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Results for the half year ended 30 Jun 2005

Investor briefing

27 Jul 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 Jun 2005 announced on SGXNET.

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Contents

- In brief
- Financial highlights
- Hong Kong economy
- Asset performance
- Strategy and summary

In brief

In brief

- ❖ **Tax-exempt yield of 5.4% achieved; income set to rise from rental reversions thus far**
 - Distribution per unit (“DPU”) was 3.2% above forecast in 1H 2005
 - 5.4% tax-exempt yield
 - Performance of properties running ahead of forecast
 - occupancy of eleven assets at 96.2%
 - Ma On Shan Plaza and Smartland saw strongest growth in 1H 2005
 - weighted avg. of rental reversions was +22% for renewals in 1H 2005
 - Revenue to rise further on the rental reversions to date
 - Debt-to-asset gearing at 30%; 75% of debt now on fixed rate
 - Unit price currently at NAV
 - year end NAV likely to rise due to HK retail property value appreciation

Financial highlights

Trust income

❖ DPU in 1H 2005 was 3.2% above forecast

Fortune REIT results, 1H 2005

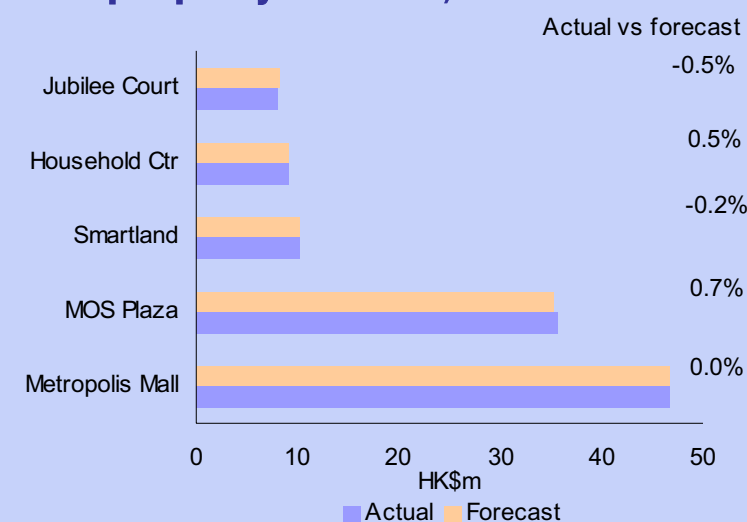
	Actual (HK\$'000)	Forecast (HK\$'000)	Var (%)
Rental revenue & charge-outs	147,576	145,671	1.3
Income and licence fee top-up	6,473	10,563	(38.7)
Operating costs ¹	(42,488)	(45,656)	(6.9)
Net property income ("NPI")	111,561	110,578	0.9
Borrowings costs	(11,211)	(13,642)	(17.8)
Profit before tax	100,350	96,936	3.5
Hong Kong tax	(17,541)	(16,964)	3.4
Net profit of property cos	82,809	79,972	3.5
Net profit of trust ²	215,690	230,467	(6.4)
Income available for dist'n	82,294	79,006	4.2
DPU (HK\$)	0.1696	0.1644	3.2

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

Net property income, 1H 2005



Source: ARASL, Unitholders' Circular dated 13 May 2005

- The six newly-acquired properties contributed HK\$1.8m to NPI for 2 days (29 & 30 Jun 2005)

Distribution yield

❖ Tax-exempt yield 5.4%

FRT distribution, 1H 2005¹

	Tax-exempt		
	Forecast	Actual	Pre-tax ³
DPU²			
- Half year ended Jun 05 (HK\$)	0.1644	0.1696	0.2089
Distribution yield, based on			
- 30/6/05 price (HK\$6.35)	5.22	5.39	6.63

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 will be paid on 17 Aug 2005.
2. Based on 476.1m units in issue till 28 Jun 2005, and 795.4m units in issue thereafter
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

- **Pre-tax yield of 6.63% amongst highest of listed REITs in Asia ex-Australia**

Debt management

❖ Interest costs now 75% fixed

Fortune REIT interest expense, 1H 2005

	Actual	Forecast	Var
Borrowing costs (HK\$m)	11,211	13,642	(17.8%)
Avg int. rate ¹ (%)	2.71	3.30	

