

FORTUNE

置富產業信託 REIT

Fortune Real Estate Investment Trust

(a Hong Kong collective investment scheme authorized under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))



Listing by Introduction

Manager

ARA Asset Management (Fortune) Limited
(An Affiliate of Cheung Kong Group)

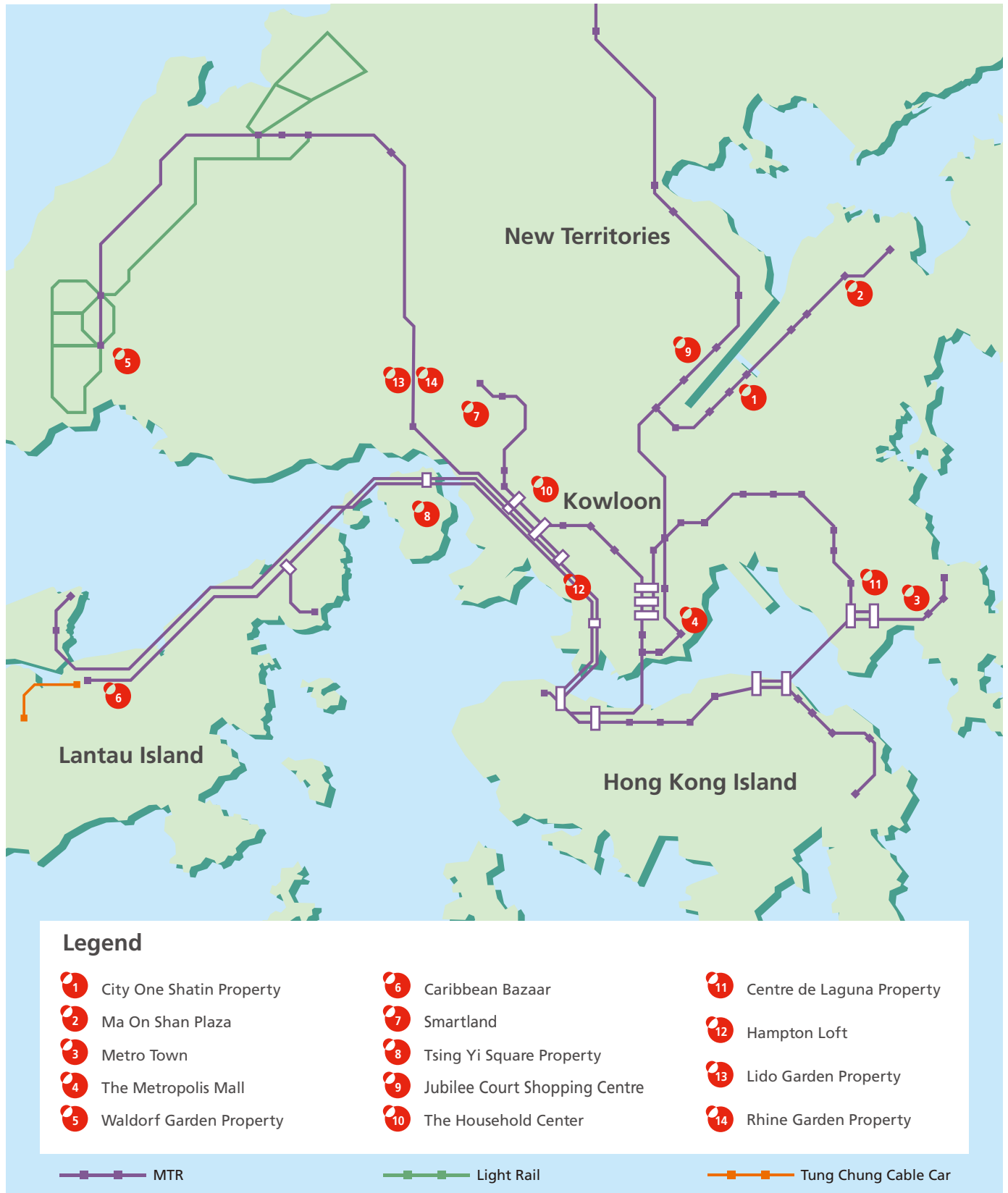
Joint Listing Agents

 **DBS**

J.P.Morgan

Portfolio Summary

Fortune REIT holds a portfolio of 14 retail malls and parking facilities in Hong Kong, spread across Kowloon and the New Territories, which were worth HK\$11.5 billion as at 31 December 2009.



IMPORTANT

If you are in any doubt about the contents of this document, you should consult your stockbroker, bank manager, solicitor, professional accountant or other independent professional adviser.



Fortune Real Estate Investment Trust

(a Hong Kong collective investment scheme authorized under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))

Managed by



Asset Management (Fortune) Limited

Listing by Introduction

Stock Code: 778

Joint Listing Agents



J.P.Morgan

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This document is published in connection with the listing by way of introduction of the units of Fortune REIT on the Main Board of The Stock Exchange of Hong Kong Limited. This document contains particulars given in compliance with the Code on Real Estate Investment Trusts and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited applicable to such listing.

This document does not constitute an offer of, nor is it calculated to invite offers for, units of Fortune REIT, nor have any such units been allotted with a view to any of them being offered for sale to or subscription by the public. No units of Fortune REIT will be allotted or issued in connection with, or pursuant to, this document.

Information regarding the proposed arrangement for the listing and registration of and for dealings and settlement of dealings in the units of Fortune REIT following the listing of such units on The Stock Exchange of Hong Kong Limited is set out in section 19 ("Listings, registration, dealings and settlement") of this document.

31 March 2010

EXPECTED TIMETABLE

Commencement of investor education activities as described in section 19.8.1 of this document, for example:

As from 31 March 2010

- posting on Fortune REIT's website of information factsheets about Fortune REIT, its historical financial information and the Unit transfer procedures
- dissemination of electronic copies of this document through the websites of Fortune REIT, the Hong Kong Stock Exchange and the SGX-ST
- making available for collection of physical copies of this document

Daily announcement released on the Hong Kong Stock Exchange and the SGX-ST, disclosing previous day closing price of Units on the SGX-ST, and development and updates, if any, with regard to the bridging arrangements described in section 19.7 of this document

15, 16 and 19 April 2010, and not later than 9:00 am, 20 April 2010

Expected date and time for the commencement of dealings in the Units on the Hong Kong Stock Exchange

10:00am, 20 April 2010

Notes:

- (1) All times refer to Hong Kong local time.
- (2) Details of the Introduction are set out in section 3 ("Information about this document and the Introduction"). Fortune REIT will issue an announcement in Hong Kong to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) if there is any change in the above expected timetable of the Introduction.

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SUMMARY

The following summary is derived from, and should be read in conjunction with, the full text of this document. This section is only a general summary of the more detailed information contained elsewhere in this document. You should read carefully the entire document to understand Fortune REIT's business, the Trust Deed, the rights attached to the Units, and tax and other considerations that are important to your decision to invest in the Units. As an investment in the Units involves risks, you should pay particular attention to the section headed "Risk Factors" in this document.

In making your investment decision, you should rely only on the information contained in this document. Fortune REIT has not authorized anyone to provide you with information that is different from that contained in this document.

Statements contained in this summary that are not historical facts may be forward-looking statements. Such statements are based on certain assumptions. While the Manager considers such assumptions to be reasonable, there are certain risks and uncertainties, which could cause actual results to differ materially from those projected. Under no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction by Fortune REIT, the Manager, the Trustee, the Joint Listing Agents or any other person with respect to the accuracy of the underlying assumptions or that these results will be achieved or are likely to be achieved.

1.1 A REIT AS AN INVESTMENT VEHICLE

A REIT is a collective investment scheme constituted as a unit trust that invests primarily in income-producing real estate assets and uses the income to provide stable returns to its unitholders. Holding units in a REIT allows investors to share the benefits and risks of owning the real estate assets held by the REIT. An investment in the units of a REIT in Hong Kong is governed primarily by the REIT Code, and offers the following benefits:

- (a) certainty as to the business focus of the REIT, as a REIT does not have the discretion to diversify outside of the real estate sector or to own significant non-real estate assets;
- (b) a distribution which is required by the REIT Code to be at least 90% of the REIT's audited net income after tax for each financial year subject to certain adjustments;
- (c) significantly enhanced liquidity in comparison to direct investments in real estate;
- (d) a manager licensed and regulated on an ongoing basis by the SFC; and
- (e) a statutory and regulatory corporate governance framework and an internal corporate governance framework overseen by an independent trustee.

1.2 OVERVIEW OF FORTUNE REIT AND THE PROPERTIES

Fortune REIT is a REIT constituted by the Trust Deed and has been listed on the SGX-ST since 12 August 2003. The principal investment strategy of Fortune REIT is to invest primarily in retail malls and parking facilities located in Hong Kong through the ownership of property companies (or other companies whose primary purpose is to hold or own

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properties) or directly in properties that Fortune REIT may acquire from time to time. Fortune REIT aims to provide stable distributions to Unitholders and to achieve long-term growth in the net asset value per Unit.

Fortune REIT, through the Property Companies, holds a portfolio of 14 retail malls and parking facilities in Hong Kong, spread across Kowloon and the New Territories, which were worth HK\$11.5 billion as at 31 December 2009. Together, the Properties house a total of 1,015 tenants as at 31 December 2009 from diverse trade sectors such as supermarkets, food and beverage outlets, banks, real estate agencies, and education providers. A summary of the Properties is contained in the table below:

<u>Property</u>	<u>Location</u>	<u>Gross Rentable Area</u> (sq.ft.)	<u>Year of Completion</u> ⁽¹⁾	<u>Valuation</u> ⁽²⁾ (HK\$ million)	<u>Net Property Income for the year (or other period) ended 31 Dec 09</u> (HK\$ million)	<u>Occupancy rate as at 31 Dec 2009</u> (%)
City One Shatin Property . . .	Shatin	414,469	1989	3,548	177.0	98.2
Ma On Shan Plaza	Shatin	310,084	1994	1,974	117.1	100.0
Metro Town ⁽³⁾	Tseung Kwan O	180,822	2006	1,544	13.3	100.0
The Metropolis Mall	Hung Hom	332,168	2001	1,413	58.7	93.0
Waldorf Garden Property . . .	Tuen Mun	80,842	1982	810	46.4	100.0
Caribbean Bazaar ⁽³⁾	Tung Chung	63,018	2003	449	4.3	100.0
Smartland	Tsuen Wan	123,544	1981	376	17.3	94.4
Tsing Yi Square Property . . .	Tsing Yi	78,836	1986	314	16.8	100.0
Jubilee Court Shopping Centre	Shatin	170,616	1986	304	11.7	81.5
The Household Center	Kwai Chung	91,779	2002	274	13.9	97.0
Centre de Laguna Property . .	Kwun Tong	43,000	1992	166	7.8	100.0
Hampton Loft ⁽³⁾	West Kowloon	74,734	2003	164	1.9	100.0
Lido Garden Property	Tsuen Wan	9,836	1989	100	4.9	100.0
Rhine Garden Property	Tsuen Wan	14,604	1992	64	3.6	100.0
Total/Average⁽⁴⁾		1,988,352		11,500	494.7	96.4

Notes:

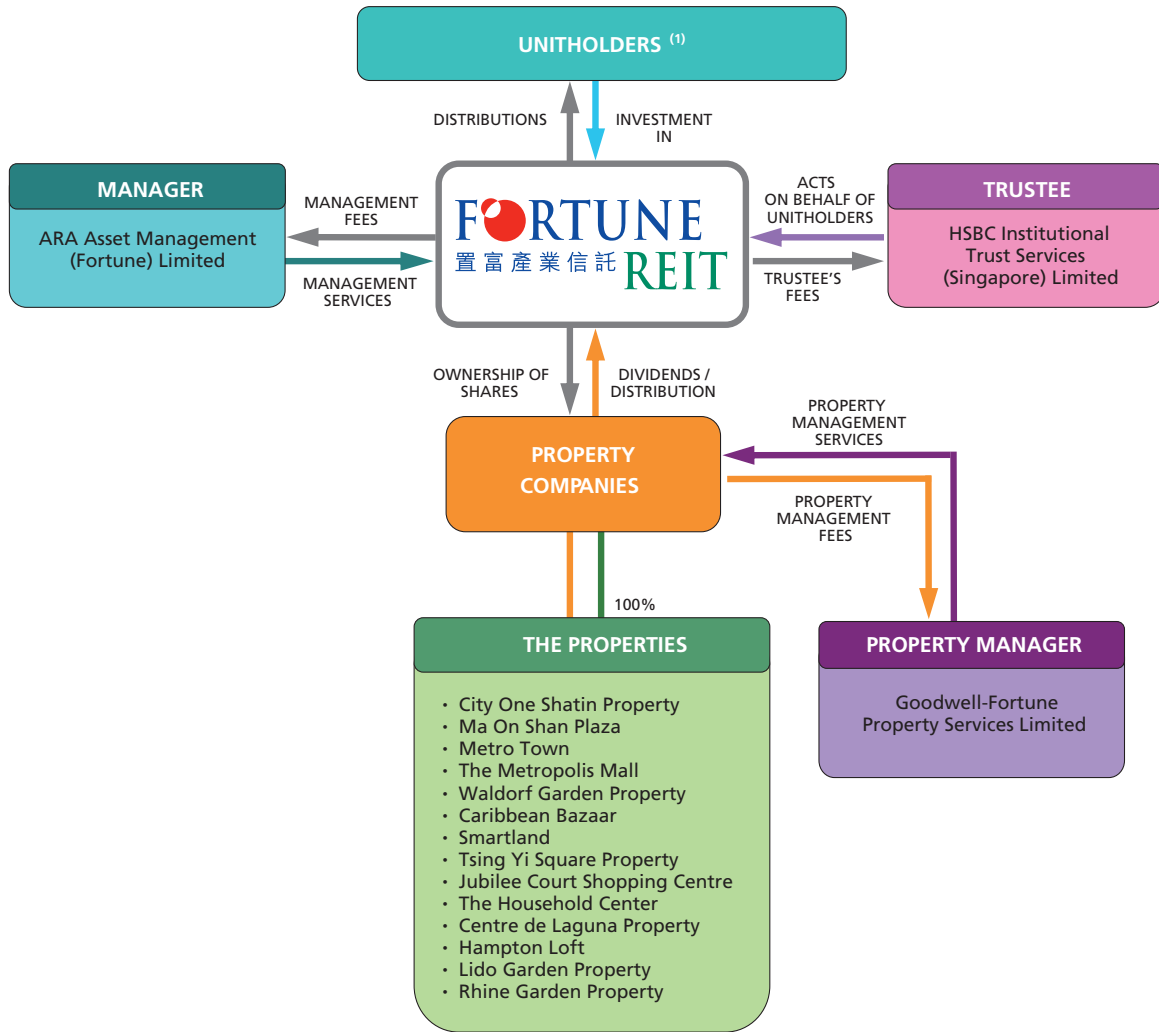
- (1) Year of Completion refers to the year in which the occupation permit in respect of the development/building of which the Property forms part was issued.
- (2) The valuation represents the value of each of the Properties as determined by the Independent Property Valuer as at 31 December 2009.
- (3) Metro Town, Caribbean Bazaar and Hampton Loft were acquired on 15 October 2009. Accordingly, their Net Property Income only represents the period from 16 October 2009 to 31 December 2009.
- (4) The weighted average occupancy rate is derived by dividing the sum of the leased area of each of the Properties by the total Gross Rentable Area of all the Properties.

Further details in relation to the Properties and their tenants are contained in section 7 ("The Properties and Business"). Details of the percentage undivided shares ownership and allocation in respect of the Properties are set out in section 2.2 of Appendix 5 ("Summary of Government Leases, Deeds of Mutual Covenant and Property Company Structure") to this document.

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1.3 OVERVIEW OF FORTUNE REIT'S STRUCTURE

The following diagram depicts the ownership and management structure of Fortune REIT, and the relationship among Fortune REIT, the Unitholders, the Manager, the Trustee and the Property Manager:



Note:

(1) Please see section 9 ("Ownership of the Units") for information on the unitholding interests of the significant and other Unitholders.

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1.4 THE TRUSTEE

The trustee of Fortune REIT is HSBC Institutional Trust Services (Singapore) Limited. It was incorporated in Singapore and is wholly-owned by The Hongkong and Shanghai Banking Corporation Limited, a licensed bank incorporated in Hong Kong which provides a wide range of international banking and trust services through its main office in Hong Kong as well as its subsidiaries worldwide.

The Trustee is qualified to act as a trustee for collective investment schemes authorized under the SFO pursuant to the REIT Code.

The Trustee's powers and duties are specified in the Trust Deed, and include: (a) acting as trustee of Fortune REIT and, therefore, safeguarding the rights and interests of the Unitholders; (b) holding the assets of Fortune REIT (principally the shares in the entire issued share capital of the Property Companies) on trust pursuant to the Trust Deed for the benefit of the Unitholders; and (c) exercising all the powers of a trustee and the powers that are incidental to the ownership of the assets of Fortune REIT. Further information regarding the Trustee's powers and duties is contained in section 15.10 ("The Trust Deed — Power, Duties and Obligations of the Trustee").

1.5 THE MANAGER

Fortune REIT is managed by ARA Asset Management (Fortune) Limited, a company incorporated in Singapore on 7 April 2003. The Manager is a wholly-owned subsidiary of ARA, a company listed on the SGX-ST and as at the Latest Practicable Date, was 36.7% directly and indirectly owned by Mr. Lim Hwee Chiang and 15.6% indirectly owned by Cheung Kong.

The Manager is licensed to conduct the regulated activity of asset management (Type 9) under Part V of the SFO, and is responsible for Fortune REIT's investment and financing strategies, asset enhancement, acquisition and disposal policies and overall management of the Properties. Further details regarding the Manager are set out in section 12 ("The Manager").

1.6 THE PROPERTY MANAGER

The property manager of Fortune REIT is Goodwell-Fortune Property Services Limited, which is an indirect wholly-owned subsidiary of Cheung Kong and a connected person of Fortune REIT. Under the Property Management Agreement, the Manager has appointed the Property Manager to manage, supervise, maintain and market the Properties. Further details regarding the Property Manager are set out in section 13 ("The Property Manager").

SUMMARY

1.7 FEES AND CHARGES PAYABLE BY FORTUNE REIT

The following is a summary of the fees and charges payable by Fortune REIT in connection with the ongoing management of Fortune REIT.

	Fees and charges	Amount payable
(a)	<p>Trustee's fee</p> <p>(payable to the Trustee by Fortune REIT)</p>	<ul style="list-style-type: none"> ● Remuneration Not exceeding the rate of 0.25% per annum of the Property Values subject to a minimum amount of HK\$50,000 per month, and payable out of the Deposited Property monthly in arrears; plus ● Out-of-pocket expense All reasonable out-of-pocket expenses incurred by it in the performance of its duties under the Trust Deed until the Trust is finally wound up. <p>See section 15.12 ("The Trust Deed — Trustee's Fees") for further information.</p>
(b)	<p>Manager's management fees</p> <p>(payable to the Manager by Fortune REIT)</p>	<p>A combination of:</p> <ul style="list-style-type: none"> ● Manager's Base Fee Currently 0.3% per annum of the Property Values (in the form of Units issued at the market price); and ● Manager's Performance Fee 3% per annum from each of the Property Companies of the Net Property Income of the relevant Property Company. <p>See section 12.7 ("The Manager — Manager's Fee") for further information.</p>
(c)	<p>Acquisition Fee</p> <p>(payable to the Manager by Fortune REIT)</p>	<p>Not exceeding a maximum of 1% of the acquisition price for any real estate purchased directly or indirectly by Fortune REIT (pro-rated if applicable to the proportion of Fortune REIT's interest in the real estate acquired).</p> <p>See section 12.7 ("The Manager — Manager's Fees") for further information.</p>

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	Fees and charges	Amount payable
(d)	<p>Divestment Fee</p> <p>(payable to the Manager by Fortune REIT)</p>	<p>Not exceeding a maximum of 0.5% of the sale price of any real estate directly or indirectly sold or divested by Fortune REIT (pro-rated if applicable to the proportion of Fortune REIT's interest in the real estate sold).</p> <p>See section 12.7 ("The Manager — Manager's Fees") for further information.</p>
(e)	<p>Property management fee</p> <p>(payable to the Property Manager by each Property Company)</p>	<p>3% per annum of the Gross Property Revenue of the relevant Property owned by the Property Company.</p> <p>See section 16.2 ("Material and Other Agreements Relating to Fortune REIT — Property Management Agreement") for further information.</p>
(f)	<p>Marketing services fee</p> <p>(payable to the Property Manager by each Property Company)</p>	<p>A combination of various commissions including:</p> <ul style="list-style-type: none"> ● One month's base rent, for securing a tenancy of three years or more; ● One-half month's base rent, for securing a tenancy of less than three years; ● One-half month's base rent, for securing a renewal of tenancy irrespective of duration of the renewal term; and ● 10% of the total licence fee for securing a licence for a duration of less than 12 months (excluding specific licences granted or to be granted to a subsidiary of Cheung Kong). <p>The Property Manager will not be entitled to any of the above commissions if the tenancy, renewal of tenancy or the licence is secured by a third party agent appointed by the relevant Property Company upon recommendation of the Manager.</p> <p>See section 16.2 ("Material and Other Agreements Relating to Fortune REIT — Property Management Agreement") for further information.</p>

SUMMARY

1.8 SUMMARY HISTORICAL FINANCIAL INFORMATION

The following is a summary of Fortune REIT's audited consolidated results for the 2007, 2008 and 2009 financial years, as extracted from the Accountants' Report set out in Appendix 1 ("Accountants' Report") to this document. Potential investors should read this summary with the Accountants' Report and not merely rely on the information contained in this summary. This summary and the Accountants' Report have been prepared in accordance with IFRS.

