



Results for the quarter ended 31 Mar 2006

9 May 2006

ARA Asset Management (Singapore) Limited

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Summary

Summary

- ❖ **Revenue rose 104.6% in 1Q06 v 1Q05; tax-exempt yield of 5.9% achieved**
 - **Distribution per unit (“DPU”) grew 3.3% in 1Q06 despite interest cost rise**
 - Total revenue increased by 104.6%
 - Net property income increased by 102.9%
 - **NAV per unit at HK\$7.63; discount to NAV of 18.1%**
 - **Gearing at 28%; 75% of debt fixed at various maturities**
 - **Strong rental reversions with high portfolio occupancy**
 - weighted average rental reversions of the portfolio for 1Q06 was 13.0% for renewals
 - portfolio occupancy remains high at 94.6%
 - **Asset enhancement plans under way**
 - asset enhancement works at Metropolis Mall, Household Center and Smartland

Financial highlights

Trust income

❖ Revenue rose by 104.6% in 1Q06 v 1Q05

Fortune REIT results, 1Q06 v 1Q05

	1Q06 ¹ (HK\$'000)	1Q05 (HK\$'000)	Var (%)
Total revenue	154,129	75,336	104.6
Property operating expenses	(36,897)	(17,551)	110.2
Manager's performance fee	(3,517)	(1,734)	102.8
Net property income ("NPI")	113,715	56,051	102.9
Borrowings costs	(25,457)	(5,560)	357.9
Profit before tax ²	88,258	50,491	74.8
Hong Kong tax	(15,383)	(8,789)	75.0
Net profit of property cos	72,875	41,702	74.8
Net profit of Group ²	65,838	37,823	74.1
Income available for distribution	72,474	41,499	74.6
DPU (HK\$)	0.0901	0.0872	3.3

Source: ARASL

Notes:

1. Includes income from the six retail properties acquired in Jun 05
2. Trust expenses include the Manager's base fee, trustee fees, and admin expenses
3. Before Manager's performance fee

- Revenue increased **104.6%**
- Net Property Income improved by **102.9%**
 - cost-to-revenue ratio³ at **23.9%**
 - NPI for existing malls (ex-Metropolis) up **6.7%**
- Despite rise in interest cost rise, DPU grew **3.3%** **1Q06 vs 1Q05**

Distribution yield

❖ Tax-exempt yield 5.9% achieved

Fortune REIT distribution, quarter ended Mar 2006¹

	Tax-exempt Actual	Actual Pre-tax ²
DPU³		
- Quarter ended Mar 06 (HK\$)	0.0901	0.1093
Distribution yield, based on		
- 31/3/06 price (HK\$6.25)	5.9%	7.1%

Source: ARASL

Notes:

1. Fortune REIT pays tax-exempt distributions semi-annually (for the half years ending Jun and Dec)
2. 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
3. Based on 804.0m units issued

Debt management

❖ Around 75% of debt fixed

Fortune REIT debt profile

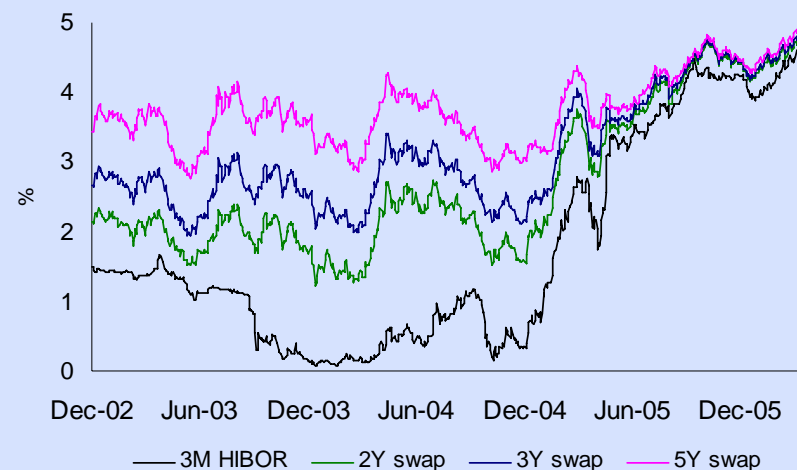
	Term	31/12/05 (HK\$m)	31/3/06 (HK\$m)	% of total
Revolving	1M	12	67	2.7
Floating ¹	3M	541	541	22.1
Fixed ²	1Y - 3Y	1,844	1,844	75.2
Total		2,397	2,452	100.0

