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Announcement is submitted with respect to *	FORTUNE REAL ESTATE INV TRUST
Announcement is submitted by *	Lim Hwee Chiang
Designation *	Director
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The details of the announcement start here ...

Announcement Title \*

Fortune REIT 1Q 2005 results, presentation

Description

**Attachments:**[Presentation-1Q2005.pdf](#)Total size = **919K**  
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## Results for the quarter ended 31 Mar 2005

Investor briefing  
10 May 2005

**ARA** Asset Management (Singapore) Limited

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- Proposed Acquisitions status
- Strategy and summary

# Summary

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## In brief

- ❖ **Net property income grew 2.8% in 1Q05; proposed Acquisitions to lift this significantly**
  - **Net property income of the malls continue to grow**
    - 4.9% higher than 1Q04, ex-Metropolis
    - 2.8% higher than 1Q04 overall
    - with the proposed acquisitions, revenue expected to grow significantly
  - **Income available for distribution for 1Q05**
    - 1.3% higher than 1Q04
  - **Overall occupancy remains high**
    - Metropolis' occupancy rose to 89.4%
    - 67% of all expiring space renewed or were re-let in 1Q05
    - renewals saw 8.0% rental reversion
  - **Proposed Acquisitions status**
    - SGX-ST approval-in-principle for the listing of New Units expected shortly; Unitholders' Circular to be available thereafter
    - Equity Fund Raising expected to close around mid-2005

# Financial highlights

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# Trust income

## ❖ Net property income grew 2.8%

### Fortune REIT quarterly results, actual

	1Q 05 (HK\$'000)	1Q 04 (HK\$'000)	Ch (%)
Total revenue	75,336	73,535	2.4
Property operating costs <sup>1</sup>	(19,285)	(19,018)	1.4
<b>Net property income (“NPI”)</b>	<b>56,051</b>	<b>54,517</b>	<b>2.8</b>
Borrowings costs	(5,560)	(4,240)	31.1
Profit before tax	50,491	50,277	0.4
Hong Kong tax	(8,789)	(8,783)	0.1
Net profit of property cos	41,702	41,494	0.5
Net profit of trust <sup>2</sup>	37,823	39,192	(3.5)
<b>Income available for dist'n</b>	<b>41,499</b>	<b>40,988</b>	<b>1.3</b>
<b>DPU (HK\$)</b>	<b>0.0872</b>	<b>0.0864</b>	<b>0.9</b>

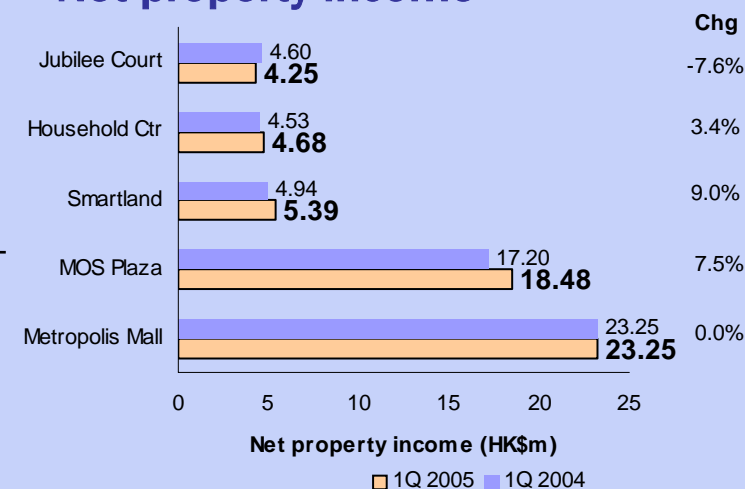
Source: ARA Asset Management (Singapore) Limited (“ARASL”)

Notes:

1. Includes Manager's performance fee
2. Trust expenses include the Manager's base fee, trustee fees, and admin fees

- Total revenue rose 2.4%
- NPI of portfolio rose 2.8%
  - NPI ex-Metropolis up 4.9%
  - NPI of MOS Plaza up 7.5%
- Despite interest cost rise, DPU up 0.9%

