



Fortune REIT  
Portfolio

# FORTUNE

置富產業信託

# REIT

Results For The Year Ended 31 Dec 2008

**ARA** Asset Management (Singapore) Limited



Year Ended 31 Dec 2008

## Results Highlights

<b>Total Revenue, FY08</b>	HK\$637.0 mil	↑ 3.6% YoY
<b>Net Property Income (NPI), FY08</b>	HK\$463.1 mil	↑ 2.9% YoY
<b>Distribution Per Unit (DPU), FY08</b>	HK\$0.3702	↑ 5.4% YoY
<b>Tax-exempt Yield<sup>1</sup></b>	18.6%	
<b>Net Asset Value (NAV) Per Unit</b>	HK\$7.58	
<b>Portfolio Valuation<sup>2</sup></b>	HK\$8,602 mil	
<b>Gearing</b>	26.4%	
<b>Portfolio Rental Reversion<sup>3</sup></b>	18.8%	
<b>Portfolio Occupancy<sup>4</sup></b>	96.0%	
<b>Tenant Retention<sup>3</sup></b>	83.6%	

**Notes:**

1. Based on the closing Unit price of HK\$1.99 as at 31 Dec 08.
2. As at 31 Dec 2008, Investment properties were re-valued by Knight Frank Petty Limited ("Knight Frank").
3. For all renewal leases from 1 Jan 08 to 31 Dec 08.
4. Actual occupancy as at 31 Dec 08.



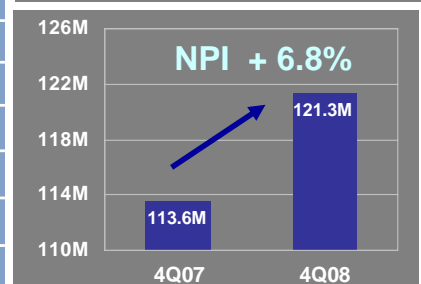
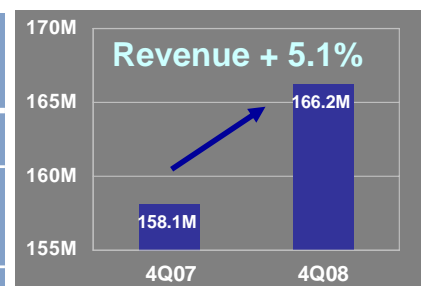
The Metropolis Mall

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

**Trust Income (4Q08 vs 4Q07)**

**Total Revenue And NPI Rose By 5.1% And 6.8% Respectively**

	4Q08 (HK\$'000)	4Q07 (HK\$'000)	Variance (%)
Total revenue	166,180	158,136	5.1%
Property operating expenses	(41,088)	(41,056)	0.1%
Manager's performance fee	(3,753)	(3,512)	6.8%
<b>Net property income ("NPI")</b>	<b>121,339</b>	<b>113,568</b>	<b>6.8%</b>
Borrowing costs	(23,640)	(30,016)	(21.2%)
<b>Profit before tax<sup>1</sup></b>	<b>97,699</b>	<b>83,552</b>	<b>16.9%</b>
Hong Kong tax	(15,705)	(14,445)	8.7%
Net profit of property companies <sup>1</sup>	81,994	69,107	18.6%
<b>Income available for distribution</b>	<b>80,779</b>	<b>77,592</b>	<b>4.1%</b>
<b>DPU (HK\$)</b>	<b>0.0986</b>	<b>0.0956</b>	<b>3.1%</b>



