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* Asterisks denote mandatory information

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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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>> Announcement Details

The details of the announcement start here ...

Announcement Title *

Presentation Slides – Fortune REIT Half Year 2006 Financial Results

Description

Please see attached.

Attachments: [FortuneREIT_Presentation_Slides_1H06.pdf](#)Total size = **815K**
(2048K size limit recommended)[Close Window](#)



Results for the half year ended 30 Jun 2006

25 Jul 2006

ARA Asset Management (Singapore) Limited

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Summary

Summary

- ❖ **Total Revenue rose 101.7% in 1H06 v 1H05; tax-exempt yield of 5.9% achieved**
 - **Distribution per unit (“DPU”) grew 3.4% in 1H06 vs 1H05 despite rise in interest cost**
 - Total revenue increased by 101.7%
 - Net property income increased by 100.0%
 - **NAV per unit at HK\$7.70; discount to NAV of 22.1%**
 - **Gearing at 26.8%; around 75% of debt fixed at various maturities**
 - **Strong rental reversions with high portfolio occupancy**
 - weighted average rental reversions of the portfolio for 1H06 was 13.1% for renewals
 - portfolio occupancy remains high at 93.3%
 - **Asset enhancement initiatives**
 - Plans in place to create new retail corridor within Waldorf Gardens

Financial highlights

Trust income

❖ Revenue rose by 101.7% in 1H06 v 1H05

Fortune REIT results, 1H06 v 1H05

	1H06 ¹ (HK\$'000)	1H05 (HK\$'000)	Var (%)
Total revenue	310,727	154,049	101.7
Property operating expenses	(80,648)	(39,038)	106.6
Manager's performance fee	(6,903)	(3,450)	100.1
Net property income ("NPI")	223,176	111,561	100.0
Borrowings costs	(51,047)	(11,211)	355.3
Profit before tax ²	172,129	100,350	71.5
Hong Kong tax	(30,116)	(17,541)	71.7
Net profit of property cos	142,013	82,809	71.5
Net profit of Group ²	127,453	215,690	(40.9)
Income available for distribution	141,137	82,294	71.5
DPU (HK\$)	0.1753	0.1696	3.4

Source: ARASL

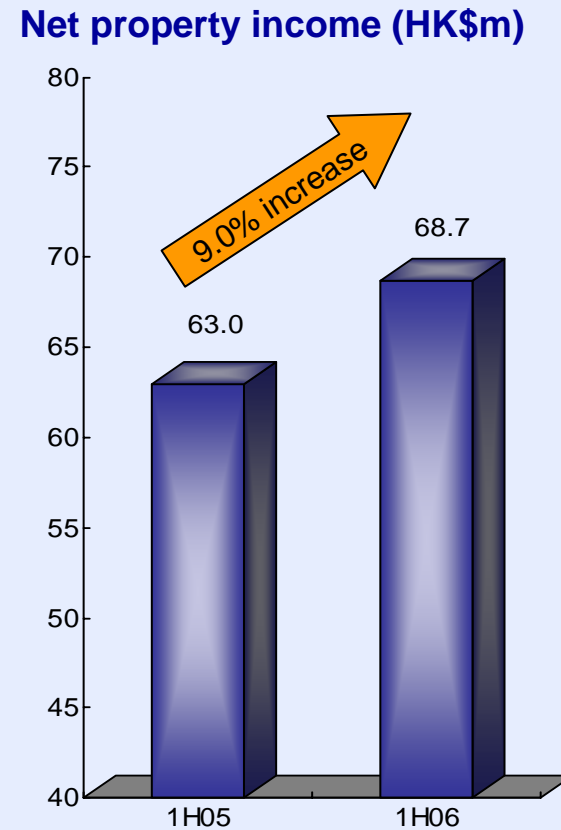
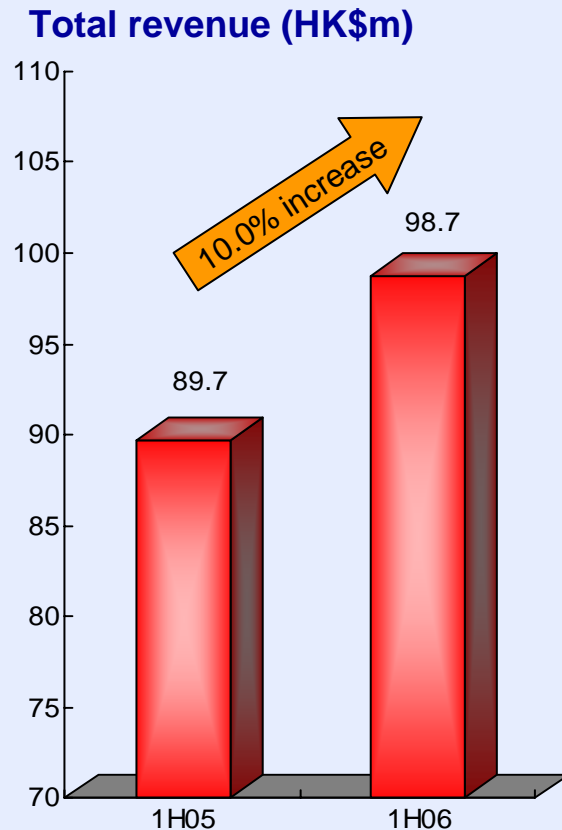
Notes:

