



Results for the half year ended Jun 2004

Analyst briefing
27 Jul 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 1 Jan 2004 to 30 Jun 2004 announced on MASNET.

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Summary

Summary

- ❖ **Fortune REIT out-performed forecast in 1H04; prospects good**
 - **Income available for distribution 7.8% above forecast**
 - rental revenue 3.8% above forecast
 - renewals struck at 9.4% higher than existing rents
 - **Hong Kong's economy is continuing to strengthen**
 - retail sales showing broad-based growth
 - **Mall rentals rising steadily**
 - **Acquisition program on course**
 - **Ex-div on 4 Aug (HK\$0.17 per unit)**

Financial highlights

Trust income

❖ Income available for distribution 7.8% above forecast

Fortune REIT results, half-year ended Jun 2004

	Actual (HK\$'000)	Forecast ¹ (HK\$'000)	Var (%)
Revenue	116,748	112,516	3.8
Charge-out collections	33,281	38,403	(13.3)
Property operating costs ²	(42,275)	(45,611)	(7.3)
Borrowings costs	(8,661)	(13,389)	(35.3)
Profit before tax	99,093	91,919	7.8
Hong Kong tax	(17,331)	(16,086)	7.7
Net profit of property cos	81,762	75,833	7.8
Net profit of trust ³	76,147	70,936	7.3
Income available for dist'n	80,709	74,848	7.8

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

Notes:

1. Based on the same assumptions stated in the Prospectus dated 28 Jul 2003
2. Includes Manager's performance fee
3. Trust expenses include the Manager's base fee, trustee fees, and admin fees
4. Before Manager's performance fee

- Rental revenue 3.8% higher than forecast
 - rental rev ex-guar. 8% higher than last qtr
- Costs 7.3% below forecast
 - higher in 2Q with onset of summer
 - cost-to-revenue at 26%⁴

Trust distribution

❖ Distribution rising on improving HK retail leasing market

Fortune REIT distribution

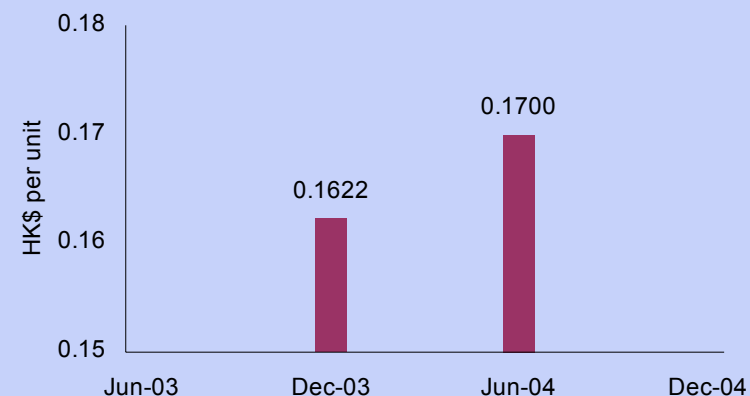
	Income avail. for distribution (HK\$'000)	Distribution per unit (HK\$)
Dec 2003	58,910 ¹	0.1622 ²
Jun 2004	80,709	0.1700

Source: ARASL

Notes:

1. For the 141-day period from IPO (12 Aug 2003)
2. Grossed up to the full half-year from the actual distribution of HK\$0.1243 per unit. This figure is shown for comparison purposes only

Distribution history (half-year)¹



Source: ARASL

Notes:

1. The distribution for Dec 03 is a grossed-up figure of the actual for the 141-day period from listing to 31 Dec 2003 of HK\$0.1243 per unit. This higher figure is shown for comparison purposes only

Distribution yield

❖ Tax-exempt yield 6.3%; pre-tax yield 7.7% (highest of Asia ex-Aust REIT)

