



## Results for the year ended 31 Dec 2005

24 Jan 2006

**ARA** Asset Management (Singapore) Limited

# Disclaimer

This presentation is focused on comparing actual results versus forecasts outlined in the Circular to Unitholders dated 13 May 2005 (the “Forecast”). It should be read in conjunction with Paragraph 9 of Fortune REIT’s financial results for the period 1 Jan 2005 to 31 Dec 2005 announced on SGXNET.

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- Strategy

# Summary

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# Summary

- ❖ **Distribution per unit at 33.69 HK cents; Tax exempt yield of 5.9% achieved**
  - **Distribution per unit (“DPU”) was 5.0% above forecast**
    - NAV per unit rises 12.4% to HK\$7.72 from Dec 04
    - unit price trading at discount to NAV of 26.2%
  - **Portfolio Valuation up 10.0% as a whole**
  - **Strong rental reversions with occupancy at 96.4%**
    - weighted average rental reversions of the portfolio for FY 2005 was 15.4%
  - **43.6% of leases up for renewal in 2006**
    - focus on optimizing tenant mix, leveraging on strong retail property market
  - **Acquisitions**
    - acquired 6 new properties in 2005

# Financial highlights

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# Trust income

## ❖ Revenue rose by 112.1% in 4Q05 v 4Q04

### Fortune REIT results, 4Q05 v 4Q04

	4Q05 (HK\$'000)	4Q04 (HK\$'000)	Var (%)
Rental revenue & charge-outs	147,314	69,468	112.1
Income and licence fee top-up	3,693	13,935	(73.5)
Operating costs <sup>1</sup>	(42,421)	(29,259)	45.0
<b>Net property income ("NPI")</b>	<b>108,586</b>	<b>54,144</b>	<b>100.6</b>
Borrowings costs	(25,467)	(5,232)	386.8
Profit before tax <sup>2</sup>	83,119	48,912	69.9
Hong Kong tax	(14,576)	(8,535)	70.8
Net profit of property cos	68,543	40,377	69.8
Net profit of trust <sup>2,3</sup>	60,681	37,975	59.8
<b>Income available for distribution</b>	<b>68,300</b>	<b>40,213</b>	<b>69.8</b>
<b>DPU (HK\$)</b>	<b>0.0851</b>	<b>0.0845</b>	<b>7.1</b>

Source: ARASL

Notes:

- Includes Manager's performance fee
- Due to the early adoption of FRS 40 during the current financial year, the Group recognised a gain of HK\$799.3 million arising from changes in fair value of the properties in the Group's income statement. There will be no impact on Income available for distribution. This figure is thus excluded for the purpose of this presentation.
- Trust expenses include the Manager's base fee, trustee fees, and admin expenses. Also includes the negative goodwill arising from the acquisitions of the six properties which closed on 28 Jun 05

- **Revenue increased 112.1%**
  - revenue from first 5 malls improved by 8.1%
  - revenue from 6 newly-acquired properties was at \$72.2 million
- **NPI improved by 100.6%**

# Trust income

## ❖ DPU exceeded forecast by 5.0% for FY05

### Fortune REIT results, year ended Dec 2005

	Actual (HK\$'000)	Forecast (HK\$'000)	Var (%)
Rental revenue & charge-outs	439,592	425,116	3.4
Income and licence fee top-up	13,313	21,320	(37.6)
Operating costs <sup>1</sup>	(129,675)	(133,228)	(2.7)
<b>Net property income ("NPI")</b>	<b>323,230</b>	<b>313,208</b>	<b>3.2</b>
Borrowings costs	(59,133)	(62,239)	(5.0)
Profit before tax <sup>2</sup>	264,097	250,969	5.2
Hong Kong tax	(46,195)	(43,920)	5.2
Net profit of property cos	217,902	207,049	5.2
Net profit of trust <sup>2,3</sup>	333,083	340,637	(2.2)
<b>Income available for distribution</b>	<b>216,731</b>	<b>204,833</b>	<b>5.8</b>
<b>DPU (HK\$)</b>	<b>0.3369</b>	<b>0.3210</b>	<b>5.0</b>

Source: ARASL, Unitholders' Circular dated 13 May 2005

Notes:

1. Includes Manager's performance fee
2. Due to the early adoption of FRS 40 during the current financial year, the Group recognised a gain of HK\$799.3 million arising from changes in fair value of the properties in the Group's income statement. There will be no impact on Income available for distribution. This figure is thus excluded for the purpose of this presentation.
3. Trust expenses include the Manager's base fee, trustee fees, and admin expenses. Also includes the negative goodwill arising from the acquisitions of the six properties which closed on 28 Jun 05
4. Before Manager's performance fee

- **Revenue 3.4% above forecast**
  - led by City One Shatin, Waldorf Garden and Tsing Yi Square
- **Operating costs 2.7% below forecast**
  - cost-to-revenue<sup>4</sup> ratio at 26.4%

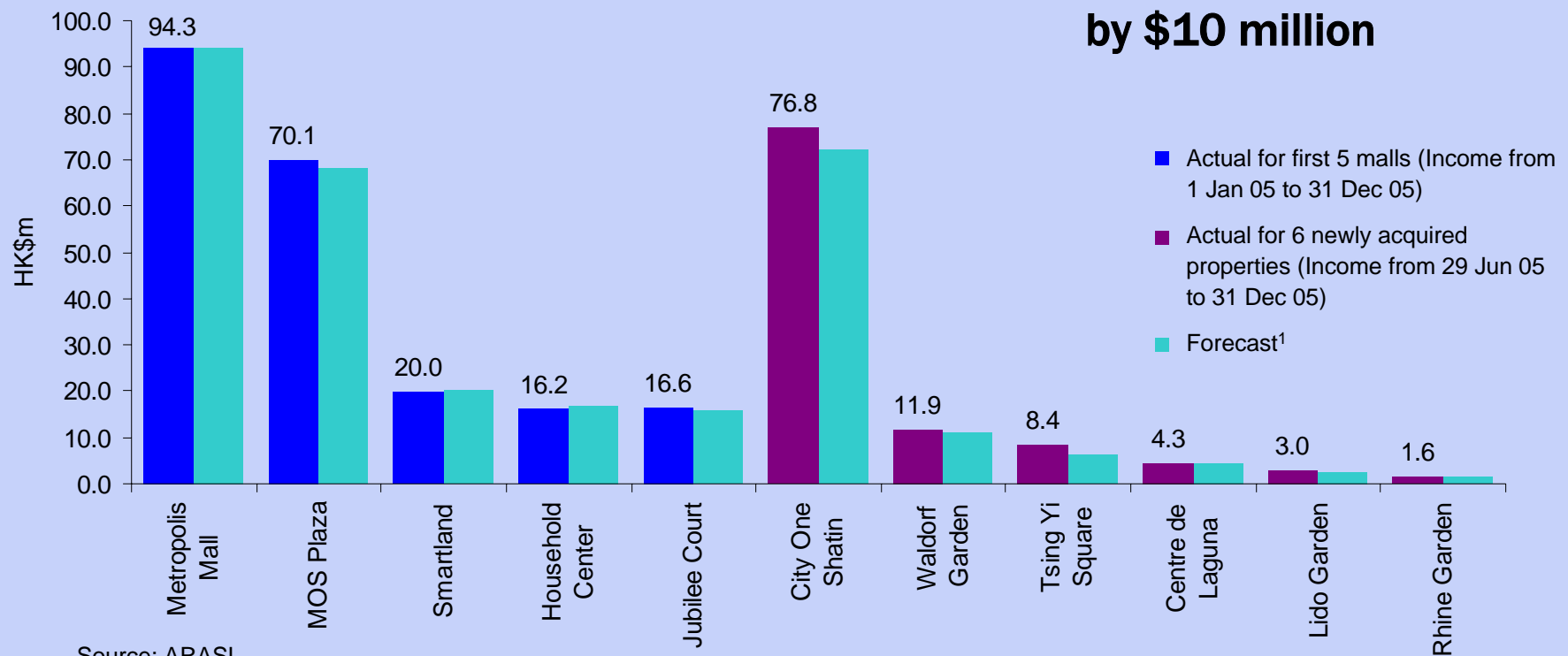


# Trust income

❖ Net Property Income at \$323.2m, 3.2% above forecast

## Net Property Income by Property, FY05

- NPI outperforms forecast by \$10 million



Source: ARASL

Note:

1. The extrapolated forecast has been derived from the Forecast on a best estimate basis by the Manager so as to allow like for like comparison with the actual results.

