



Fortune Real Estate Investment Trust  
A portfolio of 14 retail properties in Hong Kong

Financial results for the period ended 30 September 2010  
8 November 2010



Stock Code | Hong Kong: 778 | Singapore: F25U



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Managed by ARA Asset Management (Fortune) Limited

Results Highlights

Financial Results

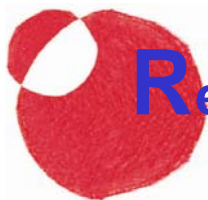
Hong Kong Economy

Portfolio Performance

Asset Enhancement & Marketing Initiatives

Key Strategies





# Results Highlights

Period ended 30 Sep 2010

<b>Total Revenue, YTD 3Q10</b>	<b>HK\$619.5 mil</b>	<b>+ 23.5% YoY</b>
<b>Net Property Income (NPI), YTD 3Q10</b>	<b>HK\$444.5 mil</b>	<b>+ 24.5% YoY</b>
<b>Distributable Income, YTD 3Q10</b>	<b>HK\$300.8 mil</b>	<b>+ 23.8% YoY</b>
<b>Distribution Per Unit (DPU), YTD 3Q10</b>	<b>HK\$0.1803</b>	
<b>Annualised Distribution Yield<sup>1</sup></b>	<b>6.2%</b>	
<b>Net Asset Value (NAV) Per Unit (as at 30 Sep 10)</b>	<b>HK\$5.67</b>	
<b>Portfolio Valuation<sup>2</sup> (as at 30 Jun 10)</b>	<b>HK\$12,421 mil</b>	
<b>Gearing</b>	<b>21.9%</b>	
<b>Portfolio Rental Reversion<sup>3</sup></b>	<b>10.5%</b>	
<b>Portfolio Occupancy</b>	<b>98.0%</b>	

**Notes:**

1. Based on the average closing unit price in Singapore and Hong Kong of HK\$3.86 as at 30 September 2010.
2. The portfolio was valued by Savills Valuation and Professional Services Limited ("Savills").
3. For all renewal leases from 1 Jan 2010 to 30 September 2010.



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## Results Highlights

### Financial Results

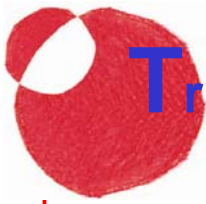
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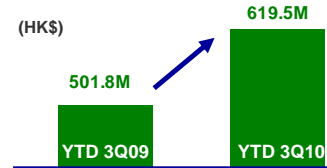
# Trust Income YTD 3Q10

Period ended 30 Sep 2010

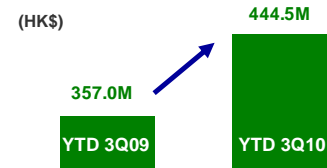
## Net Property Income Rose By 24.5% in YTD 3Q10 vs YTD 3Q09

	YTD 3Q10 <sup>2</sup> (HK\$'000)	YTD 3Q09 (HK\$'000)	Variance (%)
<b>Total revenue</b>	<b>619,519</b>	<b>501,755</b>	<b>23.5%</b>
Property operating expenses	(161,317)	(133,707)	20.6%
Manager's performance fee	(13,746)	(11,041)	24.5%
<b>Net property income ("NPI")</b>	<b>444,456</b>	<b>357,007</b>	<b>24.5%</b>
Borrowing costs	(83,371)	(64,781)	28.7%
<b>Profit before tax<sup>1</sup></b>	<b>361,085</b>	<b>292,226</b>	<b>23.6%</b>
Hong Kong tax	(58,100)	(47,403)	22.6%
Net profit of property companies <sup>1</sup>	302,985	244,823	23.8%
<b>Income available for distribution</b>	<b>300,826</b>	<b>242,910</b>	<b>23.8%</b>
<b>DPU (HK\$)<sup>3</sup></b>	<b>0.1803</b>	<b>0.2935</b>	-