Consolidated Statement of Comprehensive Income:

	Year ended 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Revenue	614,757	637,038	701,354
Property operating expenses	(164,702)	(173,894)	(206,694)
Net property income	450,055	463,144	494,660
Manager's Base Fee	(28,069)	(28,299)	(28,446)
Foreign currency exchange gain (loss)	1,243	(172)	25
Loss on disposal of investment properties held for resale	—	(225)	—
Interest income	7,671	7,712	728
Trust (expenses) income	(7,688)	(13,599)	2,521
Increase (decrease) in fair value of investment properties	460,507	(1,130,590)	806,283
(Increase) decrease in fair value of derivative financial instruments	(3,496)	5,729	—
Borrowing costs	(116,707)	(104,736)	(96,382)
Profit (loss) before taxation	763,516	(801,036)	1,179,389
Income tax expense	(59,814)	(53,839)	(66,201)
Profit (loss) for the year	703,702	(854,875)	1,113,188
Other comprehensive (expense) income			
Changes in fair value of derivative financial instruments under cash flow hedge	(12,893)	(30,900)	37,407
Total comprehensive income (expense) for the year	690,809	(885,775)	1,150,595
Income available for distribution to unitholders	284,876	302,855	337,841
Total distribution per Unit (HK cents) ⁽¹⁾	35.12	37.02	30.20

Note:

- (1) The decrease in total distribution per Unit in 2009 was mainly due to the issue of Units under the rights issue of Fortune REIT on 15 October 2009 and the issue of Units as acquisition fees on 16 October 2009.

SUMMARY

Consolidated Statement of Financial Position:

	At 31 December		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Assets and Liabilities			
Non-current assets			
Investment properties	9,713,000	8,602,000	11,500,000
Plant and equipment	191	117	44
Total non-current assets	9,713,191	8,602,117	11,500,044
Current assets			
Investment properties held for resale	904	—	—
Trade and other receivables	35,808	36,914	47,619
Bank balances and cash	242,118	243,361	515,341
Total current assets	278,830	280,275	562,960
Total assets	9,992,021	8,882,392	12,063,004
Non-current liabilities			
Borrowings	2,338,638	2,342,663	—
Derivative financial instruments	38,726	53,446	415
Deferred tax liabilities	109,426	114,777	132,991
Total non-current liabilities	2,486,790	2,510,886	133,406
Current liabilities			
Trade and other liabilities	191,966	194,460	276,474
Borrowings	—	—	2,786,286
Derivative financial instruments	1,022	11,473	27,097
Provision for taxation	5,994	9,209	7,079
Total current liabilities	198,982	215,142	3,096,936
Total liabilities	2,685,772	2,726,028	3,230,342
Net assets attributable to unitholders	7,306,249	6,156,364	8,832,662
Net asset value per Unit (HK\$) ⁽¹⁾	8.99	7.50	5.32

Note:

- (1) The net asset value per Unit is calculated based on the net unitholders' funds divided by the number of Units issued and to be issued as at each of reporting date. The decrease in net asset value per Unit in 2009 was mainly due to the issue of Units under the rights issue of Fortune REIT on 15 October 2009 and the issue of Units as acquisition fees on 16 October 2009.

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Consolidated Statement of Cash Flows:

	At 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Net cash from operating activities	391,480	405,562	482,214
Net cash used in investing activities	(9,822)	(11,199)	(2,054,732)
Net cash (used in) from financing activities	(391,064)	(393,120)	1,844,498
Net (decrease) increase in cash and cash equivalents . . .	(9,406)	1,243	271,980
Cash and cash equivalents at beginning of year	251,524	242,118	243,361
Cash and cash equivalents at end of year	<u>242,118</u>	<u>243,361</u>	<u>515,341</u>

1.9 DUAL PRIMARY LISTING

The Units have been listed on the SGX-ST since 12 August 2003. Fortune REIT seeks a dual primary listing, by way of the Introduction, on the Hong Kong Stock Exchange pursuant to this document. Details of the Introduction are contained in section 3 (“Information about this Document and the Introduction”).

1.10 REASONS FOR THE INTRODUCTION AND DUAL PRIMARY LISTING

The Manager considers that it would be desirable and beneficial for Fortune REIT to have a dual primary listing of the Units in Hong Kong and Singapore as this may enhance Fortune REIT’s profile in Hong Kong, facilitate investment by Hong Kong investors, and enable Fortune REIT to gain access to Hong Kong’s capital markets. The two markets also attract different investor profiles, thereby widening the investor base of Fortune REIT and potentially increasing the liquidity of the Units. In particular, a dual primary listing enables Fortune REIT to benefit from its exposure to a wider range of private and institutional investors. The Manager considers that this is important for Fortune REIT’s growth and long term development, given that all of the Properties are located in Hong Kong and Fortune REIT trades in Hong Kong dollars.

1.11 RISK FACTORS

An investment in the Units involves significant risks. Prospective investors should consider carefully, together with all other information contained in this document, the risk factors described in section 2 (“Risk Factors”) before deciding to invest in the Units. These risk factors include: (a) risks associated with Fortune REIT’s business; (b) risks associated with the Properties; (c) risks associated with the Units; and (d) risks relating to the dual primary listing of Fortune REIT.

As an investment in a collective investment scheme is meant to produce returns over the long-term, investors should not expect to obtain short-term gains. Investors should be aware that the price of units in a collective investment scheme, and the income from them, may rise or fall. Investors should note that they may not get back their original investment and that they may not receive any distributions.

Before deciding to invest in the Units, prospective investors should seek professional advice from their relevant advisers regarding their prospective investment in the context of their particular circumstances.

SUMMARY

1.12 BRIDGING ARRANGEMENTS

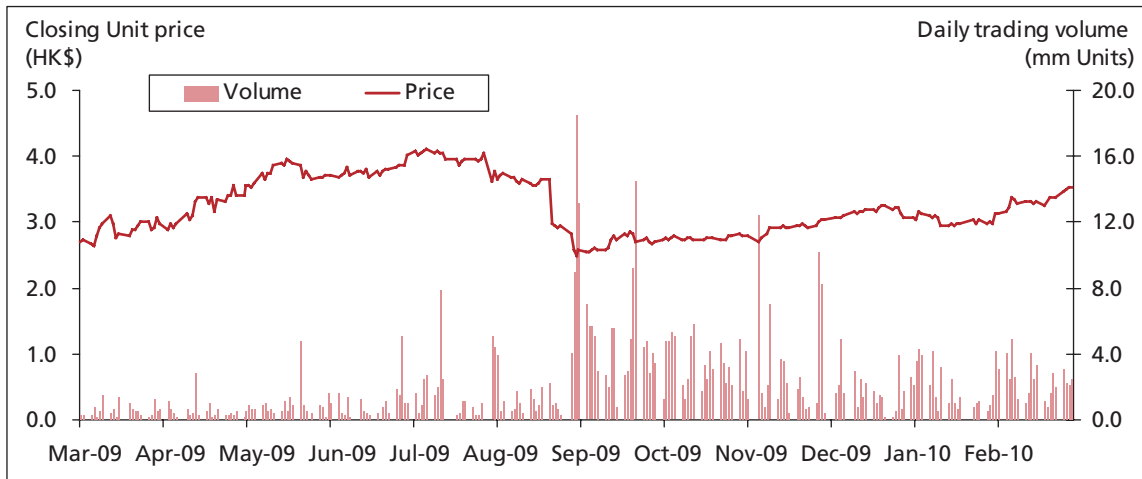
In connection with the Introduction, the Bridging Dealers have been appointed as bridging dealers and intend to implement the bridging arrangements described in section 19.7 (“Listings, Registration, Dealings and Settlement — Bridging Arrangements”) of this document. The bridging arrangements are intended to facilitate the migration of Units to the Hong Kong Unit Register in order for an open market in Units to develop in Hong Kong following the Introduction.

In connection with the bridging arrangements, each of the Bridging Dealers entered into: (i) a Unit Sale and Purchase Agreement with Focus Eagle Investments Limited (as vendor) under which the Bridging Dealers will purchase from Focus Eagle Investments Limited a total of approximately 1% of the Units in issue; (ii) a Unit Option Agreement with Focus Eagle Investments Limited under which the Bridging Dealers shall sell back to Focus Eagle Investments Limited the same number of Units purchased under the Unit Sale and Purchase Agreements at the same price as such Units were purchased; and (iii) a Unit Borrowing and Lending Agreement with Focus Eagle Investments Limited under which Focus Eagle Investments Limited will make available to the Bridging Dealers Unit lending facilities of an aggregate of up to 10% of the Units in issue (to be shared equally between the Bridging Dealers) for settlement in connection with the arbitrage trades carried out by the Bridging Dealers in Hong Kong.

Prospective investors should refer to section 19.7 (“Listings, Registration, Dealings and Settlement — Bridging Arrangements”) of this document for further details.

1.13 HISTORICAL TRADING INFORMATION ON THE SGX-ST

Fortune REIT’s Unit price and trading volume for the period from 26 March 2009 to the Latest Practicable Date



Source: Bloomberg as at Latest Practicable Date

SUMMARY

Selected historical trading information of Fortune REIT for the period from 26 March 2009 to the Latest Practicable Date

	<u>Closing Unit price (HK\$)</u>			<u>Trading volume (Units)</u>
	<u>Period high</u>	<u>Period low</u>	<u>Period end</u>	<u>Average daily volume</u>
26 March 2009 to 25 April 2009	3.12	2.67	3.00	571,333
26 April 2009 to 25 May 2009	3.60	2.90	3.45	547,450
26 May 2009 to 25 June 2009	4.00	3.55	3.74	872,957
26 June 2009 to 25 July 2009	4.07	3.72	4.07	970,286
26 July 2009 to 25 August 2009	4.16	3.67	3.81	1,752,619
26 August 2009 to 25 September 2009 . . .	3.77	2.49	2.58	3,052,909
26 September 2009 to 25 October 2009 . .	2.89	2.55	2.73	4,918,700
26 October 2009 to 25 November 2009 . .	2.85	2.74	2.80	3,486,696
26 November 2009 to 25 December 2009 .	3.06	2.73	3.06	3,193,200
26 December 2009 to 25 January 2010 . . .	3.28	3.09	3.10	1,788,900
26 January 2010 to 25 February 2010	3.20	2.96	3.15	2,008,571
26 February 2010 to 25 March 2010	3.57	3.15	3.57	2,489,500
26 March 2009 to 25 March 2010	4.16	2.49	3.57	2,133,135

Source: Bloomberg as at Latest Practicable Date

During the period from 26 March 2009 to the Latest Practicable Date, the closing prices of the Units on the SGX-ST fluctuated within a range between HK\$2.49 and HK\$4.16. The average daily trading volume of the Units on the SGX-ST during the period from 26 March 2009 to the Latest Practicable Date was 2,133,135.

RISK FACTORS

An investment in the Units involves significant risks. Prospective investors should consider carefully, together with all other information contained in this document, the risk factors described below before deciding to invest in the Units.

As an investment in a collective investment scheme is meant to produce returns over the long-term, investors should not expect to obtain short-term gains. Investors should be aware that the price of units in a collective investment scheme, and the income from them, may rise or fall. Investors should note that they may not get back their original investment and that they may not receive any distributions.

Before deciding to invest in the Units, prospective investors should seek professional advice from their relevant advisers regarding their prospective investment in the context of their particular circumstances.

2.1 RISKS ASSOCIATED WITH FORTUNE REIT'S BUSINESS

2.1.1 Unprecedented adverse global economic conditions could adversely affect the business, financial condition and results of operations of Fortune REIT

The global economy, including the Hong Kong economy, has experienced an unprecedented level of volatility and uncertainty in recent times. This began with the deterioration of asset prices in the U.S. sub-prime residential mortgage market and the progressive deterioration of global credit and equity markets in mid-2007. The market worsened moving into 2008 with the United States, Japan and numerous European countries entering technical recessions by year end. There can be no assurance that Hong Kong's economy will stabilise as there is no assurance that the present unprecedented adverse global economic conditions will not continue or intensify further.

Fortune REIT owns a portfolio of retail and commercial properties in Hong Kong and is vulnerable to decreased consumer spending and reduced disposable income as a result of these unprecedented conditions. Fortune REIT may be adversely affected by, among other things:

- (a) the potential reduced ability of its tenants to pay rent in a timely manner or at all, reducing Fortune REIT's revenue and cash flow;
- (b) the potential reduction of or fluctuations in demand for retail and commercial space, leading to vacancies or reductions in the space leased by tenants and a potential oversupply of such space;
- (c) downward pressure on rental rates;
- (d) reduction of or fluctuations in property values;
- (e) reduction of or fluctuations in liquidity and potential difficulty in borrowing;
- (f) the increased likelihood that one or more of Fortune REIT's lenders or insurers may be unable to honour their commitments to Fortune REIT; and
- (g) an increase in counterparty risk.

RISK FACTORS

2.1.2 The Properties are all located in Hong Kong, which exposes Fortune REIT to cyclical economic and real estate market conditions in Hong Kong

The Properties are all situated in Hong Kong. As a result, Fortune REIT's results of operations depend, to a large extent, on the performance of the Hong Kong economy and Hong Kong real estate market conditions. Historically, the Hong Kong property market has been cyclical and Hong Kong property values and rents have been affected by, among other factors, supply and demand of comparable properties, the rate of economic growth in Hong Kong, interest rates, inflation, and political and economic developments in the PRC. There can be no assurance that the Hong Kong economy will continue to improve, that property values and rents will not decline or that interest rates will not rise in the future. An economic decline in Hong Kong, or a decline in real estate market conditions in Hong Kong, would have a material adverse effect on Fortune REIT's business and results of operations.

2.1.3 Fortune REIT holds a portfolio of retail malls and properties in Hong Kong, which may expose it to fluctuations in the retail sector

Fortune REIT holds a portfolio of retail malls and properties in Hong Kong, and accordingly, Fortune REIT currently depends on retail tenants for almost all of its Net Property Income. This concentration may entail a higher level of risk as compared to some other REITs that may have a more diverse range of tenants (for example, retail and office tenants). Accordingly, any circumstance which adversely affects the retail market generally, or specifically the retail property market in Hong Kong, may have a material adverse effect on Fortune REIT's business and results of operations.

2.1.4 Fortune REIT is subject to the risks relating to the conduct of any business in other jurisdictions

Fortune REIT invests in real estate in Hong Kong. Therefore, the business of Fortune REIT will be subject to fluctuations in the economic conditions as well as the regulatory controls, property and property-related market conditions in Hong Kong. Also, Fortune REIT may in future expand its businesses in other jurisdictions. The risk profile of Fortune REIT will therefore encompass the risks involved in each of the jurisdictions or businesses that Fortune REIT operates. The businesses, financial condition, performance or prospects of Fortune REIT may be adversely affected by any of such risks.

Adverse economic and/or property and property-related developments locally, regionally and/or globally may then also have a material adverse effect on the businesses, financial condition, performance or prospects of Fortune REIT.

2.1.5 Fortune REIT is subject to the laws and regulations of the jurisdictions in which it operates

Fortune REIT's business is subject to applicable laws and regulations of the jurisdictions in which it operates should it in future expand its businesses in other jurisdictions. Real estate laws differ from country to country and Fortune REIT's business in these jurisdictions may not always enjoy the same level of legal rights or protection that it is afforded in Hong Kong. Furthermore, more stringent or onerous real estate laws may be adopted in the future in the jurisdictions where Fortune REIT operates its business, and that may restrict Fortune REIT's ability to operate its business.

RISK FACTORS

2.1.6 The Properties may be revalued downwards and the borrowing limit of Fortune REIT may be exceeded

There can be no assurance that Fortune REIT will not be required to make downward revaluations of the Properties in the future. Any fall in the Gross Revenue or Net Property Income earned from the Properties may result in a downward revaluation of the Properties.

Further downward revaluations could negatively impact Fortune REIT's gearing, which in turn could trigger certain loan covenants and/or impact Fortune REIT's ability to refinance its existing borrowings or its ability to secure additional borrowings. Adverse business consequences of this impact on borrowings may include:

- (a) an inability to fund capital expenditure requirements in relation to the Properties;
- (b) an inability to fund acquisitions of properties; and
- (c) cash flow shortages which may have an adverse impact on Fortune REIT's ability to make distributions.

As at 31 December 2009, Fortune REIT's Aggregate Leverage and Gearing Ratio were both 23.7%. A downward revaluation of any of the Properties may result in a breach of the borrowing limits under the Applicable Rules that currently limit: (a) the Aggregate Leverage to 35%; and (b) the Gearing Ratio to 45%. In the event of such a breach, Fortune REIT, through the Trustee, will be unable to incur further indebtedness unless specifically permitted by the relevant authorities, which may constrain Fortune REIT's operational flexibility.

In addition, Fortune REIT is required to measure investment properties at fair value at each balance sheet date and any change in the fair value of the Properties is recognised in the statements of comprehensive income. The changes in fair value may have an adverse effect on Fortune REIT's financial results in the financial years where there is a significant decrease in the valuation of the Properties which will result in revaluation losses that will be charged to its statements of comprehensive income.

2.1.7 The outbreak of an infectious disease or any other serious public health concerns in Asia and elsewhere could adversely impact the businesses, financial condition and results of operations of Fortune REIT

The outbreak of infectious diseases such as Influenza A (H1N1-2009), avian influenza or Severe Acute Respiratory Syndrome in Asia and elsewhere, together with any resulting restrictions on travel and/or the imposition of quarantines, could have a negative impact on economic and business activity in Asia and elsewhere including consumer spending in Hong Kong, and could thereby adversely impact the revenues and performance of Fortune REIT. There can be no assurance that any precautionary measures taken against infectious diseases will be effective. A future outbreak of an infectious disease or any other serious public health concerns in Asia and elsewhere could have an adverse effect on the businesses, financial condition and results of operations of Fortune REIT.

RISK FACTORS

2.1.8 Fortune REIT may experience limited availability of funds and face risks associated with debt financing and refinancing

Generally, a REIT may require additional financing to fund working capital requirements, to support the future growth of its business including acquisitions, asset enhancement and capital expenditure and/or to refinance existing debt obligations. A REIT's level of borrowings may represent a higher level of gearing as compared to certain other types of unit trusts, such as non-specialised collective investment schemes which invest in equities and/or fixed income instruments. Factors that could affect Fortune REIT's ability to procure financing include the cyclical nature of the property market and market disruption risks which could adversely affect the liquidity, interest rates and the availability of funding sources. The recent sub-prime mortgage financial crisis also had an adverse impact on availability and cost of funding and hence may also hinder a REIT's ability to obtain additional financing. In addition, further consolidation in the banking industry whether in Hong Kong, Singapore or elsewhere in Asia may also reduce the availability of credit as the merged banks seek to reduce their combined exposure to one company or sector. There can be no assurance that additional financing, either on a short-term or a long-term basis, will be made available or, if available, that such financing will be obtained on terms favourable to Fortune REIT.

Fortune REIT has drawn a tranche (in an aggregate amount of HK\$480,000,000) of the 2009 Facility and such tranche of the 2009 Facility is due to be repaid on 28 June 2010. It is anticipated that Fortune REIT will, on or before 28 June 2010, make a drawdown under a separate tranche of the 2009 Facility to refinance the outstanding amounts under such maturing tranche of the 2009 Facility and those owing under the 2005 Facility. See section 16.4 ("Material and Other Agreements relating to Fortune REIT – The 2009 Facility") of this document for additional details.

Following the aforesaid refinancing in June 2010, all other outstanding amounts under the 2009 Facility (involving an aggregate principal amount of up to HK\$3,100,000,000) are scheduled to mature on 15 October 2013, and Fortune REIT will be subject to the risk that it may not be able to refinance its existing and/or future borrowings or that the terms of such refinancing will not be as favourable as the terms of its existing borrowings, particularly in light of current uncertainty and instability in the global market conditions. In addition, Fortune REIT may be subject to certain covenants in connection with any future borrowings that may limit or otherwise adversely affect its operations and Fortune REIT's ability to make distributions to Unitholders. Such covenants may also restrict Fortune REIT's ability to acquire properties or undertake other capital expenditure and asset enhancements or may require it to set aside funds for maintenance or repayment of security deposits. Furthermore, if prevailing interest rates or other factors at the time of refinancing (such as the possible reluctance of lenders to make commercial real estate loans) result in higher interest rates upon refinancing, the interest expense relating to such refinanced indebtedness would increase, which may adversely affect Fortune REIT's cash flow and the amount of distributions Fortune REIT could make to Unitholders.

Additionally, in order to maintain Fortune REIT's qualification as a REIT, it is required under the REIT Code to annually distribute at least 90% of its audited annual net income after tax. Pursuant to the Trust Deed and as summarised in section 10 ("Distribution Policy"), the Manager is required to distribute 100% of its Net Tax-Exempt Income plus, out of its Other Income, any additional amounts that may be required to meet the minimum distribution requirement in the REIT Code. If Fortune REIT has insufficient cash to make such distributions and cannot obtain additional capital from external sources, it may not be able to make the distributions necessary to maintain its qualification as a REIT.

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2.1.9 Fortune REIT relies on dividend payments and other distributions from the Property Companies

Fortune REIT operates principally through the Property Companies and to a certain extent, relies on dividend payments and other distributions from the Property Companies for its operating cash flows. To be able to make distributions in respect of the Units, Fortune REIT will rely on dividend payments from the Property Companies. The ability of the Property Companies to make such payments may in turn be restricted by, among other things, their respective businesses and financial positions, the availability of distributable profits and the amount of such profits, the level of cash flows received by the Property Companies from the Properties, changes in accounting standards, taxation regulations, corporation laws and regulations relating thereto in Hong Kong and/or Singapore and/or British Virgin Islands, the applicable laws, rules and regulations which may restrict any such payment or the terms of agreements to which they are, or may become, a party, including the Facility Agreements. In particular, if any Property Company fails to make any payment due under the Facility Agreements, or any other event of default under the Facility Agreements occurs, that Property Company is prohibited under the Facility Agreements from declaring and making dividend payments to Fortune REIT.