FRT distribution, half-year ended Jun 2004¹

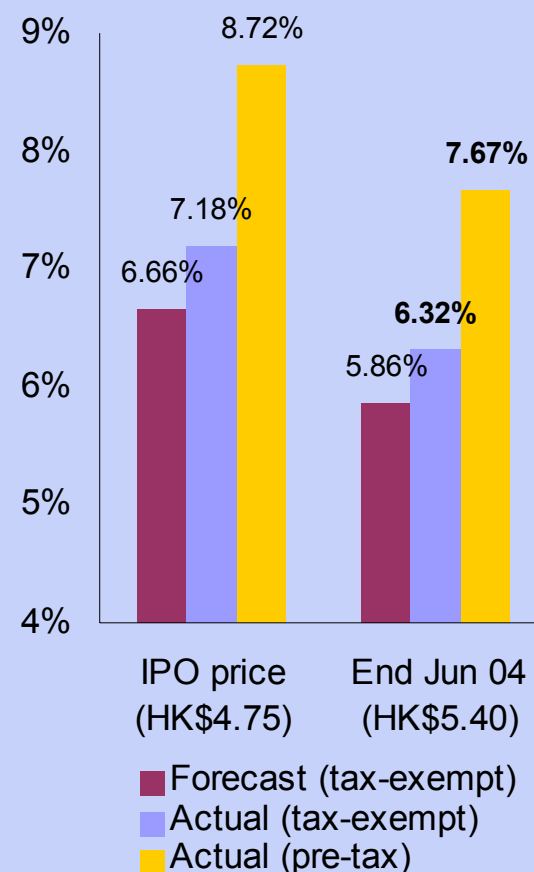
	Tax-exempt		
	F'cast ²	Actual	Pre-tax ⁶
DPU ³			
- 1H 04 (HK\$)	0.1577	0.1700	n.a.
Distribution yield ⁴			
- based on IPO price ⁵	6.66%	7.18%	8.72%
- based on 30/6/04 price ⁵	5.86%	6.32%	7.67%

Source: ARASL

Notes:

- Fortune REIT pays its tax-exempt distribution semi-annually (for the half years ending Jun and Dec)
- Based on the assumptions stated in the Prospectus dated 28 Jul 2003
- Based on 474.8m units issued
- Annualised
- IPO price = HK\$4.75, 30/6/04 price = HK\$5.40
- 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 are eligible for any dividend tax credits

Distribution yield



Debt management

❖ Debt servicing below forecast, now 50% fixed

Fortune REIT interest expense, 1H 04

	Actual	F'cast ¹	Var
Borrowing costs (HK\$m)	8.7	13.4	(4.7)
Avg int. rate ²	1.79%	3.00%	-121 bps

Source: ARASL

Notes:

1. Based on the assumptions in the Prospectus dated 28 Jul 2003

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

Fortune REIT debt profile

	Term	31/3/04 (HK\$m)	30/6/04 (HK\$m)	% of total
Revolving	1M	56	32	3
Floating	3M	550	550	59
Fixed	3Y	350	350	38
Total		956	932	100

Source: ARASL

- Interest expense HK\$4.7m below forecast
- 50% of debt now fixed
 - 38% fixed at end Jun
 - 12% more fixed in Jul
 - impact of rising rates not likely to be significant

Balance sheet

❖ Book value currently at HK\$5.22

Fortune REIT balance sheet

	31 Mar 04 (HK\$m)	30 Jun 04 (HK\$m)	Ch (%)
Total assets	3,371	3,393	0.7
Total liabilities	(1,070)	(1,053)	(1.6)
Net assets	2,301	2,340	1.7
NAV per unit (HK\$)¹	5.14	5.22	1.6
LT debt	(956)	(932)	(2.5)
Gearing (%) ²	28	27	

Source: ARASL

Notes:

1. Net asset value excludes negative goodwill
2. Total debt to Deposited Property

- Gearing declined marginally to 27%
 - room for another \$HK250m (35% limit)

Key dates

Fortune REIT 1H 2004 interim distribution

	Date
Units trade ex-distribution	Aug 4, 2004
Books closure	Aug 6, 2004
Election of distribution currency	Aug 19, 2004
Payment of distribution	Aug 27, 2004