1. Includes income from the six retail properties acquired on 28 Jun 05
2. Trust expenses include the Manager's base fee, trustee fees, and admin expenses. For 1H05, it also includes negative goodwill of HK\$141.2mil arising from the acquisition of 6 properties which was completed in Jun 05.
3. Before Manager's performance fee

- **101.7% increase in Total Revenue**
- **100.0% increase in Net Property Income**
 - cost-to-revenue ratio³ at **26.0%**
 - NPI for existing malls (ex-Metropolis) up **9.0%**
- **3.4% growth in DPU despite rise in interest cost**

Trust income (Original Malls)¹

❖ Total revenue and net property income improved by 10% and 9% respectively



Source: ARASL

Note:

1. Figures above exclude income from The Metropolis Mall

Distribution Yield

❖ Tax-exempt yield 5.9% achieved

Fortune REIT distribution, half year ended June 2006

	Tax-exempt Actual	Actual Pre-tax ¹
DPU²		
- Half Year ended 30 Jun 06 (HK\$)	0.1753	0.2127
Distribution yield, based on		
- 30/6/06 price (HK\$6.00)	5.9%	7.1%

Source: ARASL

Notes:

1. 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
2. Based on 805.1m units issued

Debt management

❖ Around 75% of debt fixed

Fortune REIT debt profile

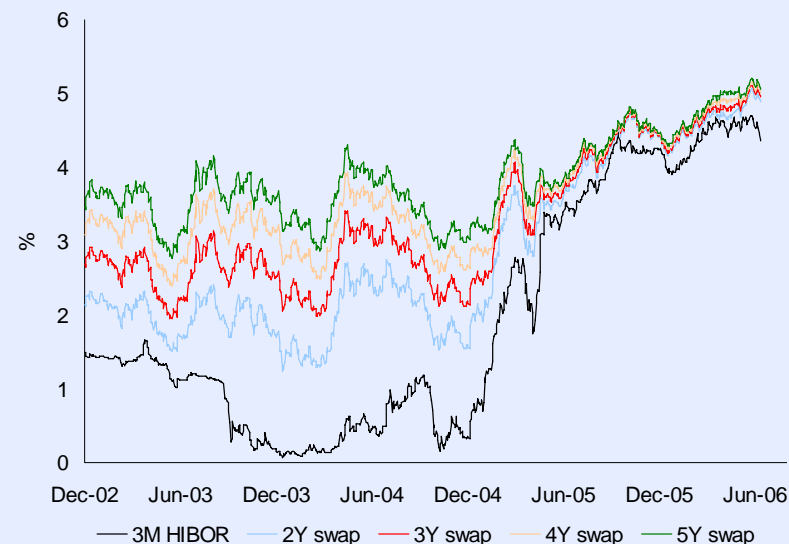
	Term	31/12/05 (HK\$m)	30/6/06 (HK\$m)	% of total
Revolving	1M	12	0	0.0
Floating ¹	3M	541	541	22.7
Fixed ²	1Y - 4Y	1,844	1,844	77.3
Total		2,397	2,385	100.0

Source: ARASL

Notes:

1. Excludes the debt front end fee
2. Interest was hedged in Jul 05 and Jun 06

Hong Kong interest rates



Source: Bloomberg

- **Weighted average interest cost of 4.2% achieved**
- **Debt fixed at various maturities between 1 to 4 years**

Balance sheet

❖ Book value currently at HK\$7.70 per unit

Fortune REIT balance sheet

	31/12/05 (HK\$m)	30/6/06 (HK\$m)	Change (%)
Investment properties ^{1,2}	8,592	8,594	0
Total assets	8,868	8,910	0.5
Total liabilities	(2,653)	(2,689)	1.4
Net assets	6,215	6,221	(0.1)
NAV per unit (HK\$) ³	7.72	7.70	(0.1)
Total debt ⁴	(2,397)	(2,385)	(0.5)
Gearing (%) ⁵	27.0	26.8	n.a.