Source: ARASL

Notes:

1. Excludes the debt front end fee
2. Interest is hedged in July 05

Hong Kong interest rates



Source: Bloomberg

- Interest expense of \$25.5m for 1Q06
- Weighted average interest cost of 4.2% achieved
- 75% of debt fixed at various maturities

Balance sheet

❖ Book value currently at HK\$7.63 per unit

Fortune REIT balance sheet

	31/12/05 (HK\$m)	31/3/06 (HK\$m)	Change (%)
Investment properties ^{1,2}	8,592	8,592	0.0
Total assets	8,868	8,881	0.1
Total liabilities	(2,653)	(2,728)	2.8
Net assets	6,215	6,152	(1.0)
NAV per unit (HK\$) ³	7.73 ⁴	7.63	(1.3)
Total debt ⁵	(2,397)	(2,452)	2.3
Gearing (%) ⁶	27	28	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
3. Net asset value per unit is calculated based on net assets of the Group excluding hedging reserve
4. NAV as at 31 Dec 05 includes distribution of HK\$0.1722 per unit paid to Uniholders on 28 Feb 06 which was for the period 28 Jun 2005 to 31 Dec 2005
5. This excludes the debt front end fee
6. Total debt to Deposited Property

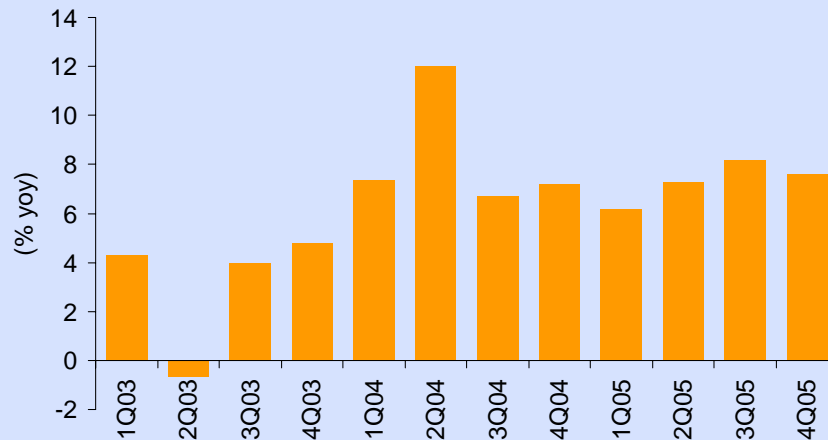
- **Discount to NAV of 18.1%**
 - based on unit price of HK\$6.25 (31 Mar 06)
 - current NAV per unit is HK\$7.63
 - 31 Dec 05 NAV includes HK\$0.1722 per unit distributed on 28 Feb 06
- **Gearing at 28%**

Hong Kong economy

Economic growth

❖ Growth continues and accelerates

GDP Growth (at constant market prices)



Source: Census & Statistics Department

- **Strong GDP growth of 7.3% y-o-y in 2005**
- **Domestic spending remained strong**
 - Private Consumption Expenditure (PCE) increased 3.7% y-o-y in 4Q05

