



Results for the period ended Dec 2003

27 Jan 2004

ARA Asset Management (Singapore) Limited

Disclaimer

This presentation is focused on comparing actual results versus forecasts outlined in the Fortune REIT Prospectus dated 28 Jul 2003. It should be read in conjunction with Paragraph 9 of Fortune REIT's financial results for the period 13 Aug 2003 to 31 Dec 2003 announced on MASNET.

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- Hong Kong economy
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Executive summary

Executive summary

- ❖ **Fortune REIT out-performed forecast, set for an exciting 2004**
 - **Income available for distribution 6.2% above forecast**
 - **Hong Kong economy continues to strengthen**
 - **Mall occupancies rising**
 - upward pressure on rentals
 - positive for the 33% leases up for renewal in 2004
 - **Acquisition moratorium ends 12 Feb**

Financial highlights

Trust income

❖ Income available for distribution 6.2% above forecast

Fortune REIT summary results¹

	Actual (HK\$'000)	Forecast ² (HK\$'000)	Var (%)
Gross revenue	113,620	113,138	0.4
Property operating costs	(33,927)	(34,383)	-1.3
Borrowings costs	(7,850)	(10,662)	-26.4
Profit before tax	71,843	68,093	5.5
Hong Kong tax	(12,525)	(11,916)	5.1
Net profit of property cos	59,318	56,177	5.6
Net profit of trust ³	57,030	52,446	8.7
Income available for dist'n	58,910	55,465	6.2

Source: ARA Asset Management Singapore Limited ("ARASL")

Notes:

1. For the 141-day period from 13 Aug - 31 Dec 2003
2. Based on the same assumptions stated in the Prospectus dated 28 Jul 2003
3. Trust expenses include the Manager's base fee, trustee fees, and admin fees

- Revenue exceeded forecast
- Costs lower than forecast
 - cost-to-revenue remains at 30%
 - long term target of 25% to be gradually achieved
- Interest costs lower

Distribution income

❖ Tax-exempt distribution yield of 6.57% achieved

Fortune REIT distribution income¹

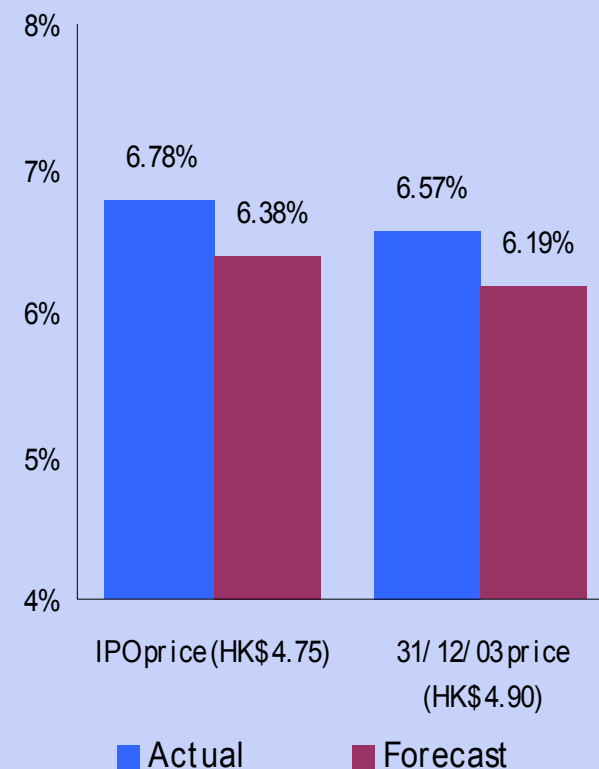
	Actual	F'cast ²	Var
Distribution per unit ("DPU") ³			
- 141 days to Dec 2003 (HK\$)	0.1243	0.1170	6.2%
- annualised (HK\$)	0.3218	0.3029	6.2%
Distribution yield (tax-exempt) ⁴			
- based on IPO price ⁵	6.78%	6.38%	6.2%
- based on 31/12/03 price ⁶	6.57%	6.19%	6.2%

Source: ARASL

Notes:

1. For the 141-day period from 13 Aug to 31 Dec 2003. Fortune REIT's policy is to distribute its net tax-exempt income semi-annually (for the half years ending in Jun and Dec)
2. Based on the assumptions stated in the Prospectus dated 28 Jul 2003
3. Based on 473.8m units, comprising 473.0m issued at IPO, and 0.8m in base fees paid to the manager for the 141 day period
4. Tax-exempt, annualised
5. IPO price was HK\$4.75
6. Closing price on 31 Dec 2003 was HK\$4.90