# Distribution yield

## ❖ Tax-exempt yield 5.9% achieved FRT distribution, year ended Dec 2005

	Tax-exempt Actual	Tax-exempt Forecast <sup>1</sup>	Actual Pre-tax <sup>2</sup>
<b>DPU<sup>3</sup></b>			
- Year ended Dec 05 (HK\$)	0.3369	0.3210	0.4090
<b>Distribution yield, based on</b>			
- 31/12/05 price (HK\$5.70)	<b>5.9%</b>	<b>5.6%</b>	<b>7.2%</b>

Source: ARASL, Unitholders' Circular dated 13 May 2005

Notes:

1. Unitholders' Circular dated 13 May 05
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 476.1m units in issue till 28 Jun 05, and 803.0m units in issue thereafter

# Debt management

## ❖ Interest costs 5.0% below forecast for FY05

### Fortune REIT interest expense, FY05

	Actual	Forecast <sup>2</sup>	Var (%)
Borrowing costs (HK\$m)	59.1	62.2	(5.0%)
Avg int. rate <sup>1</sup> (%)	3.27%	3.30%	-3 bps

Source: ARASL

Notes:

1. Weighted by the relative amounts of fixed and floating debt
2. Unitholders' Circular dated 13 May 05

### Fortune REIT debt profile

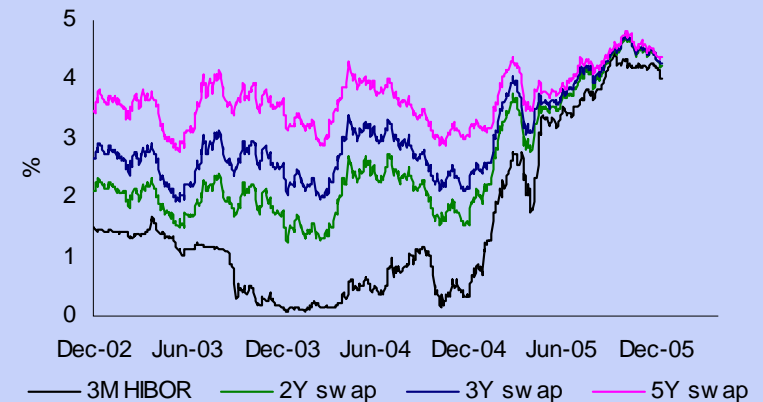
	Term	30/9/05 (HK\$m)	31/12/05 (HK\$m)	% of total
Revolving	1M	30	12	0.5
Floating <sup>1</sup>	3M	541	541	22.6
Fixed <sup>2</sup>	1Y - 3Y	1,844	1,844	76.9
<b>Total</b>		<b>2,415</b>	<b>2,397</b>	<b>100.0</b>

Source: ARASL

Notes:

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

### Hong Kong interest rates



Source: Bloomberg

- **Around 75% of debt fixed on various maturities**

# Balance sheet

## ❖ Book value at HK\$7.72 per unit

### Fortune REIT balance sheet

	31/12/04 (HK\$m)	31/12/05 (HK\$m)	Ch (%)
Investment properties <sup>1</sup>	4,184	8,592 <sup>2</sup>	105.4
Total assets <sup>3</sup>	4,187	8,868	111.8
Total liabilities	(1,053)	(2,653)	151.9
Net assets	3,134	6,215	98.3
NAV per unit (HK\$) <sup>4</sup>	6.87 <sup>5</sup>	7.72 <sup>6</sup>	12.4
Total debt <sup>7</sup>	(926)	(2,397)	158.9
Gearing (%) <sup>8</sup>	22	27	

Source: ARASL

Notes:

1. Valuation as at 31 Dec 04 only includes the first 5 malls; valuation as at 31 Dec 05 includes all 11 properties
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. With the adoption of FRS 103 – Business Combination, the outstanding negative goodwill as at 31 Dec 04 (HK\$134.4m) has been transferred to equity on 1 Jan 05
4. Net asset value per unit is calculated based on net assets of the Group excluding hedging reserve
5. Includes distributable income of HK\$0.1640 per unit paid on 28 Feb 05
6. Includes distributable income of HK\$0.1722 per unit payable on 28 Feb 06
7. This excludes the debt front end fee
8. Total debt to Deposited Property

- NAV per unit up by **12.4%**
  - current NAV per unit is **HK\$7.72**
  - at unit price of **HK\$5.70 (31 Dec 05)**, discount to NAV is **26.2%**
- **Gearing at 27%**