### Net property income





# Distribution yield

## ❖ Tax-exempt yield 5.3%; highest of any REIT listed in Singapore

### FRT distribution, quarter ended Mar 2005<sup>1</sup>

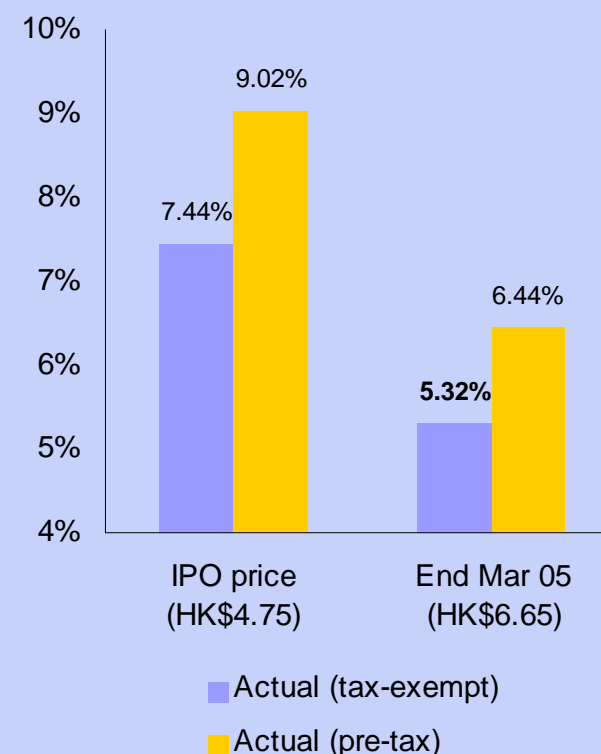
	Tax-exempt	
	Actual	Pre-tax <sup>4</sup>
<b>DPU<sup>2</sup></b>		
- Qtr ended Mar 05 (HK\$)	0.0872	0.1055
<b>Distribution yield, based on</b>		
- IPO price <sup>3</sup>	7.44	9.02
- 31/3/05 price <sup>3</sup>	<b>5.32</b>	<b>6.44</b>

Source: ARASL

Notes:

1. Fortune REIT pays tax-exempt distributions semi-annually (for the half years ending Jun and Dec)
2. Based on 476.1m units issued
3. IPO price = HK\$4.75, 31/3/05 price = HK\$6.65
4. 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

### Distribution yield



# Debt management

## ❖ Interest costs rose with higher rates

### Fortune REIT interest expense, actual

	1Q 05	1Q 04	Ch
Borrowing costs (HK\$m)	(5,560)	(4,240)	31.1%
Avg int. rate <sup>1</sup>	2.37	1.74	0.63

Source: ARASL

Notes:

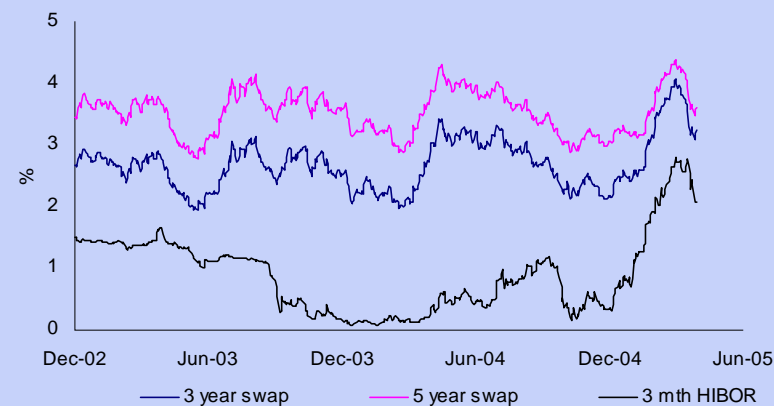
1. Weighted by the relative amounts of fixed and floating debt