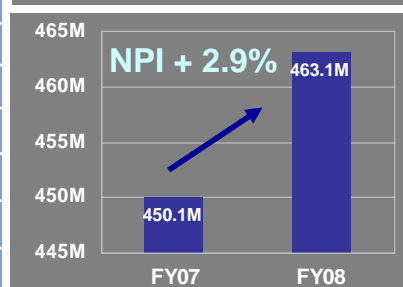
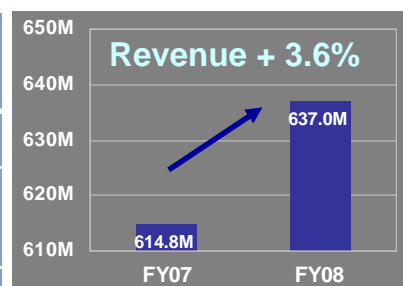
Notes:

1. Fortune REIT recognized a gain/(loss) of (HK\$1,130.6 million) and HK\$460.5 million in 2008 and 2007 respectively arising from the changes in fair values of the properties. There will be no impact on income available for distribution. These figures are thus excluded for the purpose of this presentation.

## Trust Income (FY08 vs FY07)

### Total Revenue And NPI Rose By 3.6% And 2.9% Respectively

	FY08 (HK\$'000)	FY07 (HK\$'000)	Variance (%)
Total revenue	637,038	614,757	3.6%
Property operating expenses	(159,570)	(150,791)	5.8%
Manager's performance fee	(14,324)	(13,911)	3.0%
Net property income ("NPI")	463,144	450,055	2.9%
Borrowing costs	(100,711)	(112,682)	(10.6%)
Profit before tax <sup>1</sup>	362,433	337,373	7.4%
Hong Kong tax	(52,484)	(58,226)	(9.9%)
Net profit of property companies <sup>1</sup>	309,949	279,147	11.0%
Income available for distribution	302,855	284,876	6.3%
DPU (HK\$)	0.3702	0.3512	5.4%



**Notes:**

1. Fortune REIT recognized a gain/(loss) of (HK\$1,130.6 million) and HK\$460.5 million in 2008 and 2007 respectively arising from the changes in fair values of the properties. There will be no impact on income available for distribution. These figures are thus excluded for the purpose of this presentation.

## Distribution Yield

### 18.6% Tax-exempt Yield Backed By Clean, Transparent and Steady Cashflow

FY08	Tax-exempt	Actual Pre-tax <sup>1</sup> Equivalent
DPU <sup>2</sup> (HK\$)	0.3702	0.4345
DPU yield <sup>3</sup>	18.6%	21.8%



**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. Based on the deemed Units in issue of approximate 820.8m Units.
3. Based on the closing Unit price of HK\$1.99 on 31 Dec 08.

## Distribution Details

### Fortune REIT Units Trade Ex-distribution On 30 Jan 2009

Distribution for the period 1 Jul 2008 to 31 Dec 2008

**18.51 HK cents per Unit**

Ex-distribution Date	30 Jan 2009
Book Closure	3 Feb 2009
Currency Election <sup>1</sup>	12 Feb 2009
Distribution Payment	27 Feb 2009

Note:

1. Unitholders can choose to have the distribution paid in HKD or SGD. By default, the payment is made in SGD.

## Portfolio Valuation

### Portfolio of 11 Malls Valued at HK\$8.6 Billion as of 31 Dec 2008

As at 31 Dec 08	GRA	(HK\$M)
1. City One Shatin Property	414,469	3,259
2. Ma On Shan Plaza	310,084	1,766
3. The Metropolis Mall	332,168	1,342
4. Waldorf Garden Property	80,842	743
5. Smartland	123,544	350
6. Tsing Yi Square Property	78,836	288
7. Jubilee Court Shopping Centre	170,616	285
8. The Household Center	91,779	258
9. Centre de Laguna Property	43,000	157
10. Lido Garden Property	9,836	94
11. Rhine Garden Property	14,604	60
<b>Fortune REIT Portfolio Total</b>	<b>1,669,778</b>	<b>8,602</b>



City One Shatin Property

Note:

1. Valuation by Knight Frank.

## Balance Sheet

As at 31 Dec 08

(HK\$'000)