Source: ARASL

Hong Kong economy

Economic growth

❖ HK's economy is on a solid footing

Hong Kong economic indicators

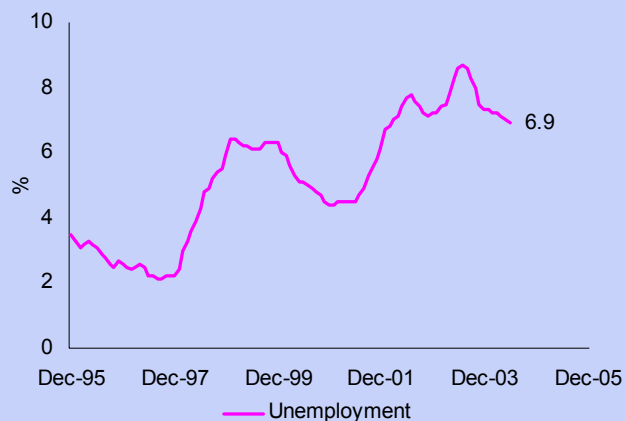
	Dec 02	Dec 03	Jun 04
Nom. GDP	0.7	1.4	6.8 ¹
10y bond (%)	4.4	4.4	4.5
- real rate	6.0	6.3	5.5
HKD/EUR	8.2	9.8	9.7

Source: HK CSD, Bloomberg, consensus

Notes:

1. 1Q 2004 over 1Q 2003

Hong Kong unemployment



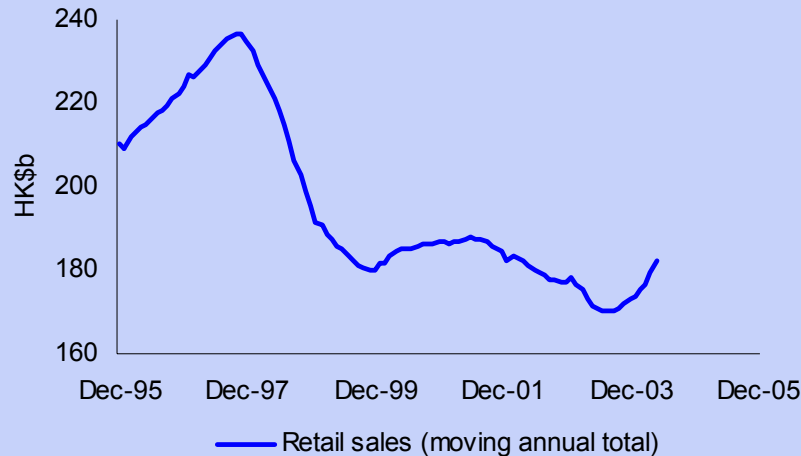
Source: HK CSD

- Economy continues to grow
- Unemployment rate on the decline
 - consumer confidence improving
- Mainland residents eligible for individual tourist travel to HK increased to 150m
- Retail sales growing strongly

Retail sales

❖ Retail sales increase is broad-based

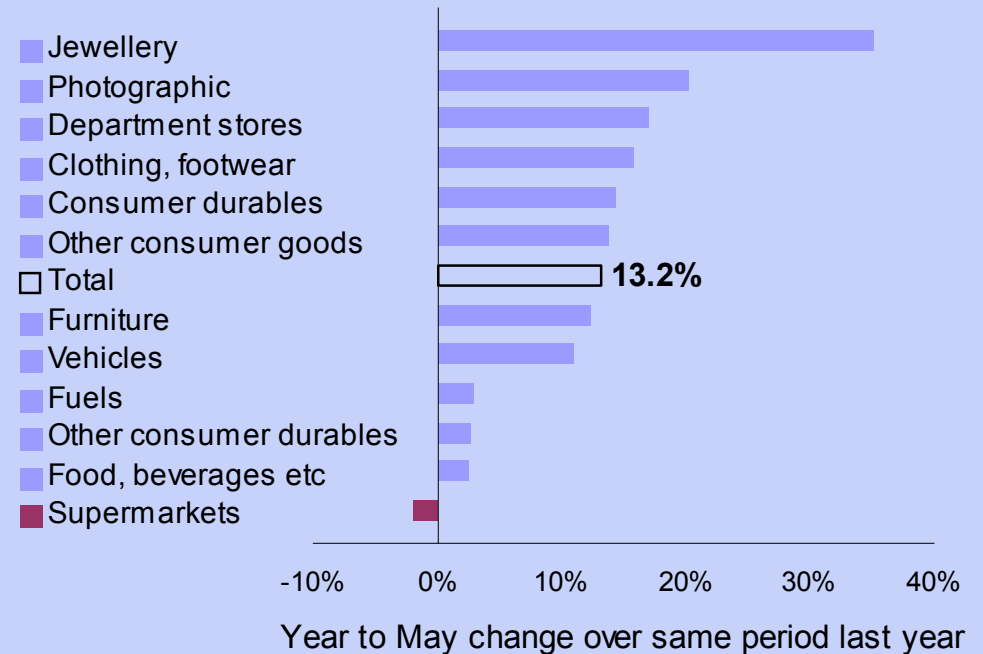
Hong Kong retail sales (nominal)