In addition, the availability of distributions may be affected by downward revaluations of the Properties, where a Property Company has negative distributable reserves, even though revaluation loss is part of the adjustments pursuant to the Distribution Policy (see section 10 (“Distribution Policy”) of this document). Fortune REIT has an embedded mechanism (in the form of a redeemable preference shares arrangement) which allows the six Property Companies incorporated in Hong Kong which directly hold Properties representing 73.5% of the total value of all the Properties as at 31 December 2009 to declare dividends under such circumstances, provided such Property Companies hold sufficient redeemable preference shares to cover revaluation losses. These Property Companies may not hold sufficient redeemable preference shares to cover revaluation losses, and as at 31 December 2009, only four of these six Property Companies held redeemable preference shares. If a Property Company does not hold any redeemable preference shares, it will not be able to rely on the redeemable preference shares arrangement to cover any revaluation loss. Accordingly, there can be no assurance that the level of distribution by Fortune REIT to Unitholders would not be adversely affected by any revaluation loss in the future.

2.1.10 Fortune REIT may be adversely affected by the illiquidity of real estate investments

Real estate investments are generally illiquid, limiting the ability of an owner to convert property assets into cash on short notice with the result that property assets may be required to be sold at a discount in order to ensure a quick sale. Each of the Properties is illiquid and there can be no assurance that any of the Properties can or will be liquidated in a short period of time. Such illiquidity limits the ability of Fortune REIT to manage its portfolio in response to changes in economic or other conditions. This could have an adverse effect on Fortune REIT’s financial condition and results of operations, with a consequential adverse effect on Fortune REIT’s ability to make expected returns. Moreover, Fortune REIT may face difficulties in securing timely and commercially favourable financing in asset-based lending transactions secured by real estate due to its illiquidity.

In addition, if Fortune REIT defaults in its payment obligations, mortgagees to any of the affected Properties could foreclose or require a forced sale of any of the affected Properties with a consequential loss of income and asset value to Fortune REIT. The amount to be received upon a foreclosure sale of any affected Property would be dependent on

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numerous factors, including the actual fair market valuation of the relevant Property at the time of such sale, the timing and manner of the sale and the availability of buyers and there can be no assurance that the proceeds from any foreclosure sale will be sufficient for Fortune REIT to meet its obligations pursuant to its borrowings.

2.1.11 The Manager may change Fortune REIT's investment strategy

Fortune REIT's policies with respect to certain activities including investments and acquisitions will be determined by the Manager. While the Manager has stated its investment strategy for Fortune REIT is to invest primarily in real estate in Hong Kong used or substantially used for retail purposes, the Trust Deed gives the Manager wide powers to invest in other types of real estate in Hong Kong and other jurisdictions. There are risks and uncertainties with respect to the selection of investments and with respect to the investments themselves.

2.1.12 The Manager may not be able to implement its investment strategy for Fortune REIT

The Manager's investment strategy for Fortune REIT includes expanding its portfolio of properties and providing regular and stable distributions to Unitholders. There can be no assurance that the Manager will be able to implement its investment strategy successfully or that it will be able to expand Fortune REIT's portfolio at all, or at any specified rate or to any specified size. The Manager may not be able to make investments or acquisitions on favourable terms or within a desired time frame. Even if Fortune REIT were able to successfully make additional property investments, there can be no assurance that Fortune REIT will achieve its intended return on such investments.

Fortune REIT will be relying on external sources of funding to expand its portfolio, which may not be available on favourable terms or at all, particularly in light of current unprecedented global market conditions. While the amount of debt that Fortune REIT can incur to finance acquisitions is limited by the Applicable Rules, such acquisitions will also be dependent on Fortune REIT's ability to raise equity capital, which may result in a dilution of Unitholders' holdings. Potential vendors may view the prolonged time frame and lack of certainty generally associated with the raising of equity capital to fund any such purchase negatively and may prefer other potential purchasers.

Furthermore, there may be significant competition for attractive investment opportunities from other real estate investors, including commercial property development companies, private investment funds and other REITs whose investment policy is also to invest in properties used or substantially used for retail purposes. There can be no assurance that Fortune REIT will be able to compete effectively against such entities.

2.1.13 The Manager may not be able to implement its asset enhancement strategy for Fortune REIT

One of the Manager's strategies for growth for Fortune REIT is to improve rental income and value of the portfolio by undertaking asset enhancement initiatives at the relevant Property. Any asset enhancement initiatives are subject to known and unknown risks, uncertainties and other factors which may lead to any of such asset enhancement initiatives and/or their outcomes being materially different from the original projections or plans. There can be no assurance that the Manager will be able to implement any of its proposed asset enhancement initiatives successfully or that the carrying out of any asset enhancement initiatives will enhance the value of the relevant Property. In addition, any proposed asset enhancement initiatives are subject to Fortune REIT obtaining the approvals

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from the relevant authorities. Furthermore, the Manager may not be able to carry out the proposed asset enhancement initiatives within a desired timeframe, and any benefit or return which may arise from such asset enhancement initiatives may be reduced or lost. Even if the asset enhancement initiatives are successfully carried out, there can be no assurance that Fortune REIT will achieve its intended return or benefit from such asset enhancement initiatives.

2.1.14 Fortune REIT depends on certain key personnel and the loss of any key personnel may adversely affect its results of operations

Fortune REIT's success depends, in part, upon the continued service and performance of members of the management team of the Manager and certain key senior personnel. Future performance of Fortune REIT depends largely on Fortune REIT's ability to attract, train, retain and motivate high quality personnel, especially for its management and technical teams. These key personnel may leave the Manager in the future and compete with the Manager and Fortune REIT. The loss of any of these key individuals, or of any of the Manager's other key employees, could have a material adverse effect on Fortune REIT's results of operations.

2.1.15 Cheung Kong is a significant Unitholder. There are potential conflicts of interest between Fortune REIT, the Manager and Cheung Kong

For the purpose of the REIT Code, Cheung Kong is deemed to have a 31.6% interest in Fortune REIT, and is therefore a significant Unitholder. Cheung Kong, its subsidiaries and associated companies are engaged in, and/or may engage in, amongst other things, investment in, the development and management of properties in Hong Kong and elsewhere. In addition, three Directors (without taking into account alternate Director(s)) are also officers of Cheung Kong.

The Manager is a wholly-owned subsidiary of ARA, a company listed on the SGX-ST and was, as at the Latest Practicable Date, 36.7% directly and indirectly owned by Mr. Lim Hwee Chiang (a Director) and 15.6% indirectly owned by Cheung Kong.

There can be no assurance that conflicts of interest will not arise between Fortune REIT, the Manager and Cheung Kong in the future, including in relation to the acquisition of properties as well as competition for tenants within the Hong Kong market (see section 2.1.17 below).

2.1.16 Fortune REIT may be involved in legal and other proceedings from time to time

Fortune REIT may be involved from time to time in disputes with various parties such as tenants, contractors, sub-contractors, consultants, suppliers, construction companies, purchasers, service providers and other partners involved in the occupancy, asset enhancement, operation and purchase of its properties. These disputes may lead to legal and other proceedings, and may cause Fortune REIT to suffer additional costs and disruptions in its operations. In addition, Fortune REIT may have disagreements with regulatory bodies in the course of its operations, which may subject it to administrative proceedings and unfavourable orders, directives or decrees that may result in financial losses and/or delay the construction or completion of its projects.

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2.1.17 Fortune REIT may compete with Cheung Kong and Prosperity REIT for property acquisition and leasing opportunities

As stated in section 2.1.15, Cheung Kong is a significant Unitholder for the purpose of the REIT Code. Cheung Kong is also a significant unitholder of Prosperity Real Estate Investment Trust (“**Prosperity REIT**”) under the REIT Code. Prosperity REIT is managed by ARA Asset Management (Prosperity) Limited, which is a sister company of the Manager and has three directors in common with the Manager, being Mr. Chiu Kwok Hung, Justin, Mr. Lim Hwee Chiang and Mrs. Sng Sow-Mei (alias Poon Sow Mei). Also, Mr. Ma Lai Chee, Gerald is a director of the manager of Prosperity REIT and an alternate director of the Manager. Cheung Kong, its subsidiaries and associated companies are engaged in, and/or may engage in, amongst other things, investment in, the development and management of properties in Hong Kong and elsewhere.

As a result, there may be circumstances where Fortune REIT competes, or may compete, directly or indirectly with Cheung Kong, its subsidiaries and/or associated companies, and/or with Prosperity REIT, for property acquisition and leasing opportunities. Fortune REIT may also acquire properties or other assets from any of them in the future. Moreover, Cheung Kong may in the future invest in other REITs which compete, or may compete, directly or indirectly with Fortune REIT. There can be no assurance that the interests of Fortune REIT will not conflict with or be subordinated to those of Cheung Kong and Prosperity REIT in such circumstances.

Further, Mr. Chiu, Mr. Lim and Mrs. Sng (and, where relevant, Mr. Ma) have conflicting duties because, in their capacities as directors of the Manager, they have a duty to Fortune REIT, and in their capacities as directors of the manager to Prosperity REIT, they have duties to Prosperity REIT. Although these conflicts are reduced with respect to Fortune REIT and Prosperity REIT because Fortune REIT’s properties consist of retail properties while Prosperity REIT’s properties consist of office, industrial/office and industrial properties, conflicts of interest could nonetheless arise which could lead to decisions that are not in the best interests of the Unitholders of Fortune REIT.

2.1.18 Terrorist attacks, other acts of violence or war and adverse political developments may affect the business, financial condition and results of operations of Fortune REIT

Although there has been no such incident in Hong Kong in recent years, globally there has been an increasing number of bombings and similar politically or ideologically motivated attacks on large retail and commercial properties in recent years. Terrorist activities, acts of violence or war and adverse political developments could materially and adversely affect the Hong Kong economy and/or disrupt or even halt the operations of Fortune REIT, and may adversely affect the operations, revenues and profitability of Fortune REIT. These events and their consequences are unpredictable, and Fortune REIT may not be able to take precautions, and the necessary insurance coverage may be unavailable or commercially unfeasible.

2.1.19 The Manager’s operations are subject to regulation and its licensing conditions

The Manager is required to be licensed under the SFO for the regulated activity of asset management. Although the Manager believes that it will be operated and managed in the manner so as to remain licensed, no assurance can be given that it will be able to maintain the requisite status. The departure of responsible officers of the Manager may result in the loss of the Manager’s license to act as the manager of Fortune REIT. In the event that the Manager ceases to be licensed under the SFO, the Trustee may need to

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appoint another licensed management company which may materially and adversely affect the businesses, financial condition and results of operations of Fortune REIT. In the event no other management company duly qualified and licensed is willing to replace the existing Manager, the Trustee may terminate Fortune REIT.

2.1.20 Fortune REIT may be affected by decisions of other owners of a building

Owners of a building other than Fortune REIT, or, if so provided by the relevant deed of mutual covenant of such building, owners of a portion of that building other than Fortune REIT, could make decisions with respect to the whole building or such portion of the building which are not in the best interests of Fortune REIT, including matters relating to management and maintenance issues. In cases where Fortune REIT does not hold sufficient undivided ownership interest in that building or that portion of the building to control decisions relating to the building or such portion of the building, these decisions could result in, among other things, an increase in the management charges payable by, or additional obligations being imposed on, Fortune REIT. Details of the undivided shares ownership and allocation in respect of the Properties are set out in section 2.2 of Appendix 5 ("Summary of Government Leases, Deeds of Mutual Covenant and Property Company Structure") to this document.

2.1.21 Fortune REIT is exposed to the risk that counterparties will not perform their obligations under interest rate swap arrangements

Fortune REIT or its Property Companies may use interest rate swaps from time to time to hedge its exposure to interest rates (see section 16.5 ("Material and Other Agreements relating to Fortune REIT – Interest Rate Swap Agreements") of this document for details). The swap counterparties may default on their obligations to Fortune REIT due to bankruptcy, lack of liquidity, operational failure or other reasons. In addition, these parties may fail to honour their obligations under the interest rate swap agreements, the agreements may not be effective in reducing Fortune REIT and the Property Companies' exposure to interest rate changes and a court could rule that such an agreement is not legally enforceable.

2.1.22 Distributions declared by Fortune REIT in the past may not be indicative of any distribution in the future

Any proposal by the Board for the declaration of distribution and the amount of any distribution to be paid will depend on various factors, including, but not limited to, Fortune REIT's results of operations and financial position, future profit estimate or forecast, regulatory capital requirements, working capital requirements, general economic conditions and other factors that the Board may consider relevant from time to time. Accordingly, Fortune REIT's historical distributions are not indicative of its future distributions, and potential investors should be aware that any distribution paid previously should not be used as a reference or basis for predicting future distributions.

2.2 RISKS ASSOCIATED WITH THE PROPERTIES

2.2.1 There are general risks attached to investments in real estate

Investments in real estate are subject to various risks, including but not limited to: (a) adverse changes in political or economic conditions; (b) adverse local market conditions; (c) the financial condition of tenants and buyers and sellers of properties; (d) changes in availability of debt or equity financing, which may result in an inability by Fortune REIT to refinance or finance future acquisitions on favourable terms or at all; (e) changes in interest

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rates and other operating expenses; (f) changes in environmental laws and regulations, zoning laws and other governmental rules and fiscal policies; (g) environmental claims arising in respect of real estate; (h) changes in market rents; (i) changes in energy prices; (j) changes in the relative popularity of property types and locations leading to an oversupply of space or a reduction in tenant demand for a particular type of property in a given market; (k) competition among property owners for tenants which may lead to vacancies or an inability to rent space on favourable terms; (l) inability to renew leases or re-let space as existing leases expire; (m) inability to collect rents from tenants on a timely basis or at all due to bankruptcy or insolvency of tenants or otherwise; (n) insufficiency of insurance coverage or increases in insurance premiums; (o) increases in the rate of inflation; (p) inability of the portfolio manager to provide or procure the provision of adequate maintenance and other services; (q) defects affecting the Properties which need to be rectified, or other required repair and maintenance of the Properties, leading to unforeseen capital expenditure; (r) the tenants (or any one or more of them) of the portfolio properties failing to comply fully with the terms of their respective tenancy agreements which may result in the relevant Property Company being in breach of the terms and conditions in the relevant Government Grant, which may give rise to the right on the part of the Government to terminate the Government Grant and re-enter the Property; (s) the relative illiquidity of real estate investments; (t) considerable dependence on cash flow for the maintenance of, and improvements to, the portfolio properties; (u) increased operating costs, including real estate taxes; (v) any interest and encumbrance that cannot be or has not been revealed by a land search conducted at the Land Registry at the time of the search; and (w) acts of God, uninsurable losses and other factors.

Many of these factors may cause fluctuations in occupancy rates, rental rates or operating expenses, causing a negative effect on the value of real estate and income derived from real estate. The annual valuation of the Properties will reflect such factors and as a result may fluctuate upwards or downwards. The capital value of Fortune REIT's real estate assets may be significantly diminished in the event of a sudden downturn in real estate market prices or the economy in Hong Kong.

2.2.2 The Properties may face competition from other properties

There is keen competition between the Properties and other existing and new retail properties for tenants. Whenever competing properties in the vicinity of the Properties are developed or substantially upgraded and refurbished, the attractiveness of the Properties to prospective tenants may be affected. New retail projects are also expected to compete with the Properties for retailers and tenants.

Factors that affect the ability of a retail or commercial property to attract or retain tenants include the attractiveness of the building and its surrounding areas to prospective tenants and their customers or clients and the quality of the building's existing tenants. The income from and market value of the Properties will be largely dependent on the ability of the Properties to compete against other retail or commercial properties in the relevant localities in attracting and retaining tenants. Historical operating results of the Properties may not be indicative of future operating results and historical market values of the Properties may not be indicative of future market values of the Properties.

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2.2.3 Fortune REIT may be unable to renew leases, lease vacant space or re-lease space as leases expire

As at 31 December 2009, leases representing 41.3%, 36.8% and 15.6% of the total Gross Rental Income of the Properties were scheduled to expire in 2010, 2011 and 2012, respectively. In addition, 3.6% of the total Gross Rentable Area of the Properties was vacant and available to be leased. The Manager cannot assure that leases will be renewed or that the Properties will be re-leased at rental rates equal to or above the current average rental rates.

2.2.4 The loss of tenants may adversely affect the business and results of operations of Fortune REIT

Fortune REIT's results of operations, its ability to lease properties and/or make distributions and the value of its property portfolio may be adversely affected by the bankruptcy and/or insolvency of tenants or downturn in the business of tenants, including the decision by such tenants not to renew their leases. For the years ended 31 December 2007, 2008 and 2009, the delinquency rates in respect of the Properties were 0.3%, 0.6% and 0.6%, respectively. For further information on delinquency rates in respect of the Properties, see section 7.1.5 ("The Properties and Business — Fortune REIT — Delinquency Rates").

Further, the Properties are dependent on Fortune REIT's anchor tenants. For the month ended 31 December 2009, the top 10 tenants of Fortune REIT contributed approximately 23.3% to the Gross Rental Income of Fortune REIT. Fortune REIT's ability to sell its Properties and the value of such Properties could be adversely affected by the loss of an anchor tenant in the event that such anchor tenant files for bankruptcy or insolvency or experiences a downturn in its business, including the decision by any such tenants not to renew their leases.

Space that has been vacated by an anchor tenant can reduce the demand for and value of other spaces within that Property because of the loss of the departed anchor tenant's customer drawing power. In addition, as some of the Fortune REIT's anchor tenants may be related to each other or occupy space in multiple Properties, the risk of such loss is concentrated and could affect some or all of the Properties if it should occur. Any of these events could materially and adversely affect Fortune REIT's businesses and results of operation.

2.2.5 The appraisals of Fortune REIT's Properties are based on various assumptions and the price at which it is able to sell a property may be different from the Appraised Value

The valuation of the Properties prepared by the Independent Property Valuer is contained in Appendix 2 ("Property Valuation Report") to this document. In conducting its valuations, the Independent Property Valuer used the direct comparison and the income capitalisation methods. The valuations were based on certain assumptions, which, by their nature, are subjective and uncertain and may differ materially from actual measures of the market. In addition, property valuations generally, and the valuation conducted by the Independent Property Valuer in particular, include a subjective determination of certain factors relating to the Properties, such as their relative market positions, their financial and competitive strengths, location, and their physical condition. Accordingly, there can be no assurance that the assumptions are accurate measures of the market or that the Properties were valued accurately. Further, the Appraised Value of any of Fortune REIT's Properties is

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not an indication of, and does not guarantee, a sale price at that value at present or in the future. The price at which Fortune REIT may sell a property may be lower than the Appraised Value of such property.

2.2.6 Fortune REIT may suffer an uninsured loss

Fortune REIT maintains insurance policies in line with general business practices in Hong Kong in the real estate and commercial properties industries, with policy specifications and insured limits which Fortune REIT believes are practical and adequate. Risks insured against include property damage, loss of income and public liability. There are, however, certain types of losses (such as from wars or acts of God) that generally are not insured because they are either uninsurable or not economically insurable.

Should an uninsured loss or a loss in excess of insured limits occur, Fortune REIT could be required to pay compensation, suffer loss in the capital invested in the relevant Property, or anticipated future revenue from that property. Fortune REIT would also remain liable for any debt that is with recourse to Fortune REIT and may remain liable for any mortgage indebtedness or other financial obligations related to the relevant Property. Any such loss could adversely affect the results of operations and financial condition of Fortune REIT. No assurance can be given that material losses in excess of insurance proceeds will not occur in the future or that adequate insurance coverage for Fortune REIT will be available in the future on commercially reasonable terms or at commercially reasonable rates.

2.2.7 The Gross Revenue earned from, and the value of, the Properties may be adversely affected by a number of factors

The Gross Revenue earned from, and the value of, the Properties may be adversely affected by a number of factors, including:

- (a) vacancies following the expiry or termination of tenancies that lead to reduced occupancy rates which reduce Fortune REIT's Gross Revenue and its ability to recover certain operating costs through service charges;
- (b) the inability of the property managers of Fortune REIT to collect rent from tenants on a timely basis or at all;
- (c) tenants requesting rental rebates due to the impact of the current economic downturn;
- (d) tenants requesting waiver of interest on late payment of rent;
- (e) events affecting the Properties which could result in the inability of the relevant tenants to operate on such Properties and thereby resulting in the inability of such tenants to make timely payments of rent;
- (f) tenants seeking the protection of bankruptcy laws which could result in delays in the receipt of rent payments, inability to collect rental income at all, or delays in the termination of the tenant's lease, or which could hinder or delay the re-letting of the space in question or the sale of the relevant Property;
- (g) the amount of rent payable by tenants and other terms on which tenancy renewals and new tenancies are agreed being less favourable than those under current tenancies;

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- (h) the local and international economic climate and real estate market conditions (such as oversupply of, or reduced demand for retail space, changes in market rental rates and operating expenses for the Properties);
- (i) increased competition from existing and new retail properties in surrounding areas;
- (j) the Manager's ability to provide adequate management and maintenance or to purchase or put in place adequate insurance;
- (k) competition for tenants from other similar properties which may affect rental income or occupancy levels at the Properties;
- (l) changes in laws and governmental regulations in relation to real estate, including those governing usage, zoning, taxes and government charges. Such revisions may lead to an increase in management expenses or unforeseen capital expenditure needed to ensure compliance. Rights related to the relevant properties may also be restricted by legislative actions, such as revisions to the laws relating to building standards or town planning laws, or the enactment of new laws related to condemnation and redevelopment; and
- (m) natural disasters, acts of God, wars, terrorist attacks, riots, civil commotions, widespread communicable diseases and other events beyond the control of the Manager.

