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Announcement is submitted by *	Lim Hwee Chiang
Designation *	Director
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>> Announcement Details

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Announcement Title *

PRESENTATION SLIDES - FORTUNE REIT 3Q2005 RESULTS

Description

Attachments:[Presentation_Slides-Fortune_REIT_3Q2005_Results.pdf](#)Total size = **581K**
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Results for the quarter ended 30 Sep 2005

10 Nov 2005

ARA Asset Management (Singapore) Limited

Disclaimer

This presentation is focused on comparing actual results versus forecasts outlined in the Circular to Unitholders dated 13 May 2005. It should be read in conjunction with Paragraph 9 of Fortune REIT's financial results for the period 1 Jan 2005 to 30 Sep 2005 announced on SGXNET.

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Summary

Summary

- ❖ **Revenue rose by 114.5% in 3Q05 vs 3Q04**
 - **Distribution per unit (“DPU”) was 5.0% above forecast YTD Sep 05**
 - **tax exempt yield of 5.6% achieved**
 - **New Acquisitions enhance occupancies and rental reversions**
 - **weighted average rental reversions of the portfolio was 11.6% YTD Sep 05 for renewals**
 - **average occupancy of the portfolio was 97.2% as at 30 Sep 2005**
 - **52.3% of leases up for renewal from 4Q05 to 2006**
 - **Metropolis occupancy up to 98.2% with the signing of “IdoWedding”**
 - **Gearing at 30%; 75% of debt is fixed**
 - **Unit price at attractive discount to NAV of 10.2%**

Financial highlights

Trust income

❖ Revenue rose by 114.5% in 3Q05 vs 3Q04

Fortune REIT results, 3Q05 vs 3Q04

	3Q05 (HK\$'000)	3Q04 (HK\$'000)	Var (%)
Rental revenue & charge-outs	144,702	67,464	114.5
Income and licence fee top-up	3,147	7,313	(57.0)
Operating costs ¹	(44,766)	(22,962)	(95.0)
Net property income ("NPI")	103,083	51,815	98.9
Borrowings costs	(22,455)	(5,581)	302.3
Profit before tax	80,628	46,234	74.4
Hong Kong tax	(14,078)	(8,097)	73.9
Net profit of property cos	66,550	38,137	74.5
Net profit of trust ²	56,712	35,961	57.7
Income available for dist'n	66,137	37,834	74.8
DPU (HK\$)	0.08247	0.07962	3.6

Source: ARASL

Notes:

1. Includes Manager's performance fee
2. Trust expenses include the Manager's base fee, trustee fees, and admin expenses. Also includes the negative goodwill arising from the acquisitions of the six properties which closed on 28 Jun 2005
3. Before Manager's performance fee

- **Revenue increased 114.5% in 3Q05 vs 3Q04**
 - revenue from 6 newly-acquired properties was HK\$71.2 million
 - revenue from existing malls improved by 8.9%
- **Cost-to-revenue³ ratio improved by 1.7% for 3Q05 vs 3Q04**

Trust income

❖ DPU YTD Sept 05 was 5.0% above forecast

Fortune REIT results, YTD Sep 05

	Actual (HK\$'000)	Forecast (HK\$'000)	Var (%)
Rental revenue & charge-outs	292,278	284,652	2.7
Income and licence fee top-up	9,620	16,116	(40.3)
Operating costs ¹	(87,254)	(91,531)	(4.7)
Net property income ("NPI")	214,644	209,237	2.6
Borrowings costs	(33,666)	(37,864)	(11.1)
Profit before tax	180,978	171,373	5.6
Hong Kong tax	(31,619)	(29,991)	5.4
Net profit of property cos	149,359	141,382	5.6
Net profit of trust ²	272,402	283,423	(3.9)
Income available for dist'n	148,431	139,791	6.2
DPU (HK\$)	0.2521	0.2402	5.0

- **Revenue 2.7% above forecast**
 - led by City One Shatin Property, Tsing Yi Square Property
- **Operating costs 4.7% below forecast**
 - cost-to-revenue³ ratio at 26.7%

Source: ARASL, Unitholders' Circular dated 13 May 2005

Notes:

1. Includes Manager's performance fee
2. Trust expenses include the Manager's base fee, trustee fees, and admin expenses. Also includes the negative goodwill arising from the acquisitions of the six properties which closed on 28 Jun 2005
3. Before Manager's performance fee

Distribution yield

❖ Tax-exempt yield 5.6%

FRT distribution, YTD Sep 2005¹

	Tax-exempt Actual	Tax-exempt Forecast ²	Actual Pre-tax ³
DPU⁴			
- YTD Sep 05 (HK\$)	0.25	0.2402	0.3058
Distribution yield, based on			
- 30/9/05 price (HK\$6.00)	5.6%	5.4%	6.8%

Source: ARASL, Unitholders' Circular dated 13 May 2005

Notes:

1. Fortune REIT pays tax-exempt distributions semi-annually (for the half years ending Jun and Dec). In conjunction with the Equity Fund Raising which was completed on 28 Jun 2005, a Rescheduled Distribution was declared and units in Fortune REIT traded ex-distribution on 23 Jun 2005. The Rescheduled Distribution was paid on 17 Aug 2005.
2. Unitholders' Circular dated 13 May 2005
3. Before HK income taxes. This figure is shown solely to illustrate the yield before the impact of HK taxes on the Property Cos. It does not imply investors are eligible for any dividend tax credits
4. Based on 476.1m units in issue till 28 Jun 2005, and 801.9m units in issue thereafter

- **Pre-tax yield of 6.8% - highest pre-tax yield amongst REITs listed in Asia ex-Australia**

Debt management

❖ Interest costs now 75% fixed

Fortune REIT interest expense, YTD Sep 05

	Actual	Forecast ²	Var (%)
Borrowing costs (HK\$m)	33.7	37.9	(-11.1%)
Avg int. rate ¹ (%)	3.16%	3.30%	-14bps

Source: ARASL

Notes:

1. Weighted by the relative amounts of fixed and floating debt
2. Unitholders' Circular dated 13 May 2005

Fortune REIT debt profile

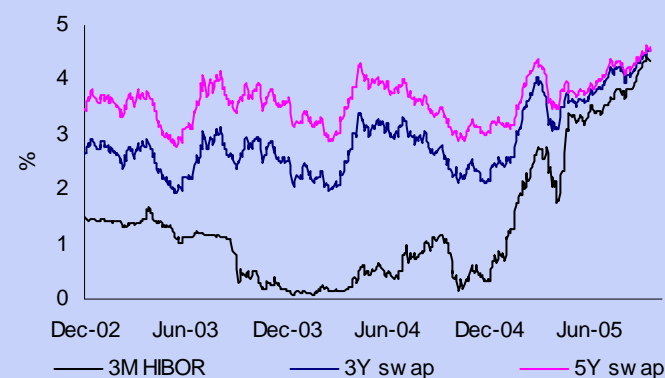
	Term	30/6/05 (HK\$m)	30/9/05 (HK\$m)	% of total
Revolving	1M	73	30	1
Floating	3M	2,385 ¹	541 ¹	23
Fixed	1Y - 3Y	0	1,844 ²	76
Total		2,458	2,415	100

Source: ARASL

Notes:

1. Excludes the debt front end fee
2. Interest is hedged in July 2005

Hong Kong interest rates



Source: Bloomberg

- 75% of debt now on fixed-rate for various maturities
- Actual interest expense 11.1% lower than forecast

Balance sheet

❖ Book value currently HK\$6.68 per unit

Fortune REIT balance sheet

	30/6/05 (HK\$m)	30/9/05 (HK\$m)	Ch (%)
Investment properties ¹	7,812	7,812	0
Total assets ²	8,091	8,054	(0.5)
Total liabilities	(2,721)	(2,688)	(1.2)
Net assets	5,370	5,366	(0.1)
NAV per unit (HK\$) ³	6.75 ⁴	6.68	(1.0)
Total debt ⁵	(2,458)	(2,415)	(1.7)
Gearing (%) ⁶	30	30	0

Source: ARASL

Notes:

1. Valuation as at 31 Dec 2004 for the first 5 malls and as at 31 Jan 2005 for the 6 newly-acquired properties
2. With the adoption of FRS 103 – Business Combination, the outstanding negative goodwill as at 31 Dec 2004 (HK\$134.4m) has been transferred to equity on 1 Jan 2005
3. Net asset value per unit is calculated based on net assets of the Group excluding hedging reserve
4. Includes distributable income of HK\$0.1647 per unit payable on 17 Aug 2005
5. This excludes the debt front end fee
6. Total debt to Deposited Property

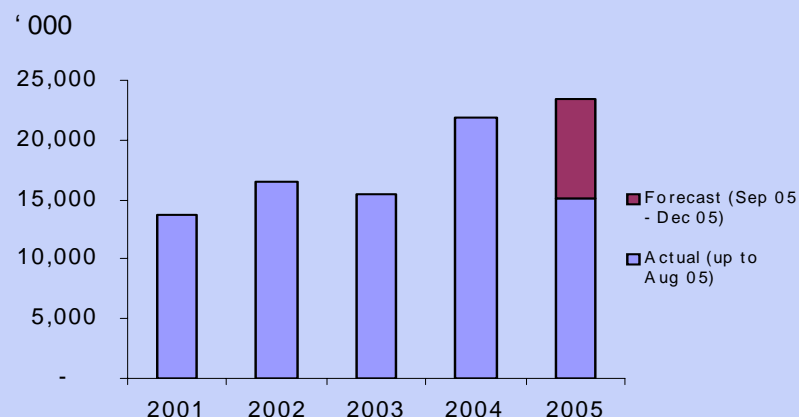
- **Discount to NAV of 10.2%**
 - price of HK\$6.00 (30 Sep 2005)
 - current NAV per unit is HK\$6.68
- **Gearing at 30.0%**
- **No distribution payout for 3Q05**
 - next distribution expected in Feb 2006
- **MAS Guideline changes**
 - the new MAS guideline enable more flexible capital management

Hong Kong economy

Economic growth

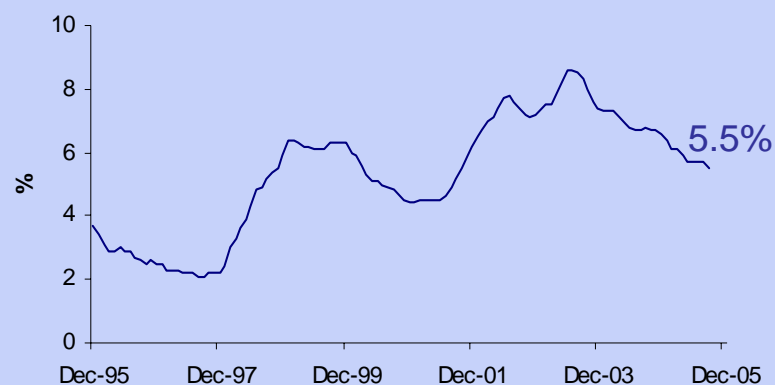
❖ Growth continues and accelerates

Tourist Arrivals



Source: Hong Kong Tourism Board

Hong Kong unemployment



Source: Bloomberg

- **Tourist arrivals forecasted to hit record high in 2005**
 - benefiting from grand opening of Disneyland
 - poised to benefit from Individual Visit Scheme for Mainland residents extended to 4 more cities - Chengdu, Jinan, Shenyang and Dalian
- **Unemployment rate declined to 5.5% (Sep 05)**
 - lowest in 4 years