### Fortune REIT debt profile

	Term	31/12/04 (HK\$m)	31/3/05 (HK\$m)	% of total
Revolving	1M	26	41	4
Floating	3M	430	430	46
Fixed	2Y - 3Y	470	470	50
<b>Total</b>		<b>926</b>	<b>941</b>	<b>100</b>

Source: ARASL

### Hong Kong interest rates



Source: Bloomberg

- Interest expense rose HK\$1.3m
  - 50% of debt fixed
- Hong Kong rates easing after rising last three months

# Debt management (cont'd)

## ❖ DPU sensitivity to interest rate movements

	3 month HIBOR
- 31 Dec 04	0.35%
- 31 Mar 05	2.72%
- 6 May 05	1.78%

Source: Bloomberg

	Estimated interest cost, 2005 full year (HK\$m)	Avg. interest cost (%)	Estimated change from DPU 2004A <sup>1</sup> (HK\$)
<b>Rate rise scenarios<sup>2</sup></b>			
- 100 bps decline <sup>3</sup>	24.5	2.58	(0.0105)
- 50 bps decline <sup>3</sup>	25.4	2.67	(0.0124)
- no change <sup>4</sup>	26.3	2.77	(0.0143)
- 50 bps rise <sup>3</sup>	27.2	2.86	(0.0162)
- 100 bps rise <sup>3</sup>	28.1	2.96	(0.0181)

Source: ARASL

Notes:

1. Estimated impact on DPU 2005 from the actual DPU in 2004 of HK\$0.3340
2. Scenarios relate to the floating 3 month HIBOR, from 6 May 2005 until Dec 2005
3. Assuming three equal changes in May, Aug and Nov
4. Means the 3 month HIBOR rate on 6 May 2005 of 1.78% is unchanged till 31 Dec 2005

- Interest rates currently volatile
  - due to expectations of renminbi and HKD appreciation
  - HKD appreciation is positive for current FRT unitholders
- Strategy is to fix more at appropriate time

# Balance sheet

## ❖ Book value currently HK\$6.79 per unit

### Fortune REIT balance sheet

	31/12/04 (HK\$m)	31/3/05 (HK\$m)	Ch (%)
Investment properties <sup>1</sup>	4,184	4,184	0.0
Total assets	4,187	4,319 <sup>2</sup>	3.2
Total liabilities	(1,053)	(1,082)	2.8
Net assets	3,134	3,237	3.3
NAV per unit (HK\$)	6.87 <sup>3</sup>	6.79 <sup>4</sup>	(1.2)
Total debt	(926)	(941)	1.6
Gearing (%) <sup>5</sup>	22	22	n.a.

Source: ARASL

Notes:

1. Valuation as at 31 Dec 2004, which increased 23.5% over 31 Dec 2003
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 \$0.1243 paid on 28 Feb 04
4. Excludes the hedging reserve of HK\$2.5m
5. Total debt to Deposited Property

- **Discount to NAV of 2.1%**
  - price of HK\$6.65 (end Mar 2005)
  - current NAV per unit is HK\$6.79
- **Gearing at 22%**

# Hong Kong economy

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# Economic growth

## ❖ Hong Kong's economy remains strong; easing in 2005 expected

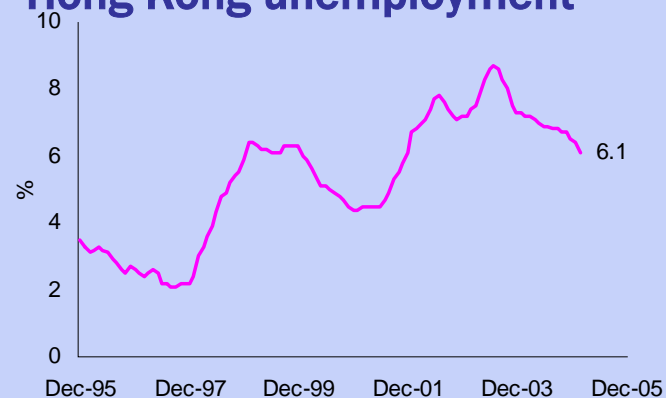
### Hong Kong economic indicators (%)

	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	n.a.