Current Assets	280,275
Non Current Assets	8,602,117
<b>Total Assets</b>	<b>8,882,392</b>
Current Liabilities	215,142
Non Current Liabilities	2,510,886
<b>Total Liabilities</b>	<b>2,726,028</b>
<b>Net Assets</b>	<b>6,156,364</b>
<b>Units In Issue ('000)</b>	<b>820,819</b>

**Gearing Ratio**

**26.4%**

**Portfolio Valuation<sup>1</sup>**

**HK\$8,602 M**

**NAV Per Unit<sup>2, 3</sup>**

**HK\$7.58**

**Notes:**

1. As at 31 Dec 2008 by Knight Frank.
2. Based on net assets of the Group excluding hedging reserve.
3. The number of Units used for computation of NAV per Unit is 820,818,975 Units. This comprises: (a) number of Units in issue as at 31 Dec 2008 of 817,743,259 Units; (b) Units issued on 9 Jan 2009 to the Manager as the Manager's Base Fees for 4Q 2008 of 3,075,816 Units.

## Debt Management

### Low Gearing At 26.4% ; Certainty Of Financing Cost

As at 31 Dec 08

**Debt Profile**

<b>Total Debt<sup>1</sup></b>	<b>HK\$2,349 mil</b>
<b>Gearing Ratio<sup>2</sup></b>	<b>26.4%</b>
<b>Interest Cover<sup>3</sup></b>	<b>4.4x</b>
<b>Weighted Avg. Cost of Debt</b>	<b>4.22%</b>

➤ No refinancing needs until June 2010

➤ 100% of the interest cost has been fixed with various plain vanilla swaps

**Notes:**

1. Excludes the debt front-end fee.
2. 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.
3. Interest cover = EBIT / Total interest expense.





The Metropolis Mall

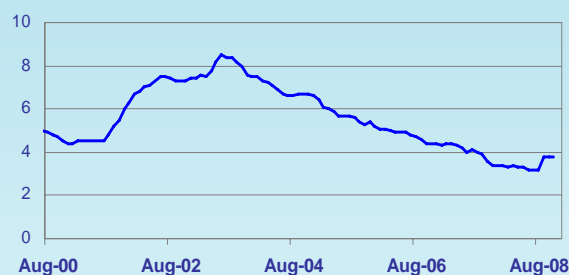
- Results Highlights
- Financial Results
- **Hong Kong Economy**
- Portfolio Performance
- Asset Enhancement Initiatives
- Growth Strategies

## Hong Kong Economic Indicators

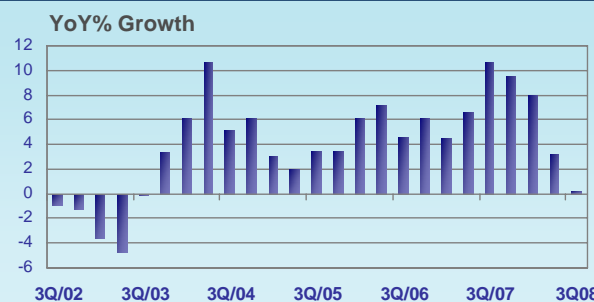
**GDP Growth – decelerated to 1.7% in 3Q08, heading to a recession**



**Unemployment – edged up to 3.8% in Sep-Nov 08**



**Private Consumption Growth – slowed to 0.3% in 3Q08**



**Retail Sales Growth – Slowing down towards 08 year end**



Source: Census & Statistics Department, HK



The Metropolis Mall

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- Financial Results
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- **Portfolio Performance**
- Asset Enhancement Initiatives
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City One Shatin Property  
414,469 sf

- Renewals enjoyed a strong reversion of 28.8% and a 94.4% tenant retention in 2008
- A series of AEIs programs are under good progress



Ma On Shan Plaza  
310,084 sf

- Healthy reversion of 13.8% for renewals for 2008; average passing rent up 11.9% y-o-y to about HK\$32 psf
- Various energy saving measures implemented to save on utilities expense