- **Across the board increase in retail sales**

- including durable items
- **+13.2% in 5M 2004 over 5M 2003**

Hong Kong retail sales by category



Source: Census and Statistics Dept, ARASL

Asset performance

The Metropolis Mall

❖ Quality new mall; part of integrated project



Metropolis Mall in brief

Gross rentable area (sf)	332,168
Car parks	179
No. of tenants	91
Committed occupancy (%)	85.6
Shopper traffic (per month)	314,000
Valuation (Dec 03) (HK\$m)	1,593



The Metropolis Mall (cont'd)

❖ Mall performance improving steadily

- Committed occ. now at 85%

- two new tenants to start business in Aug
- lifestyle store and property showflat

- F&B remains strong

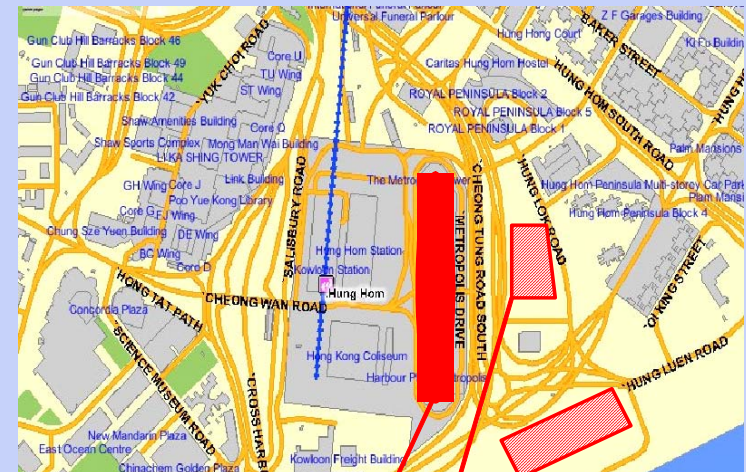
- Hotels (two) nearby to add to shopper traffic

- about 4,000 rooms
- completion in 12 months (est)

Metropolis Mall rental

(HK\$psf/mth)	Mar 04	Jun 04
Avg. passing rental	18.19	22.11

Adjacent hotels



The Metropolis Mall

Soon-to-be-completed hotels

The Metropolis Mall (cont'd)

❖ Mall events lined-up to increase shopper traffic

Metropolis Mall forthcoming events

	Date
HK-China Model Competition	Jun 6
Kindergarten Performance	Jun 19
Charity Events – Drawing Competition	Jul 11
Gymnastics Show – hosted by Mr Li Xiaoshuang (Olympic champion)	Jul 17
Gymnastics Show – Part 2	Jul 23 & 25
Redemption Program	Jul to Aug
Crazy Sale Program	Jul to Aug
Music Performance – Hong Kong Chinese Orchestra	Aug 1 & Sep 12
Fun Camping Event – hosted by Cookies (HK pop group)	Aug 22
China-HK Talent Show	TBC
Olympic Roadshow – hosted by TV station	TBC

HK-China Singing Competition Apr – Jun 04



HK-China Model Competition Jun 04



Gymnastics Show – hosted by Li Xiaoshuang Jul 04



Portfolio occupancy

❖ Portfolio occupancy continues to rise

Committed occupancy (%)