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

- Economy remains strong, easing in 2005 expected
  - tourist arrivals totaled 21.8m in 2004
    - more than 10m from Mainland
    - further growth in 2005 expected
- Unemployment rate has dropped to 6.1% (Mar 05)
  - consumer confidence being boosted
  - also boosted by strong property market

### Hong Kong unemployment

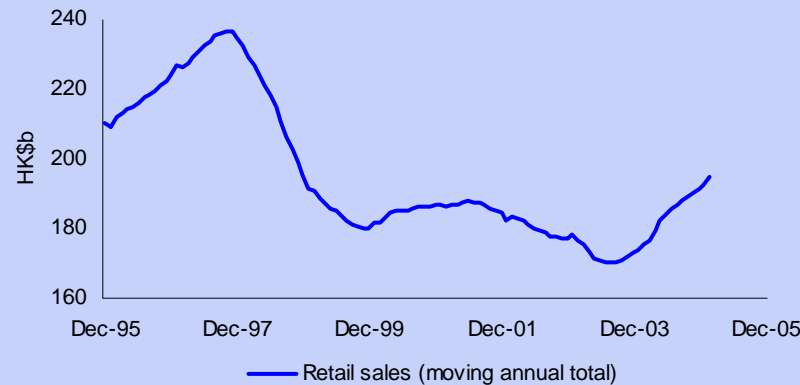


Source: Bloomberg

# Retail sales

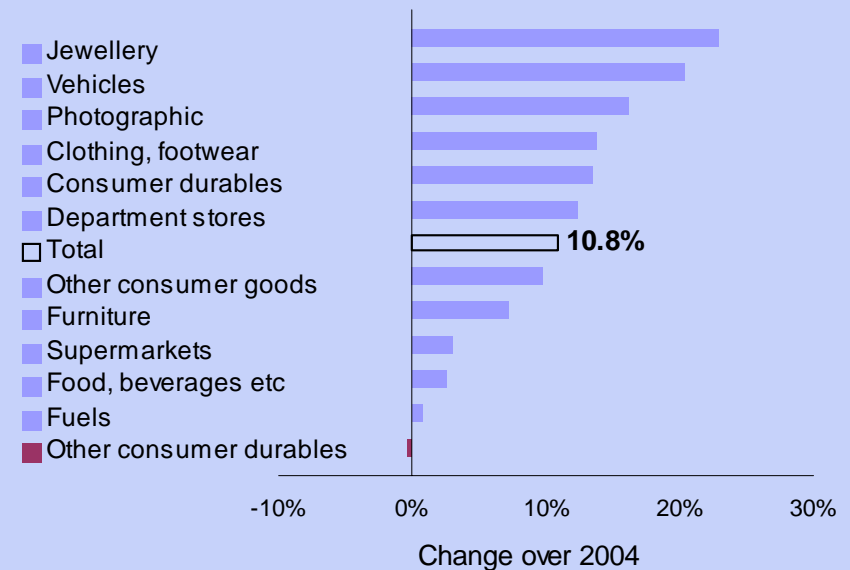
## ❖ Retail sales increase is broad-based

### Hong Kong retail sales



- **Strong consumer confidence lifting retail sales**
  - up **10.8%** in 2004
  - consumer durables registered double-digit rise
- **Growth continuing into 2005**
  - up **9.6%** in 2M 05

### HK retail sales growth by category, 2004



Source: Bloomberg

# Asset performance

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# Ma On Shan Plaza

## ❖ Active leasing to add further value

- Strong performer
  - rental revenue up 6.4% over 1Q04
  - net property income up 7.6% over 1Q04
- Shopper traffic continues to rise
  - up 42% in 1Q05 vs 1Q04
  - boosted by opening of pedestrian link to KCRC station
- Occupancy almost full at 97%
  - continuing to add value through active leasing
    - Bank of China signed as new tenant for 15,130 sf at strong rental for 3 years; change in trade sector from homewares for this space

