK\$13.8 M</b>
Total CAPEX spent	<b>HK\$15.9 M</b>
Return on investment	<b>86.8%</b>



# Waldorf Garden AEI, Completed

## Phase 2 AEI: Strong Leasing Commitment of over 90%



Telecom Shop paying high unit rental

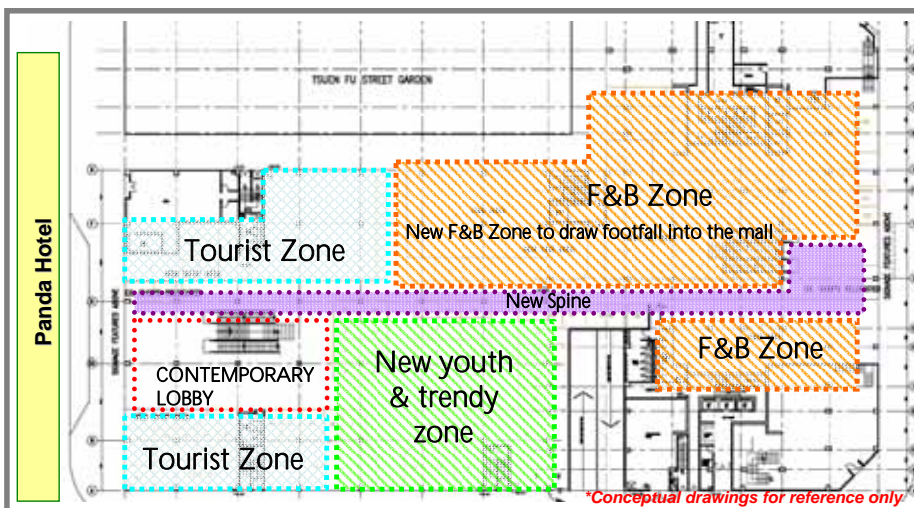


Supermarket comes in as anchor tenant



Famous Japanese restaurant draws crowd

# Smartland AEI



<b>Proposed Total CAPEX</b>
HK\$ 7 million
<b>Target Start Date</b>
End 2008
<b>Target Completion Date</b>
End 2009

<b>Scope Of Works</b>	Smartland, total GRA of 123,544
<b>External facade</b>	Eye catching neon light signage
<b>Tenant repositioning</b>	Cosmetic, goldsmith, pharmacy to suit Chinese Visitors, young & trendy zone for youngsters
<b>Space reconfiguration</b>	A "New Spine" main corridor to draw footfall from both main entrance

**Upgrading The External Façade To Attract Tourist Shoppers From Neighboring Hotel**

**The New Look\***



*\*Conceptual drawings for reference only*

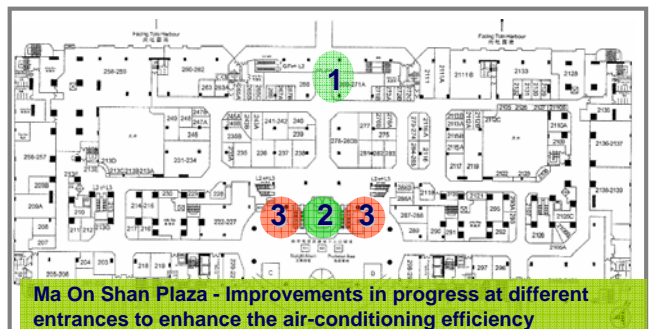


**The Existing Look**

**Energy Efficiency Enhancement (EEE)**

**Full Energy Audit To Enhance Energy Efficiency And Promote Cost Saving**

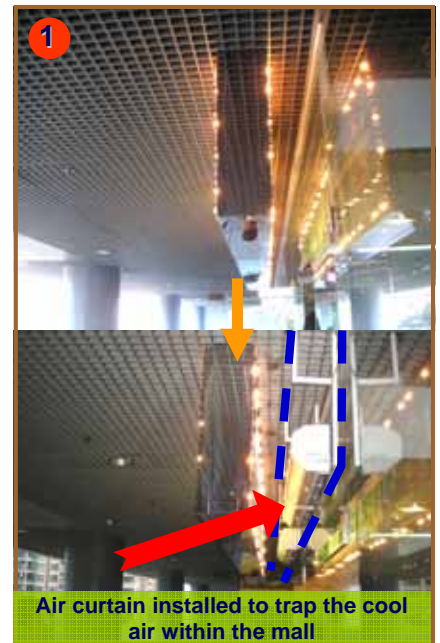
- Utilities cost is about 15% of the total operating expense
- Various measures to enhance energy efficiency in the malls:
  - Lighting
  - Installation of energy saving transformers
  - Installation of LED lighting and high efficient reflectors
  - Air-conditioning
  - Physical barrier to block the leakage of cool air
- Targeting a HK\$1M saving to portfolio energy cost in 2008
- Ma On Shan Plaza and Household Centre the first batch of properties to implement the energy saving measures.



