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Announcement Title *

Presentation slides - Proposed acquisitions of six Hong Kong retail properties

Description

Attachments:[Investorbriefing-ProposedacquisitionsofsixHongKongretailproperties.pdf](#)Total size = **1415K**
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Proposed acquisitions of six Hong Kong retail properties

Investor briefing
24th March, 2005

ARA Asset Management (Singapore) Limited

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Contents

- In brief
- Asset details
- Acquisition rationale
- Strategy and summary

In brief

In brief

- ❖ **Acquisitions to almost double Fortune REIT's ("FRT") assets**
 - **FRT is the only Singapore-listed REIT holding Hong Kong assets**
 - **FRT proposes to acquire up to six retail assets in Hong Kong**
 - asset base to grow by almost 90% to HK\$7.8 billion
 - no. of assets to increase from 5 to 11
 - gross rentable area to increase from 1.0 million square feet ("sf") to 1.7 million sf
 - Hong Kong's economy and retail sector continue to be buoyant
 - **The acquisitions are yield accretive**
 - 2004 net property yield (pro-forma) of 5.58% based on the aggregate purchase consideration of HK\$3,439 million
 - **Each acquisition meets FRT's objectives**
 - Hong Kong retail properties with high occupancy rates
 - located in densely populated residential areas
 - strong and stable cash flows

Property details

Fortune REIT's enlarged portfolio

❖ Enlarged portfolio worth HK\$7.8b¹, with 1.67m sf of GRA²

Key information concerning the acquisitions

	Existing portfolio	Acquisitions	Enlarged portfolio
No. of properties	5	6	11
GRA ² (sf)	1,028,191	641,587	1,669,778
No. of tenants ¹	438	385	823
Occupancy rate ¹ (%)	94.9	96.7	95.6
Car parking spaces	676	1,086	1,762
Valuation (HK\$m)	4,184 ¹	3,628 ³	7,812

Notes:

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

• Benefits of the acquisitions

- strong and stable cash flows
- greater income diversification
- greater geographical diversification
- potential increase in liquidity of units

Location of the proposed acquisitions

❖ Six properties located in 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



Property details (cont'd)

❖ Total GRA of 641,587 sf¹, net property yield of 5.58%²

Key property details

	Location	GRA ¹ (sf)	Occ. ³ (%)	Net property yield ⁴ (%)
City One Shatin Property	Shatin, New Territories ("N.T.")	414,469	95.4	5.35
Waldorf Garden Property	Tuen Mun, N.T.	80,842	100.0	5.88
Tsing Yi Square Property	Tsing Yi, N.T.	78,836	97.2	6.57
Centre de Laguna Property	Cha Kwo Ling, Kowloon	43,000	100.0	6.44
Lido Garden Property	Sham Tseng, N.T.	9,836	100.0	6.27
Rhine Garden Property	Sham Tseng, N.T.	14,604	100.0	7.75
Total		641,587	96.7	5.58

Notes:

1. As at 31 December 2004
2. Based on aggregate pro-forma net property income for 2004 divided by the aggregate purchase consideration of HK\$3,439 million
3. Means actual occupancy rate, as at 31 December 2004
4. Based on pro-forma net property income for 2004 divided by the purchase consideration

City One Shatin Property

❖ Part of City One Shatin development, in densely populated Shatin

City One Shatin Property



City One Shatin Property, some of the retail space (exterior)



Key details

Location	Shatin, N.T.
GRA ¹ (sf)	414,469
Occupancy rate ¹ (%)	95.4
Net property income, 2004 ² (HK\$m)	136.8
Net property yield ³ (%)	5.35
Car parking spaces	986

Notes:

1. As at 31 December 2004
2. Pro-forma for the year ended 31 December 2004
3. Pro-forma net property income for 2004 divided by purchase consideration

City One Shatin Property, some of the retail space (interior)



City One Shatin Property (cont'd)