Source: ARASL

Notes:

1. Weighted by the relative amounts of fixed and floating debt

Fortune REIT debt profile

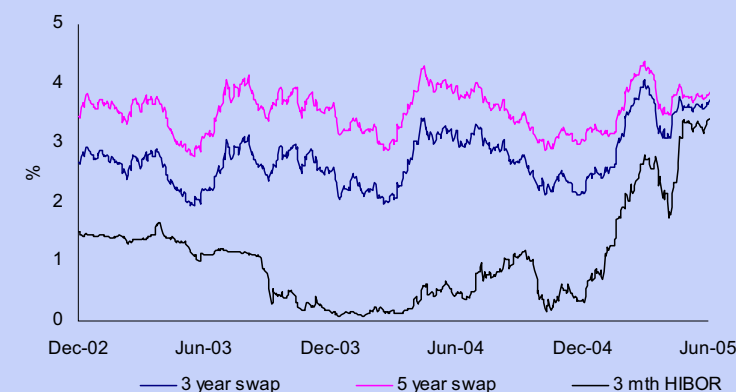
	Term	31/3/05 (HK\$m)	30/6/05 (HK\$m)	20/7/05 (HK\$m)	% of total
Revolving	1M	41	73	73	3
Floating	3M	430	2,385 ¹	542 ¹	22
Fixed	1Y - 3Y	470	0	1,843	75
Total		941	2,458	2,458	100

Source: ARASL

Note:

1. Excludes the HK\$20.1m debt front end fee

Hong Kong interest rates



Source: Bloomberg

- Interest expense rose but below forecast (3.3%) and 75% of debt now on fixed-rate for various maturities

Balance sheet

❖ Book value currently HK\$6.75 per unit (HK\$6.59 ex distribution)

Fortune REIT balance sheet

	31/3/05 (HK\$m)	30/6/05 (HK\$m)	Ch (%)
Investment properties	4,184	7,812 ¹	86.7
Total assets ²	4,319	8,091	87.3
Total liabilities	(1,082)	(2,721)	151.4
Net assets	3,237	5,370	65.9
NAV per unit (HK\$)	6.79	6.75 ³	(0.5)
Total debt	(941)	(2,458)	161.2
Gearing (%) ⁴	22	30	n.a.

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. Includes distributable income of \$0.1647 payable on 17 Aug 2005
4. Total debt to Deposited Property

- Rescheduled Distribution
 - for period 1 Jan 2005 to 27 Jun 2005
 - ex-div already on 23 Jun 2005
 - HK\$0.1647 per unit payable on 17 Aug 2005
- Next distribution is for period 28 Jun 2005 to 31 Dec 2005
- Discount to NAV closing
 - unit price currently around HK\$6.55
 - NAV per unit currently HK\$6.59 (ex Rescheduled Distribution)

Hong Kong economy

Economic growth

❖ Growth continues to be buoyant

Hong Kong economic indicators (% ch)

	2002	2003	2004	2005F
Real GDP	1.9	3.2	8.1	4.7
CPI	-1.6	-1.9	0.2	1.1
Nominal GDP	-1.7	-2.2	5.1	n.a.
Retail sales	-4.1	-2.3	10.8	8.2 ¹
Tourist arrivals	20.7	-6.2	40.4	11.1 ²

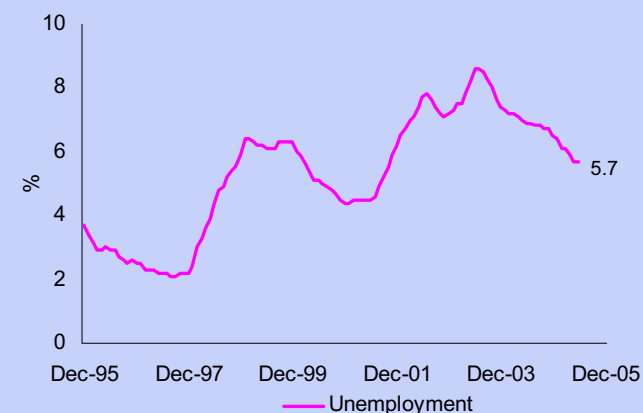
Source: Consensus Economics (Feb 05), Bloomberg, ARASL