Accordingly, the current rental yields on the Properties may not be sustained.

2.2.8 The Properties may be subject to increases in property expenses

Fortune REIT's ability to make distributions to Unitholders could be adversely affected if property expenses, such as maintenance charges, property management fees, property taxes and other operating expenses increase without a corresponding increase in revenue.

Factors which could increase property expenses include but are not limited to:

- (a) increases in the amount of maintenance and sinking fund contributions payable on the Properties;
- (b) increases in agent commission expenses for procuring new tenants;
- (c) increases in property tax assessments and other statutory charges;
- (d) changes in statutory laws, regulations or government policies which increase the cost of compliance with such laws, regulations or policies;
- (e) increases in sub-contracted service costs;
- (f) increases in the rate of inflation;
- (g) increases in insurance premiums; and
- (h) increases in costs relating to adjustment of the tenant mix.

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2.2.9 Fortune REIT is exposed to general risks associated with relying on third-party contractors to provide various services

Fortune REIT engages or will engage third-party contractors to provide various services in connection with any commercial developments it may have and with the day to day operation of its Properties and physical asset enhancement works, including construction, building and property fitting-out work, alterations and additions, interior decoration and installation of air-conditioning units and lifts. Fortune REIT is exposed to the risk that a contractor may require additional capital in excess of the price originally tendered to complete a project and Fortune REIT may have to bear such additional amounts in order to provide the contractor with sufficient incentives to complete the project. Furthermore, there is a risk that major contractors may experience financial or other difficulties which may affect their ability to carry out construction works, thus delaying the completion of development projects or resulting in additional costs to Fortune REIT. Fortune REIT also engages external property managers to provide property management services in respect of the Properties. There can also be no assurance that the services rendered by such third parties will be satisfactory or match Fortune REIT's targeted quality levels. All of these factors could adversely affect Fortune REIT's businesses, financial condition and results of operations.

2.2.10 Fortune REIT holds the Properties through the Property Companies on long-term Government Leases, the failure to observe the terms and conditions of which may result in their termination.

Each of the Properties is held under a Government Lease which contains terms and conditions ordinarily found in grants or leases granted by the Hong Kong Government (see section 16.1 ("Material and Other Agreements Relating to Fortune REIT – Information Regarding the Leasehold Title to the Properties") for further information).

The Hong Kong Government has a right to terminate a Government Lease and re-enter the land in the event the lessee fails to observe or perform the terms and conditions of the Government Lease.

2.2.11 One or more of the Properties may be acquired compulsorily by the Hong Kong Government

The Hong Kong Government has the power to compulsorily acquire any land in Hong Kong pursuant to the provisions of applicable legislation including, but not limited to, the Lands Resumption Ordinance (Chapter 124 of the Laws of Hong Kong), the Roads (Works, Use and Compensation) Ordinance (Chapter 370 of the Laws of Hong Kong), the Railways Ordinance (Chapter 519 of the Laws of Hong Kong), the Land Acquisition (Possessory Title) Ordinance (Chapter 130 of the Laws of Hong Kong), the Land Drainage Ordinance (Chapter 446 of the Laws of Hong Kong), the Urban Renewal Authority Ordinance (Chapter 563 of the Laws of Hong Kong) and the Mass Transit Railway (Land Resumption and Related Provisions) Ordinance (Chapter 276 of the Laws of Hong Kong).

For compulsory acquisitions of property in Hong Kong, the amount of compensation to be awarded is based on the open market value of a property and will be assessed on the basis prescribed in the respective ordinances. In the event of any compulsory acquisition of the Properties, the level of such compensation may be less than the market price of such Property compulsorily acquired that may be received upon the sale of such Property in the open market. Furthermore, the amount of compensation received may be less than the consideration paid by Fortune REIT for the Property.

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2.2.12 Most of the Properties' leases are for periods of up to three years, which exposes them to significant rates of lease expiries each year

Most of the tenancies for the Properties are for periods of up to three years, which reflects the general practice in the Hong Kong retail property market for tenancies. As a result, each of the Properties experiences lease cycles in which a significant number of leases expire each year. By way of illustration, as at 31 December 2009, tenancies contributing 41.3%, 36.8% and 15.6% to Fortune REIT's Gross Rental Income will expire in the years ended 31 December 2010, 2011 and 2012 respectively.

This exposes Fortune REIT to certain risks, including risks of reduced occupancy levels resulting from vacancies following the expiry or non-renewal of leases. In addition, the amount of rent and the terms on which lease renewals and new leases are agreed may be less favourable than current leases. If a large number of tenants do not renew their leases in a year with a high rate of lease expiries, or if new tenants do not enter into leases on terms that are as or more favourable as the terms of the expiring leases, it could have a material adverse effect on the relevant Property and affect Fortune REIT's financial performance and distributable income.

2.2.13 Fortune REIT is reliant on some of the Properties for a substantial portion of its property income and a decline in the income distribution from these Properties will adversely affect Fortune REIT

Fortune REIT is currently dependent on City One Shatin Property, Ma On Shan Plaza, Metro Town and The Metropolis Mall for a substantial portion of its property income for Fortune REIT. For the year ended 31 December 2009, City One Shatin Property, Ma On Shan Plaza, Metro Town and The Metropolis Mall together contributed approximately HK\$366.2 million, or 74.0% of Fortune REIT's Net Property Income for that year, without factoring any adjustment to account for the fact that Metro Town was only acquired in October 2009.

Significant disruptions to the businesses and operations of City One Shatin Property, Ma On Shan Plaza, Metro Town or The Metropolis Mall would have a greater effect on Fortune REIT's financial condition and results of operations than similar occurrences at other Properties.

2.2.14 Fortune REIT could incur significant costs or liability related to environmental matters

Fortune REIT's operations are subject to various environmental laws, including those relating to air pollution control, water pollution control, waste disposal, noise pollution control and the storage of dangerous goods. Under these laws, an owner or operator of real property may be subject to liability, including a fine or imprisonment, for air pollution, noise pollution or the presence or discharge of hazardous or toxic chemicals at that property. In addition, Fortune REIT may be required to make capital expenditures to comply with these environmental laws. The presence of contamination, air pollution, noise pollution or dangerous goods may expose Fortune REIT to liability or materially adversely affect its ability to sell or lease the real property or to borrow using the real property as collateral.

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2.2.15 Due diligence conducted in relation to the Properties may not have identified all material defects, breaches of laws and regulations and other deficiencies

Due diligence reviews, surveys and inspections have been conducted in relation to the Properties as and when they were acquired. However, there can be no assurance that such reviews, surveys or inspections would have revealed all defects or deficiencies affecting the Properties. In particular, there can be no assurance as to the absence of: (a) latent or undiscovered defects or deficiencies; or (b) inaccuracies or deficiencies in such reviews, surveys or inspection reports, any of which could have a material adverse impact on Fortune REIT's business, financial condition and results of operations.

2.3 RISKS ASSOCIATED WITH THE UNITS

2.3.1 The market price of the Units may be volatile

The trading price of the Units on the SGX-ST may not be indicative of the expected market price for the Units on the Hong Kong Stock Exchange following the Introduction. Further, the trading price of the Units on the SGX-ST has been, and may continue to be subject to large fluctuations. The trading price of the Units may increase or decrease in response to a number of events and factors, including:

- (a) variations in operating results;
- (b) changes in estimates and recommendations by securities analysts;
- (c) the operating and stock price performance of companies in the real estate industry and other REITs;
- (d) developments affecting Fortune REIT, its tenants or its competitors;
- (e) valuations of the Properties; and
- (f) changes in general economic conditions.

This volatility may adversely affect the trading price of the Units regardless of Fortune REIT's operating performance. Also, for these reasons amongst others, the Units may trade at prices that are higher or lower than the attributable net asset value per Unit. In addition, the Units are not principal-protected products and there is no guarantee that Unitholders can regain the amount invested. If Fortune REIT is terminated, it is possible that investors may lose all or a part of their investment in the Units.

2.3.2 Property yield is not equivalent to yield on the Units

Generally speaking, property yield depends on the amount of Net Property Income compared against the current value of the Properties. Yield on the Units, however, depends on the dividends payable on the Units as compared with the purchase price of the Units. While there may be some correlation between these two yields, they are not the same and will vary.

2.3.3 Fortune REIT may not be able to make distributions or the level of distributions may fall

The income which Fortune REIT earns from its real estate investments depends on, among other things, its debt-servicing requirements, the amount of rental income received, and the level of property expenses and operating expenses incurred. If the Properties do

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not generate sufficient income, its cash flow and ability to make distributions will be adversely affected. There can be no assurance that the level of distributions will be maintained or increased over time, that there will be contractual increases in rent under the leases of the Properties or that the receipt of rental revenue in connection with any enhancement of the Properties or future acquisitions of Properties will increase Fortune REIT's income available for distribution to Unitholders.

2.3.4 An investment in the Units presents taxation risk

Fortune REIT, as a collective investment scheme constituted as a unit trust and authorized under section 104 of the SFO, is exempt from Hong Kong profits tax, although the Property Companies are subject to taxation in Hong Kong. In addition, although it is understood that, under the Hong Kong Inland Revenue Department's current practice, Hong Kong profits tax will not be payable by a Unitholder on distributions made by Fortune REIT, there is no assurance that the Hong Kong Inland Revenue Department will not change its practice. Any change in the tax status of Fortune REIT or any of the Property Companies or in taxation legislation in Hong Kong generally or any other jurisdiction affecting Unitholders, or the practice of the Hong Kong Inland Revenue Department, could affect the value of the Properties or affect Fortune REIT's ability to achieve its investment objectives or alter after-tax returns to Unitholders.

If you have any doubt as to your tax position, you should consult your own tax adviser.

2.3.5 The tax exemptions available under the Tax Rulings under Section 13(12) of the ITA will only be valid until 31 March 2015

The Ministry of Finance and the IRAS have, under a series of Tax Rulings, granted Fortune REIT income tax exemption in Singapore on its foreign sourced dividends received from the underlying properties in Hong Kong which are held by property companies incorporated in the British Virgin Islands ("BVI"). Some of these Tax Rulings grant tax exemption under Section 13(12) of the ITA in respect of the dividends received from companies incorporated in the BVI. By virtue of the sunset clause announced by the Minister for Finance in the Singapore Budget 2010 on 22 February 2010 but not yet promulgated into law (the "Sunset Clause"), the tax exemptions that Fortune REIT currently enjoys under Section 13(12) of the ITA will be valid only until 31 March 2015. In other words, if the dividends received by Fortune REIT from the companies incorporated in the BVI are received after 31 March 2015 and the Sunset Clause is in effect, the dividends will be taxable in Singapore to Fortune REIT at the corporate tax rate prevailing at the time (the "Sunset Clause Taxable Income"). In such event, tax will be assessed on and collected from the Trustee. This would effectively mean that the income would be subject to double taxation (i.e. once in Hong Kong when the BVI companies are taxed on the income arising from the Hong Kong properties, and again when the dividends distributed by the BVI companies are received in Singapore). However, in the event that a distribution is subsequently made out of such Sunset Clause Taxable Income, the Trustee and the Manager will not have to make a further deduction of income tax from the distribution. No Singapore withholding tax will apply to distributions made to all Unitholders (including Hong Kong Unitholders) by Fortune REIT out of the Sunset Clause Taxable Income.

2.3.6 Fortune REIT may be subject to both Hong Kong and Singapore Taxation on its income

Unlike other Hong Kong listed REITs, which do not have income derived from or accrued in Singapore, Fortune REIT will be chargeable to Singapore income tax on Taxable Income, including but not limited to income derived from or accrued in Singapore. Accordingly, such Taxable Income (and any distribution that is made out of such Taxable

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Income) will be affected by changes in Singapore income tax laws. Such changes in Singapore income tax laws will have no impact on other REITs domiciled in Hong Kong, which do not have income derived from or accrued in Singapore, as they are not subject to this tax.

See section 20.2.1.2 (“Taxation – Singapore Taxation – Fortune REIT – Taxable Income”) of this document which contains a detailed description of when Fortune REIT will be subject to Singapore Tax.

If you have any doubt as to your tax position, you should consult your own tax adviser.

2.3.7 Unitholders will be effectively subordinated to all existing and future claims of creditors of the Property Companies

The claims of creditors of the Property Companies will have priority to the assets of such entities over the claims of Fortune REIT (other than to the extent that Fortune REIT is an unsubordinated creditor of the relevant Property Company). Secured creditors of the Property Companies will have prior rights of claim over the secured assets, and all creditors of the Property Companies will rank ahead of the claims of Fortune REIT (other than to the extent that Fortune REIT is an unsubordinated creditor of the relevant Property Company).

2.3.8 Unitholders have no right to require the redemption of their Units

Unitholders have no right to require the redemption of their Units. Therefore, there can be no assurance that a Unitholder will be able to dispose of its Units. Accordingly, Unitholders may only be able to liquidate or dispose of their Units through a sale of such Units to third parties on the secondary market.

2.3.9 The forward-looking information in this listing document may prove inaccurate

This listing document contains forward-looking statements that are based on a number of assumptions which are subject to significant uncertainties and contingencies, many of which are outside of Fortune REIT’s control. While the Manager considers such assumptions to be reasonable, such risks uncertainties and contingencies may cause the forward-looking statements to prove inaccurate.

2.3.10 The number of Units available for future sale could adversely affect the market price of the Units and the effectiveness of the bridging arrangements is subject to potential limitations

No prediction can be made as to the effect, if any, that future sales of Units, or the availability of Units for future sale, will have on the market price of the Units. Sales of substantial amounts of Units in the public market following the Introduction, or the perception that such sales could occur, could adversely affect prevailing market prices for the Units. Also, there may be limited liquidity in the Units on the Hong Kong Stock Exchange following the Introduction, which may materially affect the market price of the Units and may permit the price to exhibit great volatility (see section 2.4.3 for further information).

Throughout the Bridging Period, the Bridging Dealers intend to carry out arbitrage activities between the Singapore and Hong Kong markets (as set out in section 19.7 (“Listings, Registration, Dealings and Settlement – Bridging Arrangements”) of this document). Whilst such arbitrage activities are expected to contribute towards liquidity on

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the Hong Kong market, with an aim to facilitating the migration of Units to the Hong Kong Unit Register in order for an open market in Units to develop in Hong Kong following the Introduction, investors should be aware that the bridging arrangements are subject to the Bridging Dealers' ability to sell the Units or obtain sufficient number of Units for settlement on the Hong Kong market, as well as the existence of adequate price differentials between the Hong Kong and Singapore markets. There is no guarantee that the bridging arrangements will attain and/or maintain liquidity in the Units at any particular level on the Hong Kong Stock Exchange, nor is there assurance that an open market will in fact develop. The bridging arrangements will also terminate and cease to continue beyond the Bridging Period.

The bridging arrangements do not create any obligation on the Bridging Dealers to undertake any arbitrage or other transactions in the Units. Accordingly, there is no guarantee that the price at which the Units are traded on the Hong Kong Stock Exchange will be substantially the same as or similar to the price at which the Units are traded on the SGX-ST or that any particular volume of the Units will trade on the Hong Kong Stock Exchange. The bridging arrangements being implemented in connection with the Introduction are not equivalent to the price stabilization activities which may be undertaken in connection with an initial public offering. In addition, the Bridging Dealers are not acting as market makers and do not undertake to create or make a market in Units on the Hong Kong Stock Exchange.

2.3.11 Unitholders' interests will be diluted because all or part of the Manager's compensation will be paid in Units

All or part of the Manager's compensation will be paid in Units. In addition, at the time of a payment in the form of Units to the Manager, the trading price of the Units may be below Fortune REIT's net asset value, which would result in immediate dilution to Unitholders (see section 12.7 ("The Manager — Manager's Fees") for further information).

2.3.12 Certain rights in relation to Units in which a person has an interest or is deemed to have an interest may be suspended under the provisions of the Trust Deed

The Trust Deed contains provisions that require relevant persons to disclose to the Manager, who shall forward to the Trustee, information in relation to the acquisition or disposal of interests in the Units. If the Manager or the Trustee believes a person has not complied with such disclosure of interest provisions in the Trust Deed, irrespective of whether such person is a holder of the Units, the Manager or the Trustee may, in its absolute discretion, take certain actions in respect of all or part of the Units in which such person holds or is deemed to hold an interest. Such actions may include suspending the voting rights of such Units, suspending the payment of distributions on such Units, and suspending the transfer and registration of such Units.

2.3.13 The Takeovers Code currently does not apply to Unit acquisitions and there may be limited information in relation to the interests held by significant holders and other connected persons of Fortune REIT

Currently, Unitholders' rights differ from, and may be less protective in certain respects than, those granted to shareholders of public companies in Hong Kong. The Code on Takeovers and Mergers issued by the SFC (the "Takeovers Code") technically does not apply to acquisitions of units in REITs. This could mean, among other things, that a person may acquire any number of Units without being required to make a general offer to acquire the Units held by other Unitholders. Accordingly, Unitholders may not benefit from a possible

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premium price and may not receive equal prices for the Units sold. While the SFC has recently launched a consultation seeking to, among other things, extend the application of the Takeovers Code to SFC-authorized REITs, there can be no assurance that any change in any of the Applicable Rules in this respect may result from such consultation, and if so, how such change may eventually be proposed or implemented, or may affect Fortune REIT at all.

Under the REIT Code, beneficial interests in the Units held by connected persons of Fortune REIT are required to be disclosed in the annual and semi-annual reports of Fortune REIT. As for the disclosure of interests regime under Part XV of the SFO, it explicitly refers to shares and debentures of a listed corporation and therefore does not apply to collective investment schemes which are constituted in the form of trusts or other non-corporate forms (including REITs), even if they are listed. Currently, the SFC requires that provisions substantially equivalent to those in Part XV of the SFO be adopted in trust deeds of REITs. However, the provisions of such trust deeds are contractual and not obligations having the force of law, which may render it difficult for the REIT managers to enforce such provisions. Accordingly, the amount of publicly available information concerning substantial Unitholders may be limited, and full disclosure of the interests of connected persons cannot be assured. While the SFC has recently launched a consultation seeking to, among other things, extend Part XV of the SFO to listed collective investment schemes (including REITs), there can be no assurance that any change in any of the Applicable Rules in this respect may result from such consultation, and if so, how such change may eventually be proposed or implemented, or may affect Fortune REIT at all.

2.3.14 You should only rely on the information included in this listing document to make your investment decision and should not rely on any particular statements in published news reports

Prior to the publication of this listing document, there may be press and media coverage regarding Fortune REIT and the Introduction, which may include certain financial projections and other forward-looking statements and information about Fortune REIT that does not appear in this listing document. Published news reports should not, in any way, be interpreted as rental or profit projections of Fortune REIT. Fortune REIT has not authorized the disclosure of any such information in the press or media. Fortune REIT does not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. Fortune REIT makes no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. If any such information appearing in publications other than this listing document is inconsistent or conflicts with the information contained in this listing document, Fortune REIT disclaims it.

Also, the information contained in Fortune REIT's annual reports, circulars and prospectus needs to be considered in context, including the date that such documents were prepared and the inapplicability of Hong Kong laws at that time, to avoid relying on out-dated or insufficient information.

Accordingly, you should only rely on the information included in this listing document to make your investment decision and should not rely on any other information.

2.4 RISKS RELATING TO THE DUAL PRIMARY LISTING OF FORTUNE REIT

2.4.1 Different characteristics between the SGX-ST and the Hong Kong Stock Exchange

The Units have been listed and have commenced dealing on the SGX-ST since 12 August 2003. Following the Introduction, the Units will continue to be traded on the SGX-ST, and will also be traded on the Hong Kong Stock Exchange.

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Investors should be aware that different characteristics exist between the SGX-ST and the Hong Kong Stock Exchange. These include different trading hours, trading volume, liquidity, listing rules, tax treatments, and regulatory requirements, as well as investor profile and bases. Therefore, historical prices of the Units on the SGX-ST may not be indicative of the performance of the Units on the Hong Kong Stock Exchange after the Introduction, and there is no assurance that trading prices of the Units on the two markets may be the same. Investors should therefore not place undue reliance on the prior trading history of the Units when evaluating an investment in Fortune REIT.

Furthermore, there is no direct trading or settlement between the stock exchanges of Singapore and Hong Kong, and time is required to migrate Units between the CDP and CCASS before such Units are available for trading or settlement. Investors should be aware that the level of liquidity on the SGX-ST and the Hong Kong Stock Exchange for the Units may differ following the Introduction. Whereas arbitrage activities carried out by the Bridging Dealers on their own account during the Bridging Period (as described in section 19.7 (“Listings, Registration, Dealings and Settlement – Bridging Arrangements” of this document)) are expected to contribute to liquidity on the Hong Kong market, with an aim to facilitating the migration of Units to the Hong Kong Unit Register in order for an open market in Units to develop in Hong Kong following the Introduction, there is no assurance that the bridging arrangements will attain and/or maintain liquidity in the Units at any particular level, nor is there assurance that such an open market will in fact develop. In any event, the bridging arrangements will terminate and cease to continue beyond the Bridging Period.

Unitholders and potential investors shall make their own assessment of the bridging arrangements (inclusive of the procedures and implications related thereto) before investing in Fortune REIT, and if in doubt, consult and seek independent advice from professional advisers including but not limited to licensed securities dealer, bank manager, financial adviser, tax adviser, solicitor or professional accountant.