Hong Kong unemployment



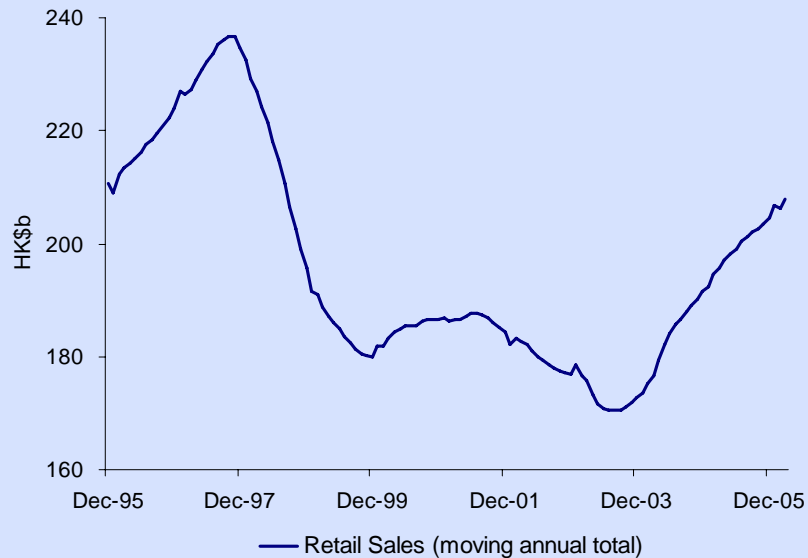
Source: Census & Statistics Department

- **Unemployment rate dropped to four-year low of 5.2% (Mar 06)**

Retail sales

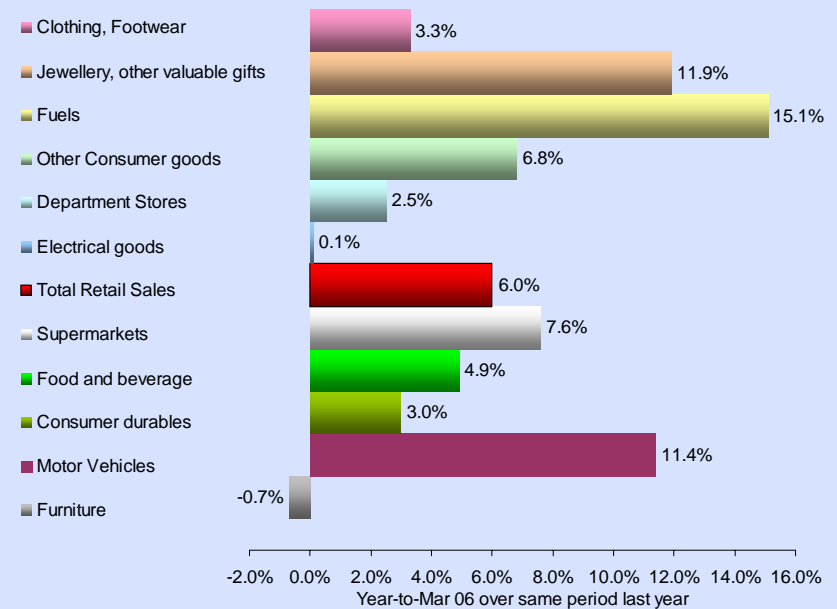
❖ Retail sales commands stable growth

Hong Kong retail sales



Source: Census & Statistics Department

HK retail sales growth by category, 3M06



Source: Census & Statistics Department

- **Retail sales up 6.0% in 3M06 vs 3M05**
 - Benefiting from increase in both local consumption and tourist spending

Asset Performance

Portfolio highlights

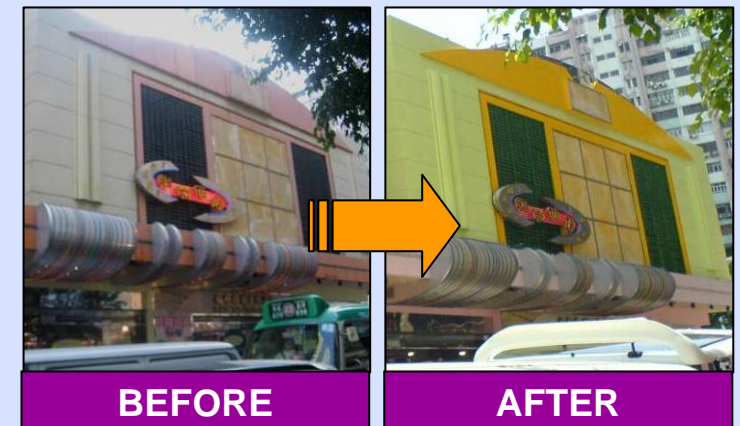
❖ Strong rental growth at MOSP; Metropolis launches wedding theme