Source: ARASL

Notes:

1. Valuation as at 31 Dec 05 by Savills Valuation and Professional Services Ltd
2. This includes an amount of HK\$73 million which has been reclassified to current assets "Investment properties held for resale" as at 31 Dec 05 and includes minor capital costs incurred during the period
3. Net asset value per unit is calculated based on net assets of the Group excluding hedging reserve
4. This excludes the debt front end fee
5. Total debt to Deposited Property

- **Discount to NAV of 22.1%**
 - based on unit price of HK\$6.00 (30 Jun 06)
 - current NAV per unit is HK\$7.70
- **Gearing at 26.8%**

Distribution

❖ Fortune REIT goes ex-div on 1 Aug 2006

Distribution payment, 1H06

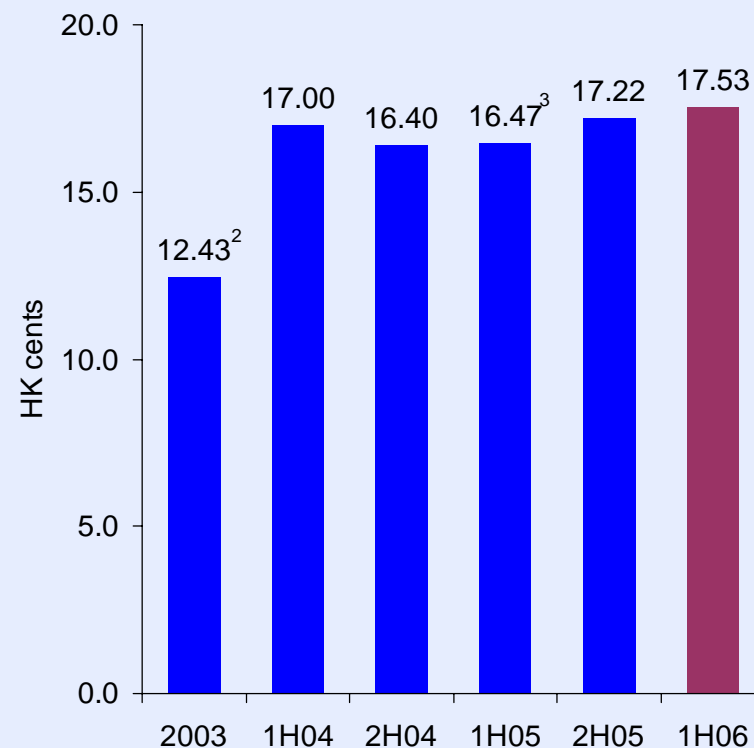
Amount (HK\$/unit)	0.1753
Ex date	1 Aug 06
Books closure	3 Aug 06
Currency election¹	16 Aug 06
Payment	28 Aug 06

Source: ARASL

Notes:

1. Unitholders can choose to have the distribution paid in HKD or SGD.
By default, the payment is made in SGD
2. Distribution for the period from 13 Aug 03 to 31 Dec 03
3. Rescheduled distribution for the period from 1 Jan 05 to 27 Jun 05
in conjunction with the Equity Fund Raising