### Revenue +23.5%

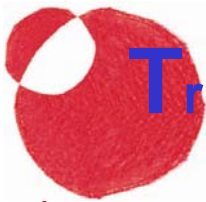


### NPI +24.5%



Notes:

- Fortune REIT recognized a gain of HK\$912.9 million in YTD 3Q10 arising from changes in fair values of the properties and a loss of HK\$76.4 million in YTD 3Q10 arising from changes in fair values of financial instrument. There will be no impact on income available for distribution. These figures are thus excluded for the purpose of this presentation.
- Fortune REIT acquired 3 new properties on 15 October 2009.
- DPU for YTD 3Q10 was calculated based on the enlarged units in issue, which included 824.9 million of rights units and 6.4 million of acquisition fee in units issued on 15 October 2009 and 16 October 2009 respectively.



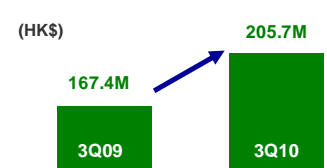
# Trust Income 3Q10

Period ended 30 Sep 2010

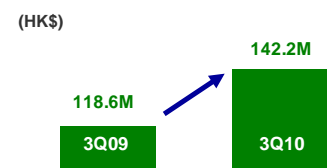
## Total Revenue Rose By 22.9% in 3Q10 vs 3Q09

	3Q10 <sup>2</sup> (HK\$'000)	3Q09 (HK\$'000)	Variance (%)
<b>Total revenue</b>	<b>205,710</b>	<b>167,442</b>	<b>22.9%</b>
Property operating expenses	(59,156)	(45,182)	30.9%
Manager's performance fee	(4,397)	(3,668)	19.9%
<b>Net property income ("NPI")</b>	<b>142,157</b>	<b>118,592</b>	<b>19.9%</b>
Borrowing costs	(27,068)	(20,839)	29.9%
<b>Profit before tax<sup>1</sup></b>	<b>115,089</b>	<b>97,753</b>	<b>17.7%</b>
Hong Kong tax	(18,226)	(15,984)	14.0%
Net profit of property companies <sup>1</sup>	96,863	81,769	18.5%
<b>Income available for distribution</b>	<b>96,255</b>	<b>81,212</b>	<b>18.5%</b>
<b>DPU (HK\$)<sup>3</sup></b>	<b>0.0576</b>	<b>0.0975</b>	-

### Revenue +22.9%



### NPI +19.9%



Notes:

- Fortune REIT recognized a loss of HK\$20.1 million in 3Q10 arising from changes in fair values of financial instrument. There will be no impact on income available for distribution. These figures are thus excluded for the purpose of this presentation.
- Fortune REIT acquired 3 new properties on 15 October 2009.
- DPU for 3Q10 was calculated based on the enlarged units in issue, which included 824.9 million of rights units and 6.4 million of acquisition fee in units issued on 15 October 2009 and 16 October 2009 respectively.



# Balance Sheet

As at 30 Sep 10	(HK\$'000)
Current Assets	452,452
Non Current Assets	12,436,686
<b>Total Assets</b>	<b>12,889,138</b>
Current Liabilities	429,872
Non Current Liabilities	2,989,011
<b>Total Liabilities</b>	<b>3,418,883</b>
<b>Net Assets</b>	<b>9,470,255</b>

Gearing Ratio

21.9% Portfolio Valuation<sup>1</sup>

HK\$12,421 M

NAV Per Unit <sup>2</sup>

HK\$5.67




## Notes:

- As at 30 Jun 2010 by Savills.
- The total number of deemed units used for the computation of net asset value per Unit is 1,669,032,247 Units. This comprises: (a) number of Units in issue as at 30 September 2010 of 1,666,597,743 Units and (b) Units issued on 7 October 2010 to the Manager as the Manager's Base Fee for 3Q10 of 2,434,504 Units.