❖ Leading tenant names

City One Shatin Property, one of the restaurants



- Located in one of Hong Kong's most populous district, Shatin
- Part of 10,642-unit City One Shatin residential development
- Close to Ma On Shan Rail's City One Station
- Near Shatin Station on the East Rail of KCRC

Top tenants¹

	GRA ¹ (sf)	% of total Base Rental Income ²
Park'N Shop	24,804	6.8
Bank of China (Hong Kong)	7,643	3.5
McDonald's	7,773	3.4
Cambridge Nursing Home	25,448	3.1
Catiline Anglo-Chinese Kindergarten	18,767	2.8
Top five tenants	84,435	19.6

Notes:

1. As at 31 December 2004
2. For the month ended December 2004

Waldorf Garden Property

❖ Part of Waldorf Garden, in the heart of Tuen Mun new town

Waldorf Garden development



Key details

Location	Tuen Mun, N.T.
GRA ¹ (sf)	80,842
Occupancy rate ¹ (%)	100.0
Net property income, 2004 ² (HK\$m)	23.5
Net property yield ³ (%)	5.88
Car parking spaces	73

Notes:

1. As at 31 December 2004
2. Pro-forma for the year ended 31 December 2004
3. Pro-forma net property income for 2004 divided by purchase consideration

Waldorf Garden Property, crowds outside a restaurant



Waldorf Garden Property, convenience store



Waldorf Garden Property (cont'd)

❖ Characterised by high shopper traffic

Waldorf Garden Property,
corridor



- Situated at heart of the bustling Tuen Mun district
- Easily accessible by public transport
- Part of five-tower residential block, Waldorf Garden

Top tenants¹

	GRA ¹ (sf)	% of total Base Rental Income ²
East Star Hotpot Seafood Restaurant	30,775	14.1
Café de Coral Fast Food	6,475	10.0
Deli House Company Ltd	5,721	5.9
Yeh Lam Kwok Restaurant	5,035	5.5
Jumpin' Gym USA	3,674	5.0
Top five tenants	51,680	40.5

Notes:

1. As at 31 December 2004
2. For the month ended December 2004

Tsing Yi Square Property

❖ Part of Tsing Yi Garden, in densely populated residential area

Tsing Yi Garden, residential towers



Key details

Location	Tsing Yi, N.T.
GRA ¹ (sf)	78,836
Occupancy rate ¹ (%)	97.2
Net property income, 2004 ² (HK\$m)	15.1
Net property yield ³ (%)	6.57
Car parking spaces	27

Notes:

1. As at 31 December 2004
2. Pro-forma for the year ended 31 December 2004
3. Pro-forma net property income for 2004 divided by purchase consideration

Tsing Yi Square Property



Tsing Yi Square Property



Tsing Yi Square Property (cont'd)

❖ Good access to public transportation

Tsing Yi Square Property, first floor



- Close proximity to many public facilities
- Part of 1,520-unit Tsing Yi Garden residential development
- Close to Tsing Yi MTR Station

Top tenants¹

	GRA ¹ (sf)	% of total Base Rental Income ²
Park'N Shop	9,425	12.0
Co-Win Chinese Restaurant Limited	2,896	6.8
Individual tenant	2,704	5.6
Tivoli Kindergarten and Nursery Limited	6,384	4.8
Midland Realty ³	665	4.2
Top five tenants	22,074	33.4

Notes:

1. As at 31 December 2004
2. For the month ended December 2004
3. In compliance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), the names of tenants who are individuals are not disclosed

Centre de Laguna Property

❖ Located in densely populated Kwun Tong district

Centre de Laguna Property



Laguna City residential towers



Key details

Location	Cha Kwo Ling, Kowloon
GRA ¹ (sf)	43,000
Occupancy rate ¹ (%)	100.0
Net property income, 2004 ² (HK\$m)	8.7
Net property yield ³ (%)	6.44
Car parking spaces	0

Notes:

1. As at 31 December 2004
2. Pro-forma for the year ended 31 December 2004
3. Pro-forma net property income for 2004 divided by purchase consideration

Centre de Laguna retail complex



Centre de Laguna Property (cont'd)

❖ Near MTR station and part of large residential complex

Centre de Laguna Property, interior



- Located in densely populated Kwun Tong district
- Part of 8,072-unit Laguna City residential development
- Close to Lam Tin MTR Station

Top tenants¹

	GRA ¹ (sf)	% of total Base Rental Income ²
Fook Chun Seafood Restaurant	11,171	22.0
Think International Kindergarten	13,917	21.2
Sail Town Enterprises Limited	2,966	9.1
Association of Evangelical Free Churches of Hong Kong	4,662	8.3
Millirich Corporation Limited	1,960	8.1
Top five tenants	34,676	68.7

Notes:

1. As at 31 December 2004
2. For the month ended December 2004

Lido Garden Property

❖ Located in popular Sham Tseng area

Lido Garden Property



Lido Garden Property



Key details

Location	Sham Tseng, N.T.
GRA ¹ (sf)	9,836
Occupancy rate ¹ (%)	100.0
Net property income, 2004 ² (HK\$m)	4.7
Net property yield ³ (%)	6.27
Car parking spaces	0

Notes:

1. As at 31 December 2004
2. Pro-forma for the year ended 31 December 2004
3. Pro-forma net property income for 2004 divided by purchase consideration

Lido Garden Property



Lido Garden Property (cont'd)

❖ Commercial portion of the Lido Garden residential development

Lido Garden, residential towers



- Entire commercial portion of the 1,392-unit Lido Garden residential development

Top tenants¹

	GRA ¹ (sf)	% of total Base Rental Income ²
Midland Realty	1,271	25.2
7-Eleven	1,544	15.9
Pizza Hut	1,863	13.9
Health Network Medical Services Co. Ltd	1,255	12.9
Centaline Property Agency Ltd	462	8.4
Top five tenants	6,395	76.3

Notes:

1. As at 31 December 2004
2. For the month ended December 2004

Rhine Garden Property

❖ Located in popular Sham Tseng area

Rhine Garden Property



Rhine Garden Property



Key details

Location	Sham Tseng, N.T.
GRA ¹ (sf)	14,604
Occupancy ¹ (%)	100.0
Net property income, 2004 ² (HK\$m)	3.1
Net property yield ³ (%)	7.75
Car parking spaces	0

Notes:

1. As at 31 December 2004
2. Pro-forma for the year ended 31 December 2004
3. Pro-forma net property income for 2004 divided by purchase consideration

Rhine Garden and Lido Garden developments



Rhine Garden Property (cont'd)

❖ Part of Rhine Garden and Rhine Terrace residential development

Rhine Garden, entrance to residential development



Tenants¹

	GRA ¹ (sf)	% of total Base Rental Income ²
Park'N Shop	14,378	94.8
7-Eleven	226	5.2
Total	14,604	100.0

Notes:

1. As at 31 December 2004
2. For the month ended December 2004

- Part of the commercial portion of the 1,264-unit Rhine Garden and Rhine Terrace residential development
- Opposite Lido Garden Property
- Rhine Garden Property and Lido Garden Property complement each other