## KCRC station-MOS Plaza pedestrian link



## MOS Plaza promotional events



- Maxims (GRA: around 49,000 sf) negotiating renewal; good reversion expected

# The Metropolis Mall

## ❖ Shopper traffic rising on occupancy, promotions and rail link

- Shopper traffic seeing further rises
  - up 142% in 1Q05 vs 1Q04
  - boosted by opening of KCRC East Tsim Sha Tsui pedestrian link
  - promotional events continuing to draw shoppers in
  - completion of hotels nearby in early 2006 to increase numbers further
- F&B continues to do very well
- Occupancy continues to rise
  - rose to 89.4% at end Mar 2005
  - mall income guaranteed by Cheung Kong Group

### Mall promotions



Dancing competition,  
Jan 2005



Piano recital, Feb  
2005



Metro Arts, Apr 2005

# Portfolio occupancy

## ❖ Portfolio occupancy remains at close to 95%

### Actual occupancy (%)

	Sep 04	Dec 04	Mar 05
Metropolis Mall	72.7	87.8	89.4
Ma On Shan Plaza	96.9	98.9	97.2
Smartland	97.5	98.8	97.7
Household Center	96.5	98.2	98.4
Jubilee Court	92.9	96.7	92.9
<b>Portfolio</b>	<b>88.4</b>	<b>94.9</b>	<b>94.1</b>
No. of tenants	438	438	439

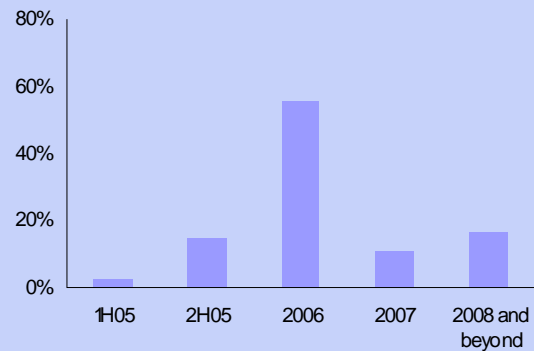
Source: ARASL

- Shopper traffic of whole portfolio up 41% vs 1Q04
- Portfolio almost full
  - Metropolis' occupancy continues to rise
  - Ma On Shan Plaza, Smartland and Household Center consistently above 95%
- Occupancy to rise
  - Committed occupancies at 4 May 05 are higher
    - Ma On Shan Plaza: 99.1%
    - Smartland: 98.6%
    - Household Center: 99.0%
    - Jubilee Court: 98.1%