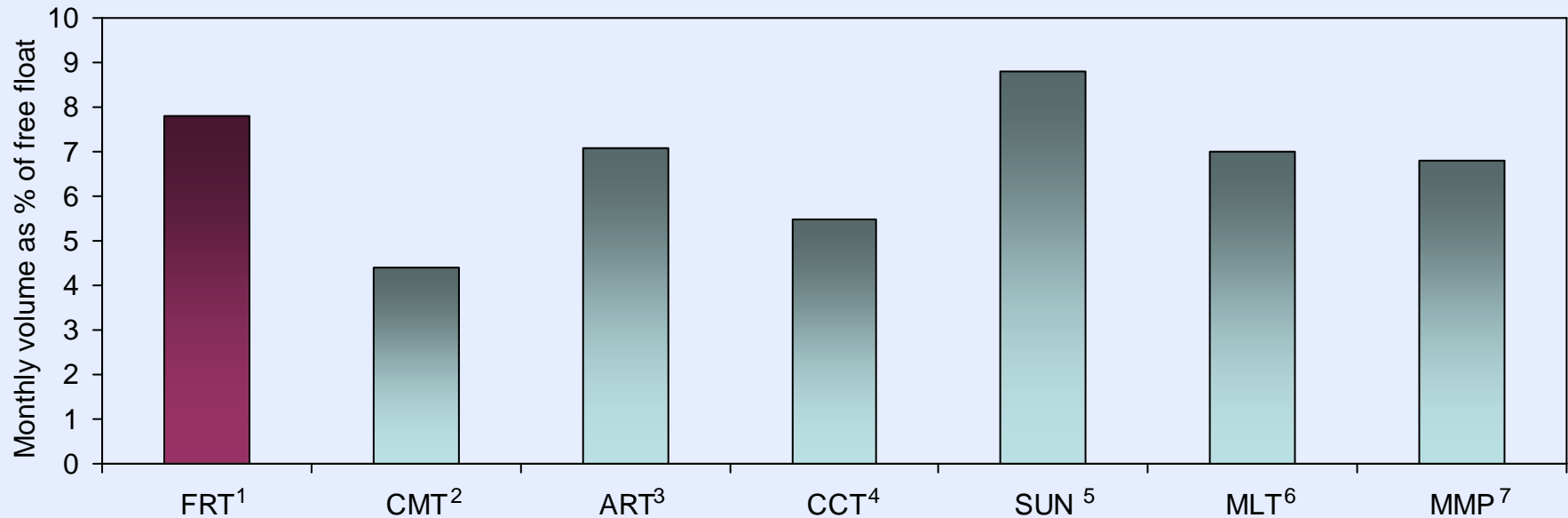
Distribution history, 2003 to 1H06



Liquidity Analysis

❖ Fortune REIT's liquidity is comparable to rest of S-REITs in 2Q06

S-REIT liquidity



Source: ARASL's estimates based on information from Bloomberg

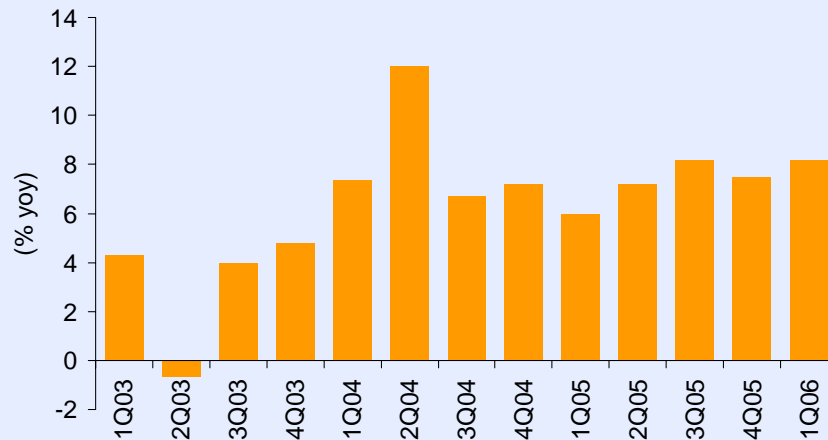
Note: 1: Fortune REIT 2. CapitaMall Trust 3. Ascendas REIT 4. CapitaCommercial Trust 5. Suntec REIT 6. Mapletree Logistics Trust 7. Macquarie MEAG Prime REIT

Hong Kong economy

Economic growth

❖ Growth continues and accelerates

GDP Growth (at constant market prices)



Source: Census & Statistics Department

- **Strong GDP growth of 8.2% y-o-y in 1Q06**
- **Domestic spending remained strong**
 - Private Consumption Expenditure (PCE) increased 4.5% y-o-y in 1Q06