Retail sales

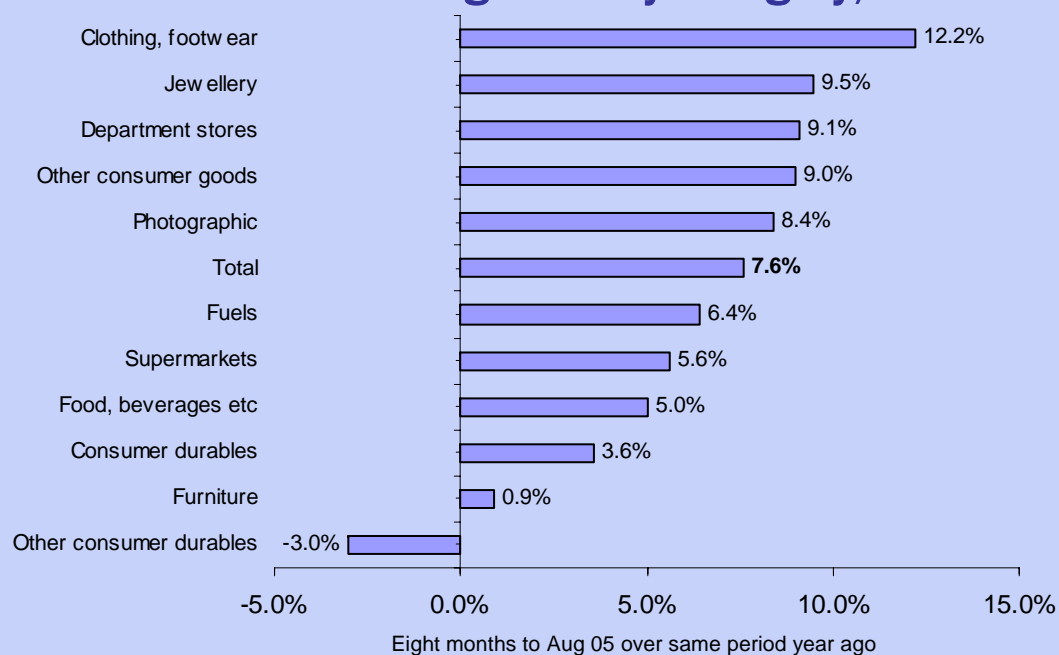
❖ Retail sales to benefit from tourist spending (esp Mainland Chinese)

Hong Kong retail sales



Source: Bloomberg

HK retail sales growth by category, 8M05



Source: Census & Statistics department

- **Retail sales remains buoyant**
 - up 7.6% in 8M05 vs 8M04
 - strongest growth is seen in clothing, jewellery and consumer related goods

Asset performance

The Metropolis Mall

❖ Taiwan Wedding Operators landed at Metropolis

- Well known Taiwan Wedding shops
 - taking over 16,000 sf in phase 1
 - expected to take additional space in phase 2
- Occupancy rose to 98.2%
 - leasing interest accelerates
- Shopper traffic continues to increase
 - shopper traffic increased 126% in 9M05 vs 9M04
- Promotional events continues

Taiwan Wedding Promotion Activities



Other Promotion Activities at Metropolis



Source: ARASL

Ma On Shan Plaza

❖ Strong rental reversions benefiting from the operating of Ma On Shan Rail

- Performance continues to be strong
 - weighted average rental reversion rate of 17.3% achieved 9M05 for renewals
 - occupancy at 96.0%
- Shopper traffic continues to increase
 - shopper traffic increased 23% in 9M05 vs 9M04
- Focusing on “higher-paying” trades
 - banking/real estate sector contributed to 9.8% of GRA (8.0% in Dec 04)
- Opening of new chain stores and renovation from existing tenants

Newly renovated Maxim's chain restaurant



New chain store at Ma On Shan Plaza



Source: ARASL

City One Shatin Property

❖ Asset Enhancement add further value

- Active leasing activity
 - weighted average rental reversion of leases was 17.5% for renewals
 - occupancy now at 94.7%
- Asset Enhancement: creating more rentable area
 - conversion of waterfall area into performance stage or exhibition area to generate additional rental revenue
- Promotional events
 - organizing promotional activities to draw shoppers to shop in the mall

Atrium Space at City One Shatin



Promotion activities at City One Shatin



Source: ARASL

Portfolio occupancy

❖ Portfolio occupancy rose to 97.2% with 844 tenants

Portfolio actual occupancy (%)

	Dec 04	Jun 05	Sep 05
Metropolis Mall	87.8	91.8	98.2
Ma On Shan Plaza	98.9	96.8	96.0
Smartland	98.8	98.3	98.9
Household Center	98.2	98.4	97.6
Jubilee Court Shopping Center	96.7	99.0	99.0
City One Shatin Property	-	94.9	94.7
Waldorf Garden Property	-	100.0	100.0
Tsing Yi Square Property	-	100.0	99.1
Centre de Laguna Property	-	99.4	99.4
Lido Garden Property	-	100.0	100.0
Rhine Garden Property	-	100.0	100.0
Portfolio	94.9¹	96.2²	97.2²
No. of tenants	438	842	844