- **Ma On Shan Plaza**
 - rental reversion remains strong: 25.4% for renewals
 - occupancy remains high at 99.4%
- **The Metropolis Mall**
 - grand opening of Taiwan Wedding Theme in mid-February
 - 7 wedding operators have opened in February 2006; more wedding operators and related trades are expected to flow into the mall
- **Smartland**
 - face-lifting works to upgrade mall appearance and enhance shopping environment

Saint Honore opens at MOSP



Completed face-lifting works at Smartland



Portfolio occupancy

❖ Portfolio occupancy stood at 94.6% with 828 tenants

Portfolio actual occupancy (%)

	GRA (sf)	Jun 05	Dec 05	Mar 06	No of tenants ¹
City One Shatin Property	414,469	94.9	95.6	93.9	260
The Metropolis Mall	332,168	91.8	92.4	91.6	102
Ma On Shan Plaza	310,084	96.8	99.2	99.4	146
Waldorf Garden Property	80,842	100.0	98.9	100.0	40
Smartland	123,544	98.3	98.1	98.4	98
The Household Center	91,779	98.4	98.0	78.4	40
Jubilee Court Shopping Centre	170,616	99.0	95.7	95.7	49
Tsing Yi Square Property	78,836	100.0	99.1	93.7	58
Centre de Laguna Property	43,000	99.4	99.4	99.4	20
Lido Garden Property	9,836	100.0	100.0	92.6	11
Rhine Garden Property	14,604	100.0	100.0	100.0	4
Portfolio	1,669,778	96.2	96.4	94.6	828

Source: ARASL

Note:

1. As at 31 Mar 06

Portfolio expiry profile

❖ 36.5% of leases will expire in 2006

Expiry profile by gross rentable area¹

Percentage of occupied space expiring

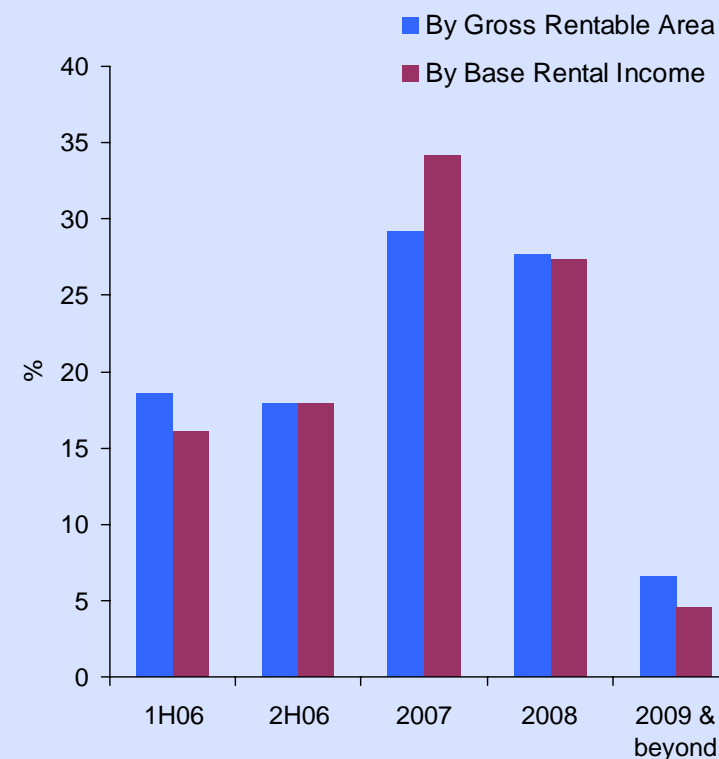
	1H06 (%)	2H06 (%)	2007 (%)	2008 (%)	2009 and beyond (%)	Total (%)
City One Shatin Property	13.5	22.3	34.8	21.8	7.6	100.0
The Metropolis Mall	36.4	5.3	7.3	40.3	10.7	100.0
Ma On Shan Plaza	6.2	9.4	44.6	36.8	3.0	100.0
Waldorf Garden Property	39.3	0.4	60.2	0.0	0.1	100.0
Smartland	32.7	7.7	18.2	41.4	0.0	100.0
The Household Center	0.8	21.8	14.7	30.2	32.5	100.0
Jubilee Court Shopping Ctr	8.2	56.2	25.1	8.7	1.8	100.0
Tsing Yi Square Property	16.4	14.8	50.0	16.1	2.7	100.0
Centre de Laguna Property	31.0	44.7	10.7	2.7	10.9	100.0
Lido Garden Property	5.1	36.8	29.1	29.0	0.0	100.0
Rhine Garden Property	0.0	0.0	2.4	97.6	0.0	100.0
Portfolio	18.6	17.9	29.2	27.7	6.6	100.0

