

## Media release

19<sup>th</sup> November, 2003

Embargoed until 5.30 pm

Manager of



**FORTUNE**  
置富產業信託 **REIT**

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### Fortune REIT exceeded forecast by 9.6% in its inaugural quarter

**19 Nov 2003.** ARA Asset Management (Singapore) Limited (“ARA”) is pleased to announce the results for Fortune REIT for the September 2003 quarter, a 49-day period from 13th August (after listing) to 30th September – the first quarter in which ARA was managing Fortune REIT.

John Lim, CEO of ARA, said that the results were very pleasing.

“The defensive quality of the malls was evident, after what has been a difficult year for Hong Kong. This set of results should allay concerns about Fortune REIT’s malls.”

“Now that economic conditions are improving, we are confident about the prospects for the malls, especially The Metropolis Mall, which has seen increasing leasing interest.”

**Distribution per unit exceeded forecasts by 9.6%.** Fortune REIT’s annualised tax-exempt distribution per unit (“DPU”) based on the period 13 Aug – 30 Sep 2003 exceeded the IPO forecast by 9.6% on the back of stable rental revenue and cost management. Please note, however, that past performance is not necessarily indicative of future performance of Fortune REIT.

#### Fortune REIT Sep 2003 quarter results (13 Aug to 30 Sep)

	Actual	Forecast <sup>1</sup>	Variance
Net profit of property companies (HK\$m)	20.6	18.8	9.5%
Net profit of trust (HK\$m)	20.2	17.5	15.4%
Income available for distribution (HK\$m)	20.3	18.6	9.6%
Distribution per unit (HK\$)	0.0430	0.0392	9.6%
Tax-exempt distribution yield (annualised) <sup>2</sup>	6.78%	6.19%	9.6%

Notes:

1. Derived from the forecasts stated in the Prospectus dated 28 Jul 2003 and based on the same assumptions as stated in the Prospectus
2. Based on closing price of HK\$4.725 as at 30 Sep 2003

**Highest pre-tax yield of any Asian REIT.** At its unit price of HK\$4.725 as at 30 Sep 2003, Fortune REIT's expected tax-exempt annualised yield is 6.8%. This is equivalent to a yield of 8.3% on a pre-tax basis, and represents the highest pre-tax yield of any REIT in Asia (ex-Australia), exceeding that of other REITs listed in Singapore.

**Hong Kong economy picking up.** Hong Kong is recovering from the effects of the war in Iraq and SARs, with the government now forecasting 3% growth for 2003. Consumer confidence is also being bolstered by rallies in the stock market and stronger residential property sales. As a result, retail sales picked up in August, up 1.2% year-on-year after declining for the last six consecutive months. Apart from the recovery in local demand, retail sales were also bolstered by the marked rebound in visitor arrivals, particularly from Mainland China with the launch of the "individual visit" scheme in late July.

The main risks now are high unemployment (though it has fallen a little) and continued deflationary pressures. Jobs growth usually lags economic recoveries, and the turnaround could take some time to translate into stronger job creation. With employment prospects still weak, and lingering fears of retrenchment in certain sectors, local consumers are likely to remain cautious in their spending.

**Assets generated stable income.** In the September 2003 quarter, the five malls generated relatively stable rental income. The strongest performer was Smartland, where rising occupancy lifted rental income.

We expect the malls to continue generating stable income, underpinned by the rental guarantee from Cheung Kong (Holdings) Limited for The Metropolis Mall.

**Cost savings improved results.** The September results were boosted by lower operating costs and interest costs. We will continue to rationalise the cost structure, and improve efficiency.

**Occupancies expected to rise.** With the improvement in the economy, we are seeing increasing interest to lease the available vacant space at Fortune REIT's shopping malls, which should underpin performance for the remainder of the year.

In particular, given that we are currently negotiating with potential major tenants targeting the Chinese tourist trade, we expect occupancy at The Metropolis Mall by the end of this year to exceed that forecast in the Prospectus dated 28 Jul 2003.

**Asset enhancement on track.** With the new KCRC station pedestrian link to Ma On Shan Plaza due to complete in late 2004, our plans to enhance the mall and take advantage of the link are on track. This is likely to involve re-locating some tenants within the mall to maximise unit rentals.

**Several potential acquisitions being investigated.** We are currently looking at several malls that Fortune REIT could acquire which are yield-accretive. However, any acquisition will only be made after expiry of the 6 month moratorium period from the listing date for the issuance of new units.

“We are confident that Fortune REIT will meet its distribution yield for 2003 forecast at IPO, and look forward to growing the trust in 2004,” John Lim concluded.

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### **About Fortune REIT**

Fortune Real Estate Investment Trust (“Fortune REIT”) was established under a Trust Deed dated 4th July 2003 made between ARA Asset Management (Singapore) Limited, as Manager, and Bermuda Trust (Singapore) Limited, as Trustee. Fortune REIT was listed on Singapore Exchange Securities Trading Limited on 12th August 2003.

At present, Fortune REIT holds a portfolio of five shopping malls in Hong Kong, through the ownership of the special purpose property ownership companies, worth more than HK\$3 billion (S\$700 million). The malls are The Metropolis Mall, Ma On Shan Plaza, The Household Center, Smartland and Jubilee Court Shopping Centre and they house a list of 384 tenants as at 30 Sep 2003 from diverse trade sectors, including supermarkets, food and beverage outlets, bank and real estate services, and education providers. Tenants include Park 'N Shop, Maxim's Chinese Restaurant, Watson's, Kopitiam, DBS Bank, Standard Chartered Bank, International Christian School Limited, and the Hong Kong Jockey Club.

More information can be found at [www.fortunereit.com](http://www.fortunereit.com).

## **About ARA, the Manager**

Fortune REIT is managed by ARA Asset Management (Singapore) Limited, a wholly owned subsidiary company of ARA Asset Management Limited, which is 70% owned by Mr. John Lim, the Chief Executive Officer of the Manager, and 30% indirectly owned by Cheung Kong (Holdings) Limited.

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## **Disclaimer**

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Past performance is not necessarily indicative of future performance. Predictions, projections or forecasts of the economy or economic trends of the markets are not necessarily indicative of the future or likely performance of Fortune REIT.

You are cautioned not to place undue reliance on these forward-looking statements, which are based on the current view of management on future events.

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