Note:

1. Actual year to May 2005 over same period year ago
2. Actual year to Apr 2005 over same period year ago

- **Economy remains buoyant**
- **Tourist arrivals continuing growth**
 - more than half of arrivals from the Mainland
 - RMB appreciation lifting spending power

Hong Kong unemployment



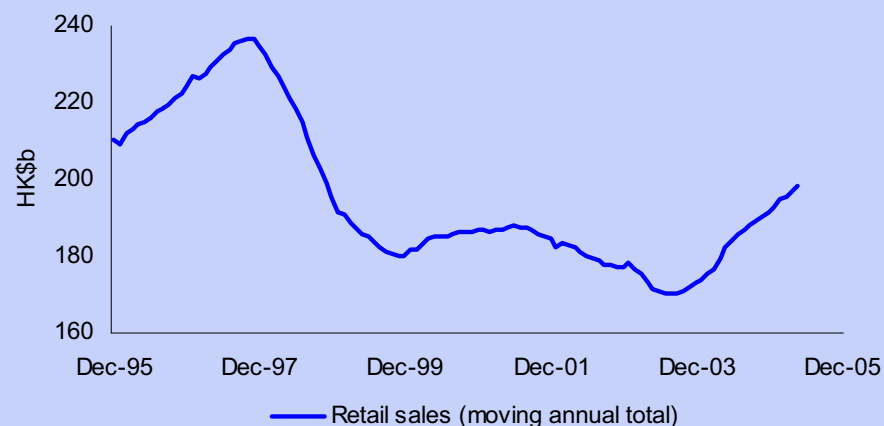
Source: Bloomberg

- **Unemployment now at 5.7% (Jun 05)**
 - boosting consumer confidence and spending

Retail sales

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

Hong Kong retail sales



Source: Bloomberg

HK retail sales growth by category, 5M05



• Retail sales remains buoyant

- up 8.2% in 5M05
- growth moderating from strong 2004 rate of 10.8%
- RMB appreciation and opening of Disneyland in Sep 05 could provide boost

Asset performance

Portfolio summary

❖ Portfolio size now HK\$7.8b, with 842 tenants

Fortune REIT portfolio, 30 Jun 2005

	GRA ¹ (sf)	No. of tenants	Actual occ. (%)	NPI, 2005F ² (HK\$m)	Valuation (HK\$m)
City One Shatin Property	414,469	259	94.9	144.0	2,680 ³
The Metropolis Mall	332,168	106	91.8	94.3	1,959 ⁴
Ma On Shan Plaza	310,084	143	96.8	68.3	1,282 ⁴
Waldorf Garden Property	80,842	42	100.0	22.8	430 ³
Smartland	123,544	98	98.3	20.0	346 ⁴
The Household Center	91,779	45	98.4	17.0	302 ⁴
Jubilee Court Shopping Ctr	170,616	52	99.0	15.8	295 ⁴
Tsing Yi Square Property	78,836	60	100.0	12.9	250 ³
Centre de Laguna Property	43,000	21	99.4	8.9	145 ³
Lido Garden Property	9,836	12	100.0	4.9	80 ³
Rhine Garden Property	14,604	4	100.0	2.4	43 ³
Portfolio	1,669,778	842	96.2	411.3	7,812

Notes:

1. Gross rentable area
2. Forecast 2005 full year net property income, based on Unitholders' Circular dated 13 May 2005
3. As at 31 Jan 2005
4. As at 31 Dec 2004

Source: ARASL, Unitholders' Circular dated 13 May 2005

Ma On Shan Plaza

❖ Active leasing to add further value

- Strongest performer
 - net property income +6.2% vs 1H04
- Continuing to add value through active leasing
 - approx 30,000 sf of space expired with above 70% retention rate
 - strongest rental reversion amongst first five malls
- Shopper traffic continues to rise
 - up 27% in 1H05 vs 1H04
 - boosted by opening of pedestrian link to KCRC station