Source: ARASL

Note:

1. As at 31 Mar 06

Portfolio expiry profile¹

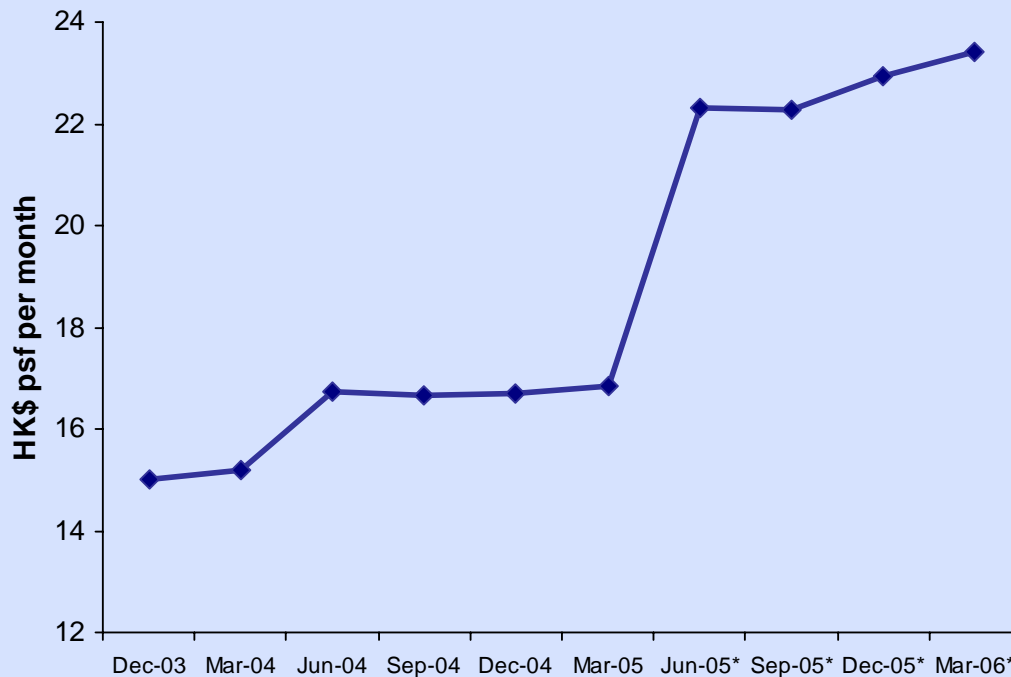


Source: ARASL

Rentals

❖ Average passing rental continues to rise

Portfolio rents



Source: ARASL

Note:

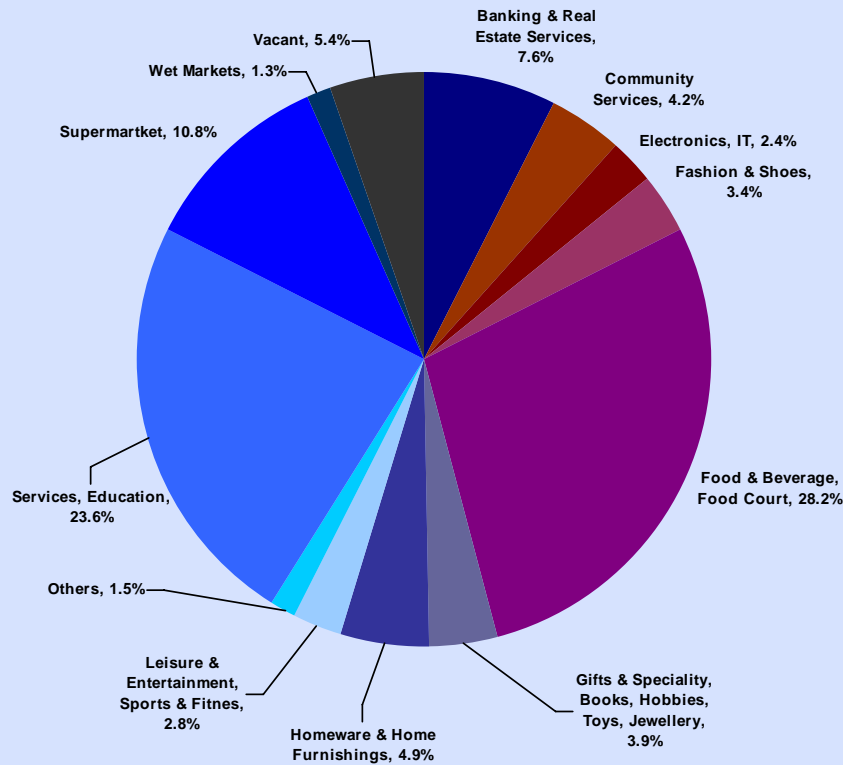
* Include 6 newly acquired properties

- Average passing rental for the 11 malls rose to **\$23.41 psf per month as at Mar 06**
- Retention rate at **approximately 70%**
- Weighted average rental reversion for 1Q06 was **13.0% for renewals**

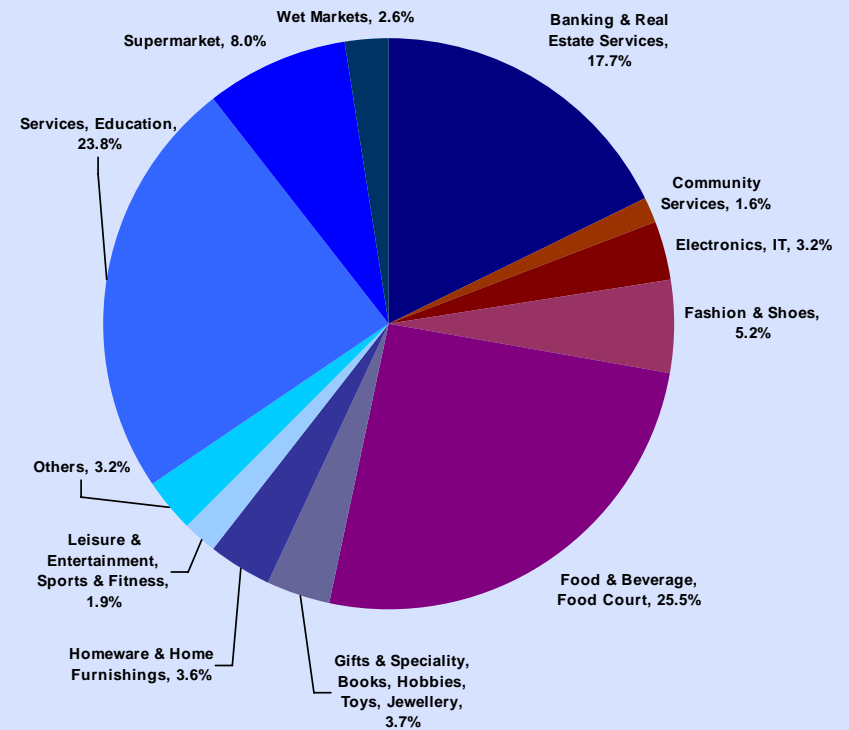
Portfolio tenant trade mix

❖ Trade mix remains diversified

By gross rentable area¹



By base rental income¹



Source: ARASL

Note:

1. As at 31 Mar 06

Asset enhancement: The Metropolis Mall

❖ Taiwan Wedding Theme at Metropolis

- Officially launched in Feb 2006
- Enhancement works at the arcade common area to reinforce the overall wedding atmosphere
- Target completion date: 3Q06