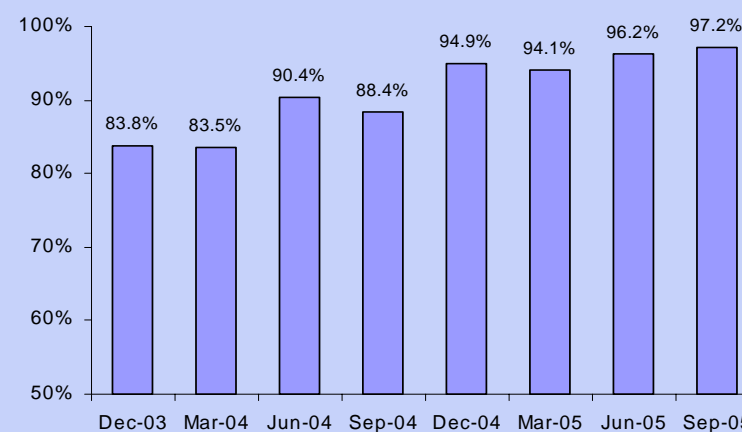
Source: ARASL

Note:

1. First five malls only

2. Includes the six newly-acquired properties

Portfolio occupancy



Source: ARASL

- **Portfolio occupancy continues to increase**
 - weighted average occupancy at 97.2%
 - Metropolis occupancy rose from 91.8% in Jun 05 to 98.2%

Portfolio expiry profile

❖ Well spread out expiry profile

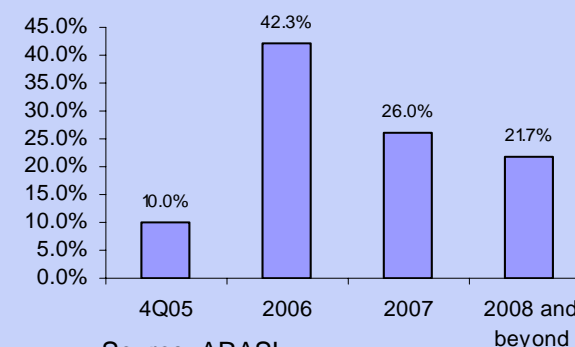
Fortune REIT expiry portfolio by gross rentable area, 30 Sep 2005

Percentage of occupied space expiring

	4Q05 (%)	2006 (%)	2007 (%)	2008 and beyond (%)	Total (%)
City One Shatin Property	7.3	42.9	31.0	18.8	100.0
The Metropolis Mall	20.1	43.4	10.5	26.0	100.0
Ma On Shan Plaza	8.4	19.4	43.1	29.1	100.0
Waldorf Garden Property	2.1	45.9	34.4	17.6	100.0
Smartland	13.0	40.1	16.7	30.2	100.0
The Household Center	1.5	64.3	10.5	23.7	100.0
Jubilee Court Shopping Ctr	10.4	62.4	21.6	5.6	100.0
Tsing Yi Square Property	4.0	36.4	46.4	13.2	100.0
Centre de Laguna Property	0.0	87.3	10.7	2.0	100.0
Lido Garden Property	30.9	46.2	22.9	0.0	100.0
Rhine Garden Property	0.0	1.6	2.4	96.0	100.0
Portfolio	10.0	42.3	26.0	21.7	100.0