Distribution yield (tax-exempt)



Distribution yield

❖ Pre-tax yield of 7.97% is highest of any Asian REIT (ex-Australia)

Fortune REIT distribution yields

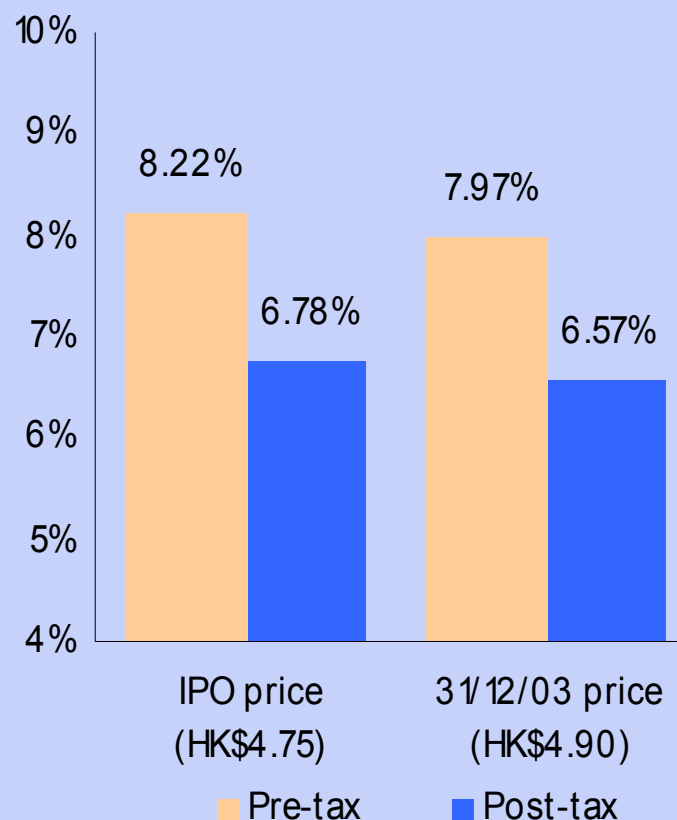
	Actual
Based on IPO price ¹	
- pre-tax yield ²	8.22%
- tax-exempt yield ³	6.78%
Based on 31/12/03 price ⁴	
- pre-tax yield	7.97%
- tax-exempt yield	6.57%

Source: ARASL

Notes:

1. IPO price was HK\$4.75
2. Before HK income taxes. This figure is shown solely to illustrate the yield before the impact of HK taxes on the Property Cos. This does not imply investors will be eligible for any dividend tax credits
3. Yield to investors of Fortune REIT, which is after accounting for HK income taxes, and is free of tax in Singapore
4. Closing price on 31 Dec 2003 was HK\$4.90

Distribution yield



Debt servicing and management

❖ Debt servicing below forecast, unused gearing available

Fortune REIT interest expense

	Actual (HK\$m)	F'cast ¹ (HK\$m)	Var (HK\$m)
Borrowing costs	7.8	10.7	-2.9
Avg int. rate ²	2.03%	3.00%	97 bps

Source: ARASL

Notes:

1. Based on the same assumptions stated in the Prospectus dated 28 Jul 2003
2. Weighted by the relative amounts of fixed and floating debt

Fortune REIT debt

	31/12/03 (HK\$m)	Limit (HK\$m)	Available (HK\$m)
Term loan	900	900	-
Revolving loan	57	200	143
Total	957	1,100	143

Source: ARASL

- Interest HK\$2.9m below forecast
- Spare HK\$143m in borrowings unused
- 37% of debt now fixed
 - low average rate of 2%
 - target is to fix 50%

Debt profile (current)

Fixed Floating



Balance sheet

❖ NAV per unit increased 7.7%, gearing at 28%

Fortune REIT balance sheet

	31 Dec 03 (HK\$m)	31 Dec 02 (HK\$m) ¹	Ch (%)
Total assets	3,379	3,198	5.7
Total liabilities	(1,062)	(1,069)	(0.7)
Net assets	2,317	2,129	8.8
NAV per unit² (HK\$)	5.18 ³	4.81	7.7
LT debt	(957)	(990)	(3.3)
Debt-to-asset ⁴	28%	31%	

Source: ARASL

Notes:

1. Pro forma as at 31 Dec 2002, from the Prospectus dated 28 Jul 2003
2. Net asset value excludes negative goodwill
3. Based on 473.8m units, comprising 473.0m issued at IPO and 0.8m in base fees paid to the Manager for the 141 day period
4. Total debt to Deposited Property

- NAV increased due to
 - valuation increase
 - rental income (payable as distribution)
- Gearing lowered to 28% due to
 - valuation increase
 - pay-down of debt

Property valuation

❖ Valuation of properties increased by 3.5%

Fortune REIT properties

	31 Dec 03 (HK\$m) ¹	31 May 03 (HK\$m) ²	Ch (%)
Metropolis Mall	1,593	1,560	2.1
Ma On Shan Plaza	1,023	970	5.5
Smartland	276	265	4.2
Household Center	252	243	3.7
Jubilee Court	245	237	3.4
Total	3,389	3,275	3.5

Source: ARASL, Chesterton Petty Limited

Notes:

1. Valued by Chesterton Petty Limited
2. Prospectus dated 28 Jul 2003

- Valuations increased for all malls
 - aggregate increase was 3.5%
 - largest increase was for Ma On Shan Plaza
- Higher valuation reflects turnaround in Hong Kong market

Key dates

Fortune REIT 2003 final distribution dates

	Date
Units trade ex-distribution	4 Feb 2004
Books closure	6 Feb 2004
Election of distribution currency	18 Feb 2004
Payment of distribution	27 Feb 2004

Source: ARASL

Hong Kong economy

Economic growth

❖ Economy continues to strengthen, sentiment strong

• Growth in 2004 to exceed 2003

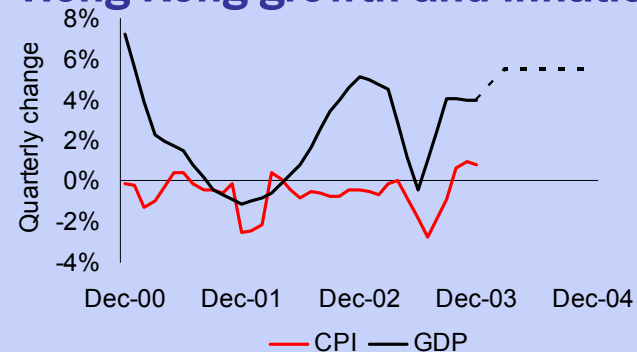
- market expects 5.5% in 2004
- exceeding 2003 growth of 3.5%
- across the board improvement
- China-driven
- interest rates at historical low

• Deflation ending

• Positive impact from China

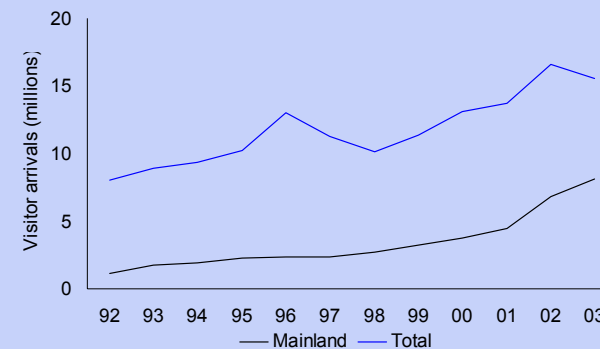
- tourist arrivals continue to be strong
- businesses now taking action to benefit from CEPA

Hong Kong growth and inflation



Source: Bloomberg, consensus forecasts

Mainland tourist arrivals in HK



Source: Bloomberg, HK Tourism Board

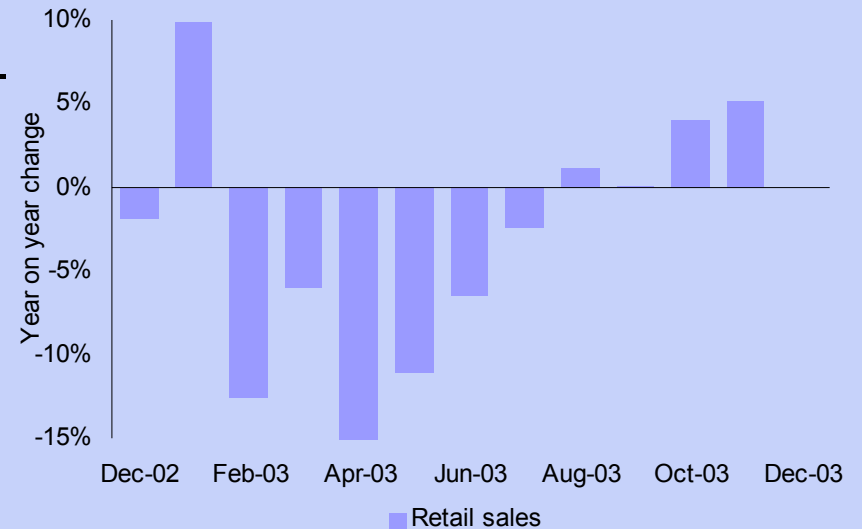
Note: 2003 is annualisation of first 11 months