Metropolis Mall  
332,168 sf

- Changing retail tenant mix to capture shoppers from newly developed hotels, serviced apartments and deluxe residential apartments in catchment
- Strengthen the food & beverage, wedding and education zones
- Hong Kong Coliseum renovation to be completed by 1Q09



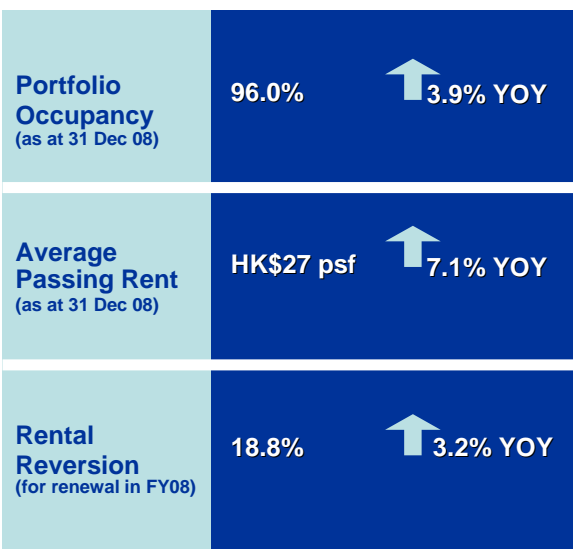
Waldorf Garden Property  
80,842 sf

- Rental reversion is 24.9% for renewals in 2008
- With the full benefit of the completed AEIs, 2008 total revenue increased by 38% over 2007
- Other ongoing facilities upgrading (i.e. toilets, ceiling and flooring of common area)

## Occupancy And Passing Rent

### Portfolio Occupancy Climbs To 96%; Passing Rents at HK\$27psf

As at 31 Dec 08	GRA (sf)	Occupancy (31 Dec 08)	Occupancy (30 Jun 08)
1. City One Shatin Property	414,469	97.0%	96.6%
2. Ma On Shan Plaza	310,084	99.9%	98.6%
3. The Metropolis Mall	332,168	95.9%	88.2%
4. Waldorf Garden Property	80,842	100.0%	99.5%
5. Smartland	123,544	94.4%	92.1%
6. Tsing Yi Square Property	78,836	97.6%	96.8%
7. Jubilee Court Shopping Centre	170,616	88.1%	78.8%
8. The Household Center	91,779	87.1%	81.8%
9. Centre de Laguna Property	43,000	100.0%	99.3%
10. Lido Garden Property	9,836	100.0%	97.8%
11. Rhine Garden Property	14,604	100.0%	100.0%
<b>Portfolio Total</b>	<b>1,669,778</b>	<b>96.0%</b>	<b>92.6%</b>