# Investment properties

## ❖ Portfolio valuation up 10.0% as a whole

### Fortune REIT property valuation

	Previous (HK\$m)	Current <sup>3</sup> (HK\$m)	Ch (%)
City One Shatin Property	2,680 <sup>1</sup>	3,050	13.8
The Metropolis Mall	1,959 <sup>2</sup>	1,959	--
Ma On Shan Plaza	1,282 <sup>2</sup>	1,475	15.1
Waldorf Garden Property	430 <sup>1</sup>	480	11.6
Smartland	346 <sup>2</sup>	396	14.5
The Household Center	302 <sup>2</sup>	315	4.3
Jubilee Court Shopping Centre	295 <sup>2</sup>	310	5.1
Tsing Yi Square Property	250 <sup>1</sup>	290	16.0
Centre de Laguna Property	145 <sup>1</sup>	168	15.9
Lido Garden Property	80 <sup>1</sup>	95	18.8
Rhine Garden Property	43 <sup>1</sup>	54	25.6
<b>Total</b>	<b>7,812</b>	<b>8,592</b>	<b>10.0</b>

Source: ARASL

Notes:

1. Based on Chesterton and Vigers valuation as at 31 Jan 05 for the 6 newly acquired properties, taking the lower of two valuations
2. Based on Chesterton valuation as at 31 Dec 04 for first 5 malls
3. Based on Savills valuation as at 31 Dec 05

- **Portfolio valuation up 10.0%**
  - based on valuation by Savills
- **Strong rises at Ma On Shan Plaza, City One Shatin Property, Tsing Yi Square Property**

# Distribution

## ❖ Fortune REIT goes ex-div on 2 Feb 2006

### Distribution payment, 2H05

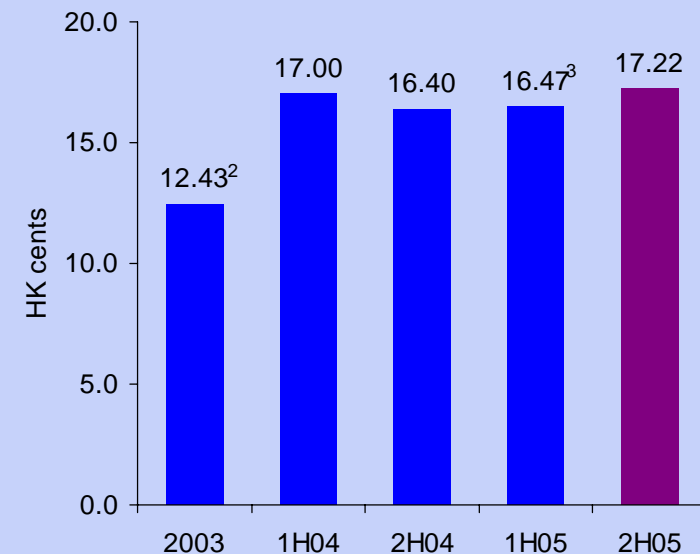
<b>Amount (HK\$/unit)</b>	<b>0.1722</b>
<b>Ex date</b>	<b>2 Feb 06</b>
<b>Books closure</b>	<b>6 Feb 06</b>
<b>Currency election<sup>1</sup></b>	<b>17 Feb 06</b>
<b>Payment</b>	<b>28 Feb 06</b>