Retail sales

❖ Rise in consumer confidence driving retail sales recovery

- **Consumer confidence rising**
 - Hang Seng Index up 35% in 2003, H-share index up 150%, continuing trend in 2004
 - unemployment has fallen under 8%
- **Retail sales continuing growth**
 - four consecutive months of growth
 - recoveries in all categories

Hong Kong retail sales (nominal)

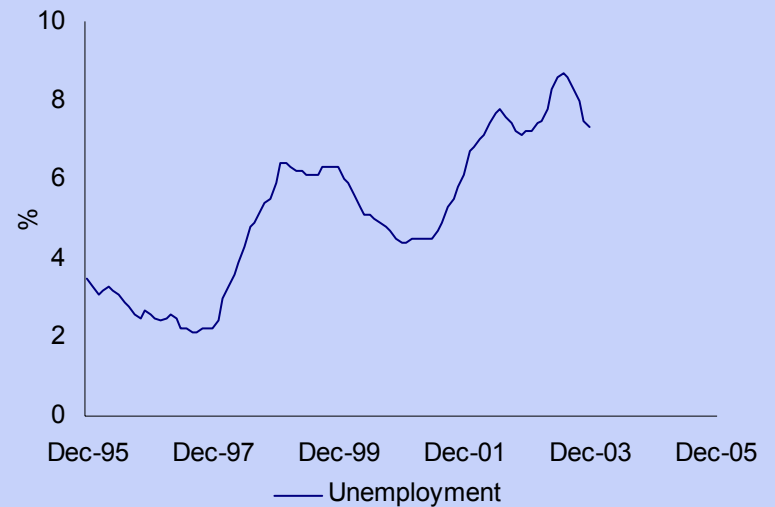


Source: Census and Statistics Dept

Unemployment

- ❖ The unemployment threat is ebbing
 - Unemployment has peaked
 - But still high by historical standards
 - stronger jobs growth required for spending to accelerate

Hong Kong labour market



Source: Census and Statistics Dept

Asset performance

Malls

Metropolis Mall



Ma On Shan Plaza



Smartland



Household Center



Jubilee Court



Occupancy

❖ Portfolio occupancy continues to rise

Fortune REIT occupancy profile

	End Sep 03	End Dec 03
No. of tenants	384	390
Portfolio occupancy (%)	83.4	84.4

Committed occupancy (%)

	Jan- Mar 2003 av.	End Sep 03	End Dec 03
Metropolis Mall	53.5	59.1	59.0
Ma On Shan Plaza	94.3	92.4	95.7
Household Center	95.6	97.7	97.3
Smartland	95.2	96.0	95.6
Jubilee Court	96.9	97.3	98.1
Portfolio	81.8	83.4	84.4

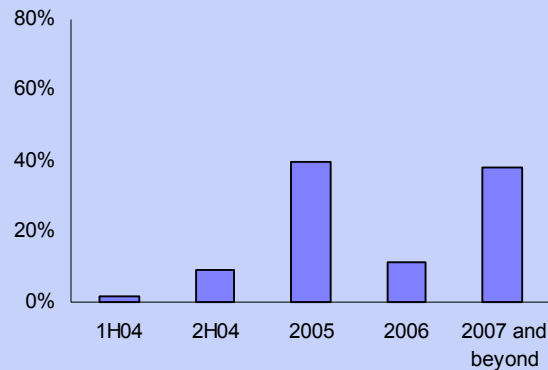
- **Metropolis**
 - continued focus on China tourist trades
- **Ma On Shan Plaza**
 - greater activity as KCRC station nears completion
- **Others**
 - relatively stable occupancies around mid-90%
 - some renewals/new lettings

