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Announcement Title * Media Release - Fortune REIT expected to almost double its assets with HK\$3.4 billion yield-accretive acquisitions of six Hong Kong retail assets

Description

Attachments:

 [Mediarelease-ProposedacquisitionsofsixHongKongretailassets.pdf](#)

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Media release

24th March 2005

Embargoed until 7.00 am

Fortune REIT expected to almost double its assets with HK\$3.4 billion yield-accretive acquisitions of six Hong Kong retail assets

24 March 2005. ARA Asset Management (Singapore) Limited (the “Manager”), the manager of Fortune Real Estate Investment Trust (“Fortune REIT”), is pleased to announce the signing yesterday evening of separate conditional sale and purchase agreements (the “Agreements”) for the proposed acquisitions of six retail properties (the “Properties” and each a “Property”) in Hong Kong for approximately HK\$3.4 billion (the “Acquisitions” and each an “Acquisition”).

Each of the Agreements provides for the completion of the relevant Acquisition after the satisfaction of certain conditions, including obtaining the necessary governmental and regulatory approvals, the approval of unitholders of Fortune REIT (“Unitholders”) at an extraordinary general meeting, and Fortune REIT being able to secure sufficient debt and equity financing to fund the relevant Acquisitions. Each of the Acquisitions is independent of, and not conditional upon, any of the other Acquisitions.

Commenting on the Acquisitions, Mr. John Lim, Chief Executive Officer (“CEO”) of the Manager said, “These transactions mark the beginning of Fortune REIT’s acquisition growth. Our investors will no doubt be happy with the expected enhancements to Fortune REIT’s yield and the near doubling of its asset base.”

The aggregate purchase consideration of the Properties is approximately HK\$3.4 billion. In respect of two of the Properties, namely the City One Shatin Property (as defined below) which will be acquired through the acquisition of the entire issued share capital in Mightypattern Limited, the company which indirectly owns the City One Shatin Property, and the Waldorf Garden Property (as defined below) which will be acquired through the acquisition of the entire issued share capital of Waldorf Realty Limited, the company

which directly owns the Waldorf Garden Property, their respective purchase considerations are subject to adjustments (on bases agreed between Fortune REIT and Fortune Port (as defined below)) for the consolidated net current assets/current liabilities of Mightypattern Limited and Waldorf Realty Limited respectively.

Each of the Properties was appraised by two independent valuers, Chesterton Petty Ltd and Vigers Appraisal & Consulting Limited, both appointed by the Trustee of Fortune REIT, and the aggregate of the lower of the two valuations of each of the Properties as at 31 December 2004 is HK\$3,628 million.

Well-located properties with good cashflow and high occupancies. The Properties comprise of the commercial portions and car parking spaces at City One Shatin (the “City One Shatin Property”), certain shops and car parking spaces at Waldorf Garden (the “Waldorf Garden Property”), certain shops and car parking spaces at Tsing Yi Square (the “Tsing Yi Square Property”), the commercial development known as Centre de Laguna and a kindergarten premise both in Phase 3 of Laguna City (the “Centre de Laguna Property”), as well as the retail portions of Lido Garden (the “Lido Garden Property”) and certain shops at Rhine Garden (the “Rhine Garden Property”). The Properties are located in different parts of the New Territories, except for the Centre de Laguna Property which is located in Kowloon. Total gross rentable area (“GRA”) of the Properties is 641,587 square feet (“sf”) as at 31 December 2004.

The Acquisitions are consistent with the Manager’s acquisition growth strategy as the Properties are mainly situated in densely populated suburban areas with high levels of access to public transportation. Occupancy of the Properties is also very high – as at the end of December 2004, the overall occupancy rate of the Properties was 96.7%.

Acquisitions are yield accretive. The property yield of the Properties of around 5.58% (based on the pro-forma net property income for the year ended 31 December 2004 of HK\$191.9 million and purchase consideration of approximately HK\$3.4 billion) is higher than the current implied property yield of the existing properties of Fortune REIT of 5.17% (based on the net property income of the existing properties for the year ended 31 December 2004, and the closing price of Fortune REIT of HK\$6.75 on 23 March 2005). Accordingly, the Manager believes that the Acquisitions would be yield-accretive for Unitholders.

Almost doubling of Fortune REIT’s existing asset base. When completed, the Acquisitions will increase the asset value of Fortune REIT’s total investment properties from approximately HK\$4.2 billion (GRA of 1,028,191 sf) as at 31 December 2004 to

approximately HK\$7.8 billion (GRA of 1,669,778 sf), increasing the number of properties in the portfolio from five to eleven.