# Debt Management

As at 30 Sep 10	Debt Profile
<b>Total Debt <sup>1</sup></b>	<b>HK\$2,829 mil</b>
<b>Gearing Ratio / Aggregate Leverage<sup>2</sup></b>	<b>21.9%</b>
<b>Interest Cover <sup>3</sup></b>	<b>4.38 X</b>
<b>Weighted Avg. Cost of Debt <sup>1</sup></b>	<b>3.94%</b>


**No refinancing requirement until 2013**

**3 unencumbered assets provide financial flexibility**

**Further debt headroom of HK\$2.6 billion before hitting 35% gearing**

## Notes:

- Excludes the debt front-end fee.
- Following the dual primary listing on 20 April 2010, Fortune REIT is required to comply with the regulatory regimes in both Singapore and Hong Kong. In Hong Kong, the limitation on borrowing by a REIT is 45% of the total gross asset value in accordance with the REIT Code. In Singapore, according to the Property Funds Appendix, Aggregate Leverage should not exceed 35% of Deposited Property, but it may increase up to 60% with a credit rating.
- Interest cover = EBIT / Total interest expense. Included in the non-tax deductible trust expenses for the period 1 January 2010 to 30 September 2010 is a provision of HK\$30.0 million for the cost of the dual primary listing on The Stock Exchange of Hong Kong Limited. The amount have been added back for income available for distribution.

**Results Highlights**

**Financial Results**

**Hong Kong Economy**

**Portfolio Performance**

**Asset Enhancement & Marketing Initiatives**

**Key Strategies**



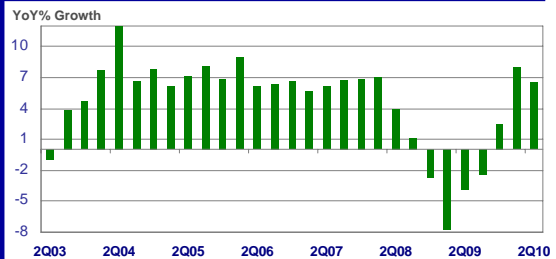
# Hong Kong Economy

Period ended 30 Sep 2010

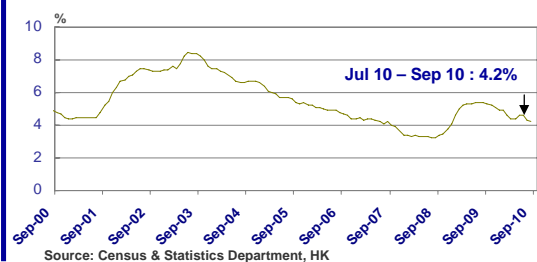
Hong Kong economy continued to show a broadly-based recovery.

- ✓ Benefited from the robust growth momentum in the Mainland.
- ✓ Given the robust y-o-y GDP growth of a 7.2% in 1H2010, the Hong Kong government revised its fully year forecast to 5-6%, up from its previous forecast of 4-5% growth

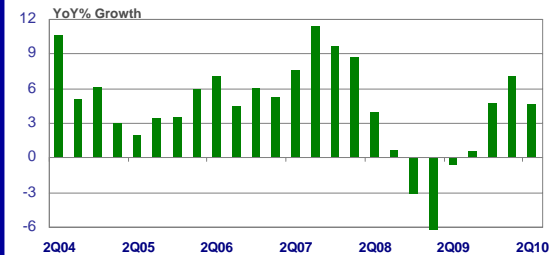
GDP: Leaped distinctly further by 6.5% y-o-y in 2Q10, after a growth of 8.0% in 1Q10.



Unemployment: The downward trend of unemployment rate continued.