Trade mix as at Jun 05 (%)

	By GRA	By base rental income
Banking & Real Estate Services	9.4	24.3
Community Services	0.0	0.0
Electronics, IT	4.2	3.4
Fashion & Shoes	7.7	7.6
Food & Beverage, Food Court	25.6	19.1
Gifts & Specialty, Books, Hobbies, Toys, Jewellery	4.3	4.3
Homewares & Home Furnishings	4.3	0.0
Leisure & Entertainment, Sports & Fitness	5.7	6.6
Others	6.1	8.7
Services, Education	11.3	14.9
Supermarket	18.2	11.1
Wet Markets	0.0	0.0
Vacant	3.2	0.0
Total	100.0	100.0

Source: ARASL

The Metropolis Mall

❖ Stronger leasing interest being felt as shopper traffic increases

- Occupancy continues to rise
 - rose to 91.8% at end Jun 2005
- Shopper traffic seeing further rises
 - up 145% in 1H05 vs 1H04
 - 5 million visitors already in 1H05, more than the 4.9 million for 2004 full year
- Leading to stronger interest from potential tenants
 - negotiating with several potential anchors now

Mall promotions continuing



Metro Arts, May 2005



Wedding catwalk, Jul 2005

Trade mix as at Jun 05 (%)

	By GRA	By base rental income
Banking & Real Estate Services	23.0	21.6
Community Services	5.5	5.4
Electronics, IT	0.5	0.5
Fashion & Shoes	4.6	3.8
Food & Beverage, Food Court	27.0	28.0
Gifts & Specialty, Books, Hobbies, Toys, Jewellery	5.4	5.3
Homewares & Home Furnishings	14.4	24.0
Leisure & Entertainment, Sports & Fitness	0.9	1.4
Others	5.9	5.1
Services, Education	2.7	2.9
Supermarket	1.9	2.0
Wet Markets	0.0	0.0
Vacant	8.2	0.0
Total	100.0	100.0

Source: ARASL

City One Shatin Property

❖ Rental reversions expected to drive NPI growth

- Biggest of eleven malls/properties in portfolio
 - contributes around 35% of portfolio NPI
- Asset enhancement works
 - improvement work to external wall cladding
 - sub-division of vacant cinema into retail/leisure space (upside not factored into forecasts)



Key details

GRA (sf)	414,469
Valuation (HK\$m)	2,680 ¹
Occupancy (%)	94.9
Number of tenants	259
Contribution to portfolio NPI (2005F) (%)	35

Source: ARASL

Note:

1. Valuation by Vigers HK Ltd as at 31 Jan 2005

Trade mix as at Jun 05 (%)

	By GRA	By base rental income
Banking & Real Estate Services	9.6	19.3
Community Services	0.0	0.0
Electronics, IT	1.5	2.1
Fashion & Shoes	2.5	3.0
Food & Beverage, Food Court	34.0	24.3
Gifts & Specialty, Books, Hobbies, Toys, Jewellery	1.5	2.1
Homewares & Home Furnishings	3.4	3.2
Leisure & Entertainment, Sports & Fitness	1.3	1.3
Others	9.7	6.0
Services, Education	20.1	24.0
Supermarket	6.0	7.3
Wet Markets	5.3	7.4
Vacant	5.1	0.0
Total	100.0	100.0

Source: ARASL

Portfolio occupancy

❖ Portfolio occupancy at 96.2%

Portfolio actual occupancy (%)

	Dec 04 ¹	Mar 05 ¹	Jun 05 ²
Metropolis Mall	87.8	89.4	91.8
Ma On Shan Plaza	98.9	97.2	96.8
Smartland	98.8	97.7	98.3
Household Center	98.2	98.4	98.4
Jubilee Court	96.7	92.9	99.0
City One Shatin Property	-	-	94.9
Waldorf Garden Property	-	-	100.0
Tsing Yi Square Property	-	-	100.0
Centre de Laguna Property	-	-	99.4
Lido Garden Property	-	-	100.0
Rhine Garden Property	-	-	100.0
Portfolio	94.9	94.1	96.2
No. of tenants	438	439	842

Source: ARASL

Note:

1. First five malls only
2. Includes the six newly-acquired properties

- Portfolio almost full
- Rental revenue growth to be driven by rental reversions on expiries hitherto
- Strongest performance expected to come from
 - Ma On Shan Plaza, City One Shatin Property, Smartland

Portfolio expiry profile

❖ Expiries in 2H05 and 2006 to see further rental reversions

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

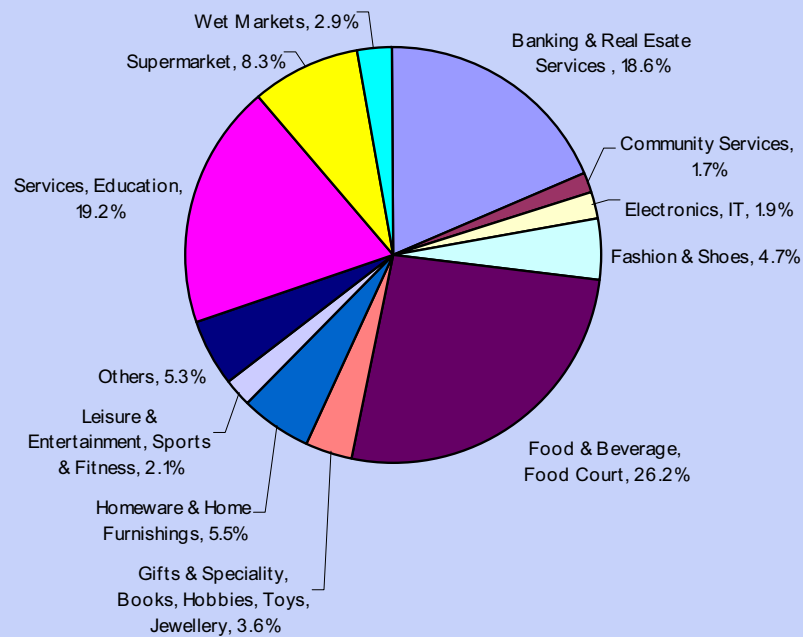
	GRA (sf)	Acc occ. (%)	Contribu- tion to 2005F NPI (%)	Percentage of occupied space expiring				Total (%)
				2H 05 (%)	2006 (%)	2007 (%)	2008 and beyond (%)	
City One Shatin Property	414,469	94.9	35.0	16.7	42.8	27.4	13.1	100.0
Metropolis Mall	332,168	91.8	22.9	14.9	52.5	9.7	23.0	100.0
Ma On Shan Plaza	310,084	96.8	16.6	38.5	19.0	40.9	1.5	100.0
Waldorf Garden Property	80,842	100.0	5.5	24.7	45.9	29.5	0.0	100.0
Smartland	123,544	98.3	4.9	49.1	40.0	7.0	3.9	100.0
Household Center	91,779	98.4	4.1	88.1	3.7	7.6	0.6	100.0
Jubilee Court Shopping Ctr	170,616	99.0	3.8	16.2	59.5	19.0	5.3	100.0
Tsing Yi Square Property	78,836	100.0	3.1	18.7	36.0	40.2	5.0	100.0
Centre de Laguna Property	43,000	99.4	2.2	4.7	87.1	8.2	0.0	100.0
Lido Garden Property	9,836	100.0	1.2	35.4	46.2	18.4	0.0	100.0
Rhine Garden Property	14,604	100.0	0.6	0.0	1.5	2.4	96.0	100.0
Portfolio	1,669,778	96.2	100.0	26.4	40.5	23.2	9.9	100.0