The larger asset base will improve the diversification of Fortune REIT's income. Based on the actual 2004 net property income of all the existing properties in Fortune REIT and the proforma 2004 net property income of the Properties for the year ended 31 December 2004, the largest mall of the enlarged portfolio would have contributed around 33.7% of the enlarged portfolio's net property income, compared to the approximately 44.1% contribution by the largest mall of the existing portfolio to the existing portfolio.

Fortune Port. Fortune Port Group Limited ("Fortune Port") is a wholly-owned subsidiary of ARA Asset Management Limited which is the holding company of the Manager.

The Acquisitions are considered as "interested person transactions" under the Listing Manual (the "Listing Manual") of Singapore Exchange Securities Trading Limited (the "SGX-ST") and "interested party transactions" under the Property Funds Guidelines at Appendix 2 of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore (the "Property Fund Guidelines"). In addition, the Acquisition of the City One Shatin Property would constitute a "major transaction" by Fortune REIT under Chapter 10 of the Listing Manual and each of the Acquisitions of the Waldorf Garden Property and the Tsing Yi Square Property would constitute a "discloseable transaction" by Fortune REIT under Chapter 10 of the Listing Manual. The approval of Unitholders is required at an extraordinary general meeting ("EGM") with certain Unitholders who are interested in the Acquisitions prohibited from voting. A circular will be sent to Unitholders in compliance with the relevant regulations.

Funding via new debt and equity. The Manager aims to optimise the capital structure and cost of capital of Fortune REIT by using an appropriate combination of new debt and equity to fund the Acquisitions. Fortune REIT's debt-to-asset gearing was about 22% as at 31 December 2004 and it is allowed to increase this to a maximum of 35%, taking the Acquisitions into account (according to the Property Fund Guidelines).

The Acquisitions are expected to be completed in around mid-2005.

"We are very excited about acquiring these assets at a time when Hong Kong's economy is strong and the retail scene is buoyant. We will continue to look for more of such opportunities", said John Lim, CEO of the Manager.

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About Fortune REIT

Fortune REIT was established under a trust deed dated 4 July 2003 made between ARA Asset Management (Singapore) Limited, as the Manager, and HSBC Institutional Trust Services (Singapore) Limited (formerly known as Bermuda Trust (Singapore) Limited), as the trustee of Fortune REIT. Fortune REIT was listed on the SGX-ST on 12 August 2003.

At present, Fortune REIT holds a portfolio of five shopping malls in Hong Kong, through the ownership of special purpose property ownership companies, worth approximately HK\$4.2 billion as at 31 December 2004. The malls are The Metropolis Mall, Ma On Shan Plaza, The Household Center, Smartland and Jubilee Court Shopping Centre and they house a total of 438 tenants as at 31 December 2004 from diverse trade sectors, including supermarkets, food and beverage outlets, banking and real estate services, and education providers. Tenants of these malls include Park 'N Shop, Maxim's Chinese Restaurant, Watson's, Fortress, DBS Bank, Standard Chartered Bank, Baleno, Bluestar Exchange, International Christian School Limited, and the Hong Kong Jockey Club.

More information can be found at www.fortunereit.com.

About ARASL, the Manager

Fortune REIT is managed by ARA Asset Management (Singapore) Limited, a wholly owned subsidiary company of ARA Asset Management Limited, which is 70.0% owned by Mr. John Lim, CEO, and 30.0% indirectly owned by Cheung Kong (Holdings) Limited.

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This release may contain forward-looking statements that involve assumptions, risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from other developments or companies, shifts in expected levels of occupancy rate, property rental income, charge out collections, changes in operating expenses, including employee wages, property expenses and governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business.

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.

An offer information statement and a wrap-around document (together, the "**Circular**") in relation to the offer of new Units will be made available when the offer is made, subsequent to approval by the holder of Units for the equity fund raising and at least one of the acquisitions. The Circular is expected to be available in mid-2005 and a copy may be obtained on request, subject to availability, from such underwriters as may be appointed for the equity fund raising. The expected date of availability of the Circular is subject to change at the absolute discretion of the Manager. A potential investor should read the Circular before deciding whether to subscribe for or purchase Units.

The value of the Units and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, the Manager or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested.

Investors have no right to request the Manager to redeem or purchase their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on Singapore Exchange Securities Trading Limited ("SGX-ST"). Listing of the Units on the SGX-ST does not guarantee a liquid market of the Units.

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