Acquisition rationale

Hong Kong retail sales uptrend continues

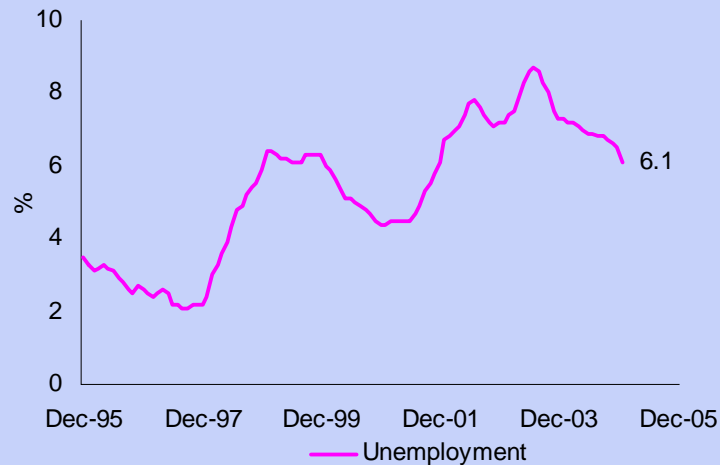
❖ Hong Kong's economy remains buoyant

Hong Kong economic indicators (% ch)

	2002	2003	2004	2005F
Real GDP	1.9	3.2	8.1	4.7
CPI	-3.0	-2.6	-0.4	1.1
Nominal GDP	-1.7	-2.2	5.1	n.a.
Retail sales	-4.1	-2.3	10.8	n.a.

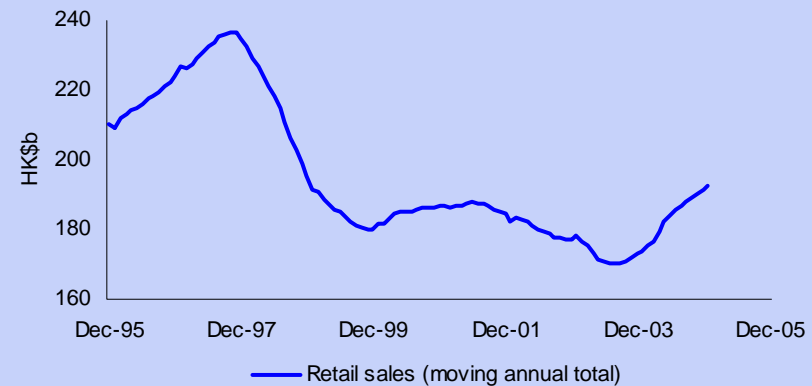
Source: Consensus Economics (Feb 2005) forecasts, Bloomberg

Hong Kong unemployment



Source: Bloomberg

Hong Kong retail sales



- **Economy buoyant**
 - driven by domestic demand recovery and strong tourist spending
 - easing in 2005 expected
- **Unemployment rate continues to decline**
 - 6.1% at end January 2005
- **Retail sales uptrend continuing**

Acquisition rationale

❖ Acquisitions fit the strategy of FRT

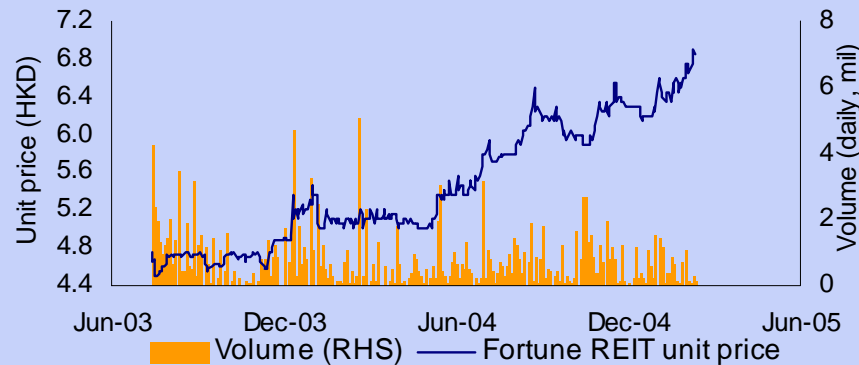
- Yield accretion
 - 2004 net property yield (pro-forma) of 5.58% based on the aggregate purchase consideration of HK\$3,439 million
 - current implied property yield is 5.17%¹
- Strong and stable cash flows
- Greater income diversification
- Greater geographical diversification
- Potential increase in liquidity of units

Note:

1. Based on actual net property income for the year ended 2004 and the value of FRT's assets imputed by investors in FRT based on the closing unit price of HK\$6.75 on 23 Mar 2005