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 2H05



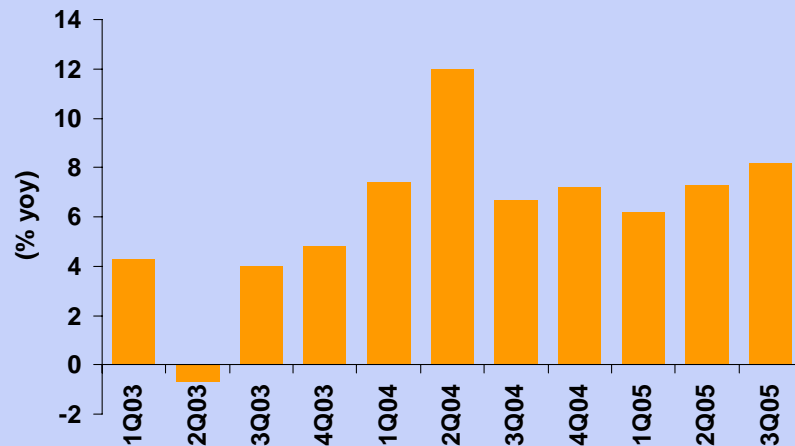
# Hong Kong economy

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# Economic growth

## ❖ Growth continues and accelerates

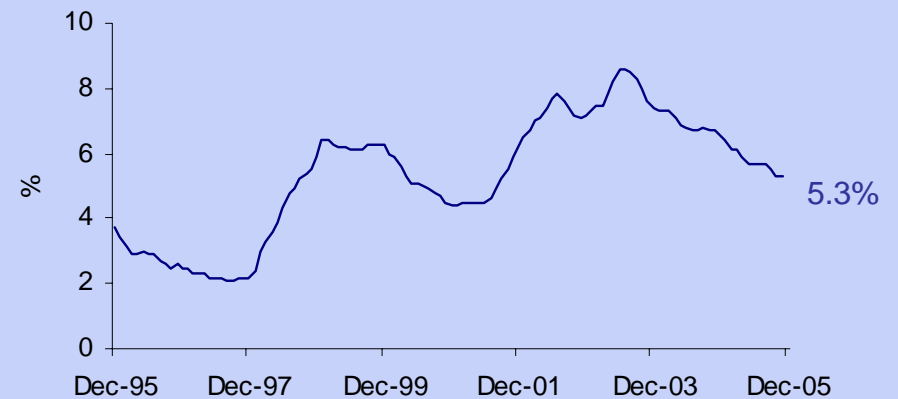
### GDP Growth (at constant market prices)



Source: Census & Statistics Department

- **Strong GDP growth of 8.2% y-o-y in 3Q05**
- **Domestic spending remained strong**
  - Private Consumption Expenditure (PCE) increased 4.6% y-o-y in 3Q05

### Hong Kong unemployment



Source: Census & Statistics Department

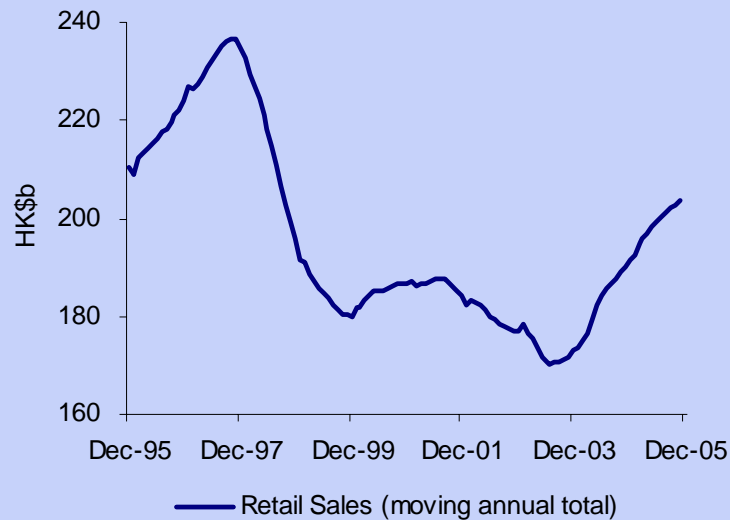
- **Unemployment rate dropped to four-year low of 5.3% (Nov 05)**



# Retail sales

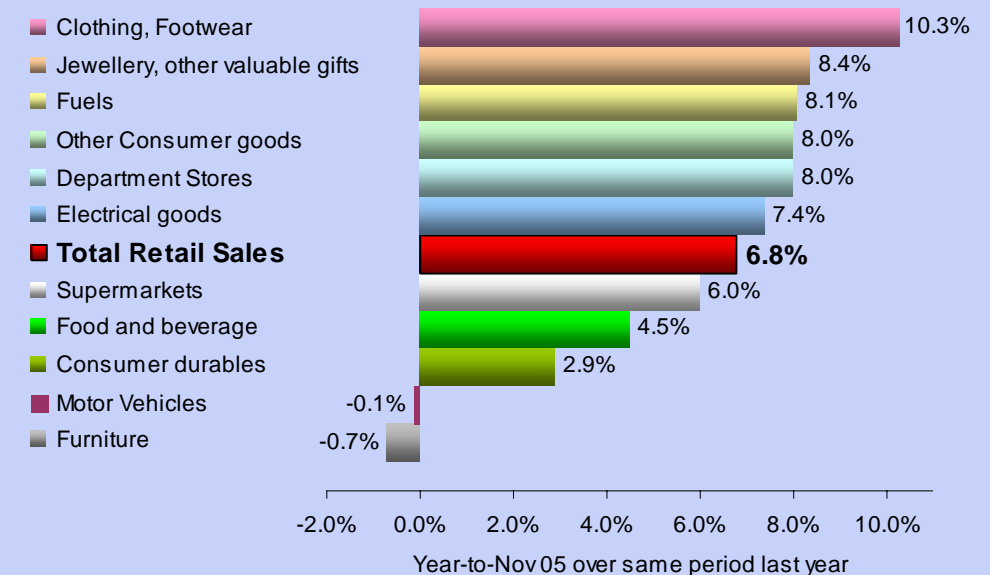
## ❖ Retail sales commands stable growth