	Dec 03	Mar 04	Jun 04
Metropolis Mall	59.0	64.5	85.6
Ma On Shan Plaza	95.7	96.2	95.9
Household Center	97.3	97.8	98.1
Smartland	95.6	95.1	97.1
Jubilee Court	98.1	97.0	93.1
Portfolio	84.4	86.2	93.4
No. of tenants	390	394	403

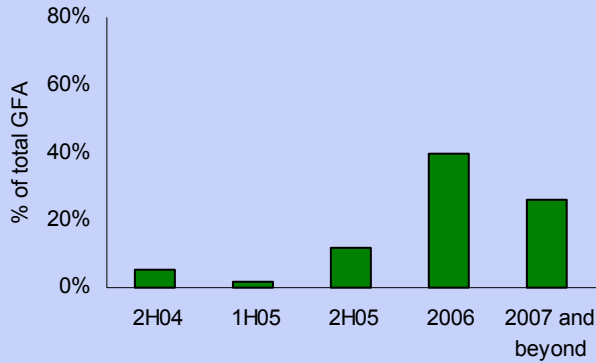
Source: ARASL

- **Metropolis**
 - committed occupancy at **85%**
 - critical mass being reached
- **Ma On Shan Plaza**
 - strong leasing activity as KCRC station nears opening
- **Others**
 - consistently stable avg. occupancies above **95%**