2.4.2 Fortune REIT will be concurrently subject to the Hong Kong and Singapore requirements

As Fortune REIT is authorised as a unit trust scheme in Singapore (pursuant to the SFA) and a collective investment scheme in Hong Kong (pursuant to the SFO) whose Units are listed on SGX-ST and will be listed on the Hong Kong Stock Exchange, it will be required to comply with the authorisation conditions, listing rules (where applicable) and other regulatory regime of both jurisdictions, unless otherwise agreed by the relevant regulators. Accordingly, Fortune REIT may incur additional costs and resources in complying with the requirements of both jurisdictions.

2.4.3 There may be limited liquidity in the Units and volatility in the price of the Units on the Hong Kong Stock Exchange

The Units have not been traded on the Hong Kong Stock Exchange before the Introduction and there may be limited liquidity in the Units on the Hong Kong Stock Exchange. Whilst Unitholders will be able to transfer their unitholdings in Fortune REIT from Singapore to Hong Kong before and after the Introduction (and vice versa following the Introduction), there is no certainty as to the number of Units that Unitholders may elect to transfer to Hong Kong. This may adversely affect investors’ ability to purchase or liquidate Units on the Hong Kong Stock Exchange. Accordingly, there is no guarantee that

RISK FACTORS

the price at which Units are traded on the Hong Kong Stock Exchange will be substantially the same as or similar to the price at which Units are traded on the SGX-ST or that any particular volume of Units will trade on the Hong Kong Stock Exchange.

Whereas arbitrage activities carried out by the Bridging Dealers during the Bridging Period (as described in section 19.7 (“Listings, Registration, Dealings and Settlement – Bridging Arrangements”) of this document) are expected to contribute to liquidity on the Hong Kong market, with an aim to facilitating the migration of Units to the Hong Kong Unit Register in order for an open market in Units to develop in Hong Kong following the Introduction, there is no assurance that the bridging arrangements will attain and/or maintain liquidity in the Units at any particular level, nor is there assurance that such an open market will in fact develop. In any event, the bridging arrangements will terminate and cease to continue beyond the Bridging Period.

Investors should also be aware that the market price of the Units may be volatile and may go down as well as up and investors may therefore not be able to recover their original investment, especially as the Units may have limited liquidity. In addition, the price at which investors may dispose of their Units may be influenced by a number of factors, some of which may pertain to Fortune REIT, while others are extraneous to it.

2.4.4 The time lag for the Units to be transferred between the Hong Kong and Singapore markets may be longer than expected, and Unitholders may not be able to settle or effect any sales of their Units during this period.

There is no direct trading or settlement between the stock exchanges of Singapore and Hong Kong. To enable the migration of Units between the two stock exchanges, Unitholders are required to comply with specific procedures and bear necessary costs. Under normal circumstances and assuming that there are no deviations from the usual Unit transfer procedures, Unitholders can expect a normal transfer to complete within 13 Business Days from CDP to the Hong Kong Unit Register and 14 Business Days from the Hong Kong Unit Register to CDP depending on whether the Units are with CCASS or in the name of the Unitholders (as set out in section 19.6 “Listings, Registration, Dealings and Settlements – Transfer of Units”). However, there is no assurance that the transfer of Units will complete in accordance with the timeline set out in section 19.6 of this document. There may be unforeseen market circumstances or other factors which delay the transfer, thereby preventing the Unitholders from settling or effecting the sale of their Units.

INFORMATION ABOUT THIS DOCUMENT AND THE INTRODUCTION

3.1 MANAGER'S RESPONSIBILITY FOR THE CONTENTS OF THIS LISTING DOCUMENT

The Manager and the Directors collectively and individually accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no material facts the omission of which would make any statement in this document misleading.

3.2 RESTRICTIONS ON THE USE OF THIS DOCUMENT

This document is published solely in connection with the Introduction. It may not be used for any other purpose and, in particular, no person is authorised to use or reproduce this document or any part thereof in connection with any offering, or invitation to offer, in respect of the Units. Accordingly, there is no, and will not be any, offer or solicitation, or an invitation, by or on behalf of Fortune REIT, the Manager, the Trustee, any significant Unitholders and/or the Joint Listing Agents to subscribe for or purchase any of the Units. Neither this document nor any other document or information (or any part thereof) delivered or supplied under or in relation to the Introduction may be used for the purpose of making, and the delivery, distribution and availability of this document or such other document or information (or any part thereof) does not constitute, any offer or solicitation, or an invitation, by or on behalf of Fortune REIT, the Manager, the Trustee, any significant Unitholders and/or the Joint Listing Agents or any other person to subscribe for or purchase the Units.

3.3 SFC AUTHORIZATION AND DUAL COMPLIANCE

Fortune REIT is authorised as a collective investment scheme under section 104 of the SFO. The SFC does not take any responsibility for the financial soundness of Fortune REIT or for the correctness of any statements made or opinions expressed in this document and other documents relating to Fortune REIT. Authorization by the SFC does not imply an official recommendation.

Fortune REIT is also authorised as a unit trust scheme in Singapore pursuant to the SFA. Accordingly, Fortune REIT will be required to comply with the relevant authorisation conditions and regulatory regime in both Singapore and Hong Kong.

3.4 LISTING AND DEALINGS

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Units. Fortune REIT's listings on the Hong Kong Stock Exchange and the SGX-ST are both primary listings. Consequently, following the Introduction, Fortune REIT must comply with the listing rules of both the Hong Kong Stock Exchange and the SGX-ST where relevant.

Dealings in the Units on the Hong Kong Stock Exchange are expected to commence on 20 April 2010. The Introduction is subject to the Listing Committee granting the listing of, and permission to deal in, the Units. The Units will be traded on the Hong Kong Stock Exchange in board lots of 1,000 Units each.

3.5 ELIGIBILITY FOR CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Units on the Hong Kong Stock Exchange and Fortune REIT complies with the stock admission requirements of HKSCC, the Units will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Units on the Hong Kong Stock Exchange or any other date that HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Units to be admitted into CCASS. Details of the arrangements to assist Unitholders who wish to hold their Units through a CCASS Participant account for the purpose of trading on the Hong Kong Stock Exchange are set out in section 19 (“Listings, Registration, Dealings and Settlement”).

3.6 REASONS FOR THE INTRODUCTION

The Units have been listed on the SGX-ST since 12 August 2003. The Manager considers that it would be desirable and beneficial for Fortune REIT to have a dual primary listing of the Units in Hong Kong and Singapore as this may enhance Fortune REIT’s profile in Hong Kong, facilitate investment by Hong Kong investors, enable Fortune REIT to gain access to Hong Kong’s capital markets. The two markets also attract different investor profiles thereby widening the investor base of Fortune REIT and potentially increasing the liquidity of the Units. In particular, a dual primary listing enables Fortune REIT to benefit from its exposure to a wider range of private and institutional investors. The Manager considers that this is important for Fortune REIT’s growth and long term development, given that all of the Properties are located in Hong Kong and Fortune REIT trades in Hong Kong dollars.

3.7 CONDITIONS OF THE INTRODUCTION

The Introduction will be conditional upon the granting by the Listing Committee of the listing of, and permission to deal in, the Units.

3.8 NO CHANGE IN BUSINESS

No change in the business of Fortune REIT is contemplated following the Introduction.

3.9 PROFESSIONAL TAX ADVICE RECOMMENDED

Unitholders and investors are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding and dealing in the Units. It is emphasised that none of Fortune REIT, the Manager, the Trustee and the Joint Listing Agents, any of their respective directors, agents or advisers or any other person involved in the Introduction accepts responsibility for any tax effects or liabilities of holders of Units resulting from the holding or dealing in the Units.

DIRECTORS, TRUST INFORMATION AND OTHER PARTIES INVOLVED IN THE INTRODUCTION
--

Fortune REIT	As constituted by the Trust Deed entered into between the Trustee and the Manager, originally dated 4 July 2003 and as amended and restated from time to time.
Manager	ARA Asset Management (Fortune) Limited Units 5508-10, 55th Floor The Center 99 Queen's Road Central Hong Kong
Directors	<ul style="list-style-type: none"> ● CHIU Kwok Hung, Justin (<i>Chairman and Non-Executive Director</i>) ● LIM Hwee Chiang (<i>Non-Executive Director</i>) ● IP Tak Chuen, Edmond (<i>Non-Executive Director</i>) ● Eirene YEUNG (<i>Non-Executive Director</i>) ● ANG Meng Huat, Anthony (<i>Executive Director and Chief Executive Officer</i>) ● CHIU Yu, Justina (<i>Executive Director and Deputy Chief Executive Officer</i>) ● LIM Lee Meng (<i>Independent Non-Executive Director and Chairman of Audit Committee</i>) ● CHENG Mo Chi, Moses (<i>Independent Non-Executive Director</i>) ● SNG Sow-Mei (alias POON Sow Mei) (<i>Independent Non-Executive Director</i>) ● MA Lai Chee, Gerald (<i>Alternate Director to IP Tak Chuen, Edmond</i>)
Trustee	HSBC Institutional Trust Services (Singapore) Limited 21 Collyer Quay #14-01 HSBC Building Singapore 049320
Hong Kong Unit Registrar	Computershare Hong Kong Investor Services Limited Rooms 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
Singapore Unit Registrar	Boardroom Corporate & Advisory Services Pte. Ltd. 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623
Joint Listing Agents <i>(in alphabetical order)</i>	<p>DBS Asia Capital Limited 22nd Floor, The Center 99 Queen's Road Central Hong Kong</p> <p>J.P. Morgan Securities (Asia Pacific) Limited 28th Floor, Chater House 8 Connaught Road Central Hong Kong</p>

DIRECTORS, TRUST INFORMATION AND OTHER PARTIES INVOLVED IN THE INTRODUCTION

Legal Advisers to the Manager	<p><i>As to Hong Kong law</i> Baker & McKenzie 23rd Floor, One Pacific Place 88 Queensway Hong Kong</p> <p><i>As to Singapore law</i> Allen & Gledhill LLP One Marina Boulevard #28-00 Singapore 018989</p>
Legal Advisers to the Trustee	<p><i>As to Hong Kong law</i> Baker & McKenzie 23rd Floor, One Pacific Place 88 Queensway Hong Kong</p> <p><i>As to Singapore law</i> Shook Lin & Bok LLP 1 Robinson Road #18-00 AIA Tower Singapore 048542</p>
Legal Advisers to the Joint Listing Agents	<p>Latham & Watkins 41st Floor, One Exchange Square 8 Connaught Place Central, Hong Kong</p>
Auditors	<p>Deloitte Touche Tohmatsu 35th Floor, One Pacific Place 88 Queensway Hong Kong</p> <p>Deloitte & Touche LLP 6 Shenton Way #32-00 DBS Building Tower Two Singapore 068809</p>
Independent Property Valuer and Independent Property Market Consultant	<p>Savills Valuation and Professional Services Limited 23rd Floor, Two Exchange Square Central, Hong Kong</p>
Bridging Dealers <i>(in alphabetical order)</i>	<p>DBS Bank Ltd. 6 Shenton Way DBS Building Tower One Singapore 068809</p> <p>J.P. Morgan Broking (Hong Kong) Limited 22nd Floor, Chater House 8 Connaught Road, Central Hong Kong (and/or its affiliates authorised to carry out arbitrage activities)</p>

Savills Valuation and Professional Services Limited was commissioned by the Manager to prepare a report on the Hong Kong retail and commercial property market. The following is a summary of the Independent Property Market Consultant's letter in relation to its Hong Kong Retail Market Overview And District Analysis, the full text and sources of which are set out in Appendix 3 ("Hong Kong Retail Market Overview And District Analysis") to this document. All views expressed in this summary are the independent views of the Independent Property Market Consultant. The Manager and the Joint Listing Agents believe that the sources of the information contained in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. The Manager and the Joint Listing Agents have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by the Manager, the Trustee, the Joint Listing Agents or any other person involved in the Introduction and no representation is given as to its accuracy. To the extent that any of this information is based on estimates, such information should be regarded as indicative only and treated with appropriate caution.

5.1 ECONOMIC OVERVIEW

5.1.1 International Comparisons

Hong Kong is one of the world's most open and dynamic economies benefiting from its strategic location as a gateway to Mainland China ("China" or the "Mainland") and its location in a time zone between Asia and Europe. Hong Kong performs an important role as an international finance, trade, business and communications centre. The Hong Kong Stock Exchange was ranked 7th among the world's major stock markets¹ in terms of market capitalization at the end of 2009 and 3rd largest in Asia after Tokyo Stock Exchange and Shanghai Stock Exchange. In terms of capital raised through initial public offerings, Hong Kong also surpassed New York Stock Exchange, London Stock Exchange and Shanghai Stock Exchange and ranked first in 2009². In terms of merchandise trade, Hong Kong was the 13th largest trading entity in the world in 2008³.

5.1.2 Closer Integration with Mainland China

Since the introduction of the Mainland's open door policy in 1978, Hong Kong has developed even closer links with Mainland China and this will remain one of the key factors in the future economic growth of Hong Kong. In support of this, the Hong Kong Government and the Central People's Government reached an agreement on May 9, 2009 to further liberalise measures governing Hong Kong's trade with the Mainland under the Closer Economic Partnership Arrangement (CEPA). Concessions granted under CEPA give Hong Kong companies a first-mover advantage and encourage better synchronisation of the chain of cross-boundary financial activity, goods production and distribution, service provision and recognition of professional qualifications.

Under the Individual Visit Scheme ("IVS"), which was first introduced in July 2003 as a liberalization measure under CEPA, residents of selected Mainland cities may visit Hong Kong in their own capacity. According to information available from the Tourism Commission on 18 January 2010, the coverage of the IVS has been expanded in the past

¹ Source: World Federation of Exchanges

² Source: World Federation of Exchanges

³ Source: World Trade Organization

RETAIL AND COMMERCIAL PROPERTY MARKET IN HONG KONG

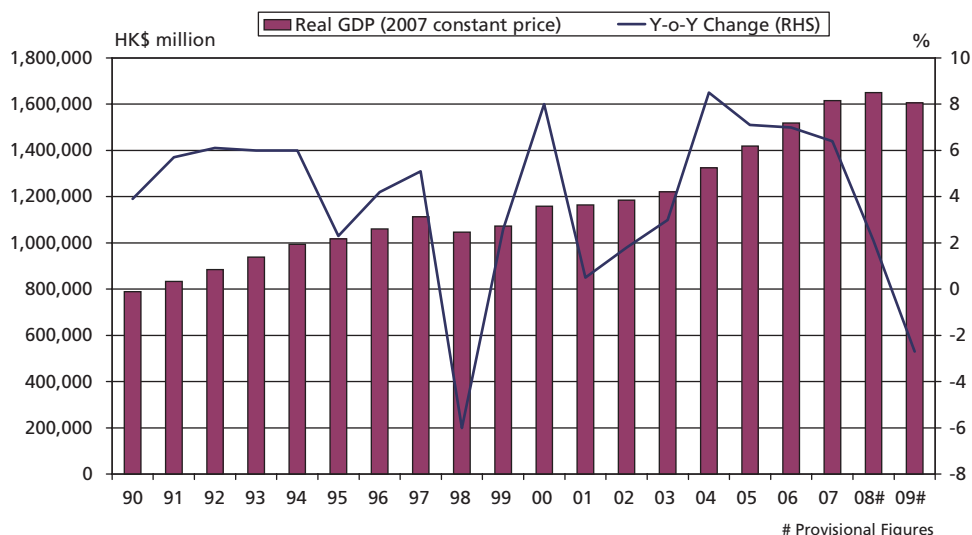
four years and is now implemented in 49 Mainland cities, covering approximately 270 million residents in total. In 2009, Mainland Chinese residents made more than 10.5 million trips to Hong Kong under IVS, an increase of 10% from 2008. These visitors accounted for 59.0% of all Mainland visitors travelling to Hong Kong or 35.8% of total visitor arrivals⁴. There are two new policies which are expected to strengthen already strong Mainland arrivals figures: effective from April 1, 2009 qualified (permanent) Shenzhen residents can apply for year-round multiple-entry visas to visit Hong Kong; another policy measure effective from 15 December 2009, allows qualified non-Guangdong residents in Shenzhen to apply for IVS entry visas directly in Shenzhen without the need to travel back to their original provinces to make such an application.

5.2 KEY ECONOMIC AND DEMOGRAPHIC INDICATORS

5.2.1 Gross Domestic Product (GDP)

Hong Kong's economy has been growing strongly since 2003, and with the closer integration of Mainland China and the flourishing financial and trading sectors average real GDP growth of 6.4% per annum was recorded from 2003 to 2007. Nevertheless, the global economic slowdown as a result of the sub prime mortgage crisis in 2008 adversely affected the local economy, and as such real GDP growth slowed significantly to 2.1% in 2008, and recorded a decline of 7.5% in the first quarter of 2009, the largest year-on-year decline in quarterly GDP since the Asian Financial Crisis in 1998. The economy stabilized quickly alongside the global economy in the second and third quarters with GDP registering more moderate year-on-year declines of 3.7% and 2.2% respectively. Real GDP growth returned to positive territory to register a 2.6% increase in Q4/2009, reflecting a rebounding economy.

Hong Kong Real GDP and Y-o-Y Growth, 1990 — 2009



Source: Census and Statistics Department, Savills Research & Consultancy

⁴ Source: Hong Kong Tourism Board (HKTB)

RETAIL AND COMMERCIAL PROPERTY MARKET IN HONG KONG

5.2.2 Unemployment

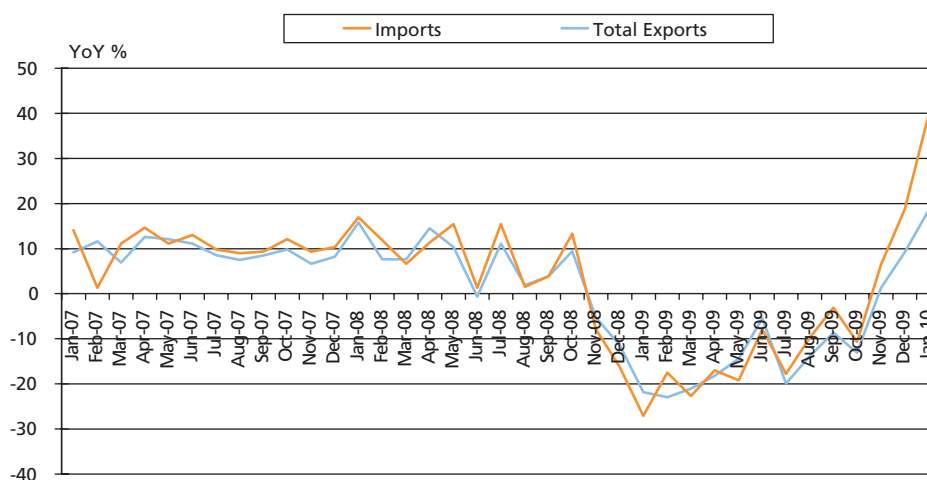
The seasonally adjusted unemployment rate increased from a 10-year low of 3.2% for the three months ended August 2008 to 5.4% for the three months ended August 2009, reflecting the rapid worsening of the employment situation over the first eight months of 2009 as the global economy deteriorated.

Unemployment rates have improved since August and declined moderately to 4.6% in February 2010. Looking ahead, as business activity levels are expected to pick up around Easter, labour demand is likely to increase further, which should in turn ease the pressure on the unemployment rate in the near term.

5.2.3 Trading Performance

The trading sector, which has experienced seven years of consecutive growth since 2001 and is still regarded as one of the key drivers of the local economy, has been hard hit since the financial turmoil in late 2008. Both imports and total exports recorded double-digit year-on-year declines from December 2008 to October 2009. The year-on-year rate of decline slowed from 27.1% and 21.8% for imports and total exports in January 2009 to 10.7% and 13.1% in October 2009 respectively. In November 2009, imports and total exports recorded their first positive year-on-year growth of 6.5% and 1.3% respectively since October 2008, followed by strong rebounds of 18.7% and 9.2% in December 2009 and further 39.5% and 18.4% growth in January 2010 respectively.

Percentage Change of Imports and Total Exports, January 2007 — January 2010



Source: Census and Statistics Department, Savills Research & Consultancy

5.2.4 Inflation

Hong Kong's prolonged period of deflation came to an end in mid-2004 as a result of improved economic conditions, strong consumer demand and higher import prices, and inflation rates have remained positive since, with the exception of a brief decline in January 2005. The Composite Consumer Price Index (CPI) recorded an increase of 2.0% in 2007 and 4.3% in 2008. Inflation slowed to 0.5% in 2009, mainly due to receding price pressures as the economy adjusted downwards, as well as some one-off Government relief measures, the

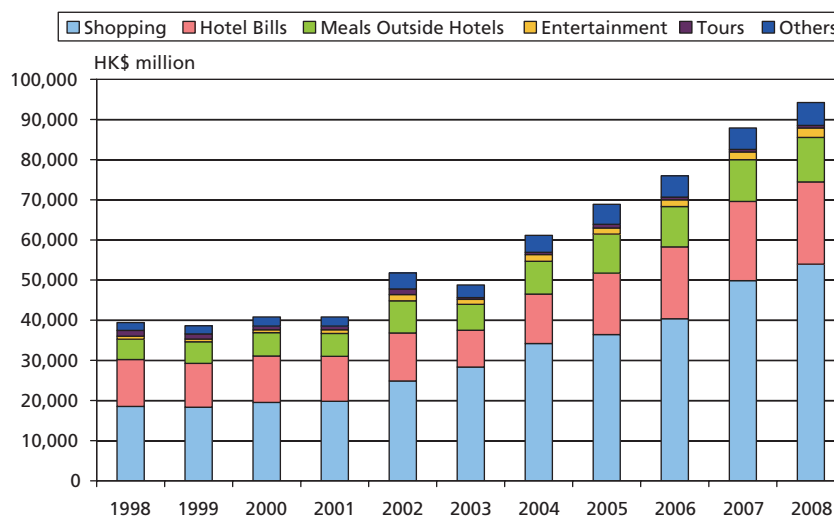
RETAIL AND COMMERCIAL PROPERTY MARKET IN HONG KONG

most significant of which was the HK\$1,800 electricity charge subsidy from September 2008 to February 2009. The Composite CPI rose by 1.0% in January 2010 compared with the same month one year earlier.