Grand Opening of Wedding Square on 19 Feb 2006



Source: ARASL

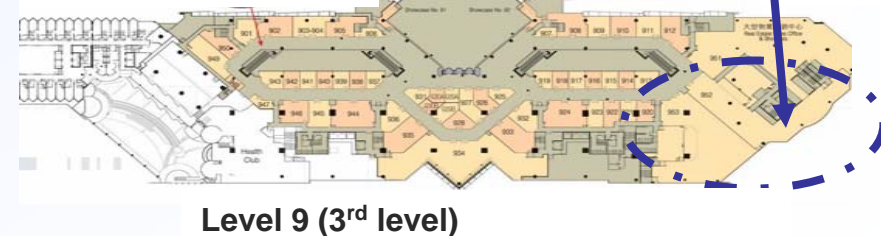
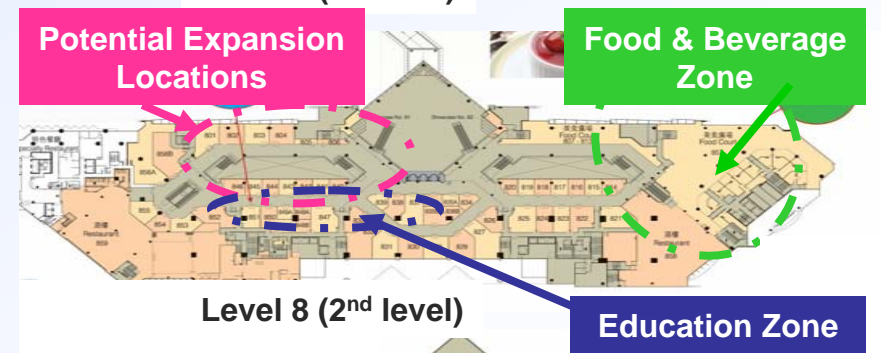
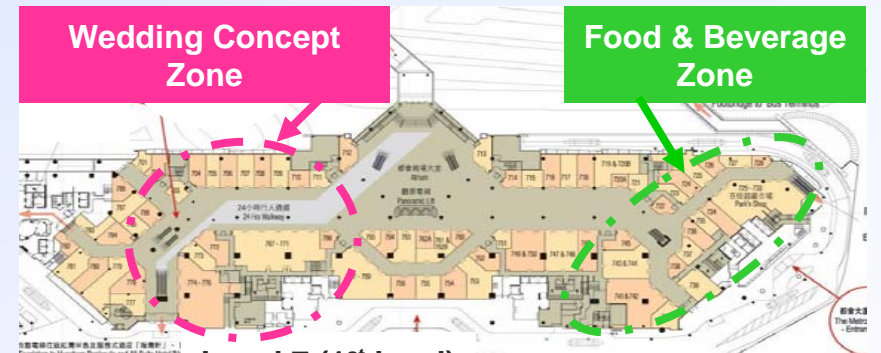
Perspective Drawing of Wedding Square Common Area after Enhancement



Metropolis Mall: Repositioning and Tenant Mix

❖ Repositioning initiatives at Metropolis Mall

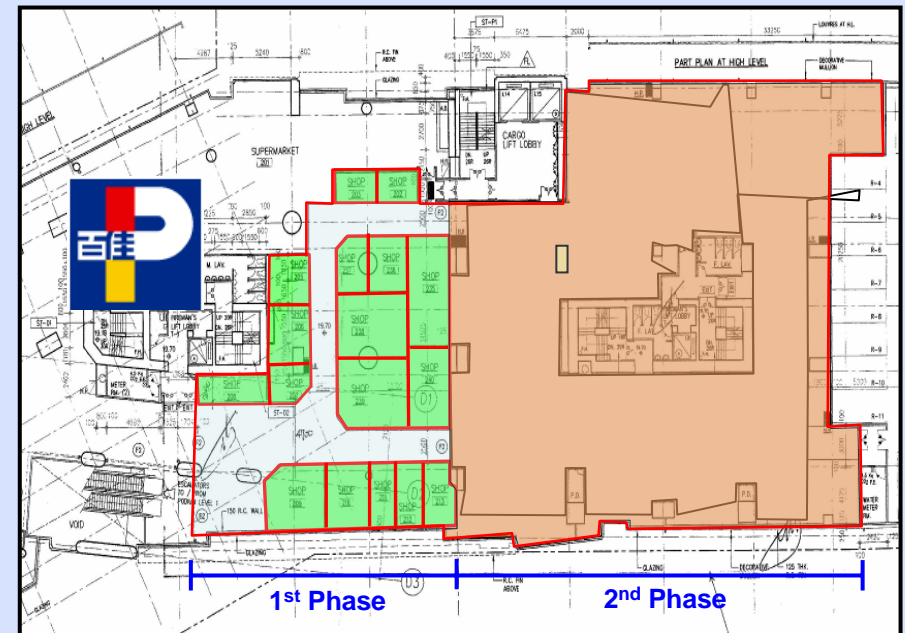
- Destination driven concepts will draw shoppers to mall
- Capitalises on growing catchment from Polytechnic, hostels, serviced apartments and hotels
- Attracts supporting lifestyle trade tenants and increase retail offerings to shoppers
- Capital expenditure mainly on subdivision works and thematic accoutrements