Source: ARASL, Unitholders' Circular dated 13 May 2005

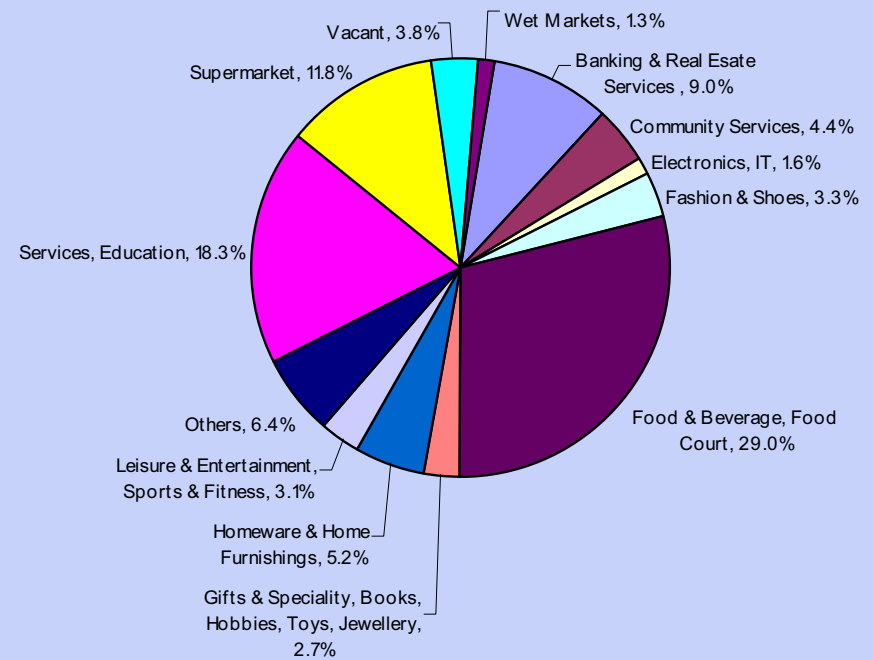
Portfolio tenant trade mix

❖ Trade mix remains diversified

By base rental income



By gross rentable area



Source: ARASL

Rentals

❖ Passing rental continues to rise

Portfolio rents¹

	Avg. passing rental (HK\$ psf/mth)	Qtrly ch. (%)	Actual occupancy (%)
Dec 2003	15.01	1.5	83.8
Mar 2004	15.19	1.2	83.5
Jun 2004	16.73	10.1	90.4
Sep 2004	16.65	- 0.5	88.4
Dec 2004	16.68	0.2	94.9
Mar 2005	16.86	1.1	94.1
Jun 2005²	22.32	n.m.³	96.2

Source: ARASL

Notes:

1. Base rental and other income (excluding charge-out collections)
2. The portfolio comprises eleven malls and properties after the acquisitions which closed on 28 Jun 2005
3. Not meaningful as the number of assets in Fortune REIT's portfolio changed (increased from five to eleven) after the acquisitions

Passing rents (HK\$ psf per month)

	First five malls	Six newly acquired properties	Aggregate
Jun 2005	16.96	30.84	22.32

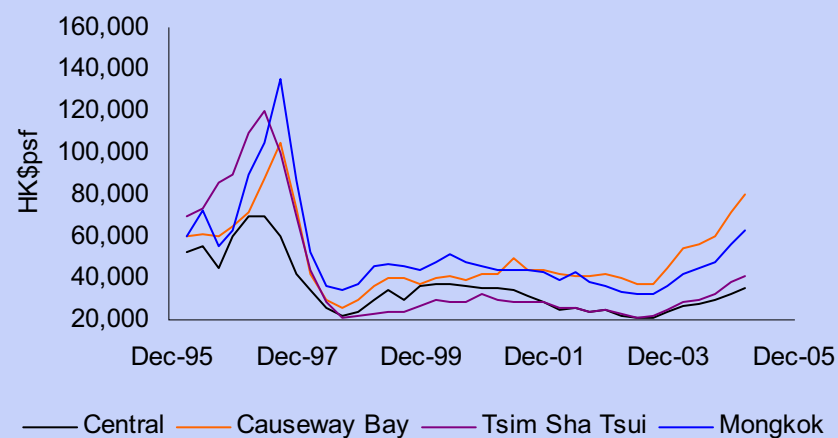
Source: ARASL

- Passing rental for first five malls rose **1.7%** in six months to Jun 05
- Approx. 70,000 sf of space expired in 1H05
 - retention rate maintained at 60-70%
 - weighted average rental reversion of leases was **+22%** for renewals

Growth in the retail property market

- ❖ Strong growth in the last two years; rental momentum to continue

Hong Kong retail property capital values



Source: Bloomberg, Vigers HK

- Capital values continue to rise

Hong Kong retail property market (ch)