5.2.5 Tourist Expenditure

Tourist expenditure has increased steadily since 2003, with the proportion accounted for by Mainland visitors rising over time. The significance of spending on shopping as a sub-set of total tourist spending also increased from 46.9% in 1998 to 57.3% in 2008, with shopping spending reaching HK\$54.0 billion by 2008.

Breakdown of Overnight Visitor Expenditure by Category, 1998 — 2008



Source: HKTB, Savills Research & Consultancy

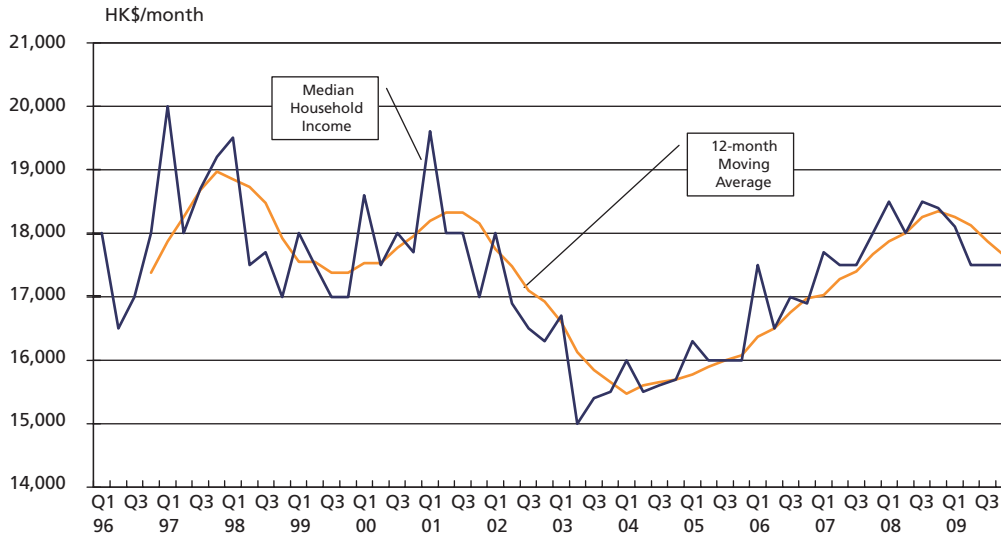
Over the past few years, overseas visitor spending on shopping has played an increasingly significant role in supporting the retail market, and the ratio of visitor spending on shopping to total retail sales increased from 9.5% in 1998 to 19.7% in 2008.

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5.2.6 Population and Household Incomes

At the end of 2009, there were a total of 7.03 million residents in Hong Kong⁵. Population growth has rebounded slightly but remains at a low level, with an average annual growth rate of 0.7% recorded over the five-year period from 2005 to 2009, compared with 0.5% and 1.6% from 2000 to 2004 and from 1995 to 1999 respectively.

Median Monthly Household Income, Q1/1996 — Q4/2009



Source: Census & Statistics Department, Savills Research & Consultancy

Median monthly household income is the primary measure of the incomes of the Hong Kong population. Income levels reached a recent high of HK\$20,000 per month in 1997 before declining by 5% in the subsequent year due to the Asian Financial Crisis. Incomes rebounded briefly during the dot.com boom by 3%, but continued to decline thereafter until the second half of 2003 before resuming an upward trend alongside economic recovery and declining unemployment rates. The latest financial crisis has also affected income levels, with median household incomes recording consecutive declines in Q1/2009 and Q2/2009, in the order of 1.6% and 3.3% respectively before stabilizing at HK\$17,500 per month in Q3/2009 and Q4/2009.

⁵ Source: Census and Statistics Department

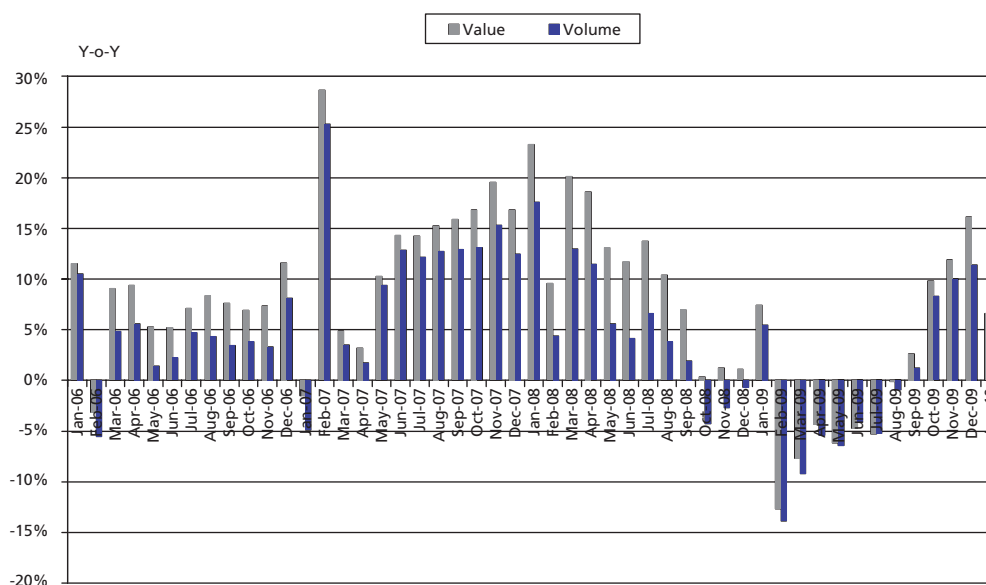
5.3 RETAIL MARKET OVERVIEW

5.3.1 Retail Sales Performance

Retail sales have long been the barometer of retail market performance as the figures measure how well retailers have performed over the years and in turn how capable they are of paying rents. Therefore it is no coincidence that retail sales performance is highly correlated with retail rental movement over the past three decades (correlation coefficient = 0.96).

Retail sales have grown strongly over the past few years until the second half of 2008, when the global economic downturn began to exert pressure on the local economy as well as the employment market, weakening local consumer confidence. With the exception of January 2009, retail trade in Hong Kong recorded seven consecutive months of contraction from February 2009. Supported by the progressive improvement of the local economy and a more stable labour market, local consumer spending showed signs of revival towards the end of the third quarter. In tandem with improved inbound tourism, retail sales values rebounded strongly by 11.7% and 16.1% year-on-year in November and December 2009 respectively. Overall retail sales value and volume increased by 0.6% and declined by 0.8% year-on-year over the 2009, respectively. Retail sales value and volume continued their upward trends by recording another 6.6% and 3.2% growth respectively in January 2010.

**Year-on-Year Change in Retail Sales Value and Volume Indices,
January 2006 — January 2010**



Source: Census and Statistics Department, Savills Research & Consultancy

Retail Sales by Trade Category

In terms of trade category, the best performing sub-sector during the economic slowdown has been necessities trades, with food, alcoholic drinks & tobacco and supermarket sales recording 3.6% and 3.3% year-on-year growth respectively from January to December 2009. Motor vehicles and parts retailers were the hardest hit with sales values declining significantly by 18.8% over the same period. Jewellery, watches and clocks, and valuable gifts, which have been supported by strong Mainland visitor spending over the

RETAIL AND COMMERCIAL PROPERTY MARKET IN HONG KONG

past few years, saw sales values growing strongly by 47.6% in December 2009 and record a 5.0% year-on-year increase from January to December 2009. Positive retail sentiment at the beginning of the year induced strong sales growth in consumer durable goods (23.0%) and jewellery, watches and clocks, and valuable gifts (26.6%) in January 2010.

Percentage Change in Retail Sales by Category, January to December 2009 over January to December 2008

Trade Category	Jan-Dec 2009 over Jan-Dec 2008
Food, Alcoholic Drinks & Tobacco	+3.6%
Supermarkets	+3.3%
Fuels	-9.7%
Clothing, Footwear & Allied Products	-0.8%
Consumer Durable Goods	-5.8%
— <i>Motor vehicles and parts</i>	-18.8%
— <i>Electrical goods and photographic equipment</i>	-0.2%
— <i>Furniture and fixtures</i>	-1.8%
— <i>Other consumer durable goods, not elsewhere classified</i>	-2.3%
Department Stores	+1.2%
Jewellery, Watches and Clocks, and Valuable Gifts	+5.0%
Other Consumer Goods	+1.2%

Source: Census and Statistics Department, Savills Research & Consultancy

5.3.2 Stock, Take-up/Vacancy and Supply

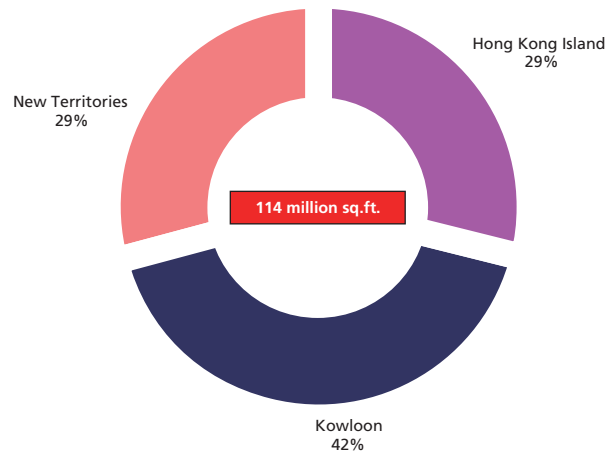
Existing Stock

The total stock of private commercial premises⁶ in Hong Kong doubled between 1980 and 2009. Total stock at the end of 2009 was 115 million sq.ft.⁷ In 2008, more than 42% of private commercial stock was located in Kowloon while Hong Kong Island and the New Territories each accounted for around 29% of the remaining stock respectively.

⁶ Defined by the Rating and Valuation Department, private commercial premises include retail premises and other premises designed or adopted for commercial use, with the exception of purpose-built offices. Car park space is excluded.

⁷ According to the Rating and Valuation Department, from 2006 onwards private commercial stock figures include properties owned by The Link REIT, which had a total IFA of 10.3 million sq.ft. in 2006. IFA means Internal Floor Area as defined by the Rating and Valuation Department, which means the area of all enclosed space of the unit measured to the internal face of enclosing external and/or party walls.

Total Private Commercial Stock by District, 2008



Source: Rating and Valuation Department, Savills Research & Consultancy

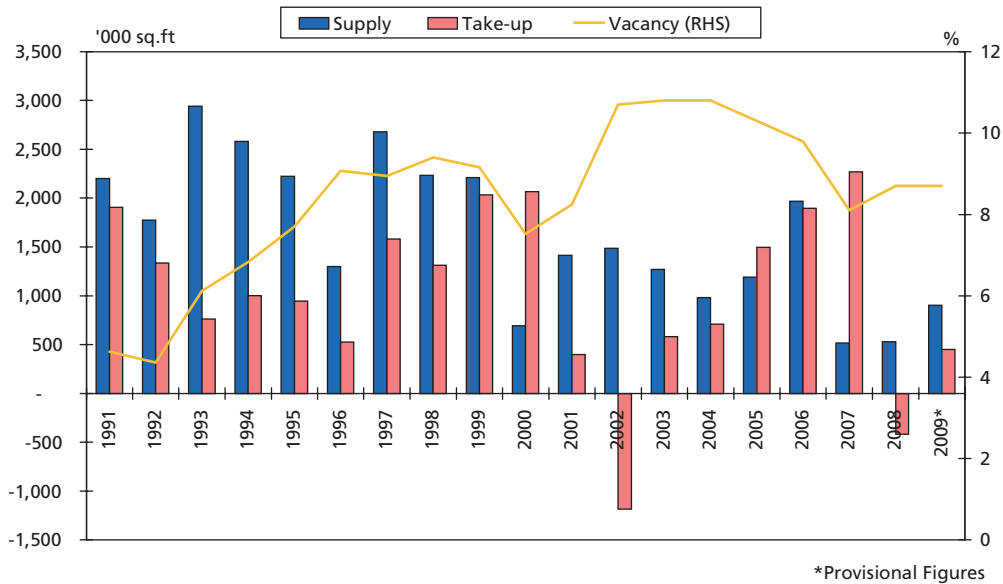
Take-up and Vacancy

Average take-up between 1980 and 1989, between 1990 and 1999, and between 2000 and 2009 stood at approximately 2.3 million sq.ft., 1.4 million sq.ft. and 0.8 million sq.ft., respectively. Besides the maturing nature of the market, the falling take-up is also attributable to falling supply levels. Take-up rebounded from 0.7 million sq.ft. in 2004 to 2.3 million sq.ft. in 2007.

The negative take-up of retail space in 2008 was the result of demand contraction on the back of the global financial crisis, and a number of chain retailers closed in Hong Kong. Examples included Tai Lam and U-Right, both of which closed towards the end of 2008. Vacancy rates increased to 8.7% in 2008 as a result. Take-up increased to 0.5 million sq.ft. in 2009 mainly due to the strength of the retail sector towards the end of the year, and vacancy rates stabilized at 8.7% in 2009 as a result.

RETAIL AND COMMERCIAL PROPERTY MARKET IN HONG KONG

Private Commercial Supply, Take-up and Vacancy Rate, 1991 — 2009



Source: Rating and Valuation Department, Savills Research & Consultancy

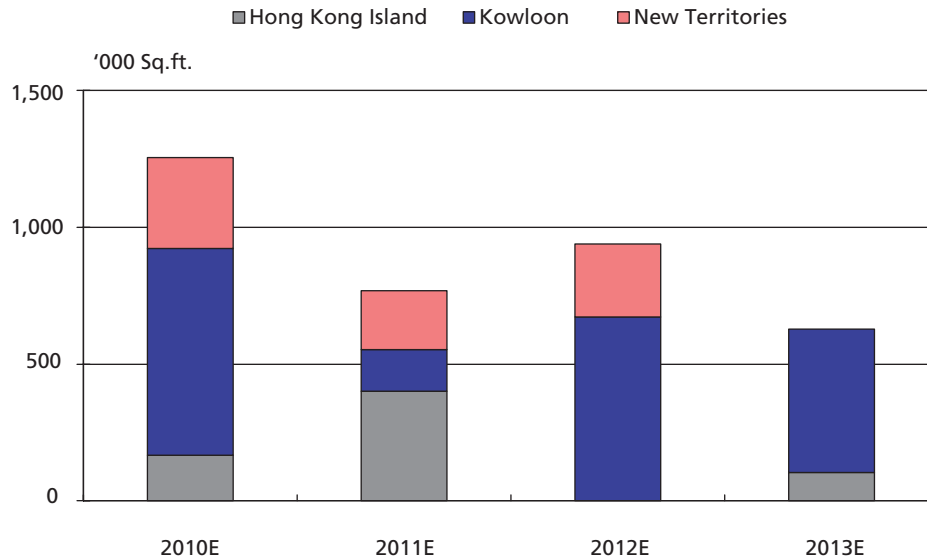
New Supply

Private commercial supply averaged approximately 2.1 million sq.ft. per annum between 1980 and 2009. However, supply levels were significantly lower in the 2000s compared with the previous two decades. Shopping centre supply reached a recent peak in 2006 when some 2.0 million sq.ft. was completed, including some larger-scale malls such as Elements in Tsimshatsui, Kowloon, and MegaBox, located in Kowloon Bay.

RETAIL AND COMMERCIAL PROPERTY MARKET IN HONG KONG

A majority of new retail supply currently scheduled for completion is being built in fringe areas as Hong Kong's traditional core retail districts⁸ are aging and increasingly constrained in their ability to expand and adapt to changing consumer needs. Many new shopping centres forecast for completion beyond 2013 will be located either on newly reclaimed land or in Hong Kong's New Towns⁹.

Major Shopping Centre¹⁰ Supply, 2010E — 2013E



Source: Buildings Department, Savills Research & Consultancy

Supply of major shopping centres in Hong Kong is expected to fall to an average of 0.9 million sq.ft.¹¹ per annum between 2010 and 2013, with the highest proportion of new centres located in Kowloon, representing 59% of the total. There were three major retail developments completed in Tsimshatsui in late 2009 including K11, iSQUARE and 1881 Heritage, while the Chinese Estates project The One in Tsimshatsui (former Tung Ying Building Redevelopment) is expected to be completed in 2010. No major new supply is scheduled on Hong Kong Island until 2011, when the Hennessy Centre Redevelopment will be completed.

⁸ Central, Causeway Bay, Tsimshatsui and Mongkok.

⁹ The basic concept for developing a New Town is to provide a balanced and self-contained community as far as possible in terms of provision of infrastructure and community facilities. Hong Kong has developed nine New Towns since the initiation of its New Town Development Programme in 1973 to cope with the increase in population and to improve the living environment by de-centralizing the population from over-crowded urban districts. The nine New Towns are Tsuen Wan, Sha Tin, Tuen Mun, Tai Po, Fanling/Sheung Shui, Yuen Long, Tseung Kwan O, Tin Shui Wai and Tung Chung. Source: Civil Engineering and Development Department.

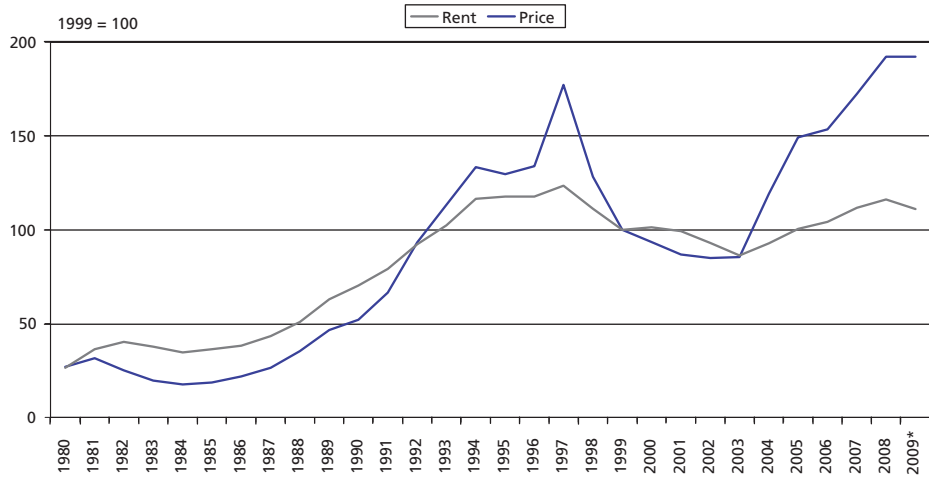
¹⁰ Over 50,000 sq.ft.

¹¹ Gross floor area (GFA), is the area contained within the external walls of the building measured at each floor level, including any floor below the level of the ground, and excludes any floor space that the Building Authority is satisfied is constructed or intended to be used solely for parking motor vehicles, loading or unloading of motor vehicles or occupied solely by machinery or equipment for any lift, air-conditioning or heating system or any similar service.

RETAIL AND COMMERCIAL PROPERTY MARKET IN HONG KONG

5.3.3 Retail Rents and Prices

Private Retail Rental and Price Indices, 1980 — 2009



Source: Rating and Valuation Department, Savills Research & Consultancy * Provisional Figures

The strong rebound in the local economy as well as the implementation of the IVS induced a strong recovery in the retail market, and private retail rents increased by around 35% from 2003 to 2008. Average prime shopping centre rents in Hong Kong stood at HK\$259 per sq.ft. gross at the end of 2008¹², surpassing their 1997 peak.

Prices of private retail space in Hong Kong have generally followed the same trend as rents. Prices grew along with rising rents from 1984 but have been rising more swiftly since the early 1990's, fuelled by negative real interest rates. A total increase of 650% was recorded over the 1984 to 1994 period, representing average annual growth of 20%. A marginal decline in prices was recorded in 1995 but values rose again in 1996 and 1997. Asset deflation took hold after the financial crisis and prices dropped by 52% to 2002. After rising by more than 125% from the trough in 2003 to 2008, yield compression became a stumbling block for most investors looking for yielding properties.

¹² Source: Savills Research & Consultancy

RETAIL AND COMMERCIAL PROPERTY MARKET IN HONG KONG

Private Retail Rental and Price Indices Growth Rates (Month-on-Month), January 2009 — January 2010

	Rent	Price
January-2009	-2.6%	-4.5%
February-2009	-0.6%	+0.2%
March-2009	-0.1%	+3.1%
April-2009	-1.1%	+2.4%
May-2009	+1.8%	+7.0%
June-2009	+0.6%	+3.1%
July-2009	+1.4%	+3.9%
August-2009*	+0.6%	+4.6%
September-2009*	+1.1%	+3.1%
October-2009*	+1.2%	+1.4%
November-2009*	+1.6%	+0.1%
December-2009*	+2.7%	+3.2%
January-2010*	+0.3%	+2.1%

* Provisional Figures

Source: Rating & Valuation Department

The weakening of the economy and the fall in retail sales since early 2009 both acted to push retail rents down in 2009. Retail rents recorded a fall over four consecutive months from January to April 2009, but remained relatively steady over the six month period from May 2009 and rebounded strongly towards the end of 2009 and early 2010. Overall private retail rents rebounded by 11.7% from April 2009 to January 2010 due to both recovering Mainland arrivals and local consumer confidence.

Retail sector investment activity has been limited since late 2008. Prices of private retail premises in Hong Kong thus recorded a fall of 4.5% in January 2009. Nevertheless, availability of relatively cheap capital and rebounding investment sentiment due to the stock market rally has revived interest in retail properties and prices rebounded by 39.6% from January 2009 to January 2010.