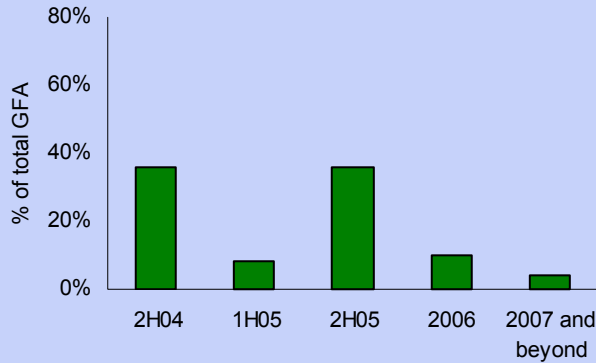
Portfolio expiry profile

❖ Well spread out expiry profile

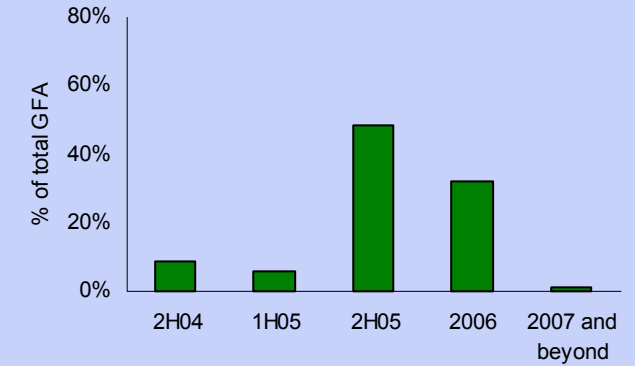
Metropolis Mall



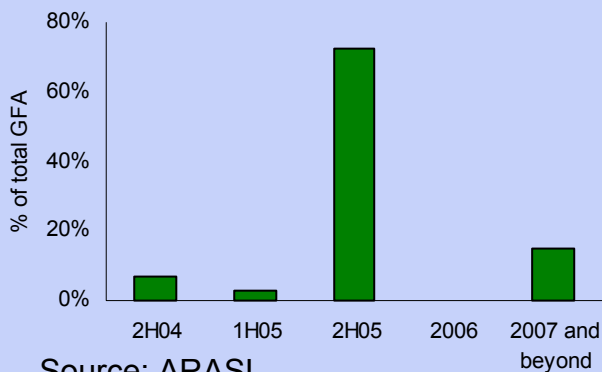
Ma On Shan Plaza



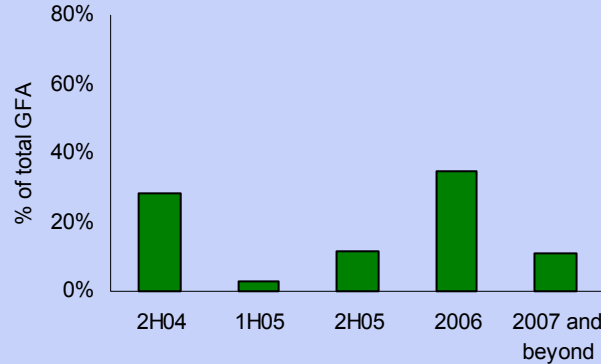
Smartland



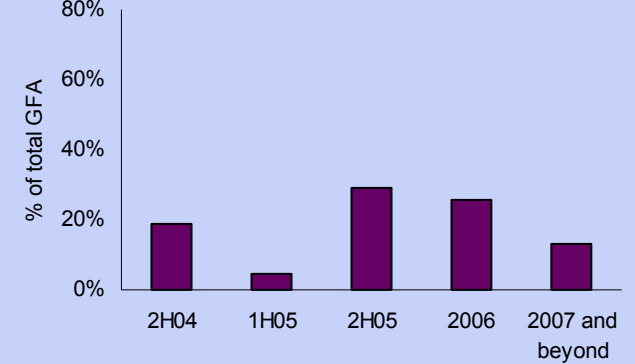
Household Center



Jubilee Court



Portfolio



Source: ARASL

Tenant trade mix

❖ Little change, 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	25.1	8.1	1.0	0.5	2.1	11.0
Community Services	0.0	0.2	10.5	0.0	19.2	4.5
Electronics, IT	2.6	4.9	1.2	0.0	0.2	2.5
Fashion & Shoes	3.8	7.1	2.9	1.4	0.0	3.8
Food & Beverage, Food Court	21.9	26.1	26.6	21.2	16.7	22.7
Gifts & Specialty, Books, Hobbies, Toys, Jewellery	4.0	3.3	2.7	1.7	0.0	2.8
Homeware & Home Furnishings	15.5	3.2	0.5	2.5	0.0	6.3
Leisure & Entertainment, Sports & Fitness	5.4	7.8	8.5	0.1	0.0	5.1
Others	1.3	0.6	0.6	4.8	4.8	2.8
Services, Education	4.2	16.5	16.6	25.2	43.9	17.8
Supermarket	1.9	18.2	26.0	44.9	4.8	14.0
Wet Markets	0.0	0.0	0.0	0.0	1.5	0.3
Vacant	14.4	4.1	2.9	1.9	6.9	6.6
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: ARASL

Rentals

❖ Market rental growth translated to Fortune REIT's malls

Portfolio rents¹

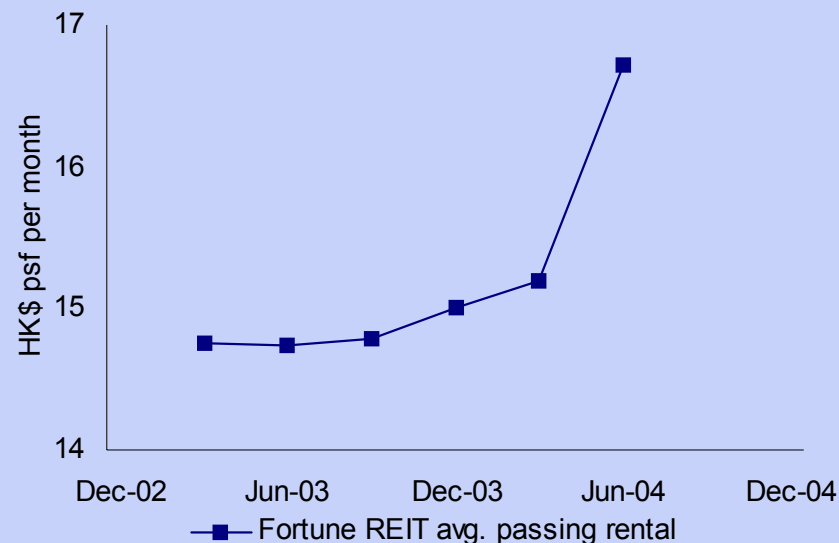
	Avg. passing rental (HK\$ psf/mth)	Qtrly ch. (%)	Committed occupancy (%)
Mar 2003	14.76		81.8
Jun 2003	14.74	-0.1	82.4 ²
Sep 2003	14.79	0.3	83.4
Dec 2003	15.01	1.5	84.4
Mar 2004	15.19	1.2	86.2
Jun 2004	16.73	10.1	93.4