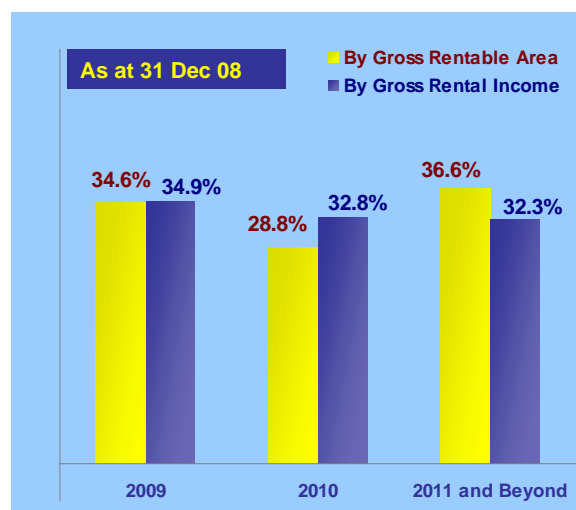
## Portfolio Expiry Profile

### 35% of leases upcoming in 2009

#### Expiry Profile By Gross Rentable Area

As at 31 Dec 08	% of occupied space expiring		
	1H 09	2H 09	2010
1. City One Shatin	24.7	20.0	32.1
2. Ma On Shan Plaza	9.7	11.7	38.7
3. The Metropolis Mall	16.2	16.2	28.3
4. Waldorf Garden	2.1	5.6	18.5
5. Smartland	29.9	8.9	11.0
6. Tsing Yi Square	9.3	21.7	42.7
7. Jubilee Court Shopping Centre	23.6	21.5	11.2
8. The Household Center	30.5	6.8	32.2
9. Centre de Laguna	19.0	45.7	30.3
10. Lido Garden	5.6	38.6	55.8
11. Rhine Garden	1.2	1.2	1.5
<b>Portfolio Total</b>	<b>18.3</b>	<b>16.3</b>	<b>28.8</b>

#### Portfolio Expiry Profile



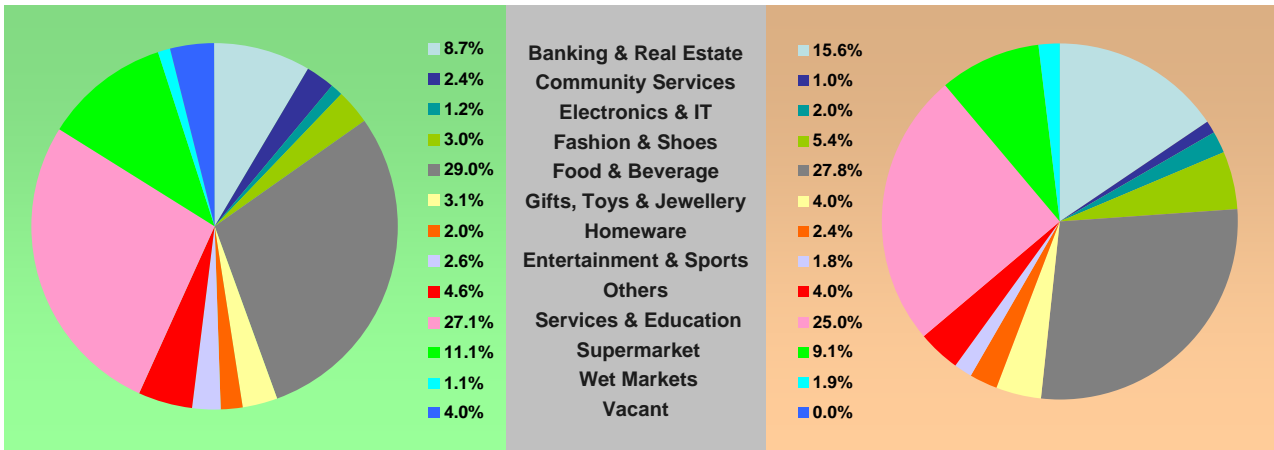


**Trade Mix Well Diversified To Meet Catchment Needs**

**By Gross Rentable Area**

**Trade Mix**

**By Gross Rental Income**



**Festive Celebrations In 2008**

**Chinese New Year**



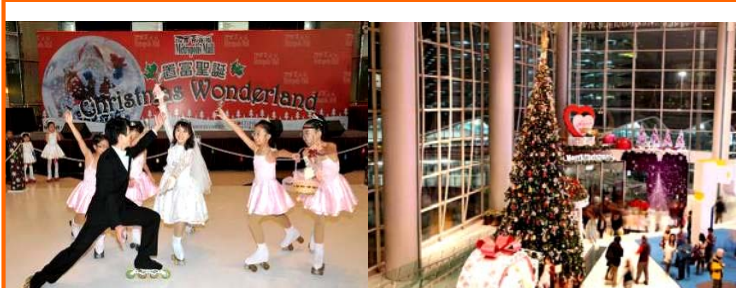
**Easter**



**Mother's Day**



**Christmas**



**Mid Autumn**



**Summer vacation**



# Other Marketing and Promotions...

## Promotion for Wedding Square in Metropolis Mall



## Smart kids events in Metropolis Mall



## Promoting Metropolis within a larger catchment



## Gundam Expo in Metropolis Mall

# Contents



The Metropolis Mall

- Results Highlights
- Financial Results
- Hong Kong Economy
- Portfolio Performance
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- Growth Strategies