**Ma On Shan Plaza - Improvements in progress at different entrances to enhance the air-conditioning efficiency**



## Effectively Save Energy Expense With Minimal Installation Cost



- Results Highlights
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**Growth Focused Strategies**

**➤ Asset Enhancement Growth**

- ☑ Optimize trade mix to serve the respective catchment areas
- ☑ Upgrading access channels to increase footfall
- ☑ Resizing units to maximize rent

**➤ Organic Growth**

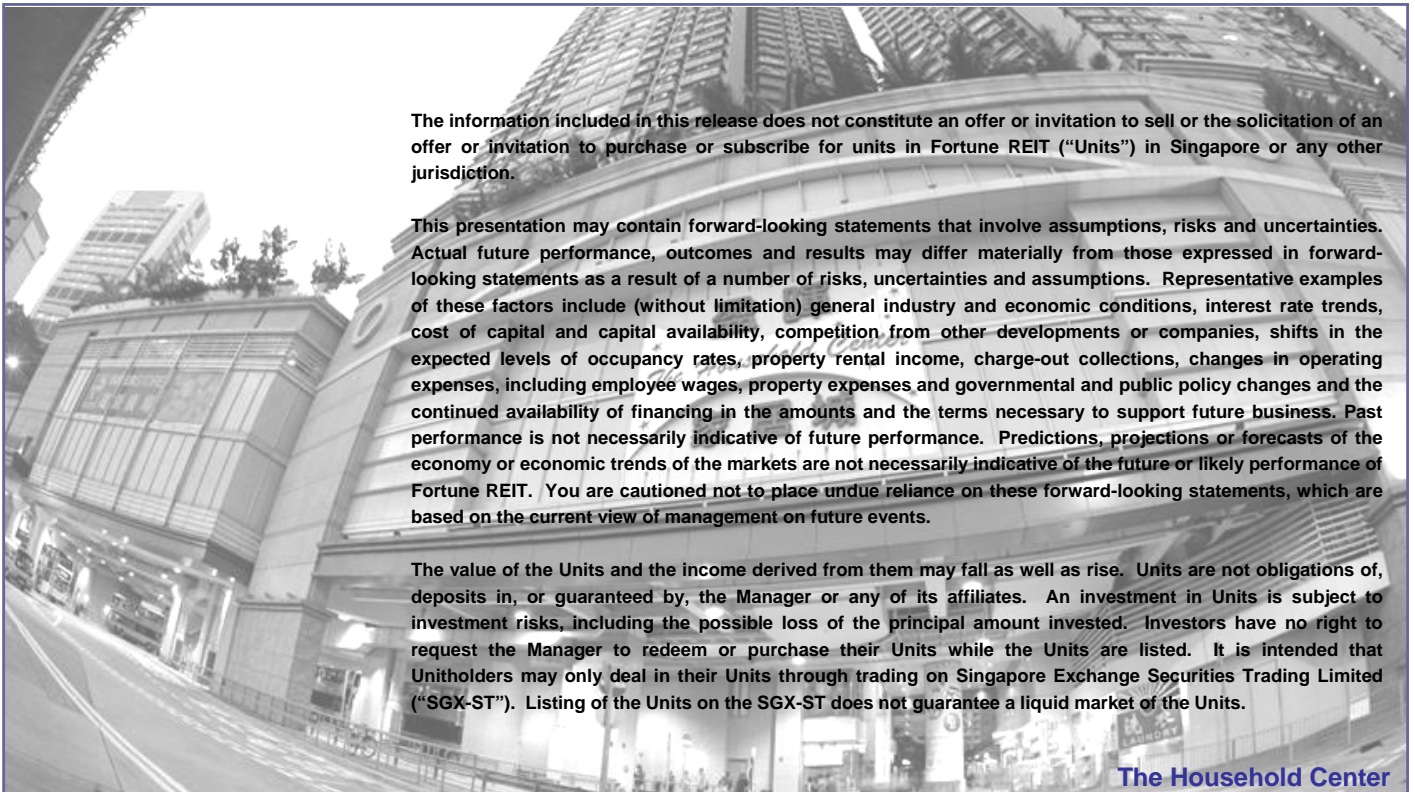
- ☑ Aggressive negotiations to maximize reversion rents
- ☑ Strategic and focused advertising and promotions

**➤ Asset Base Growth**

- ☑ Yield accretive acquisitions on suburban malls in HK
- ☑ Opportunistic but prudent foray into PRC (second tier cities)



**The Metropolis Mall**



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**The Household Center**





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