Source: ARASL, Prospectus dated 28 Jul 2003

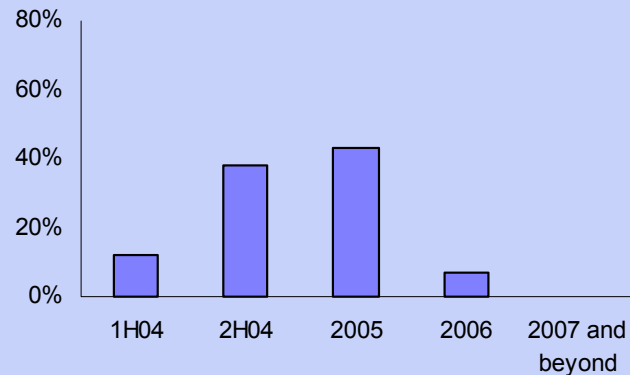
Expiry profile of portfolio

❖ Well spread out expiry profile

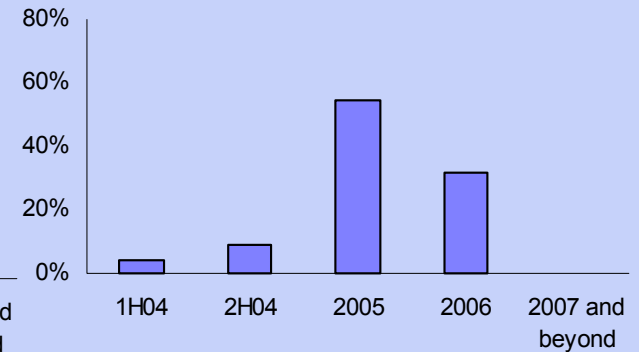
Metropolis Mall



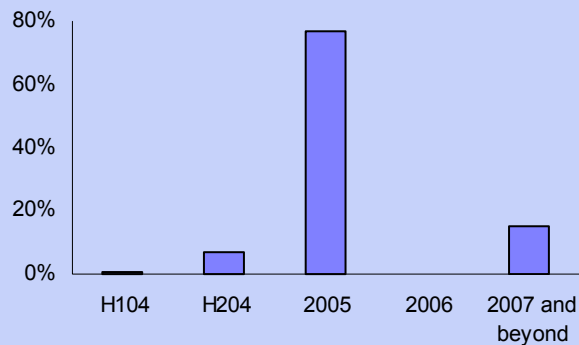
Ma On Shan Plaza



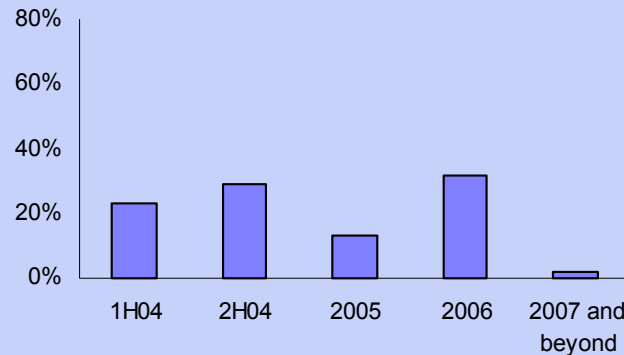
Smartland



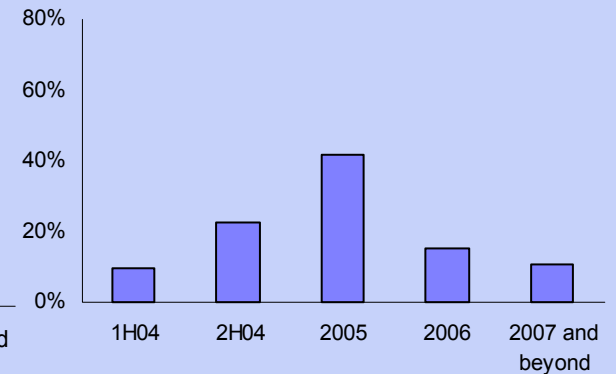
Household Center



Jubilee Court



Portfolio



Source: ARASL

Tenant trade mix

❖ Tenant base remains diversified

By gross lettable area (%)

	Metro- polis Mall	Ma On Shan Plaza	Smart- land	House- hold Center	Jubilee Court	Port- folio
Banking & Real Estate Services	29.0	7.8	0.0	0.5	1.2	9.5
Community Services	0.0	0.2	11.0	0.0	19.6	5.4
Electronics, IT	1.9	4.9	1.1	0.0	0.0	2.2
Fashion & Shoes	6.2	4.0	3.0	1.5	0.0	3.3
Food & Beverage, Food Court	37.8	28.3	28.4	21.9	17.1	27.6
Gifts & Specialty, Books, Hobbies, Toys, Jewellery	7.1	3.4	2.3	1.8	0.0	3.3
Homeware & Home Furnishings	5.9	6.2	0.4	2.6	4.8	4.7
Leisure & Entertainment, Sports & Fitness	0.9	8.5	9.1	0.0	0.0	4.3
Others	0.3	0.3	0.1	0.0	4.5	1.0
Services, Education	7.6	17.2	16.0	25.6	46.4	21.4
Supermarket	3.3	19.4	28.7	46.2	4.9	17.0
Wet Markets	0.0	0.0	0.0	0.0	1.4	0.3
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: ARASL