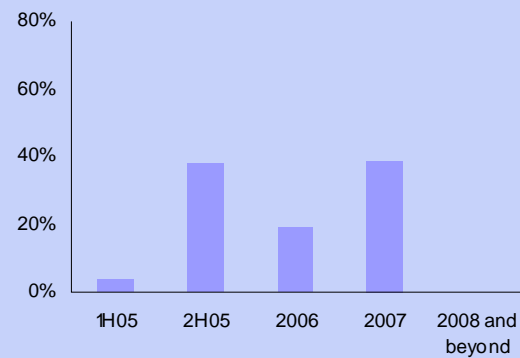
# Portfolio expiry profile

❖ Well spread out expiry profile, though more in second half 2005

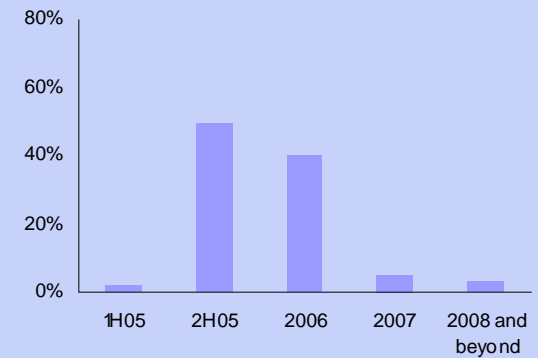
**Metropolis Mall**



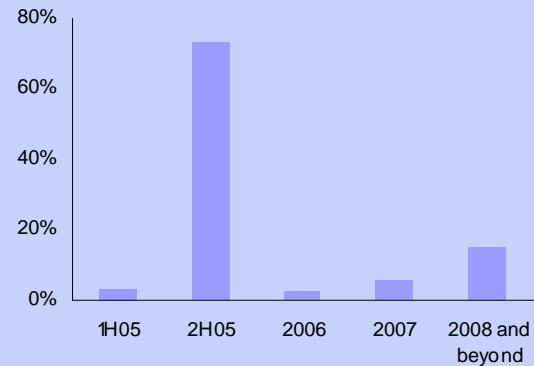
**Ma On Shan Plaza**



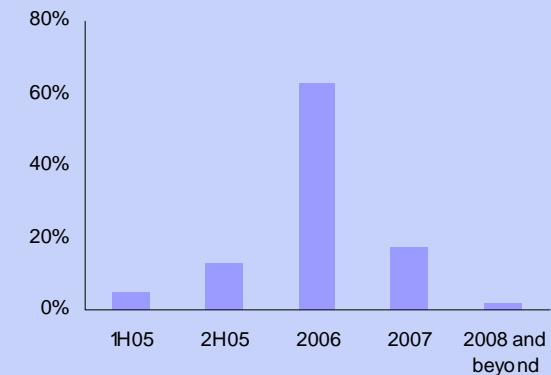
**Smartland**



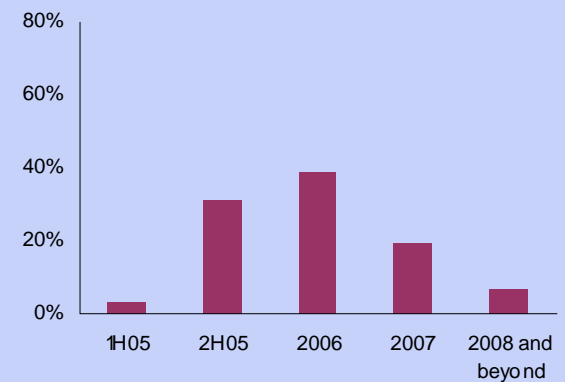
**Household Center**



**Jubilee Court**



**Portfolio**



Source: ARASL

# Tenant trade mix

## ❖ Trade mix remains diversified

### By Gross Rentable Area (%)

	Metro- polis Mall	Ma On Shan Plaza	Smart- land	House- hold Center	Jubilee Court	Port- folio
Banking & Real Estate Services	22.0	9.0	1.3	2.6	0.5	10.5
Community Services	5.3	0.0	10.5	18.8	0.0	6.1
Electronics, IT	3.0	4.2	0.9	0.3	0.4	2.4
Fashion & Shoes	3.8	5.2	3.6	0.0	0.7	3.3
Food & Beverage, Food Court	27.7	25.8	26.6	16.2	21.8	24.6
Gifts & Specialty, Books, Hobbies, Toys, Jewellery	4.1	4.6	2.8	0.2	2.8	3.3
Homewares & Home Furnishings	14.0	4.4	0.5	0.0	0.4	5.9
Leisure & Entertainment, Sports & Fitness	0.9	8.2	8.4	0.0	0.0	3.8
Others	3.0	2.2	0.6	4.7	1.0	2.6
Services, Education	3.6	15.3	14.7	44.1	25.8	17.2
Supermarket	1.9	18.2	27.9	4.8	44.9	14.3
Wet Markets	0.0	0.0	0.0	1.2	0.0	0.2
Vacant	10.6	2.8	2.3	7.1	1.6	5.9
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: ARASL

# Rentals

## ❖ Passing rental continues to rise

### Portfolio rents<sup>1</sup>

	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
<b>Mar 2005</b>	<b>16.86</b>	<b>1.1</b>	<b>94.1</b>