Asset enhancement: The Household Center

❖ Sub-division of supermarket space into 17 smaller shops

- Better tenant mix with greater variety of trade offerings to shoppers
- Proposed conversion of 18,000 sf upper floor space into 17 small shops in 1st phase
- Proactive marketing campaigns in tandem with project execution
- Target completion date: 3Q06



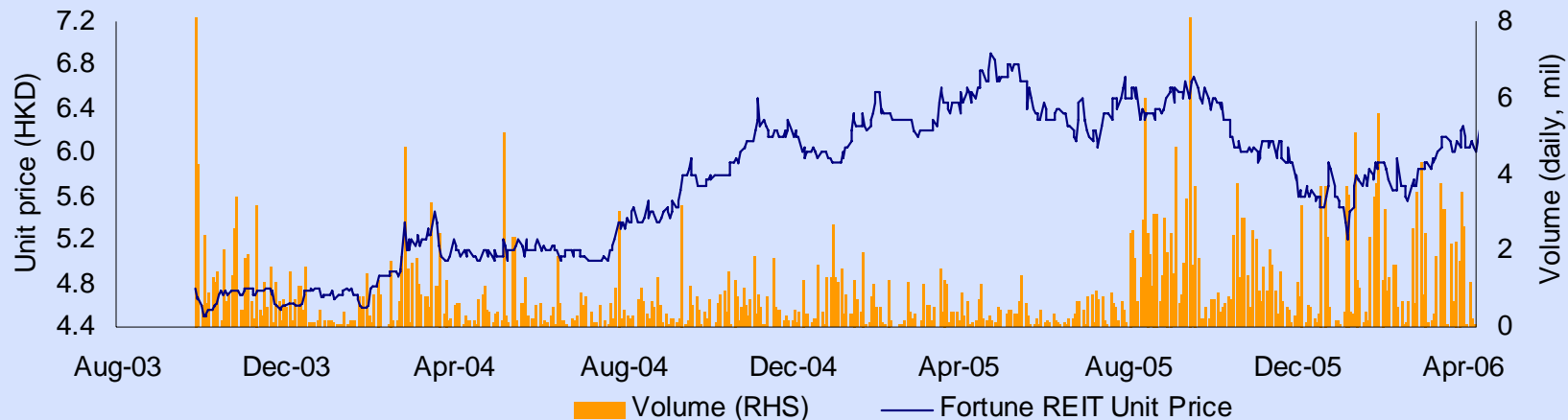
Strategy

Strategy

- Capitalize on the significant proportion of tenants coming up for renewals in 2006 to improve rental revenue
- Maintain high occupancy levels and diversified tenant base
- Explore and implement asset enhancement projects
- Acquisition strategy
 - continue to look for yield accretive properties for acquisition
- Second Listing in Hong Kong under consideration

Unit performance

Unit price performance¹



Source: Bloomberg

Note:

1. As at 4 May 06

Relative price performance

	Dec 05	Mar 06	% ch
Fortune REIT (HK\$)	5.70	6.25	9.6
Strait Times Index	2,347	2,533	7.9
Hang Seng Index	14,876	15,805	6.2

Source: ARASL, Bloomberg

- **Fortune REIT outperforms major indices in 1Q06**

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