# 2009 Capex Planning

## Capex: Planning to spend HK\$30M – HK\$40M in 2009



**City One Shatin Property**

- Upgrading of the Wet Market
- Air-conditioned corridor
- Upgrading of the shopping ambience
- Replacement of the chiller plant



**Metropolis Mall**

- Renovation of the food court
- Upgrading of the toilet facilities



**Smartland**

- Upgrading of the external façade and entrance
- Completion of the ceiling and floor tiles replacement

# AEIs Continued in COP

**City One Shatin Property, 414,469sf**  
 Total Capex: HK\$46M  
 Payback period: 2 - 4 years



### Ngan Shing Com. Center (NSCC)

- ✓ Second stage of AEI
- ✓ Facilities upgrading

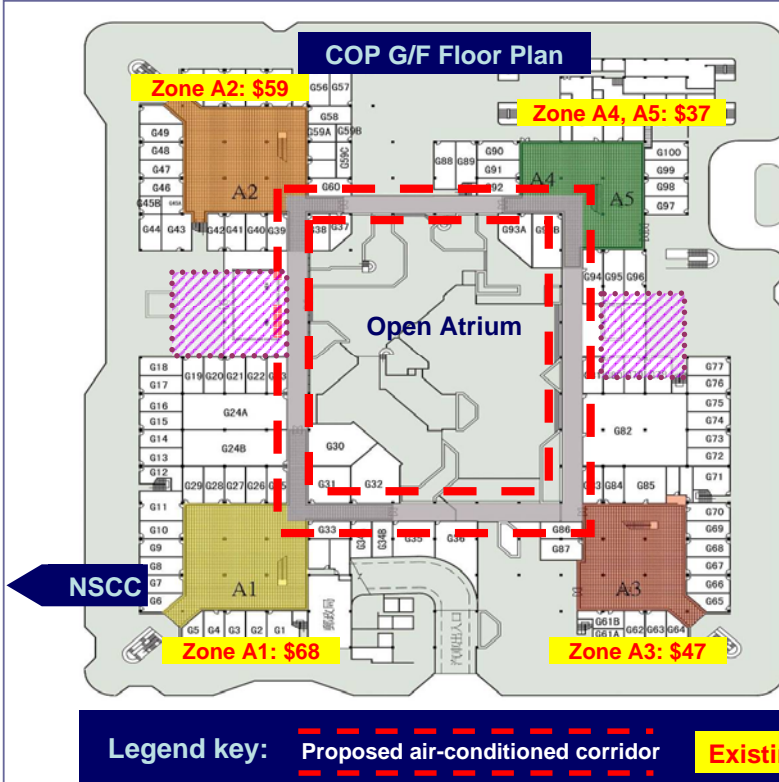
### City One Plaza (COP)

- ✓ Air-conditioned corridor to improve shopper's circulation
- ✓ Re-define zoning in the mall to create interesting shopping experience
- ✓ To be completed by 3Q09

### Wet Market

- ✓ Prime street frontage shop, Chiller replacement, upgrading of ceiling and flooring
- ✓ To be completed by 4Q09

# AEIs Continued in COP



- Enhance the overall rental by improving the circulation within COP
- ✓ Currently, COP is divided into 4 self-contained corners on the ground floor. Shoppers have to walk in and outside to move between the corner zones
  - ✓ Being along the main road, Zones A1 and A2 command higher rents
  - ✓ By putting in an air-conditioned corridor, we aim to enhance the footfall in Zone A3, A4, A5 and thus increase their rents.