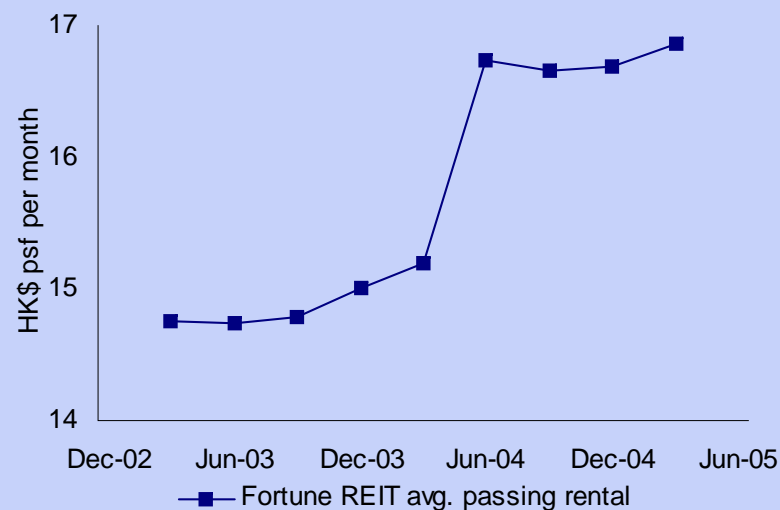
Source: ARASL

Notes:

1. Base rental and other income (excluding charge-out collections)

- **67% of all expiring leases were renewed or re-let**
- **Weighted average rental reversion of leases which expired and were renewed in 1Q 2005 was +8.0%**

### Portfolio passing rents



Source: ARASL, Prospectus dated 28 Jul 2003

# Proposed Acquisitions status

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# Proposed Acquisitions status

- ❖ **SGX-ST approval-in-principle for listing of New Units expected shortly**
  - Approval-in-principle from the SGX-ST for the listing of New Units expected shortly
  - Unitholders' Circular to be sent out thereafter
  - Equity Fund Raising expected to close around mid-2005
  - Debt funding has been secured



# Fortune REIT's enlarged portfolio

❖ Enlarged portfolio worth HK\$7.8b<sup>1</sup>, with 1.67m sf of GRA<sup>1</sup>

## Key information concerning the Acquisitions

	Existing portfolio	Proposed Acquisitions	Enlarged portfolio
No. of properties	5	6	11
GRA <sup>2</sup> (sf)	1,028,191	641,587	1,669,778
Car parking spaces	676	1,086	1,762
Valuation (HK\$m)	4,184 <sup>1</sup>	3,628 <sup>2</sup>	7,812

Notes:

1. As at 31 December 2004
2. The lower of two valuations by Chesterton Petty Ltd and Vigers Appraisal & Consulting Limited as at 31 December 2004

## • Benefits of the proposed Acquisitions

- greater income diversification
- greater geographical diversification
- unit base to increase
  - potential increase in liquidity of units
  - higher likelihood of inclusion in major indices