Source: ARASL, Prospectus dated 28 Jul 2003

Notes:

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

Portfolio passing rents



Source: ARASL, Prospectus dated 28 Jul 2003

- **Avg. rental on renewals up 9.4% in 1H 04**

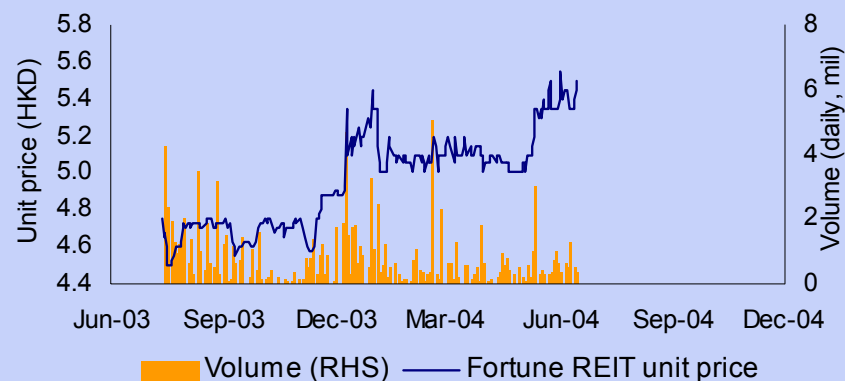
Strategy

Strategy

- ❖ **ARASL expects forecast for 2004 to be comfortably met**
 - **Ma On Shan Plaza asset enhancement**
 - work in progress on forthcoming KCRC link
 - separate mall enhancement works to begin in late 2004
 - **Metropolis Mall leasing**
 - occupancy now at 85%, shopper traffic should increase
 - improved leasing prospects for remaining 15%
 - **Cost rationalisation to continue**
 - long term target: cost-to-revenue of 25%
 - **Acquisitions**
 - potential deals being negotiated
 - moratorium on CKH properties ends Aug 12, 2004

Unit activity

Unit price and volume¹



Source: ARASL, Bloomberg

Notes:

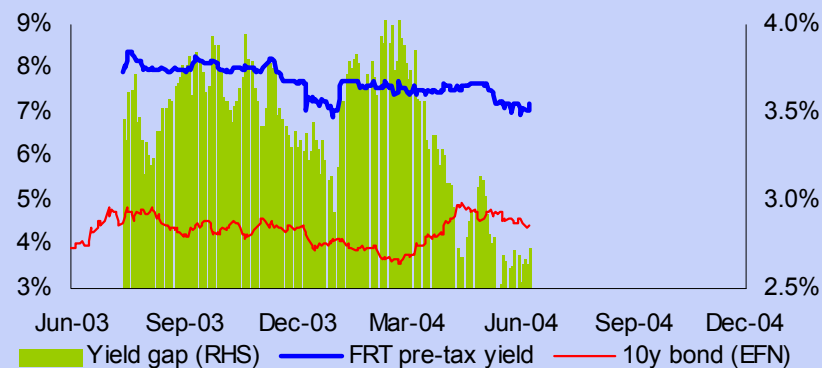
- As at 15/7/04. Volume chart excludes first day of trade

Relative performance

	Dec 03	Jun 04	% ch
Fortune REIT (HK\$)	4.90	5.40	10.2
Hang Seng Prop Index	14,779	14,442	-2.3
Hang Seng Index	12,576	12,286	-2.3

Source: ARASL, Bloomberg

Yield gap²



Source: ARASL, Bloomberg

Notes:

- As at 15/7/04. The pre-tax yield is based on assumptions and income forecasts stated in the Prospectus dated 28 Jul 2003

- Unit price currently 3% premium to book value**

In sum

- Fortune REIT's distributable income exceeded forecast by 7.8% in 1H 04
- Hong Kong retail sales continues to improve
- Occupancy at Fortune REIT's portfolio is improving
 - upward pressure on rentals continue to be felt
- Interest rate rise not likely to have significant impact
- Acquisitions being negotiated

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