	2003	2004
Capital values		
- High street shops	+19.8%	+77.5%
Rentals		
- High street shops	+4.8%	+48.6%
- Prime centres	+5.2%	+30.4%
- Decentralised centres	-0.8%	+23.0%

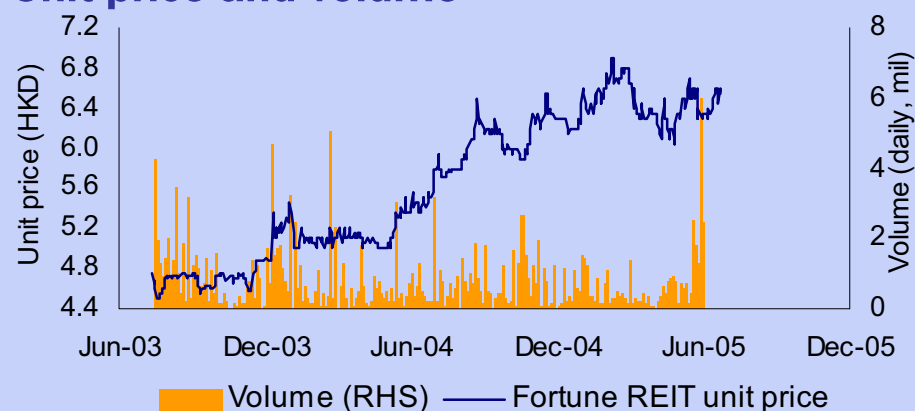
Source: JLL

- Upward momentum in rents expected to continue

Strategy

Unit activity

Unit price and volume¹



Source: ARASL, Bloomberg

Notes:

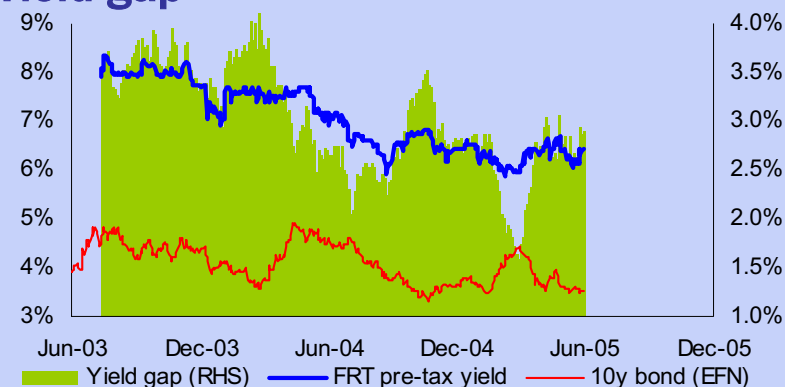
1. As at 21/7/05. Volume chart excludes first day of trade

Fortune REIT key info

Unit price (22/7/05) (HKD)	6.55
Units in issue (22/7/05) (m)	800.9
Market cap (USD, m)	674
Yield (tax-exempt, 2005F) (%)	5.11
Implied property yield (2005F) (%)	5.34

Source: ARASL, Bloomberg

Yield gap¹



Source: ARASL, Bloomberg

Notes:

1. As at 21/7/05.

- NAV per unit is HK\$6.59 (ex the distribution payment of HK\$0.1647)
- Discount to NAV closing
 - due to unit price increasing to around HK\$6.55

Strategy and summary

- ❖ **Revenue expected to rise further on solid rental reversions**
 - **Portfolio now HK\$7.8b in size with 11 assets**
 - further HK retail acquisitions being sought
 - **Existing assets performing well**
 - DPU 3.2% higher than forecast in 1H05
 - net property income was 3.5% higher than 1H04
 - portfolio shopper traffic continues to grow (+32% for the first five malls vs 1H04)
 - Ma On Shan Plaza, City One Shatin Prop and Smartland expected to lead
 - **Interest rates higher but 75% of debt is now fixed-rate**
 - **Revenue expected to rise further due to solid rental reversions in 1H05**

Note:

1. Includes contribution from the newly acquired malls in the last two days of 1H05

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