### Hong Kong retail sales



Source: Census & Statistics Department

### HK retail sales growth by category, 11M05



Source: Census & Statistics Department

- **Retail sales up 6.8% in 11M05 vs 11M04**
  - Benefiting from increase in both local consumption and tourist spending

# Asset performance

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# Ma On Shan Plaza

## ❖ Strong performance; positive rental reversions

- Committed occupancy at **100%**
- New leases signed at significant higher rates
  - weighted average rental reversion of **18.1%** for renewals in 2005
- Tenant mix changes enhances reversion rates
  - focusing on higher paying trades
- Strong shopper traffic boosted by rail linkage via two bridges
  - shopper traffic 2005 vs 2004: **22%**

## Promotional activities during Christmas



## Rail link from MOSP to MOS Station



Source: ARASL

# City One Shatin Property

## ❖ New acquisition adds value

- Rental reversions remains strong
  - Weighted average rental reversions of leases was **18.7%** for renewals in 2005
- Asset enhancement plans for 2006
  - subdivision of space to benefit returns for the mall
  - install new air-conditioning system to improve the shopping environment at wet-market, save energy costs

## Exhibition Fair during Christmas



## Opening of famous F&B chain store



Source: ARASL

# The Metropolis Mall

## ❖ Metropolis Weds Taiwan's Bridal Group

- IdoWedding signed 6-year lease to rent over 16,000 sf in Phase I
  - 7 stores to open by mid-February 2006
- Related trades expected to flow on successful launch of the Wedding Concept
- Promotion event to attract shopper traffic

- shopping traffic  
2005 vs 2004:



## Taiwan Wedding Concept Launches



## Gundam arrives at Metropolis



Source: ARASL

# Portfolio occupancy

## ❖ Portfolio occupancy at 96.4% with 831 tenants

### Portfolio actual occupancy (%)<sup>1</sup>

	GRA (sf)	Jun 05	Dec 05
City One Shatin Property	414,469	94.9	95.6
The Metropolis Mall	332,168	91.8	92.4
Ma On Shan Plaza	310,084	96.8	99.2
Waldorf Garden Property	80,842	100.0	98.9
Smartland	123,544	98.3	98.1
The Household Center	91,779	98.4	98.0
Jubilee Court Shopping Centre	170,616	99.0	95.7
Tsing Yi Square Property	78,836	100.0	99.1
Centre de Laguna Property	43,000	99.4	99.4
Lido Garden Property	9,836	100.0	100.0
Rhine Garden Property	14,604	100.0	100.0
<b>Portfolio</b>	<b>1,669,788</b>	<b>96.2</b>	<b>96.4</b>
No. of tenants		842	831

Source: ARASL

Note:

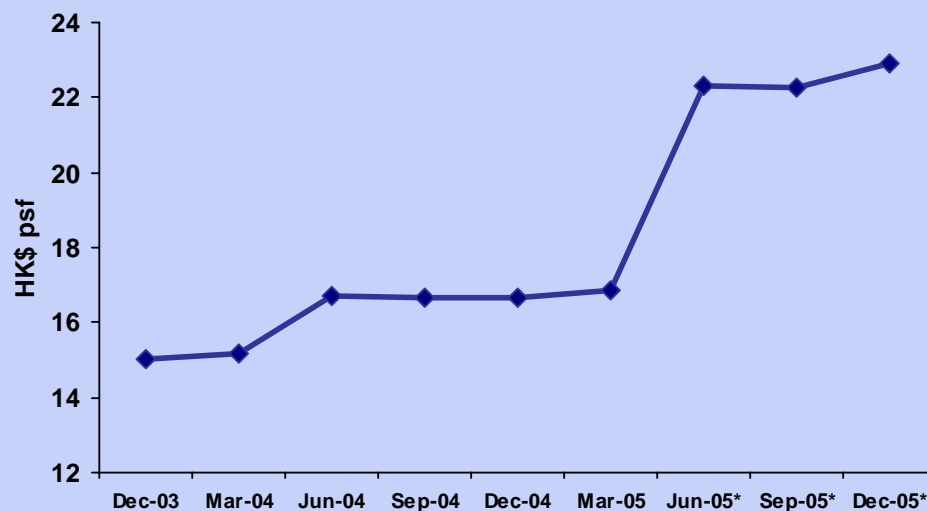
1. As at 31 Dec 05

- **Portfolio occupancy remains high**
  - **weighted average occupancy at 96.4%**

# Rentals

## ❖ Avg. passing rental continues to rise

### Portfolio rents



Source: ARASL

Note:

\* Include 6 newly acquired properties

- Average passing rental for the 11 malls rose to \$22.93 psf per month as at Dec 05
- Retention rate maintained at approximately 75%
- Weighted average rental reversion for full year 2005 was 15.4% for renewals
  - strong increases in Ma On Shan Plaza, City One Shatin and Lido Garden

# Portfolio expiry profile

## ❖ Well spread out expiry profile

### Expiry profile by gross rentable area<sup>1</sup>

Percentage of occupied space expiring

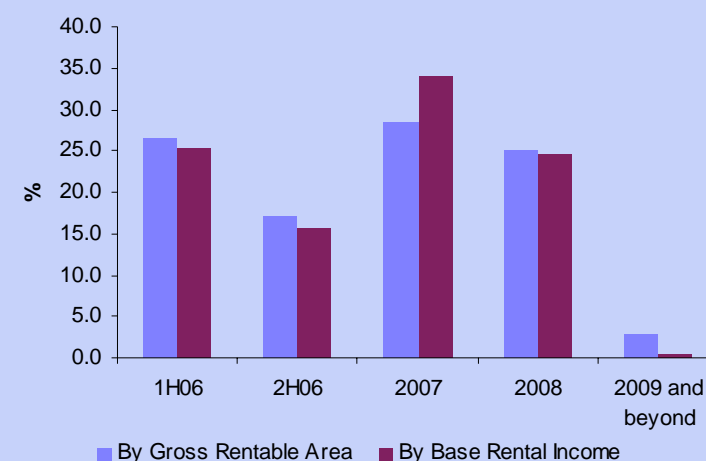
	1H06 (%)	2H06 (%)	2007 (%)	2008 (%)	2009 and beyond (%)	Total (%)
City One Shatin Property	23.2	21.6	33.1	18.7	3.4	100.0
The Metropolis Mall	41.8	4.0	14.8	30.4	9.0	100.0
Ma On Shan Plaza	10.2	9.4	44.7	35.2	0.5	100.0
Waldorf Garden Property	46.0	0.4	35.8	17.8	0.0	100.0
Smartland	32.8	7.7	18.1	41.4	0.0	100.0
The Household Center	47.0	17.5	11.5	24.0	0.0	100.0
Jubilee Court Shopping Ctr	9.7	56.2	23.6	8.7	1.8	100.0
Tsing Yi Square Property	22.4	14.0	47.2	14.8	1.6	100.0
Centre de Laguna Property	44.7	42.6	10.7	2.0	0.0	100.0
Lido Garden Property	12.1	34.1	27.0	26.8	0.0	100.0
Rhine Garden Property	1.6	0.0	2.4	96.0	0.0	100.0
<b>Portfolio</b>	<b>26.4</b>	<b>17.2</b>	<b>28.4</b>	<b>25.1</b>	<b>2.9</b>	<b>100.0</b>

Source: ARASL

Note:

1. As at 31 Dec 05

### Portfolio expiry profile<sup>1</sup>



Source: ARASL

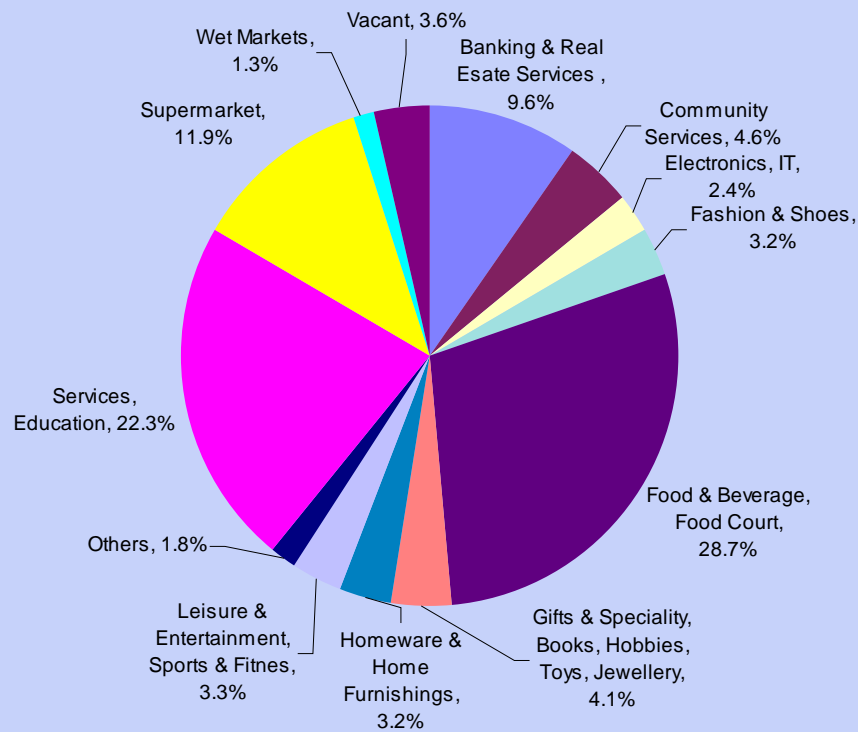
- **43.6% of occupied space expiring in 2006**



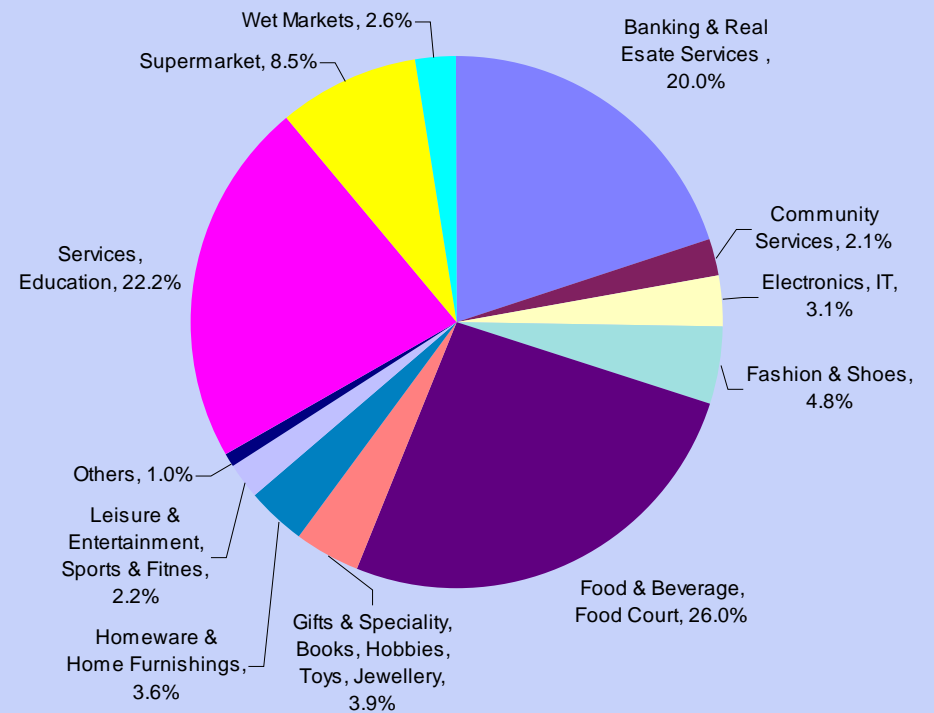
# Portfolio tenant trade mix

## ❖ Trade mix remains diversified

By gross rentable area<sup>1</sup>



By base rental income<sup>1</sup>



Source: ARASL

Note:

1. As at 31 Dec 05

# Strategy

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# Strategy

- Focus on maintaining high occupancy levels
- Improve rental levels for new lettings and capitalize on the significant proportion of tenants coming up for renewals in 2006
- Explore and implement asset enhancement projects
- Acquisition strategy
  - seeking yield accretive properties for acquisition
- Second Listing in Hong Kong under consideration

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