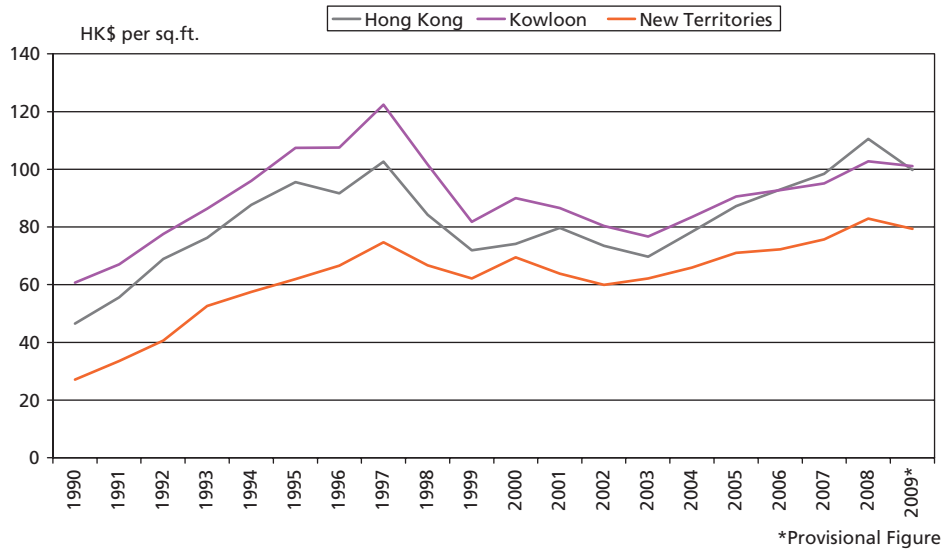
5.3.4 Suburban Retail Market

Traditionally, retail shops and shopping centres are located in prime locations in urban areas such as Central, Causeway Bay and Tsimshatsui, with a focus on selling luxury products and providing fine dining to affluent locals and, more recently, to high spending Mainland tourists who are visiting Hong Kong in increasing numbers thanks to the implementation of IVS since 2003.

As site availability becomes increasingly scarce in urban areas, new retail premises over the past decade have been completed in more remote areas in fringe Kowloon and the New Territories, forming the suburban retail market. Major characteristics of suburban retail centres are that they often come in the form of large retail podiums of new residential developments, with a strong and often captive primary catchment, offering mainly daily necessities and basic comparison goods with a strong F&B presence. The ratio of suburban retail completions to total retail completions increased dramatically from 18% for the period 1980 to 1998 to 32% for the period 1999 to 2009, revealing that nearly one-third of the centres completed over the past decade have been suburban centres, most of which are located in the New Territories.

RETAIL AND COMMERCIAL PROPERTY MARKET IN HONG KONG

Private Retail Rents by District, 1990 — 2009



Source: Rating and Valuation Department, Savills Research & Consultancy

As most suburban shopping centres are located in the New Territories, we have adopted New Territories private retail rents as a proxy for their performance. Private retail rents in the New Territories have proved to be relatively more stable than rents on Hong Kong Island and in Kowloon, especially during market downturns. Taking the Asian Financial Crisis period (from 1997 to 1999) as an example, while private retail rents in the New Territories fell by 17.0% over the period, much heavier falls of 30.0% and 33.2% were recorded for Hong Kong Island and Kowloon respectively over the same period.

STRATEGY

6.1 PRINCIPAL STRATEGY

The Manager's key objectives are to deliver stable distributions to Unitholders and achieve long-term growth in the net asset value per Unit of Fortune REIT. The Manager intends to accomplish these objectives by optimizing the performance and overall quality of a diverse portfolio of retail malls through various business strategies, including asset management, acquisition growth and financing.

6.2 ASSET MANAGEMENT STRATEGY

The Manager will actively manage its portfolio to maximize rental income growth, upgrade tenant base, capture asset enhancement opportunities and control property expenses.

6.2.1 Proactive lease management

The Manager will formulate leasing strategies and pursue initiatives to maximize the market potential and long-term profitability of the Properties. One of the key initiatives is to maintain high occupancy rates across the portfolio by proactively managing lease renewals and advancing renewal negotiations with tenants whose leases are approaching expiry. As leases expire, the Manager will have the opportunity to change rental rates, revise lease terms and conditions, relocate existing tenants, and reconfigure or expand tenant spaces. Based on each retailer's needs and the positioning of the individual Property, the Manager may negotiate to expand a successful retailer's space, or take back space from an underperforming retailer. In addition to sustaining high tenant retention levels, the Manager seeks to minimize void periods and associated interruptions in rental income arising from non-renewals and early termination of leases, by:

- (a) being active in strengthening relationships with retailers in general;
- (b) sourcing and building up a strong base of prospective tenants; and
- (c) obtaining commitments from new retailers and securing new tenants for existing available space and planned expansions.

6.2.2 Continual improvement in tenant mix

The Manager will monitor the tenant profile and trade mix within each Property and ensure that they are optimized on an ongoing basis. To adapt to particular shopper profiles of individual Properties or changes in consumer trends and needs over time, the Manager may also introduce new retailers and retail concepts to the Properties. At the same time, the Manager will carefully monitor the portfolio for excessive exposure to any particular business sectors so as to provide stability in rental income.

6.2.3 Active marketing and promotion

The Manager develops proactive marketing plans to enhance tenant interest and visibility of the Properties. The objective is to bring additional shopper traffic to the Properties and potentially increase sales revenue of the tenants. In some cases, promotion events may also require leasing of promotion venues and bring additional income to the Properties.

6.2.4 Asset enhancement initiatives

The Manager will work closely with the Property Manager to improve the rental income and value of the portfolio by undertaking asset enhancement initiatives. To the extent possible and permitted by the relevant Government Leases, deeds of mutual covenant and any applicable building laws and regulations, the Manager will rationalize the use of space, create more rentable area and improve building efficiency. The Manager may reconfigure unit size and layout not only to maximize rentable area, but also to improve shopfront and shopper circulation. Also, tenants may be relocated to more suitable locations within the Property so that shoppers can enjoy easier navigation and enhanced shopping experience with systemically clustered trades within a mall.

The Manager will also review the Properties' competitiveness against other retail malls in surrounding areas and upgrade building facilities to improve the shopping environment, thereby increasing sales revenue of the tenants and, potentially, rental income to the Properties. Such refurbishment opportunities may include improvement of interior and exterior signage, lighting, restroom facilities and other aesthetic and environmental aspects of the Properties to enhance the attractiveness of the Properties to shoppers as well as tenants.

6.2.5 Control property expenses while delivering quality service

In order to deliver optimal returns, the Manager will work closely with the Property Manager to control property expenses without compromising the quality of services to its tenants. This can be achieved through initiatives such as:

- (a) leveraging Fortune REIT's large portfolio size for cost savings through bulk sourcing and purchasing of services and supplies;
- (b) streamlining property management functions across the portfolio;
- (c) implementing cost control management systems; and
- (d) reviewing periodically the Properties' overall energy needs, consumption patterns and operational efficiency of equipments with a view to develop more energy-efficient practices and achieve cost savings on utilities.

6.3 ACQUISITION GROWTH STRATEGY

The Manager will actively explore acquisition opportunities that will add value to Fortune REIT's portfolio and improve returns to Unitholders. The Manager will take into account, but not limit to the following issues and qualities when evaluating acquisition opportunities:

- (a) ability to provide attractive long-term cash flows and yields, as well as the potential for net asset growth;
- (b) strength of existing, and the potential to improve in the future, occupancy and tenant retention rates relative to competing properties in the respective markets;
- (c) potential to increase investment returns and create value through active property management such as selective renovations or other enhancements; and
- (d) geographical diversification or expansion that would enable Fortune REIT to access tenants and shoppers in new areas, and to decrease dependency and risk exposure to particular areas.

The Manager intends to hold the Properties on a long-term basis. In the future, if the Manager considers that any property has reached a stage that affords limited scope for income growth, the Manager may consider selling the property and using the proceeds from such sale to invest in new properties with better potential for growth.

6.4 FINANCING STRATEGY

The Manager may require the Trustee to borrow on behalf of Fortune REIT (upon such terms and conditions as the Manager deems fit, including the charging or mortgaging of all or any part of the Deposited Property) whenever the Manager considers, among other things, that such borrowings are necessary or desirable in order to enable Fortune REIT to meet any liabilities or to finance the acquisition of any property. However, pursuant to the Trust Deed, the Manager must not direct the Trustee to incur a borrowing if to do so would breach the borrowing limits under the Applicable Rules that currently limit: (a) the Aggregate Leverage to 35%; and (b) the Gearing Ratio to 45%. As at 31 December 2009, Fortune REIT's Aggregate Leverage and Gearing Ratio were both 23.7%.

The Manager's objective is to maximize returns of Fortune REIT's portfolio and distributions to Unitholders, while maintaining appropriate levels of financial prudence. The Manager aims to optimise its capital structure and cost of capital by using a combination of debt and equity to fund future acquisitions and asset enhancement initiatives.

The Manager also intends to adopt a hedging strategy to manage the risks associated with fluctuations in interest rates relating to Fortune REIT's borrowings. In addition to the debt strategy, the Manager intends to capitalize on opportunities to raise additional capital for Fortune REIT through the issue of additional Units, if considered appropriate or desirable. At present, the Manager has no specific plan that Fortune REIT will issue Units for the purpose of raising capital immediately after the Introduction.

7.1 FORTUNE REIT

7.1.1 Overview

Fortune REIT is a unit trust established in Singapore with the investment objective of investing in real estate. Fortune REIT's property portfolio consists of 14 retail malls and parking facilities located in Hong Kong, comprising approximately 1,988,352 sq.ft. of retail space. The Properties were selected with care and prudence, bearing in mind Fortune REIT's strategy outlined in section 6 ("Strategy"). Additionally, the Manager believes that the Properties benefit from the following competitive strengths:

- (a) **Strategic locations.** The Properties are strategically located in their respective trade areas and enjoy high levels of connectivity with public transportation linking Hong Kong Island, Kowloon and the New Territories with major roads in the vicinity of each Property linking to most parts of Hong Kong. The majority of the Properties are also strategically located in the relatively new towns in the New Territories, which are expected to experience further population growth.
- (b) **Large trade areas.** As shopping centres within their respective trade areas, each of the Properties benefit from large trade areas in which they have strong competitive positions.
- (c) **High occupancy levels.** High occupancy levels principally reflect the high levels of demand for retail space in each of the Properties, in turn reflecting their strategic locations as well as pro-active management policies with respect to the renewal and replacement of tenants in order to minimise vacancies. As at 31 December 2009, the weighted average occupancy rate of the Properties was 96.4%.
- (d) **Diverse tenant base.** For the month ended 31 December 2009, no more than 26.0% of total Gross Rental Income from the Properties was generated from any one retail sub-sector. Further details regarding the diversification of the tenant base is outlined in section 7.1.3 ("The Properties and Business — Tenant Profile").
- (e) **Geographical diversification.** Fortune REIT owns a portfolio of retail properties across Kowloon and New Territories making it less dependent on any micro-property market in Hong Kong.

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7.1.2 The Properties

The table below sets out certain information with respect to each of the Properties as at 31 December 2009.

Property	Location	Gross Rentable Area (sq.ft.)	Year of Completion (1) (Year)	Government Lease expiry	Valuation (2) (HK\$ million)	Number of tenants	Number of car parks	Average monthly rental per leased sq-ft. for the month ended 31 Dec 2009(3)			Net Property Income			Occupancy	
								(HK\$)	For the year ended 31 Dec 2007 (HK\$ million)	For the year ended 31 Dec 2008 (HK\$ million)	For the year or other period ended 31 Dec 2009 (HK\$ million)	As at 31 Dec 2007 (%)	As at 31 Dec 2008 (%)	As at 31 Dec 2009 (%)	
City One Shatin Property	Shatin	414,469	1989	30 Jun 2047	3,548	256	658	40.1	170.9	178.3	177.0	95.7	97.0	98.2	
Ma On Shan Plaza	Shatin	310,084	1994	30 Jun 2047	1,974	139	290	32.7	104.2	110.2	117.1	100.0	99.9	100.0	
Metro Town (4)	Tseung Kwan O	180,822	2006	10 Feb 2053	1,544	108	74	34.9	—	—	13.3	—	—	100.0	
The Metropolis Mall	Hung Hom	332,168	2001	30 Jun 2047	1,413	126	179	17.6	62.2	50.6	58.7	85.1	95.9	93.0	
Waldorf Garden Property	Tuen Mun	80,842	1982	30 Jun 2047	810	47	73	50.5	29.1	42.0	46.4	92.7	100.0	100.0	
Caribbean Bazaar (4)	Tung Chung	63,018	2003	30 Jun 2047	449	42	117	33.5	—	—	4.3	—	—	100.0	
Smartland	Tsuen Wan	123,544	1981	30 Jun 2047	376	94	67	13.9	20.5	19.7	17.3	89.6	94.4	94.4	
Tsing Yi Square Property	Tsing Yi	78,836	1986	30 Jun 2047	314	62	27	21.1	15.9	16.3	16.8	92.6	97.6	100.0	
Jubilee Court Shopping Centre	Shatin	170,616	1986	30 Jun 2047	304	48	97	8.8	14.6	14.3	11.7	87.9	88.1	81.5	
The Household Center	Kwai Chung	91,779	2002	16 Jul 2048	274	54	43	16.1	16.4	14.5	13.9	82.2	87.1	97.0	
Centre de Laguna Property	Kwun Tong	43,000	1992	30 Jun 2047	166	22	—	18.5	7.1	8.4	7.8	96.5	100.0	100.0	
Hampton Loft (4)	West Kowloon	74,734	2003	12 Dec 2049	164	3	35	9.9	—	—	1.9	—	—	100.0	
Lido Garden Property	Tsuen Wan	9,836	1989	30 Jun 2047	100	10	—	48.2	5.6	5.3	4.9	85.0	100.0	100.0	
Rhine Garden Property	Tsuen Wan	14,604	1992	30 Jun 2047	64	4	—	23.2	3.5	3.5	3.6	100.0	100.0	100.0	
Total/Average(5)		1,988,352			11,500	1,015	1,660	27.5	450.0	463.1	494.7	92.1	96.0	96.4	

Notes:

- (1) Year of Completion refers to the year in which the occupation permit in respect of the development/building of which the Property forms part was issued.
- (2) The valuation represents the value of each of the Properties as determined by the Independent Property Valuer as at 31 December 2009.
- (3) The average monthly rental per leased square foot is calculated by dividing the Gross Rental Income for the month of December 2009 by the leased area as at 31 December 2009. Leased area is the Gross Rentable Area, as adjusted by the occupancy rate.
- (4) Metro Town, Caribbean Bazaar and Hampton Loft were acquired on 15 October 2009. Accordingly, their Net Property Income only represents the period from 16 October 2009 to 31 December 2009.
- (5) The weighted average occupancy rate is derived by dividing the sum of the leased area of each of the Properties by the total Gross Rentable Area of all the Properties.

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The following table describes and summarises each of the Properties. Further details of the Properties are set out in sections 7.2 to 7.15 below.

Property	Descriptions
City One Shatin Property	<ul style="list-style-type: none"> ● Various shops, offices and other portions of two free standing commercial blocks known as "City One Plaza" and "Ngan Shing Commercial Centre", ● A wet market, a kindergarten, and various shops and other non-domestic units on the ground floor of various residential tower blocks, and ● Parking facilities of 658 parking lots
Ma On Shan Plaza	<ul style="list-style-type: none"> ● A shopping arcade situated in the development known as "Bayshore Towers", and ● Parking facilities of 290 parking lots
Metro Town	<ul style="list-style-type: none"> ● A shopping arcade situated in the development known as "Metro Town", and ● Parking facilities of 74 parking lots
The Metropolis Mall	<ul style="list-style-type: none"> ● A three-level retail shopping podium situated in the development known as "The Metropolis", and ● Parking facilities of 179 parking lots
Waldorf Garden Property	<ul style="list-style-type: none"> ● Shops on a retail floor of a four-storey commercial/recreational/parking podium situated in the development known as "Waldorf Garden", and ● Parking facilities of 73 parking lots
Caribbean Bazaar	<ul style="list-style-type: none"> ● A shopping arcade, a kindergarten and a wet market situated in the development known as "Caribbean Coast", and ● Parking facilities of 117 parking lots
Smartland	<ul style="list-style-type: none"> ● The majority of the four-storey commercial portion of the development known as "East Asia Gardens", and ● Parking facilities of 67 parking lots
Tsing Yi Square Property	<ul style="list-style-type: none"> ● Various shops situated in the development known as "Tsing Yi Garden", and ● Parking facilities of 27 parking lots

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Property	Descriptions
Jubilee Court Shopping Centre	<ul style="list-style-type: none"> ● A seven-storey commercial centre situated in the development known as "Jubilee Garden", and ● Parking facilities of 97 parking lots
The Household Center	<ul style="list-style-type: none"> ● A three-storey shopping centre situated in the development known as "Nob Hill", and ● Parking facilities of 43 parking lots
Centre de Laguna Property	<ul style="list-style-type: none"> ● A portion of the commercial development known as "Centre de Laguna" and a kindergarten
Hampton Loft	<ul style="list-style-type: none"> ● A commercial area situated in the development known as "Hampton Place", and ● Parking facilities of 35 parking lots
Lido Garden Property	<ul style="list-style-type: none"> ● Various shops of the development known as "Lido Garden"
Rhine Garden Property	<ul style="list-style-type: none"> ● Certain retail portions (including a restaurant) of the three-storey podium situated in the development known as "Rhine Garden"

Details of the percentage undivided shares ownership and allocation in respect of the Properties are set out in section 2.2 of Appendix 5 ("Summary of Government Leases, Deeds of Mutual Covenant and Property Company Structure") to this document.

7.1.3 Tenant profile

The Properties house a total of 1,015 tenants as at 31 December 2009, with the 10 largest tenants (in terms of total Gross Rental Income) across the portfolio contributing approximately 23.3% of total Gross Rental Income from the Properties for the month ended 31 December 2009. The major tenants of the Properties include some of the major retailers in Hong Kong, such as Park'N Shop, Watsons, Bank of China (Hong Kong) Limited and Maxim's Chinese Restaurant. For the same period, other than Park'N Shop which accounted for 8.5% of total Gross Rental Income from the Properties, no single tenant contributed more than 5.0% of total Gross Rental Income from the Properties.

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The table below sets out information on the 10 largest tenants of the Properties in terms of total Gross Rental Income for the month ended 31 December 2009:

<u>Tenant</u>	<u>Trade Sub-sector</u>	<u>Total Gross Rentable Area</u> (sq.ft.)	<u>Percentage of total Gross Rentable Area</u> (%)	<u>Percentage of total Gross Rental Income⁽¹⁾</u> (%)
Park'N Shop	Supermarkets	221,234	11.1	8.5
Bank of China (Hong Kong)	Banking & Real Estate Services	24,692	1.2	3.0
7-Eleven	Services & Education	14,772	0.7	1.9
Cheung Kong Property Development Limited	Banking & Real Estate Services	49,179	2.5	1.8
Fairwood	Food & Beverages	20,761	1.0	1.5
Midland Realty	Banking & Real Estate Services	7,881	0.4	1.4
Watsons	Services & Education	20,269	1.0	1.4
Maxim's Chinese Restaurant	Food & Beverages	49,014	2.5	1.4
The Bank of East Asia	Banking & Real Estate Services	12,771	0.6	1.2
Ricacorp Properties Limited	Banking & Real Estate Services	5,558	0.3	1.2
10 largest tenants by total Gross Rental Income		426,131	21.3	23.3
Other tenants		1,490,013	75.1	76.7
Vacant space		72,208	3.6	—
Total		<u>1,988,352</u>	<u>100.0</u>	<u>100.0</u>

Note:

- (1) Calculated on the basis of each tenant's percentage contribution to total Gross Rental Income of the Properties for the month ended 31 December 2009.

As at the Latest Practicable Date, none of the 10 largest tenants of the Properties set out in the above table were connected persons (as defined in the REIT Code) of Fortune REIT, except for: (a) Park'N Shop and Watsons, which were connected persons of Fortune REIT by virtue of being associated companies of Cheung Kong, a significant holder (as defined in the REIT Code) of Fortune REIT; and (b) Cheung Kong Property Development Limited, which was a connected person of Fortune REIT by virtue of being a subsidiary of Cheung Kong.

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The table below sets out details of the Properties' overall tenant diversification, in terms of trade sub-sector by reference to total Gross Rentable Area as at 31 December 2009 and total Gross Rental Income for the month ended 31 December 2009:

	By Gross Rentable Area	By Gross Rental Income
	(%)	(%)
Banking & Real Estate Services	8.9	16.6
Community Services	3.1	1.2
Electronics & IT	1.1	1.8
Fashion & Shoes	3.3	6.0
Food & Beverages	27.8	25.7
Gifts & Specialty, Hobbies, Toy, Jewellery	3.5	4.5
Homewares & Home Furnishings	2.2	2.5
Leisure & Entertainment, Sports & Fitness	2.1	1.3
Services & Education	26.9	25.7
Supermarkets	11.4	8.9
Wet Markets	1.0	1.8
Others	5.1	4.0
Vacant	3.6	—
Total	100.0	100.0

7.1.4 Expiries

Most of the lease agreements for the Properties are for tenancy periods of two to three years. This reflects the general practice in the Hong Kong property market for retail tenancies to take the form of a two or three-year agreement. Longer lease terms of up to six years are sometimes granted for example, in the case of larger premises or where a prospective tenant has committed to make a significant initial capital investment.

