

Fortune Real Estate Investment Trust

3 Jun 2004

Manager of

FORTUNE
置富產業信託 **REIT**

The Metropolis Mall's occupancy reaches 84.9%

Pursuant to Rule 905 of the Listing Manual, ARA Asset Management (Singapore) Limited ("ARASL") as Manager of Fortune Real Estate Investment Trust ("Fortune REIT"), wishes to announce that Fortune REIT has agreed to lease the following space at one of its malls to two of the companies within the CKH Group¹. After entering into these two leases, the aggregate value of all interested person transactions entered into with the CKH Group will exceed 3% of Fortune REIT's latest audited net asset value.

Lease details

The transaction comprises leases to two companies within the CKH Group for space at The Metropolis Mall as anchor tenants.

Tenant/ Interested person	Space	Gross floor area (sf)	Monthly rental (HK\$) ²	Term	Rent free period	Use	Transaction value (HK\$) ³
Marketon Investment Limited	801-804, 846, 852- 855, 856B, 901-905, 921-923, 928-930, 937-946, 950	36,068	943,000, equivalent to HK\$26.15 psf	2 years from 1 Jun 2004, plus option for 2 years at Open Market Rent	Nil	Lifestyle concept stores	30,761,674
Clayton Power Enterprises Limited	701-702, 704-709, 756-759, 773-781, 784-788, Showcase 71-73	37,054	1,150,000, equivalent to HK\$31.04 psf	2 years from 1 Jun 2004, plus option for 2 years at Open Market Rent	Nil	Property sales office and showflats, and other approved users	36,299,861
Total		73,122	2,093,000				67,061,535

After entering into these two leases, the resulting overall occupancy of The Metropolis Mall will reach 84.9%.

¹ CKH Group refers to Cheung Kong (Holdings) Limited and its associates. Cheung Kong (Holdings) Limited is a controlling unitholder as it holds, directly and indirectly, more than 15% of all the units in Fortune REIT. In addition, the Manager, ARASL, is 30% indirectly owned by Cheung Kong (Holdings) Limited

² Chesterton Petty Ltd has, in its valuation report dated 21 May 2004, confirmed that these are the current market rentals

³ Inclusive of management fee, air-conditioning charges, promotional charges, and government rent and rates

Rationale and benefit

The rationale for these two leases lies in their proposed trades at the outset: lifestyle concept stores, and property sales office and showflats. In the Manager's opinion, these two trades are benefiting from the strong recovery of Hong Kong's economy and property markets. This recovery also comes on the back of the strong increase in the number of visitors from Mainland China.

These two trades benefit from the local recovery and increasing Mainland visitor arrivals in that:

- (i) Marketon Investment Limited ("Marketon"): lifestyle concept stores (amongst others, furniture, lighting, interior design, state-of-the-art audio-visual equipment, telecommunications equipment, video phones, and coffee corners)

The general economic recovery in Hong Kong is seeing an increase in expenditure by locals on quality lifestyle items, manifested by the pick-up in the figures for retail sales of durables. Many of these lifestyle items are manufactured in southern China, and these stores at the mall would offer a one-stop shop for locals to access such ware, aided by the fact that the mall sits centrally within the Hung Hom local transportation hub. The stores are also expected to attract visitors from the Mainland due to this one-stop convenience (without the need to source from the numerous suppliers themselves), and with the mall being adjacent to the Hung Hom KCRC terminal, which is the main point of disembarkation and embarkation for Mainland visitors travelling to and from Hong Kong.

Marketon will head the lifestyle concept stores tenancy and provide basic fit-outs for its sub-tenants. The Manger understands that, apart from sourcing local suppliers, Marketon will also recruit suppliers from southern China for these sub-tenancies.

- (ii) Clayton Power Enterprises Limited ("Clayton"): property sales office and showflats

The overall property market in Hong Kong is experiencing strong trend recoveries, with all segments increasing significantly since the last peak in 1997. Volumes have also risen strongly, which provides the basis for this tenancy to Clayton.

In addition, buyers of Hong Kong property are increasingly not just local Hong Kongers but also Mainlanders seeking investment diversification, or purchasing for personal use given the increasing numbers who conduct business in Hong Kong.

The trade complement of these two tenants, supported by other approved trades as demand requires, should also lead to synergies in their promotion and marketing efforts.

It would also improve the positioning of the mall by giving it a stronger identity. The resulting overall occupancy of 84.9% should lead to higher and more stable shopper numbers which benefit both existing and prospective tenants.

With the addition of these two tenants, the average passing rental at The Metropolis Mall would rise to approximately HK\$21.60 per square foot per month from the current HK\$19.15, a rise of 13%.

The tenants will commence business after fit-outs are completed. This is expected to occur before the first week of October, which is the National Day holiday week in China.

Subsequent leasing focus

Meanwhile, leveraging off the resulting higher shopper traffic, we will be continuing our efforts to secure tenants for the remaining 15% of space. Prospective tenants we are negotiating with include retailers of jewellery and watches, fashion, and electronics which cater mainly to Mainland visitors, as well as food and beverage tenants.

Audit Committee Statement

The Audit Committee has reviewed the terms of the leases and is satisfied that the leases are on normal commercial terms and are not prejudicial to the interests of Fortune REIT and its minority Unitholders.

Total interested person transactions conducted during the current financial year

The current total for the financial year of all transactions with the CKH Group (excluding transactions below S\$100,000 (approximately HK\$450,000 based on the exchange rate of S\$1 = HK\$4.5721 as at 1 Jan 2004)) amount to HK\$120.6 million and the current total for the financial year of all interested person transactions for the same financial year is HK\$120.6 million.

Submitted by Lim Hwee Chiang, John, Director of ARASL on 3 Jun 2004 to the SGX.

Notice

The information included in this announcement does not constitute an offer or invitation to sell or the solicitation of an offer or invitation to purchase or subscribe for units in Fortune REIT ("Units") in Singapore or any other jurisdiction.

Past performance is not necessarily indicative of future performance. Predictions, projections or forecasts of the economy or economic trends of the markets are not necessarily indicative of the future or likely performance of Fortune REIT.

You are cautioned not to place undue reliance on these predictions, projections or forecast, which are based on the current view of management on future events.

The value of the Units and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, the Manager or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested.

Investors have no right to request the Manager to redeem or purchase their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on Singapore Exchange Securities Trading Limited ("SGX-ST"). Listing of the Units on the SGX-ST does not guarantee a liquid market of the Units.