Rentals

❖ Mall rentals are experiencing upward pressure

Portfolio rents¹

	Current avg. passing rental (HK\$ psf/mth)	Quarterly change (%)	Committed occupancy (%)
Mar 2003	14.76		81.8
Jun 2003	14.74	-0.1	82.4 ²
Sep 2003	14.79	0.3	83.4
Dec 2003	15.01	1.5	84.4

Source: ARASL, Prospectus dated 28 Jul 2003

Notes:

1. Base rental and other income (exc charge-outs)
2. Actual occupancy

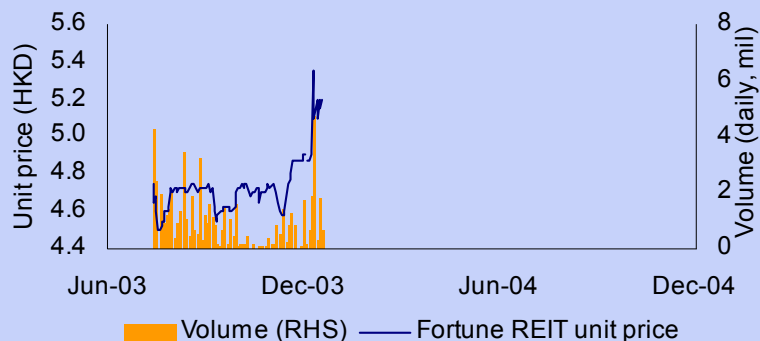
Strategy

Strategy

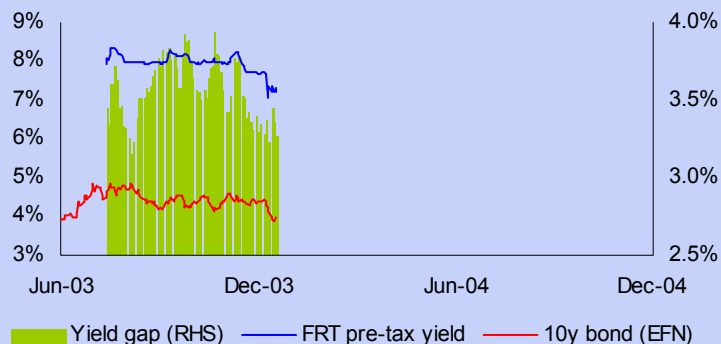
- ❖ **ARA expects forecast for 2004 to be comfortably met**
 - **Asset enhancement**
 - Ma On Shan Plaza: leverage off forthcoming KCRC link
 - **Leasing**
 - Metropolis Mall: will secure major tenant in China tourist trade, which will attract more specialty tenants
 - **Cost rationalisation**
 - long term target: cost-to-revenue of 25%
 - **Acquisitions**
 - yield-accretive acquisitions being sought; evaluating several
 - **Second listing in Hong Kong**
 - work progressing with advisers

Unit activity

Unit price and volume¹



Yield gap²



Source: ARASL, Bloomberg

Notes:

1. As at 16/1/04. Volume chart excludes first day of trade
2. Fortune REIT's pre-tax yield is based on assumptions stated in the Prospectus dated 28 Jul 2003

Return analysis

	Unit price (HK\$)	Change over IPO ² (%)	Distribution yield ³ (%)	Total return ³ (%)
Aug 12, 2003 ¹	4.75	-	-	-
Dec 31, 2003	4.90	8.2	8.2	16.4
Jan 16, 2004	5.20	22.1	8.2	30.3

Source: ARASL, Bloomberg

Notes:

1. IPO
2. Annualised
3. Forecast pre-tax and annualised

• Monthly liquidity (avg.)

- 5.2% of free float since listing
- 4.2% of free float since end of IPO market stabilisation (12/09/03)

In sum

- Fortune REIT's distribution exceeded forecast by 6.2%
- Hong Kong economy continues to strengthen
- Asset valuation up 3.5%
- Occupancies at Fortune REIT's malls are improving, rentals experiencing upward pressure
- Acquisition on the cards

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