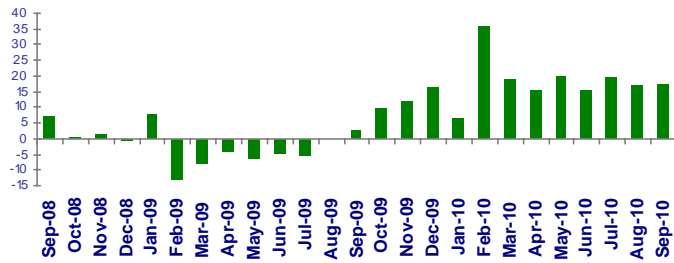
Private consumption: Up 4.6% y-o-y through improved economy and household incomes.





# Hong Kong Retail Sales

**Value of Total Retail Sales YoY % change** (Source: Census & Statistics Department, Hong Kong)

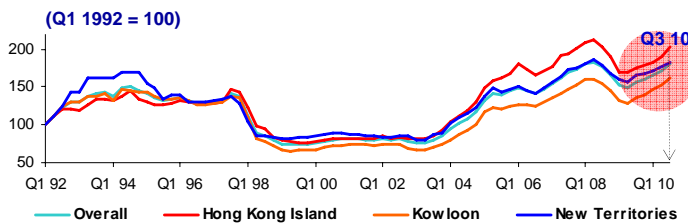


The value of total retail sales for Jan to Sep of 2010, increased by 17.9% over the same period a year ago.

Local consumer sentiment remained firm on the back of rising incomes, a better job prospect and a recovery in stock market.

Non-discretionary spending sectors like food and beverage and supermarket continued to register growth.

**Shopping Centre Rental Index by District** (Source: Savills Research)



Shopping mall rents benefiting from the revived consumer confidence, rising for the 5th consecutive quarters since 2Q09.

In particular, Kowloon and New Territories rents rose by 18% and 11% respectively over a year earlier.



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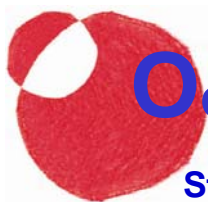
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# Occupancy and Passing Rent

Strong leasing performance; occupancy climbed to all time high

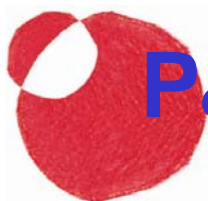
	GRA (s.f.)	Actual Occupancy (30 Sep 10)	Actual Occupancy (30 Jun 10)	Actual Occupancy (31 Dec 09)
1. City One Shatin Property	414,469	93.2% ↑	89.6%	98.2%
2. Ma On Shan Plaza	310,084	100.0%	100.0%	100.0%
3. Metro Town	180,822	100.0% ↑	99.0%	100.0%
4. The Metropolis Mall	332,168	98.1% ↑	95.1%	93.0%
5. Waldorf Garden Property	80,842	100.0%	100.0%	100.0%
6. Caribbean Bazaar	63,018	100.0%	100.0%	100.0%
7. Smartland	123,544	99.3% ↑	98.7%	94.4%
8. Tsing Yi Square Property	78,836	100.0%	100.0%	100.0%
9. Jubilee Court Shopping Centre	170,616	99.2% ↑	93.7%	81.5%
10. The Household Center	91,779	96.5%	98.7%	97.0%
11. Centre de Laguna Property	43,000	100.0%	100.0%	100.0%
12. Hampton Loft	74,734	100.0%	100.0%	100.0%
13. Lido Garden Property	9,836	100.0%	100.0%	100.0%
14. Rhine Garden Property	14,604	100.0%	100.0%	100.0%
<b>Portfolio Total</b>	<b>1,988,352</b>	<b>98.0% ↑</b>	<b>96.2%</b>	<b>96.4%</b>