# Location of the proposed Acquisitions

## ❖ Six properties located in the New Territories and Kowloon

Waldorf Garden Property



Lido Garden Property



Rhine Garden Property



City One Shatin Property



Tsing Yi Square Property



Centre de Laguna Property



- New malls
- Existing malls

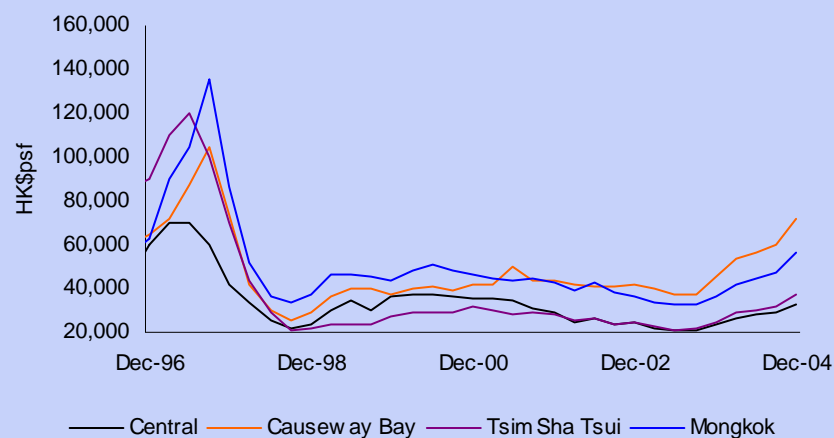




# Growth in the retail property market

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

## Hong Kong retail property values



Source: Bloomberg, Vigers HK

- Values are rising

## Hong Kong retail property market (ch)

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

Source: JLL

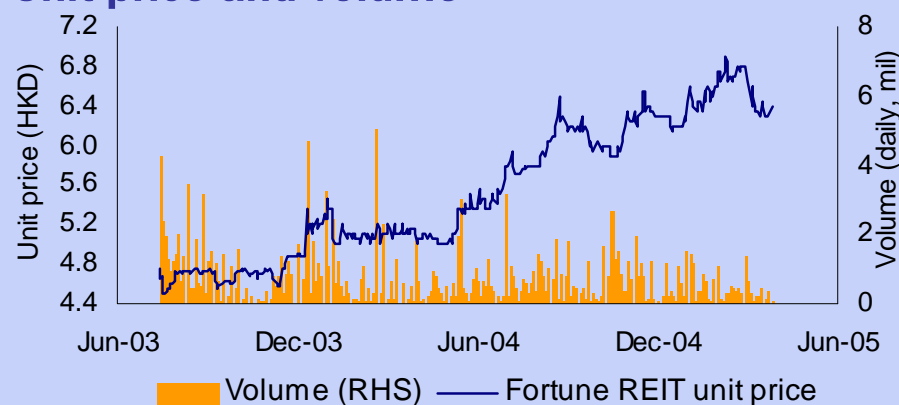
- Upward momentum in rents expected to continue

# Strategy

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# Unit activity

## Unit price and volume<sup>1</sup>

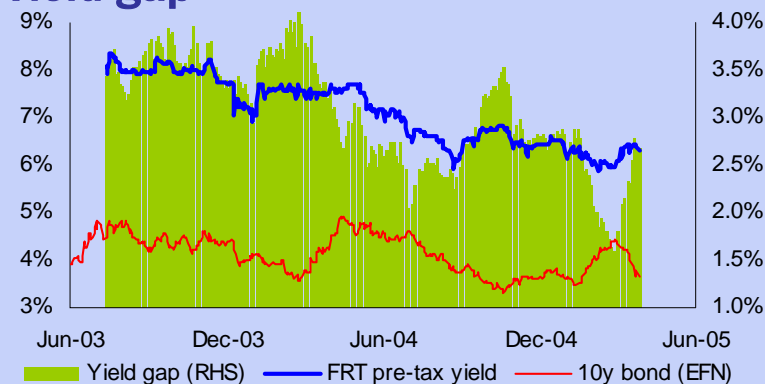


Source: ARASL, Bloomberg

Notes:

1. As at 26/4/05. Volume chart excludes first day of trade

## Yield gap<sup>1</sup>



Source: ARASL, Bloomberg

Notes:

1. As at 26/4/05.

## Relative price performance

	Dec 04	Mar 05	% ch
Fortune REIT (HK\$)	6.30	6.65	5.6
Hang Seng Index	14,230	13,517	(5.0)
Straits Times Index	2,066	2,141	3.6

Source: ARASL, Bloomberg

- FRT's strong out-performance of broad indices continuing into 2005

# Strategy and summary

- ❖ **Continuous revenue improvements and proposed Acquisitions to boost distributions**
  - **Existing assets performing well**
    - net property income 4.9% higher than 1Q04, ex-Metropolis
    - net property income 2.8% higher than 1Q04 overall
    - portfolio shopper traffic continues to grow (up 41% in 1Q05 vs 1Q04)
      - Metropolis shopper traffic up 142% in 1Q05 vs 1Q04
  - **Proposed Acquisitions of 6 properties to boost distributions further**
    - the 6 additional properties are yield-accretive
    - equity fund raising expected to close around mid-2005
  - **Interest rates currently volatile**
    - rates easing after rising in first three months
    - currently 50% of debt is fixed-rate
    - looking to increase this at appropriate time



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