Source: ARASL

Portfolio Expiry Profile by GRA



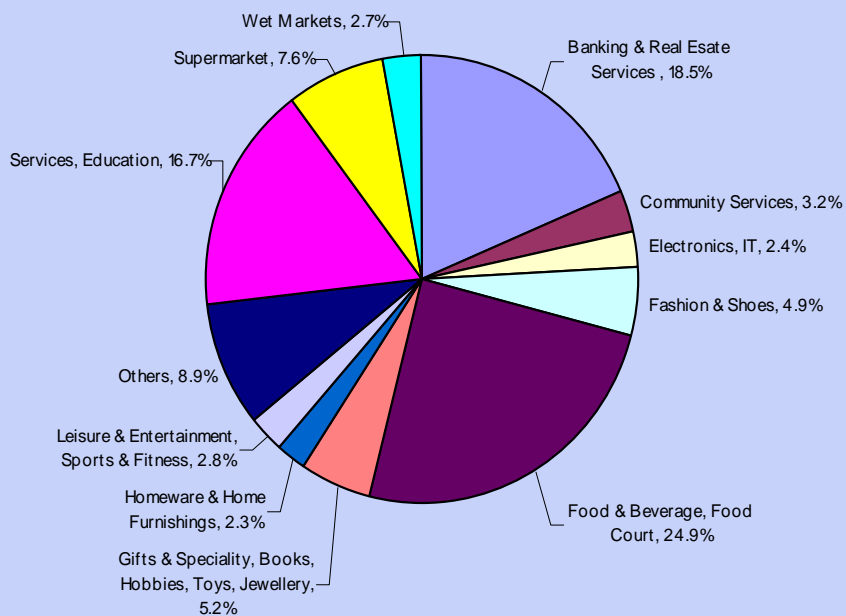
Source: ARASL

- **52.3% expiring between 4Q05 and 2006**
 - leverage on strong retail property market to enhance rental revenue

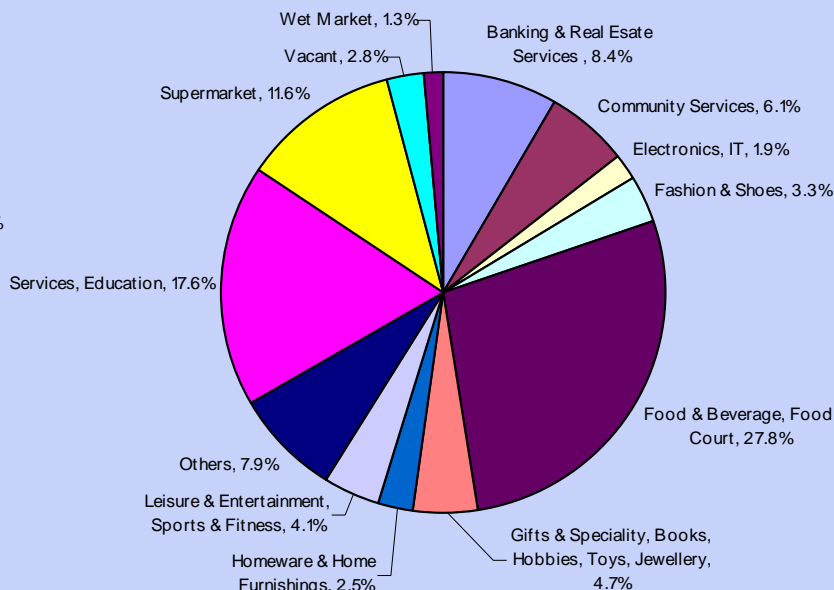
Portfolio tenant trade mix

❖ Trade mix remains diversified

By base rental income



By gross rentable area

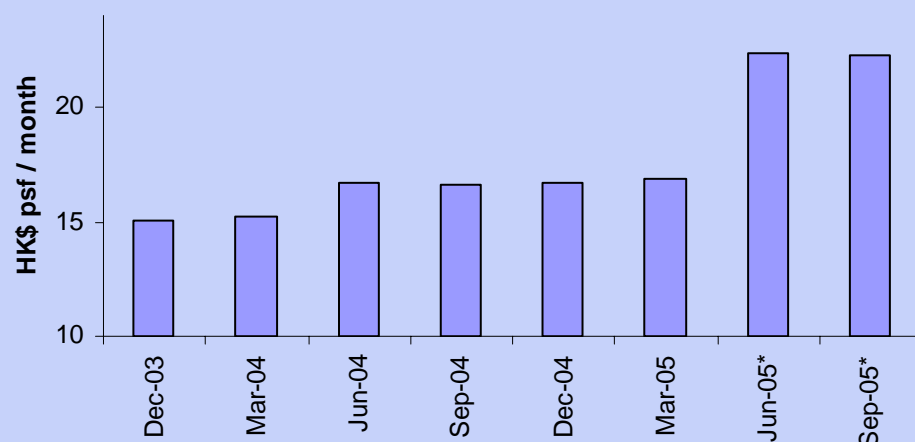


Source: ARASL

Rentals

❖ New acquisition enhances passing rent

Portfolio rents



Source: ARASL

Note:

* Include 6 newly acquired malls

- Passing rental for the 11 malls was \$22.3 psf per month as at Sep 05
- Retention rate at approximately 75%
- Weighted average rental reversion for 9M05 was 11.6% for renewals
 - approx. 370,000 sf of space expired in 9M05
 - Solid performance seen from: Ma On Shan Plaza, City One Shatin Property, Waldorf Garden Property

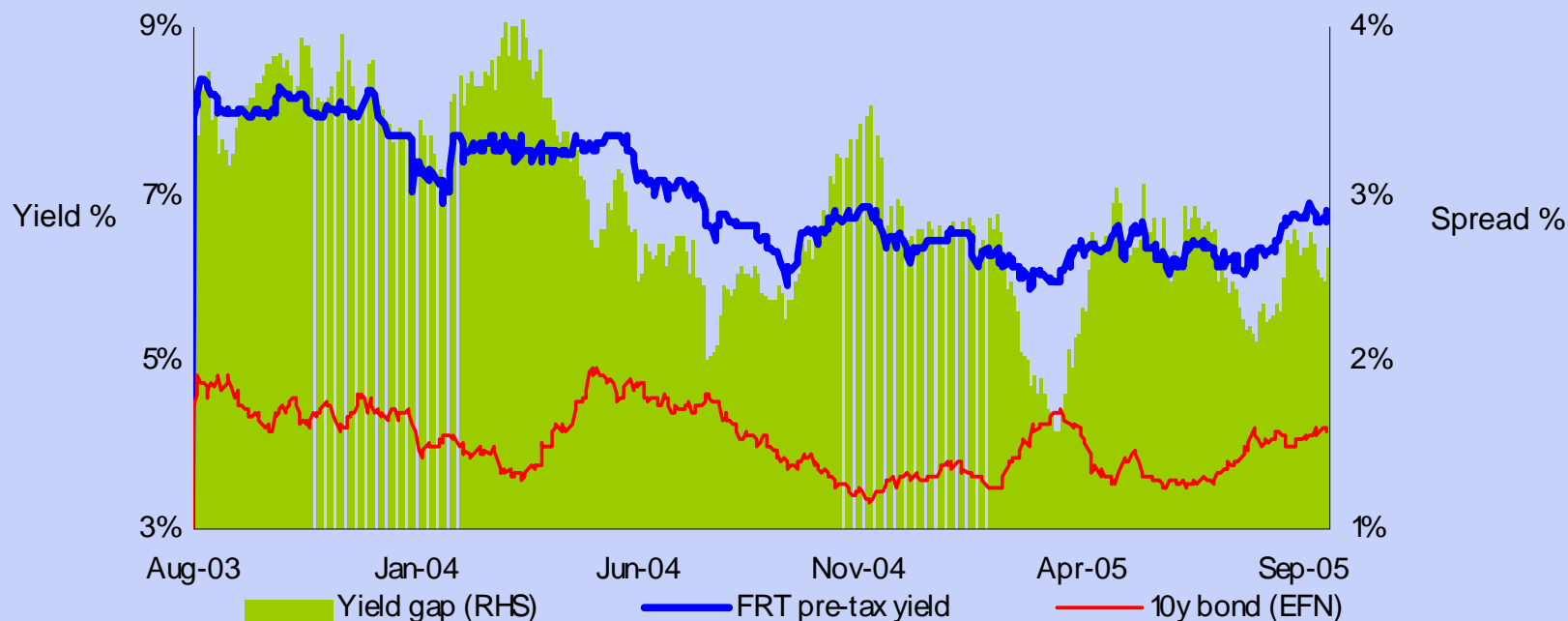
Strategy

Strategy

- Focus on improving rental reversions
 - 52.3% of tenants up for renewal between 4Q05 and 2006
- Asset Enhancements to increase future returns
 - continued efforts to create greater rentable area
- Capital management
 - monitoring interest rate environment to manage debt position
- Acquisition strategy
 - seeking yield accretive properties for acquisition
- Second Listing under consideration
 - work in progress with Hong Kong Securities & Futures Commission

Yield Gap against US 10 year treasuries

❖ Reasonable yield gap compared to US treasuries



Source: Bloomberg

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