FRT's performance

❖ FRT continues to perform well FRT unit price and trading volume



Source: Bloomberg

Key financials

Unit price ¹ (HK\$)	6.75
Tax-exempt yield ² (%)	4.95
Implied property yield ³ (%)	5.17
Debt-to-asset ⁴ (%)	22.1

Source: ARASL

- **Total return**
 - **35.4% in 2004⁵**

- **42.3% since IPO (12 Aug 2003) to end Dec 2004⁶**

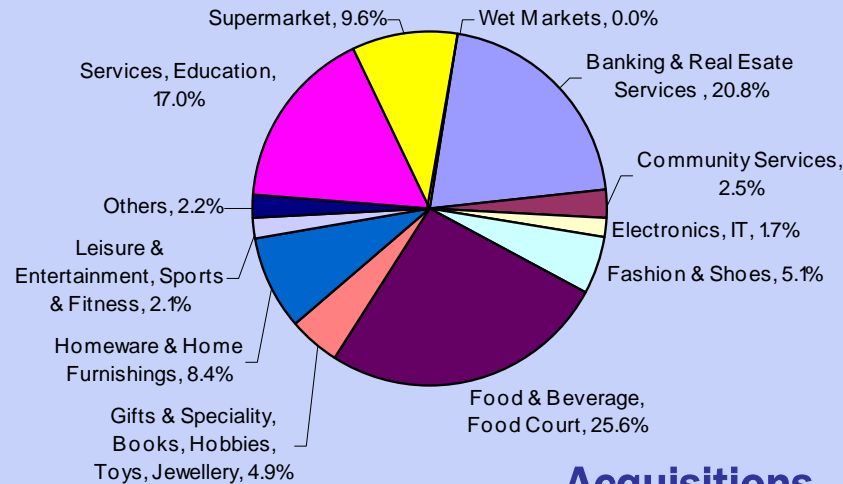
- **Unit price up 7.1% in 2005 year-to-date⁷**
- **Tax-exempt yield of 4.95%²**

Notes:

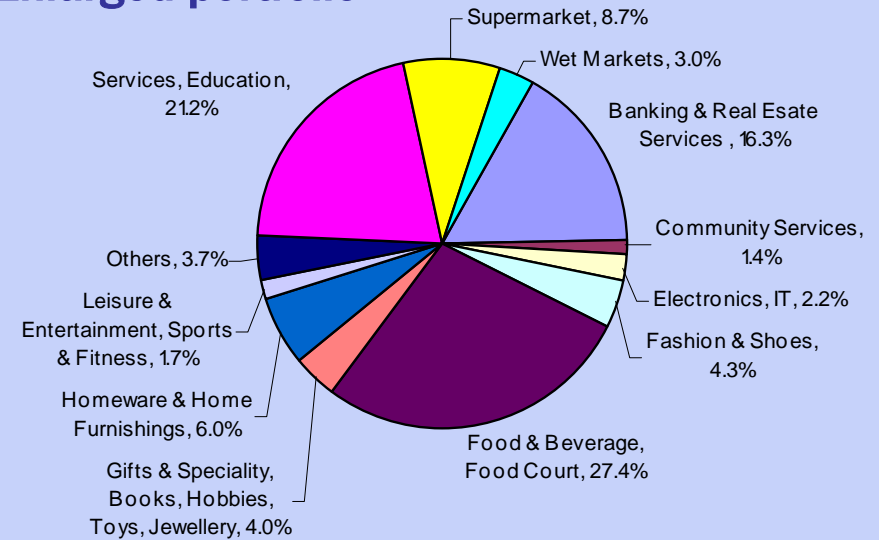
1. Closing unit price as at 23 Mar 2005
2. Based on the actual distribution per unit of HK\$0.3340 for the year ended 2004 and the closing unit price of HK\$6.75 as at 23 Mar 2005
3. Based on actual net property income for the year ended 2004 and the value of FRT's assets imputed by investors in FRT based on the closing unit price of HK\$6.75 on 23 Mar 2005
4. As at 31 Dec 2004
5. Based on the closing unit price of HK\$6.30 as at 31 Dec 2004 and the closing unit price of HK\$4.90 as at 31 Dec 2003, and the actual distribution per unit of HK\$0.3340 for the year ended 31 Dec 2004
6. Based on the FRT initial public offering ("IPO") price of HK\$4.75, the closing unit price of HK\$6.30 as at 31 Dec 2004 and the total actual distribution per unit of HK\$0.4583 paid since IPO.
7. Based on the closing unit price of HK\$6.75 as at 23 Mar 2005 and the closing unit price of HK\$6.30 as at 31 Dec 2004