Hong Kong unemployment



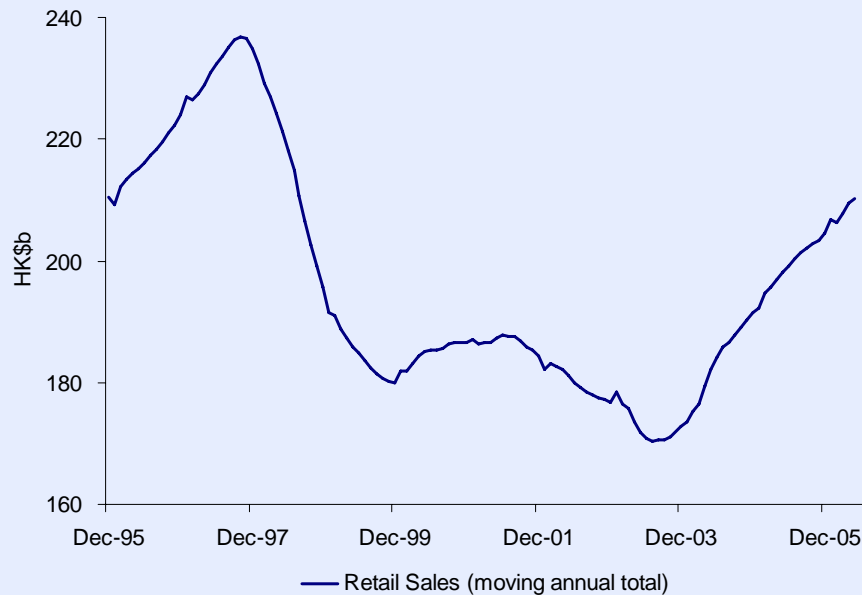
Source: Census & Statistics Department

- **Unemployment rate dropped to 57-month low of 4.9% (May 06)**

Retail sales

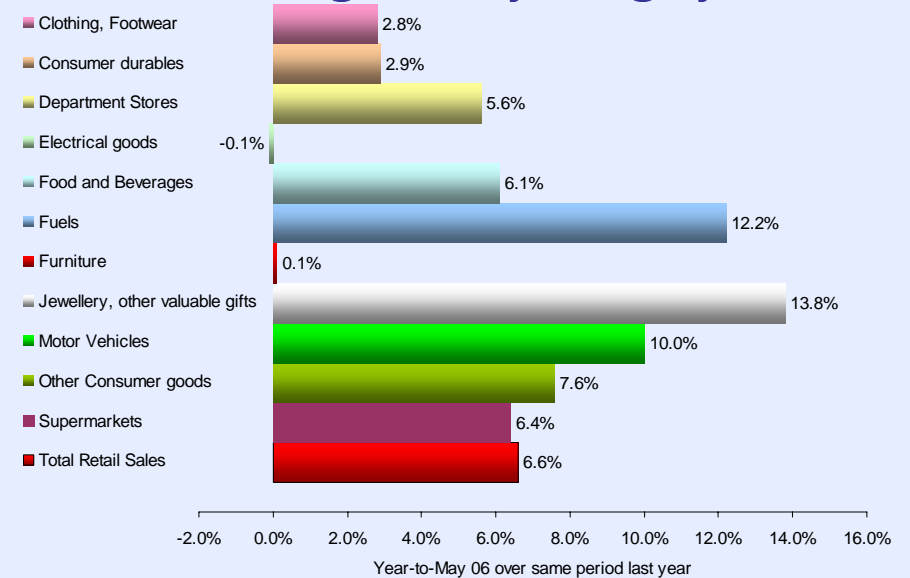
❖ Retail sales commands stable growth

Hong Kong retail sales



Source: Census & Statistics Department

HK retail sales growth by category



Source: Census & Statistics Department

- **Retail sales up 6.6% in 5M06 vs 5M05**
 - Benefiting from improvements in labour market conditions and increase in tourist arrivals

Asset Performance

Portfolio highlights

❖ Rental growth stable; New retailers in malls; Growth through upgrading

- **Ma On Shan Plaza**
 - rental reversion remains strong: 28.0% for renewals
 - 100% occupancy rate
 - 108% increase in rents expected from current conversion of 6 food court stalls to 3 retail shops
- **New Brands in Malls**
 - Established F&B players take position in malls
 - KFC's opens new retail image restaurant in City One Shatin
 - Rhine Garden Restaurant opens new outlet in Metropolis Mall
- **Planning Ahead: New Asset Enhancement Plan**
 - New retail corridor in Waldorf Gardens
 - Proposed conversion of some 33,000 sf restaurant/shop space into 34 retail & F&B units within new shopping corridor

Ma On Shan Plaza



City One Shatin



Metropolis Mall



Portfolio occupancy

❖ Actual portfolio occupancy stood at 93.3% with 822 tenants

Portfolio occupancy (%)

	GRA (sf)	Mar 06 (actual)	Jun 06 (actual)	Jun 06 (committed)	No of tenants ¹
City One Shatin Property	414,469	93.8	94.6	94.8	257
The Metropolis Mall	332,168	91.6	82.1	90.0	109
Ma On Shan Plaza	310,084	99.4	100.0	100.0	138
Waldorf Garden Property	80,842	100.0	100.0	100.0	40
Smartland	123,544	98.4	98.4	98.6	97
The Household Center	91,779	78.4	79.5	79.5	44
Jubilee Court Shopping Centre	170,616	95.7	98.5	98.5	45
Tsing Yi Square Property	78,836	93.7	93.7	96.8	58
Centre de Laguna Property	43,000	99.4	96.9	96.9	18
Lido Garden Property	9,836	92.5	100.0	100.0	12
Rhine Garden Property	14,604	100.0	100.0	100.0	4
Portfolio	1,669,788	94.6	93.3	95.1	822

Source: ARASL

Note:

1. As at 30 Jun 06

Portfolio expiry profile

❖ 22.6% of leases will expire in 2H 2006

Expiry profile by gross rentable area¹

Percentage of occupied space expiring

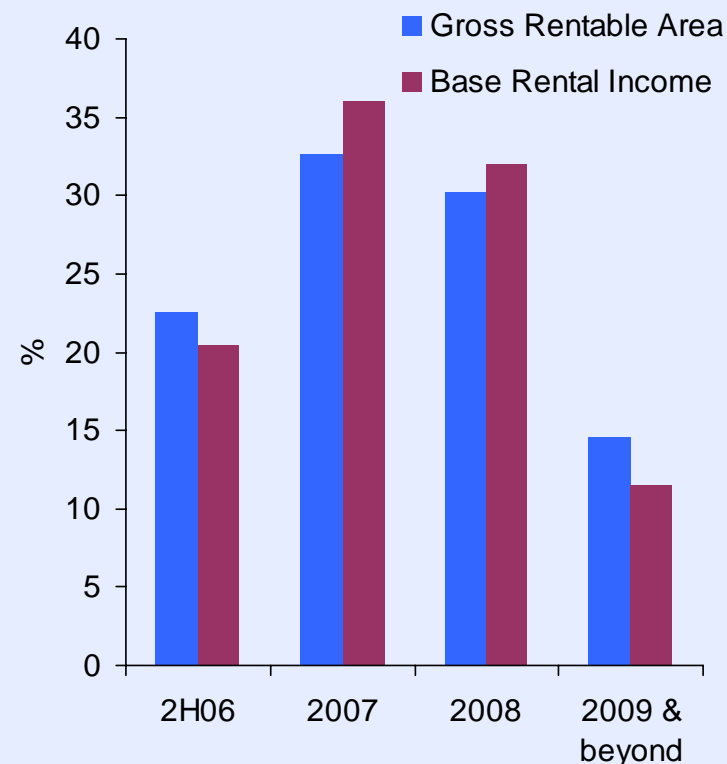
	2H06 (%)	2007 (%)	2008 (%)	2009 and beyond (%)	Total (%)
City One Shatin Property	23.1	34.5	24.7	17.7	100.0
The Metropolis Mall	18.8	21.2	38.9	21.1	100.0
Ma On Shan Plaza	10.4	44.4	38.2	7.0	100.0
Waldorf Garden Property	0.4	72.8	26.7	0.1	100.0
Smartland	16.8	18.2	42.4	22.6	100.0
The Household Center	21.5	15.5	31.0	32.0	100.0
Jubilee Court Shopping Ctr	61.0	24.4	10.7	3.9	100.0
Tsing Yi Square Property	22.5	50.0	21.7	5.8	100.0
Centre de Laguna Property	45.9	11.0	3.4	39.7	100.0
Lido Garden Property	34.0	27.0	39.0	0.0	100.0
Rhine Garden Property	0.0	2.4	97.6	0.0	100.0
Portfolio	22.6	32.6	30.2	14.6	100.0

Source: ARASL

Note:

1. As at 30 Jun 06

Portfolio expiry profile¹

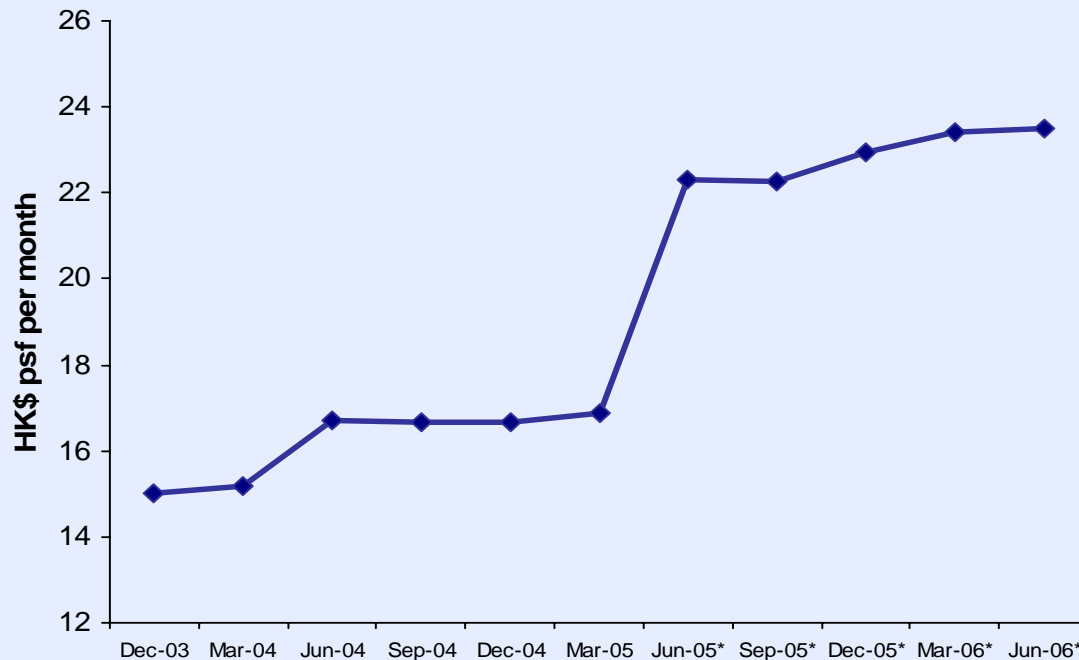


Source: ARASL

Rentals

❖ Average passing rental maintained

Portfolio rents



Source: ARASL

Note:

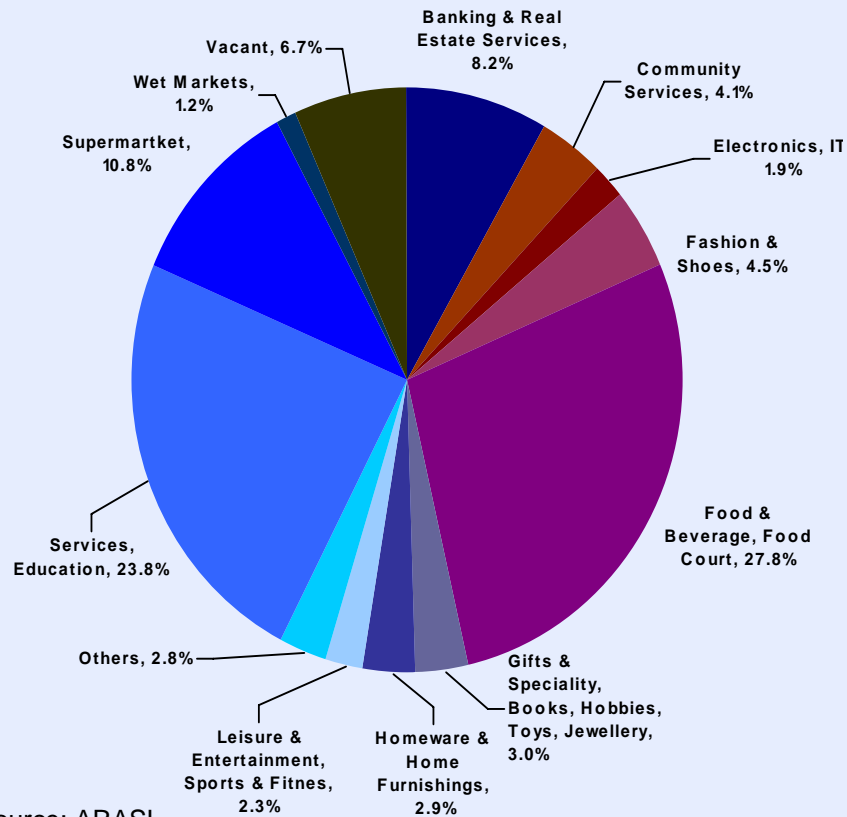
* Include 6 properties which were acquired on 28 Jun 2005

- Average passing rental for the 11 malls stable at **\$23.41 psf per month as at Jun 06**
- Retention rate for 1H06 is **68%**
- Weighted average rental reversion for 1H06 was **13.1% for renewals**

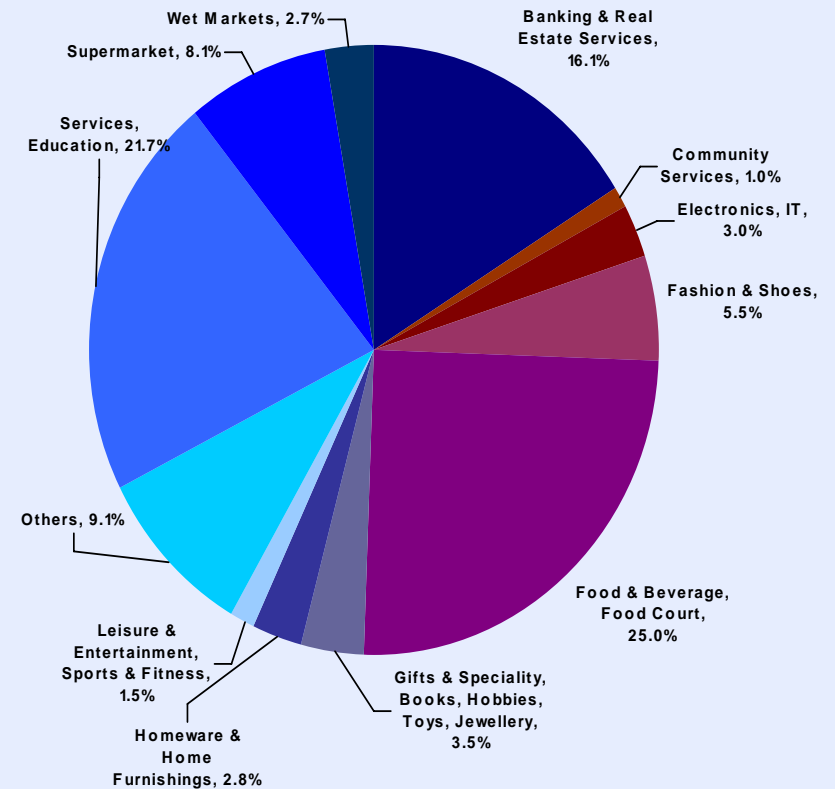
Portfolio tenant trade mix

❖ Trade mix remains diversified

By gross rentable area¹



By base rental income¹



Source: ARASL

Note:

1. As at 30 Jun 06

Asset Enhancement Update: Metropolis Mall

❖ Reinforcing Wedding Theme in Mall

- Wedding park fixtures and fittings in wedding zone of mall
- Reinforces wedding theme for benefit of shoppers and tenants alike
- Potential other income from temporary lease of “park” for promotion, activities and exhibitions by tenants or trade suppliers
- Multi-use venue for events, fashion shows and displays