**Renovation at NSCC completed and tenants started moving in. Committed occupancy as at 30 Sep 10 was 98.6%.**

**Portfolio Occupancy**  
(as at 30 Sep 10) **98.0%**

**Average Passing Rent**  
(as at 30 Sep 10) **HK\$27.7 psf**

**Rental Reversion**  
(for renewals in YTD 3Q10) **10.5%**



# Portfolio Expiry Profile

Opportunities to capitalize on lease expiries for rental growth

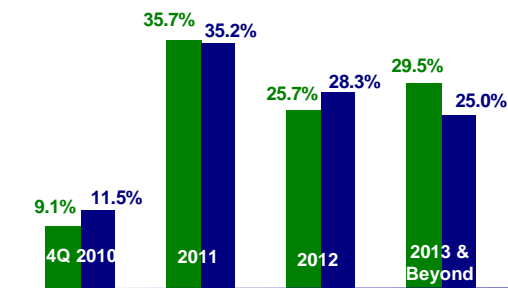
## Expiry Profile By Gross Rentable Area

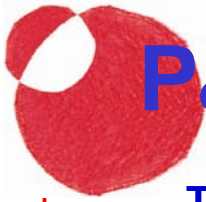
As at 30 Sep 10	% of occupied GRA		
	4Q 2010	2011	2012
1. City One Shatin Property	15.7%	33.6%	26.2%
2. Ma On Shan Plaza	6.5%	48.3%	19.0%
3. Metro Town	3.7%	19.9%	14.9%
4. The Metropolis Mall	15.3%	51.5%	19.9%
5. Waldorf Garden Property	2.0%	22.7%	18.0%
6. Caribbean Bazaar	2.8%	33.7%	54.0%
7. Smartland	2.3%	38.9%	20.6%
8. Tsing Yi Square Property	9.0%	40.1%	30.1%
9. Jubilee Court Shopping Centre	2.8%	14.7%	49.8%
10. The Household Center	5.4%	33.7%	44.2%
11. Centre de Laguna Property	27.6%	47.6%	11.9%
12. Hampton Loft	0.0%	0.0%	25.2%
13. Lido Garden Property	49.2%	12.9%	33.8%
14. Rhine Garden Property	0.0%	98.5%	1.5%
<b>Portfolio Total</b>	<b>9.1%</b>	<b>35.7%</b>	<b>25.7%</b>

## Portfolio Expiry Profile

As at 30 Sep 10

■ By Occupied GRA  
■ By Gross Rental Income

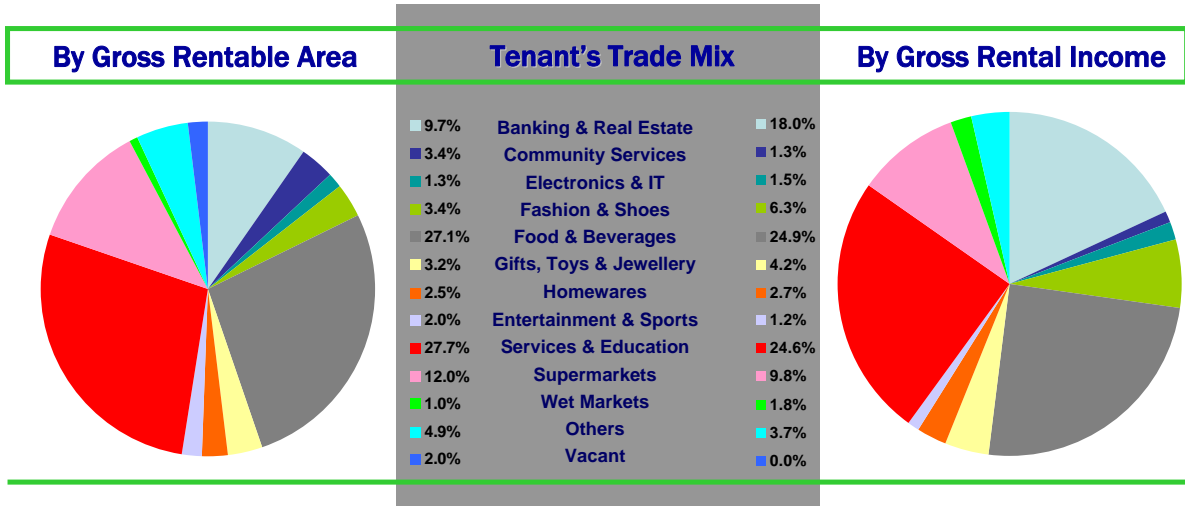




# Portfolio Trade Mix

Period ended 30 Sep 2010

## Trade Mix Well Diversified To Meet Catchment Needs



Note:  
1. As at 30 Sep 2010.