# AEIs Continued in COP





# AEIs Continued in COP

## Upgrading of Wet Market

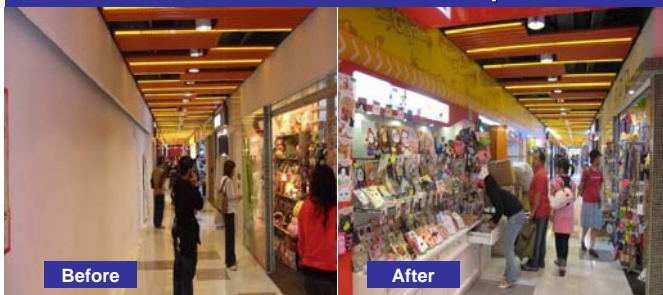
- ✓ To open prime street frontage shops
- ✓ To upgrade the internal passageway
- ✓ To replace the old chiller plant
- ✓ To put in new sign boxes
- ✓ To be completed in phases starting from 2Q09



*\*Conceptual design for reference only*

# Snapshots of other AEIs

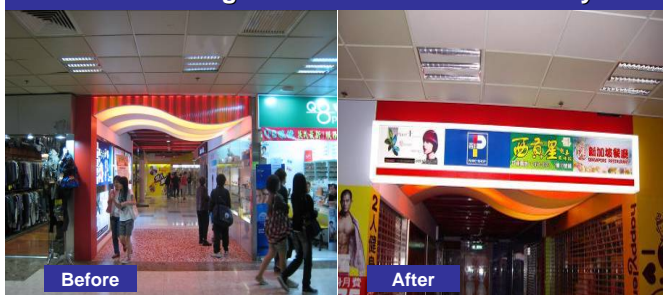
## Waldorf: Additional rentable space



## Waldorf: Upgrading of washroom



## Waldorf: Light boxes to enhance visibility



## Waldorf: New floor tiles in main corridor



## Snapshots of other AEs

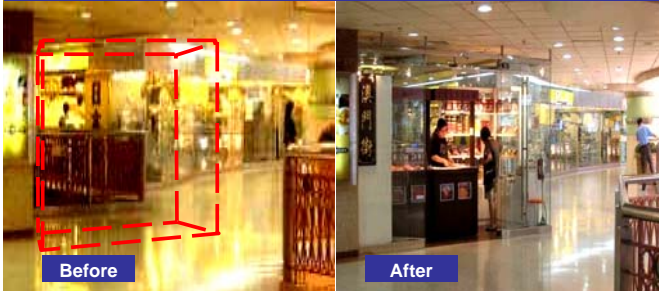
**Smartland: Upgrading of ceiling and flooring**



**Jubilee: Energy saving initiatives**



**Ma On Shan Plaza: Additional rentable space**



**Ma On Shan Plaza: Energy saving bulbs and ceiling upgrade**



## Contents



**The Metropolis Mall**

- 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

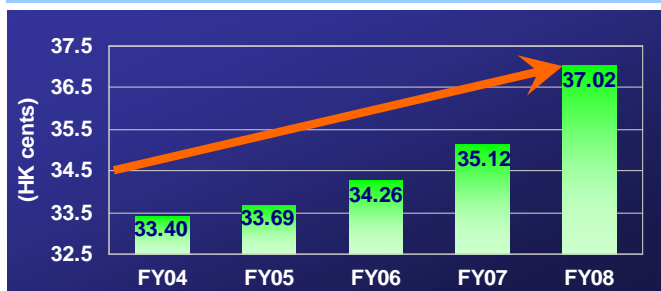
Key Facts	
IPO	12 August 2003
Indicative Yield <sup>1</sup>	18.6%
Market Cap <sup>1</sup>	HK\$1,627 M
Portfolio Valuation <sup>1</sup>	HK\$8,602 M
Portfolio Size	1,669,778sf
No. of Tenants <sup>1</sup>	840
No. of Carpark Lots <sup>1</sup>	1,434