Source: ARASL

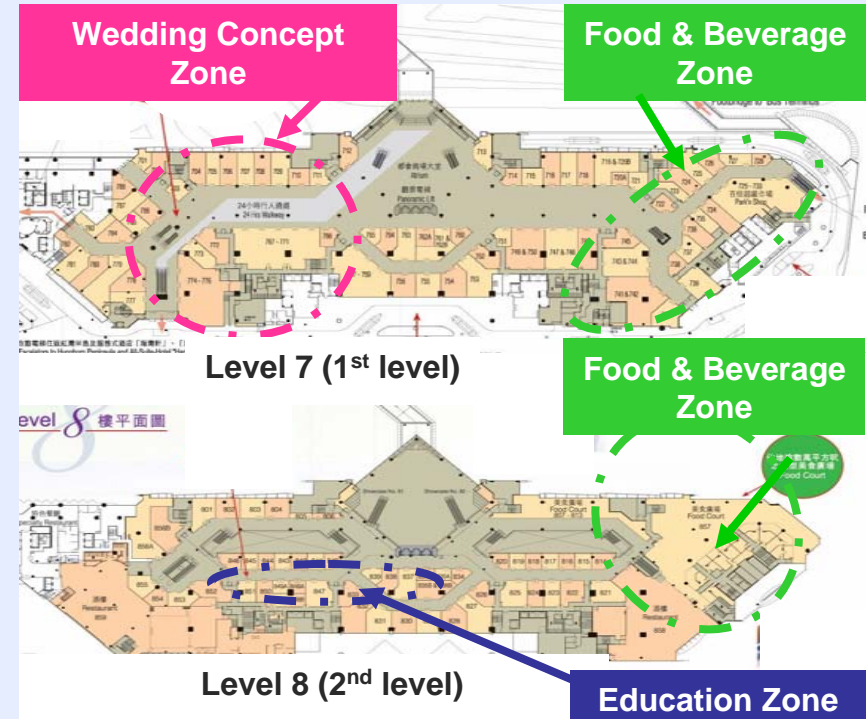
Metropolis Mall Update: Tenant Mix Reinforced

❖ New Restaurant at Reconfigured Food Court

- Tenant mix in food court repositioned for more focused offering and less duplication
- 7 food stalls reconfigured into a 12,354 sf restaurant
- Established restaurateur opens Rhine Garden Restaurant

❖ Education Zone Grows

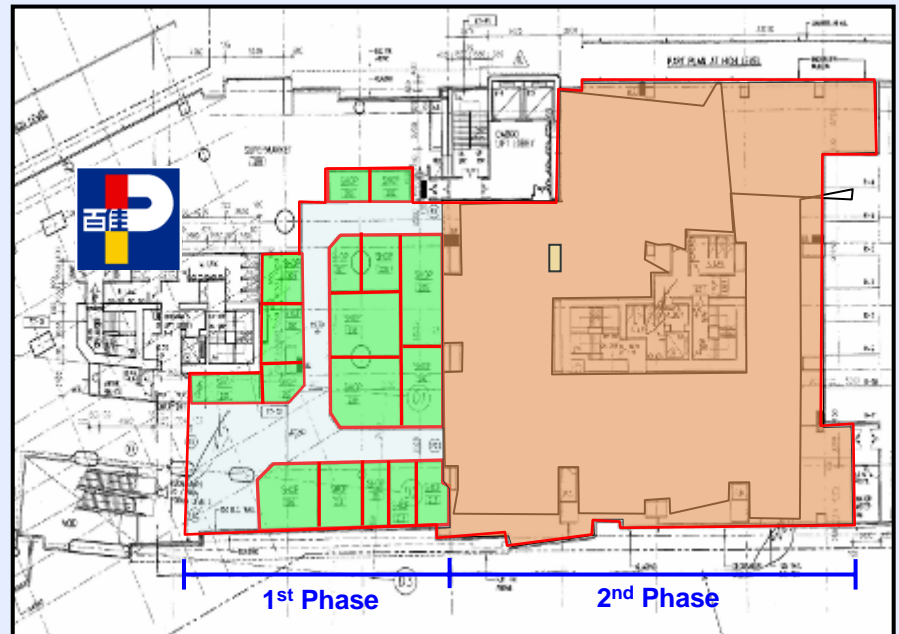
- New tenants offering enrichment and personal development courses opens in education zone of mall
- Meets needs of nearby catchment of residences and students of nearby housing estates, college, university and hostels



Asset enhancement Update: The Household Center

❖ Subdivision Works in Progress

- 18,000 sf subdivision works for Phase 1 will be completed by Aug 2006
- 17 retail shops in Phase 1 to enhance retail variety to shoppers
- Marketing activities in tandem with project execution
- Tenant for Phase 2 in negotiations



Strategy

Ongoing Strategy

- **Initiate and implement asset enhancement plans for highest and best use of assets**
- **Capitalise on strong rental reversions to maximise economic returns from portfolio**
- **Monitor and focus on prudent debt management to minimise cost**
- **Growth through acquisitions remains an ongoing priority**
- **Second Listing in Hong Kong under consideration**

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