Trade mix¹

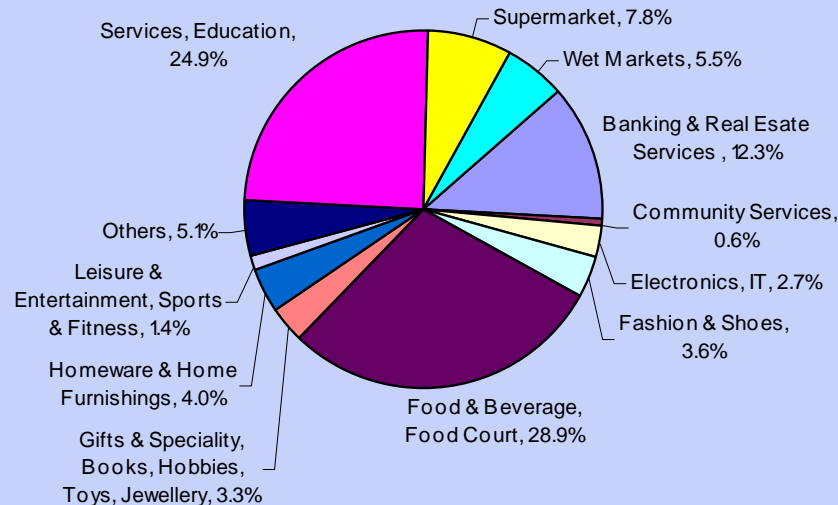
Existing portfolio



Enlarged portfolio



Acquisitions



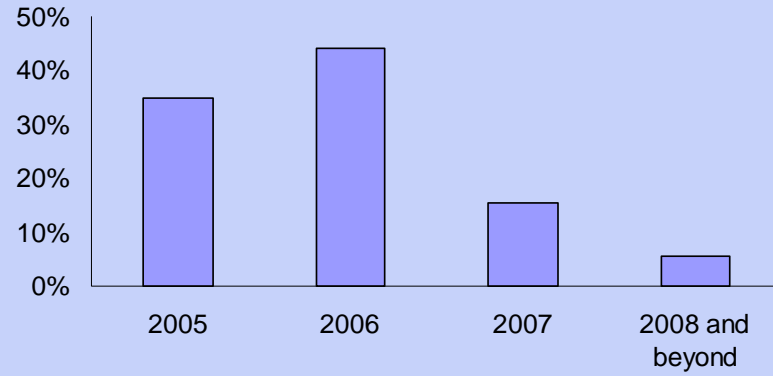
- Trade mix of enlarged portfolio will remain diversified

Note:

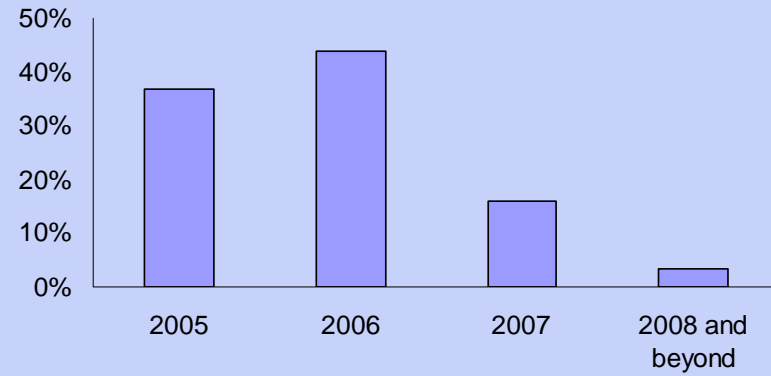
1. As at 31 December 2004, by base rental income

Lease expiry profile¹

Existing portfolio



Enlarged portfolio



Acquisitions



- Lease expiry profile remains spread out

Note:

1. As at 31 December 2004, by base rental income

Income diversification

❖ Greater income diversification after the acquisitions

Net property income (“NPI”) of assets¹

	NPI, 2004 (HK\$m)	% of existing	% of enlarged
The Metropolis Mall	94.3	44.1	23.2
Ma On Shan Plaza	65.9	30.8	16.2
Smartland	19.5	9.1	4.8
The Household Center	17.8	8.3	4.4
Jubilee Court Shopping Centre	16.2	7.6	4.0
Total existing portfolio	213.7	100.0	52.7
City One Shatin Property	136.8		33.7
Waldorf Garden Property	23.5		5.8
Tsing Yi Square Property	15.1		3.7
Centre de Laguna Property	8.7		2.1
Lido Garden Property	4.7		1.2
Rhine Garden Property	3.1		0.8
Total new portfolio	191.9		47.3
Total enlarged portfolio	405.6		100.0

- Greater income diversification post-acquisitions
- Contribution of any single property to fall
 - from 44.1% to 33.7%, based on 2004 pro-forma NPI (for the new assets) and actual 2004 NPI (for FRT’s existing assets)

Source: ARASL

Note:

1. For the existing portfolio, the figures are actual figures for the year ended 31 December 2004. For the new portfolio, the figures are pro-forma for the same year end.

Geographical diversification

❖ Greater geographical diversification after acquisitions



- After the acquisitions, FRT's presence will cover a wider area of Hong Kong
- Main presence will be in the N.T.

Strategy and summary

Strategy

- ❖ **To deliver stable distributions and achieve long term NAV growth**
 - **Benefits to Unitholders of the acquisitions**
 - strong and stable cash flows
 - greater income and geographical diversification
 - potential increase in liquidity of units
 - Hong Kong retail rentals continue uptrend due to robust economy¹
 - **Continue to source for yield-accretive assets**
 - focus to remain Hong Kong retail
 - **Capital raising for the acquisitions expected to be completed in or around mid-2005**

Note:

1. Predictions, projections or forecasts are not necessarily indicative of the future or likely performance of Fortune REIT

Summary

- **FRT proposes to acquire up to six retail assets in Hong Kong**
 - asset base to grow by almost 90% to HK\$7.8 billion
 - no. of assets to increase from 5 to 11
 - GRA to increase from 1.0 million square feet (“sf”) to 1.7 million sf
 - Hong Kong’s economy and retail sector continue to be buoyant
- **The acquisitions are yield accretive**
 - 2004 net property yield (pro-forma) of 5.58% based on the aggregate purchase consideration of HK\$3,439 million

Contact

ARA Asset Management (Singapore) Limited

#09-01 Suntec Tower 2
9 Temasek Boulevard
Singapore 038989

Tel: +65 6835 9232
Fax: +65 6835 9672

Unit 5507, 55/F The Center
99 Queen's Road Central
Hong Kong

Tel: +852 2169 0928
Fax: +852 2169 0968

www.fortunereit.com

Lim Hwee Chiang, John
Chief Executive Officer
johnlim@ara.com.hk

Yung Yu-Ming, CFA
Fund Manager
yumingyung@ara.com.hk

Cheryl Seow, CPA
Finance Manager
cherylseow@ara.com.hk