Note: 1. As of 31 Dec 08

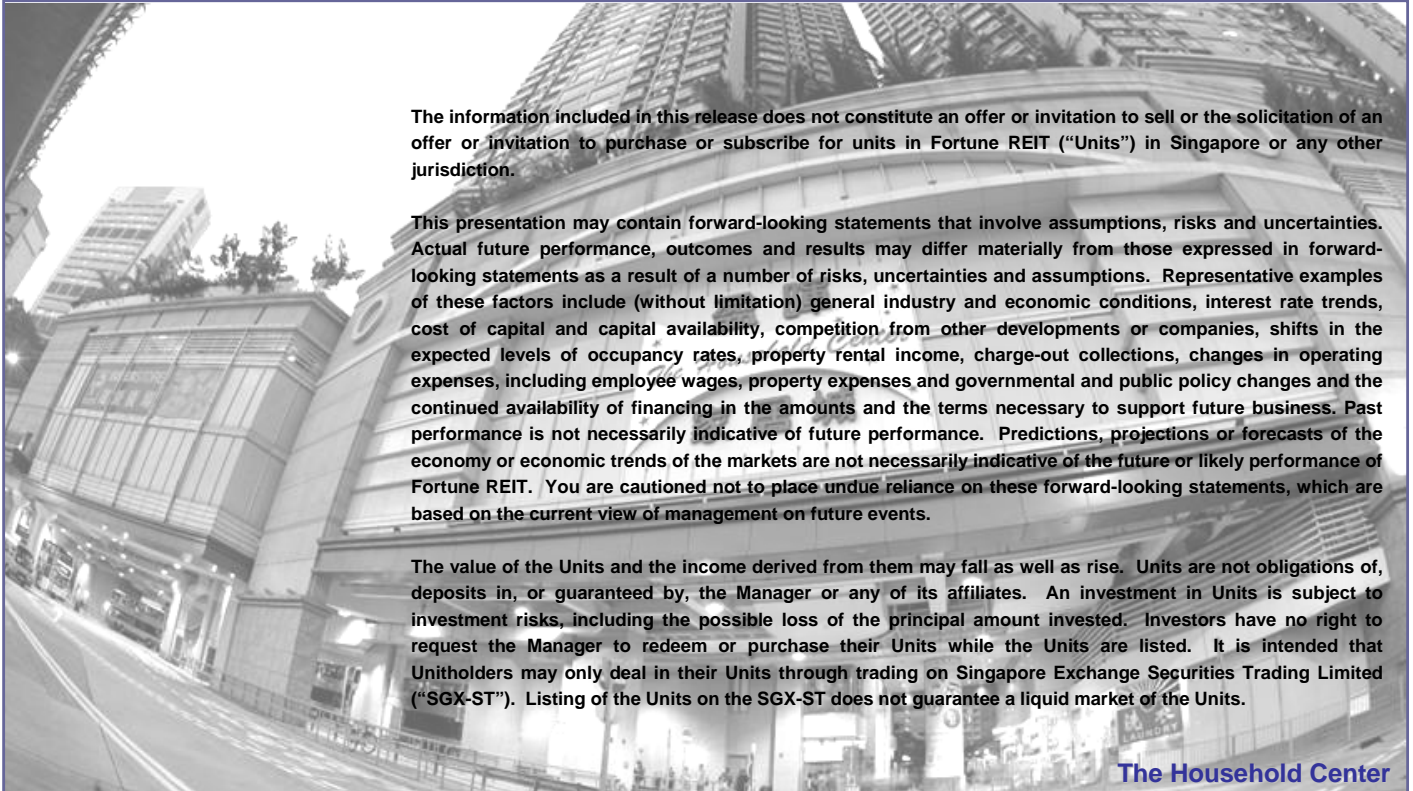


The Metropolis Mall

**DPU Growth Since IPO**



Waldorf Garden Property



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The Household Center



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