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# AEIs at City One Shatin Property

## Completion of Phase 1 AEIs at Ngan Shing Commercial Center (NSCC)

A full uplift of shopping ambiance at NSCC



### Major tenants at NSCC



- Upgrading of common corridors, ceiling and flooring, reconfiguration of space and repositioning of tenant mix.
- Completion in September 2010 as scheduled.

# AEIs at City One Shatin Property

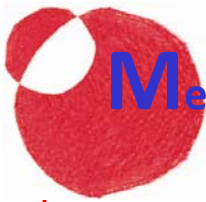
## Completion of Phase 1 AEIs at Ngan Shing Commercial Center (NSCC)



- A ParknShop Superstore offering more variety of goods to City One's residents.
- Footfall in NSCC greatly improved as ParknShop Superstore becomes the only supermarket for more than 10,000 households in City One Shatin.
- The old ParknShop space at City One Plaza is being subdivided for higher paying tenants.

### Grand opening of ParknShop at NSCC





# Metro Town – enhanced catchment and connectivity

The new campus of Hong Kong Design Institute (HKDI) would house more than 6,500 students when fully operational.



## Business at Metro Town boosted by opening of HKDI

- Huge young and consistent crowds to Metro Town. Footfall significantly improved.
- Opportunities to bring in more retail trades. Further rental upside through repositioning.



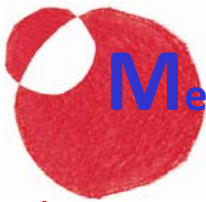
HKDI linked directly to Metro Town by footbridge.



Metro town benefited from influx of young crowds even during weekdays.



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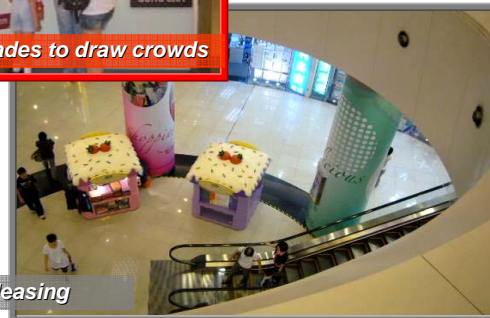


# Metro Town – Permanent Kiosks

## Permanent kiosks has been set up to enhance income stability



Presently – permanent stalls and new interesting trades to draw crowds

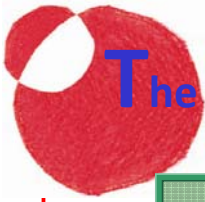


Previously – only temporary kiosks for short term leasing



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# The Metropolis Mall - Tenant Upgrade at Food Court

### BEFORE:

- Menu presentation is messy
- Name of the stall is difficult to identify



### AFTER:

- Better dining ambiance
- Name of the stall stands out



# Marketing And Promotions

## Rock show competition series to promote our malls



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# Key Strategies

Period ended 30 Sep 2010

## Focus on Stability and Sustainability



### Operational

- Maintain occupancy levels at all malls
- Work closely with tenants to drive footfall and sales



### Asset Enhancement

- Embark AELs to unlock asset value
- Ongoing facilities upgrading and cost saving measures



### Capital Management

- A prudent approach on gearing ratio and interest cost management
- Current market may present acquisition opportunities



The Household Center



# Disclaimer

Period ended 30 Sep 2010

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