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The table below sets out the expiring tenancies for the Properties which, by reference to total Gross Rentable Area as at 31 December 2009 and total Gross Rental Income for the month ended 31 December 2009, are scheduled to take place during the periods indicated:

<u>Period</u>	Expiring tenancies as a % of total Gross Rentable Area	Expiring tenancies as a % of total Gross Rental Income
	(%)	(%)
Year ended 31 Dec 2010	36.2	41.3
Year ended 31 Dec 2011	33.9	36.8
Year ended 31 Dec 2012	17.5	15.6
Year ended 31 Dec 2013	3.8	3.3
Year ended 31 Dec 2014 and beyond	5.0	3.0
Vacant	3.6	—
Total	100.0	100.0

7.1.5 Delinquency Rates

The following table sets forth a breakdown of delinquency rate in respect of the Properties for the years ended 31 December 2007, 2008 and 2009:

	Delinquency Rate ⁽¹⁾
	%
As at 31 Dec 2009	0.6%
As at 31 Dec 2008	0.6%
As at 31 Dec 2007	0.3%

Note:

- (1) Delinquency rate is calculated by dividing the rental receivables that remain unpaid for over 90 days after their due dates by the Gross Revenue for the year.

7.1.6 Tenancy Agreement Provisions

The tenancy agreements entered into by the tenants, in respect of each of the Properties, are largely based on standard form agreements that contain terms and conditions commonly found in commercial tenancy agreements in Hong Kong. In some of the major tenants' tenancy agreements, changes to the standard form agreements have been made to provide for maximum rent limits on rent review upon renewal of the tenancies.

As noted above, most of the tenancy agreements for the Properties are for tenancy periods of two to three years. This reflects the general practice in the Hong Kong property market for retail tenancies to take the form of a two or three-year agreement. Further, the tenancy agreements generally allow new tenants to enjoy rent-free periods ranging from two weeks to one month during which rent will not be payable by the tenants, although in some of the major tenants' tenancy agreements longer rent-free periods are provided for.

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Under the tenancy agreements, tenants are normally responsible for payment of outgoings such as utilities, management charges and Government rent and rates. Tenants are generally also responsible for repairing, and payment of all other expenses relating to, the interior of the premises, while the landlord is generally responsible for repairing the exterior and/or the main structure. In the event that the premises or a substantial part of it are rendered unfit for use or inaccessible by force majeure or by any cause other than the result of the negligence or fault of the tenants, the tenants are usually entitled to rent abatement until the premises shall again be rendered fit for occupation and in some tenancy agreements, either the landlords or the tenants are entitled to terminate the tenancy agreement if the premises are not reinstated after a certain period of time. Tenants are generally not permitted to assign or sublet the premises.

At the time of entering into a tenancy agreement, tenants in Hong Kong typically pay a security deposit in cash equal to two to three months' base rent (which includes air-conditioning charges, management fees and government rates), and rent for the first month in advance. Security deposits generally do not bear interest. Tenants generally pay monthly rent as well as a monthly service charge and air-conditioning charges for the maintenance of the building and the upkeep of common areas.

The majority of tenancy agreements do not give tenants the right to terminate their leases prior to the scheduled expiration dates. The landlord has the right to terminate a lease upon the occurrence of certain events, such as non-payment of rent or breach of covenants by the tenants. In addition, most of the tenancy agreements provide that the landlord may terminate the lease at any time during the term if the landlord shall resolve to sell or redevelop the premises, by serving six months' notice on the tenant. The tenants are required under the tenancy agreements to use the leased premises for the purpose allowed under the Government Lease and the occupation permits of the relevant buildings.

7.1.7 Competition

Whilst the threat of competition is always a risk, there are a number of features of the Properties that afford protection against current and future competition. These are:

- (a) *Location.* The Properties hold key locations within or close to the existing residential estates and as such provide convenient shopping for the residents nearby who constitute the primary catchment of the Properties. In addition, all the Properties are served by public transportation systems which add to the ease of shopper access.
- (b) *Catering to the daily needs of shoppers.* The Properties cater mainly to the daily necessities and convenience needs of the nearby residential estates. The Manager believes that proximity to, and ease of accessibility by, their customer bases are important competitive advantages of the Properties.
- (c) *Unavailability of sites a barrier to entry.* The Properties are mainly located in densely built areas and, as such, the general lack of development sites in most of their immediate vicinities limits the threat of new competition.

The Independent Property Market Consultant has analysed the trading conditions of the Properties across eight districts in Hong Kong. For details, please refer to Appendix 3 ("Hong Kong Retail Market Overview And District Analysis") of this document. In addition, an estimate of the additional private retail floor space which is anticipated to be completed in the period to year-end 2011 has been provided. This has been used together with the

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forecast population growth to calculate the ratio of future retail floor space per resident in each of the districts. The analysis highlights that the district of Yau Tsim Mong and Sai Kung are likely to experience the largest increases in retail floor space over this period. Retail floor space per resident is, however, forecast to remain relatively stable indicating that the additional supply is largely offset by the expected increase in local populations. Overall retail floor space per resident is forecast to remain relatively stable and the Independent Property Market Consultant believes that it is unlikely that any major imbalances will develop in the supply and demand of retail floor space up to the end of 2011.

7.1.8 Insurance

Fortune REIT has insurance for the Properties that the Manager believes will be consistent with industry practice in Hong Kong. This includes property all risks insurance, public liability insurance and money all risks insurance. There are no significant or unusual excess or deductible amounts required under such policies. There are, however, certain types of risks that are not covered by such insurance policies, including losses resulting from wars, acts of terrorism or losses of or damages to data or software.

7.1.9 Ownership

Fortune REIT does not directly hold the Properties. Instead, they are held on trust for Fortune REIT by the Trustee pursuant to the Trust Deed. More specifically, the Trustee holds the Property Companies which in turn hold the Properties pursuant to a Government Lease, details of which are contained in section 16.1 ("Material and Other Agreements Relating to Fortune REIT — Information Regarding the Leasehold Title to the Properties"). A chart showing the structure of the Property Companies is set out in section 3 of Appendix 5 ("Summary of Government Leases, Deeds of Mutual Covenant and Property Company Structure") to this document.

7.1.10 Proposed program for renovation or improvement

The Manager is currently considering the refurbishment of City One Shatin Property. The refurbishment would include, but is not limited to: (a) the upgrade of electrical, mechanical and fire services systems; (b) the upgrade of common corridors, ceiling and flooring; and (c) reposition of trade and tenant mix, in City One Shatin Property. All refurbishment and renovation enhancements will be subject to the required building and planning approvals. In addition, the Manager will need to plan and implement the execution of the enhancements in accordance with the terms of the relevant tenancy agreements or as otherwise agreed with the relevant tenants. The cost of such refurbishment is anticipated to be approximately HK\$100 million and will be financed by working capital.

Other than making normal recurring maintenance capital expenditures and the above, the Manager has no other current plans to renovate, improve or redevelop the Properties.

7.1.11 Building survey reports

Building survey reports ("Reports") were previously prepared by Vigers Building Consultancy Limited ("Vigers") in respect of the Properties as and when they were each acquired by Fortune REIT, and as confirmed with Vigers, in connection with the Introduction, the Manager is not aware of any issues identified in the Reports that are material to an investor's decision to invest in the Units and thus warrant disclosure in this document.

7.2 CITY ONE SHATIN PROPERTY

7.2.1 Description

Fortune REIT owns City One Shatin Property, which is part of the development known as "City One Shatin" located at City One Shatin, Shatin, New Territories, Hong Kong.

City One Shatin Property, as at 31 December 2009, had a total Gross Rentable Area of 414,469 sq.ft. (excluding car parking spaces). It comprises various shops, offices and other portions of two free standing commercial blocks known as "City One Plaza" and "Ngan Shing Commercial Centre". It also comprises a wet market, a kindergarten, and various shops and other non-domestic units on the ground floor of various residential tower blocks. City One Shatin Property also has parking facilities comprising 658 parking lots in total.

City One Shatin Property is wholly-owned by Fortune REIT through its Property Companies, Million Nice Development Limited, Pinelink Investment Limited and Mightypattern Limited. These Property Companies are special purpose vehicles, whose principal business activity is the ownership and operation of City One Shatin Property.

City One Shatin Property is held under a Government Lease for a term of 99 years less the last three days thereof commencing from 1 July 1898 which was extended until 30 June 2047. Further details are contained in section 1.1 of Appendix 5 ("Summary of Government Leases, Deeds of Mutual Covenant and Property Company Structure") to this document.

As at 31 December 2009, City One Shatin Property was valued at HK\$3,548 million by the Independent Property Valuer (see the "Property Valuation Report" set out in Appendix 2 to this document).

7.2.2 Surrounding environment

City One Shatin Property forms part of the City One Shatin development which contains approximately 10,642 residential units. The City One Shatin development, completed in the 1980s, is located south of the Shing Mun River and is one of the largest residential developments in Hong Kong. City One Shatin Property is easily accessible to shoppers via private and public transportation, namely, buses, taxis and franchised buses. Further, it is strategically located near City One MTRC station and is in close proximity to Shatin MTRC station. Besides serving the needs of the local residents within City One Shatin, its catchment population also includes students and workers.

THE PROPERTIES AND BUSINESS

7.2.3 Tenant profile

The table below sets out details of City One Shatin Property's overall tenant diversification, in terms of trade sub-sector by reference to total Gross Rentable Area as at 31 December 2009 and total Gross Rental Income for the month ended 31 December 2009:

	By Gross Rentable Area	By Gross Rental Income
	(%)	(%)
Banking & Real Estate Services	8.6	14.4
Community Services	0.6	0.9
Electronics & IT	1.6	2.5
Fashion & Shoes	3.3	4.2
Food & Beverages	32.6	25.7
Gifts & Specialty, Hobbies, Toy, Jewellery	1.7	2.2
Homewares & Home Furnishings	3.3	3.2
Leisure & Entertainment, Sports & Fitness	1.1	1.0
Services & Education	33.8	31.5
Supermarkets	6.8	7.9
Wet Markets	4.2	5.8
Others	0.6	0.7
Vacant	1.8	—
Total	100.0	100.0

7.2.4 Expiries

The table below sets out the expiring tenancies for City One Shatin Property which, by reference to total Gross Rentable Area as at 31 December 2009 and total Gross Rental Income for the month ended 31 December 2009, are scheduled to take place during the periods indicated:

<u>Period</u>	Expiring tenancies as a % of total Gross Rentable Area	Expiring tenancies as a % of total Gross Rental Income
	(%)	(%)
Year ended 31 Dec 2010	38.8	42.7
Year ended 31 Dec 2011	35.3	36.4
Year ended 31 Dec 2012	19.3	19.3
Year ended 31 Dec 2013	—	—
Year ended 31 Dec 2014 and beyond	4.8	1.6
Vacant	1.8	—
Total	100.0	100.0

7.2.5 Five Year Transaction History

Fortune REIT acquired City One Shatin Property through the indirect acquisition of the entire issued share capital of Million Nice Development Limited on 28 June 2005. Based on land searches conducted on 4 March 2010, there were no other sale and purchase transactions for City One Shatin Property in the past five years.

7.3 MA ON SHAN PLAZA

7.3.1 Description

Fortune REIT owns Ma On Shan Plaza, which is part of the development known as “Bayshore Towers” located at No.608 Sai Sha Road, Shatin, New Territories, Hong Kong.

Ma On Shan Plaza, as at 31 December 2009, had a total Gross Rentable Area of 310,084 sq.ft. (excluding car parking spaces). It comprises a shopping arcade on levels two and three of Bayshore Towers. Ma On Shan Plaza also has parking facilities on the basement level, comprising 290 parking lots in total.

Ma On Shan Plaza is wholly-owned by Fortune REIT through its Property Company, Poko Shine Limited. Poko Shine Limited is a special purpose vehicle, whose principal business activity is the ownership and operation of Ma On Shan Plaza.

Ma On Shan Plaza is held under a Government Lease which commenced on 6 December 1991 and will expire on 30 June 2047. Further details are contained in section 1.2 of Appendix 5 (“Summary of Government Leases, Deeds of Mutual Covenant and Property Company Structure”) to this document.

As at 31 December 2009, Ma On Shan Plaza was valued at HK\$1,974 million by the Independent Property Valuer (see the “Property Valuation Report” set out in Appendix 2 to this document).

7.3.2 Surrounding environment

Ma On Shan Plaza forms part of the Bayshore Towers development (which includes approximately 1,102 residential units). Ma On Shan Plaza is directly connected to the Ma On Shan MTRC station via footbridge and it is also easily accessible to shoppers using public transportation and has a high level of accessibility with the public light bus terminal, taxi waiting area and bus station on its ground floor level. Ma On Shan Plaza is adjacent to and linked to the approximately 4,760-unit Sunshine City residential development via two footbridges. It is also linked to the approximately 5.5-hectare Ma On Shan Park via a footbridge. The catchment of Ma On Shan Plaza includes nearby residents as well as the guests from the Horizon Suite Hotel.

THE PROPERTIES AND BUSINESS

7.3.3 Tenant profile

The table below sets out details of the Ma On Shan Plaza's overall tenant diversification, in terms of trade sub-sector by reference to total Gross Rentable Area as at 31 December 2009 and total Gross Rental Income for the month ended 31 December 2009:

	By Gross Rentable Area (%)	By Gross Rental Income (%)
Banking & Real Estate Services	15.5	33.4
Electronics & IT	2.8	1.9
Fashion & Shoes	4.9	6.3
Food & Beverages	24.6	16.6
Gifts & Specialty, Hobbies, Toy, Jewellery	5.8	7.0
Homewares & Home Furnishings	1.0	1.0
Leisure & Entertainment, Sports & Fitness	5.5	2.6
Services & Education	18.6	17.0
Supermarkets	18.0	7.9
Others	3.3	6.3
Total	100.0	100.0

7.3.4 Expiries

The table below sets out the expiring tenancies for Ma On Shan Plaza which, by reference to total Gross Rentable Area as at 31 December 2009 and total Gross Rental Income for the month ended 31 December 2009, are scheduled to take place during the periods indicated:

<u>Period</u>	Expiring tenancies as a % of total Gross Rentable Area (%)	Expiring tenancies as a % of total Gross Rental Income (%)
Year ended 31 Dec 2010	38.3	35.3
Year ended 31 Dec 2011	48.0	51.3
Year ended 31 Dec 2012	13.7	13.2
Year ended 31 Dec 2013	—	—
Year ended 31 Dec 2014 and beyond	—	0.2
Total	100.0	100.0

7.3.5 Five Year Transaction History

Based on land searches conducted on 4 March 2010, there were no sale and purchase transactions for Ma On Shan Plaza in the past five years.

7.4 METRO TOWN

7.4.1 Description

Fortune REIT owns Metro Town, which is part of the development known as “Metro Town” located at 8 King Ling Road, Tseung Kwan O, Hong Kong (the “**Metro Town Development**”).

Metro Town, as at 31 December 2009, had a total Gross Rentable Area of 180,822 sq.ft. (excluding car parking spaces). It comprises a shopping arcade located on the ground level, level one, level two, level three and level five of the Metro Town development. Metro Town also has parking facilities comprising 74 parking lots in total.

Metro Town is wholly-owned by Fortune REIT through its Property Companies, Mega Gain Limited and Marvel Point Investments Limited. These Property Companies are special purpose vehicles, whose principal business activity is the ownership and operation of Metro Town.

Metro Town is held under a Government Lease which commenced on 11 February 2003 and will expire on 10 February 2053. Further details are contained in section 1.3 of Appendix 5 (“Summary of Government Leases, Deeds of Mutual Covenant and Property Company Structure”) to this document.

As at 31 December 2009, Metro Town was valued at HK\$1,544 million by the Independent Property Valuer (see the “Property Valuation Report” set out in Appendix 2 to this document).

7.4.2 Surrounding environment

Metro Town forms part of the Metro Town Development (which includes approximately 3,772 residential units). The Metro Town Development is connected via several pedestrian bridges to other large residential developments including Ocean Shore, an approximately 5,728-unit private residential development, Kin Ming Estate, an approximately 7,000-unit public housing estate and Choi Ming Court, an approximately 4,720-unit public housing estate/home ownership scheme development. The Metro Town Development is located on top of the Tiu Keng Leng MTRC Station which is an interchange for the Kwun Tong Line and the Tseung Kwan O Line. Also, the ground floor of Metro Town links to a bus terminal connecting the Tiu Keng Leng area with other parts of Tseung Kwan O as well as the main urban areas of Hong Kong and Kowloon.

THE PROPERTIES AND BUSINESS

7.4.3 Tenant profile

The table below sets out details of the Metro Town's overall tenant diversification, in terms of trade sub-sector by reference to total Gross Rentable Area as at 31 December 2009 and total Gross Rental Income for the month ended 31 December 2009:

	By Gross Rentable Area	By Gross Rental Income
	(%)	(%)
Banking & Real Estate Services	6.2	10.4
Electronics & IT	1.3	1.3
Fashion & Shoes	7.6	9.7
Food & Beverages	28.0	25.1
Gifts & Specialty, Hobbies, Toy, Jewellery	5.9	5.8
Homewares & Home Furnishings	3.7	3.4
Leisure & Entertainment, Sports & Fitness	2.1	2.0
Services & Education	25.6	25.4
Supermarkets	15.2	11.3
Others	4.4	5.6
Total	100.0	100.0

7.4.4 Expiries

The table below sets out the expiring tenancies for Metro Town which, by reference to total Gross Rentable Area as at 31 December 2009 and total Gross Rental Income for the month ended 31 December 2009, are scheduled to take place during the periods indicated:

<u>Period</u>	Expiring tenancies as a % of total Gross Rentable Area	Expiring tenancies as a % of total Gross Rental Income
	(%)	(%)
Year ended to 31 Dec 2010	48.9	54.6
Year ended 31 Dec 2011	18.8	22.7
Year ended 31 Dec 2012	5.0	5.2
Year ended 31 Dec 2013	22.6	16.4
Year ended 31 Dec 2014 and beyond	4.7	1.1
Total	100.0	100.0

7.4.5 Five Year Transaction History

Fortune REIT acquired Metro Town through the indirect acquisition of the entire issued share capital of Mega Gain Resources Limited on 15 October 2009. Mega Gain Resources Limited acquired Metro Town from MTR Corporation Limited on 5 October 2009. Based on land searches conducted on 4 March 2010, there were no other sale and purchase transactions for Metro Town in the past five years.

7.5 THE METROPOLIS MALL

7.5.1 Description

Fortune REIT owns The Metropolis Mall, which is part of the development known as "The Metropolis" located at Nos. 6, 7, 8, 9 and 10 Metropolis Drive, Kowloon, Hong Kong.

The Metropolis Mall, as at 31 December 2009, had a total Gross Rentable Area of 332,168 sq.ft. (excluding car parking spaces). It comprises a three-level retail shopping podium. The Metropolis Mall also has parking facilities at level five, comprising 179 parking lots in total.

The Metropolis Mall is wholly-owned by Fortune REIT through its Property Company, Vision Million Limited. Vision Million Limited is a special purpose vehicle, whose principal business activity is the ownership and operation of The Metropolis Mall.

The Metropolis Mall is held under a Government Lease which commenced on 14 February 1997 and will expire on 30 June 2047. Further details are contained in section 1.4 of Appendix 5 ("Summary of Government Leases, Deeds of Mutual Covenant and Property Company Structure") to this document.

As at 31 December 2009, The Metropolis Mall was valued at HK\$1,413 million by the Independent Property Valuer (see the "Property Valuation Report" set out in Appendix 2 to this document).

7.5.2 Surrounding environment

The Metropolis Mall forms part of The Metropolis (which includes approximately 1.4 million sq.ft. integrated retail, office, hotel and service apartment). The Metropolis Mall is connected to the Hung Hom MTRC station (a mass transportation centre that links Kowloon, the New Territories and the PRC), which is served by the Hung Hom bus terminal and a taxi station. The mall is also near the Kowloon side of the Cross Harbour Tunnel entrance (the busiest underwater vehicular tunnel in Hong Kong that links Kowloon with Hong Kong Island), the approximately 12,500-seat Hong Kong Coliseum (a major venue for concerts and events) and the Hong Kong Polytechnic University.

The Metropolis Mall is in the same complex as The Metropolis Residence (an approximately 662-unit service apartment development). The Metropolis Mall is also linked via footbridge to the Royal Peninsula (an approximately 1,669-unit residential development) and is within walking distance of Whampoa Garden (a large-scale residential development with approximately 88 blocks comprising approximately 10,431 residential units), the Whampoa Estate (an approximately 2,932-unit residential development) and the Hunghom Bay Centre (an approximately 814-unit residential development). Together, these surrounding developments approximately comprise over 16,500 apartment units.

THE PROPERTIES AND BUSINESS

7.5.3 Tenant profile

The table below sets out details of The Metropolis Mall's overall tenant diversification, in terms of trade sub-sector by reference to total Gross Rentable Area as at 31 December 2009 and total Gross Rental Income for the month ended 31 December 2009:

	By Gross Rentable Area	By Gross Rental Income
	(%)	(%)
Banking & Real Estate Services	20.2	24.1
Community Services	6.3	4.4
Fashion & Shoes	2.1	2.5
Food & Beverages	29.4	32.2
Gifts & Specialty, Hobbies, Toy, Jewellery	4.1	4.8
Homewares & Home Furnishings	1.1	1.6
Services & Education	25.6	26.3
Supermarkets	1.9	2.0
Others	2.3	2.1
Vacant	7.0	—
Total	100.0	100.0

7.5.4 Expiries

The table below sets out the expiring tenancies for The Metropolis Mall which, by reference to total Gross Rentable Area as at 31 December 2009 and total Gross Rental Income for the month ended 31 December 2009, are scheduled to take place during the periods indicated:

<u>Period</u>	Expiring tenancies as a % of total Gross Rentable Area	Expiring tenancies as a % of total Gross Rental Income
	(%)	(%)
Year ended 31 Dec 2010	40.0	44.9
Year ended 31 Dec 2011	41.0	44.2
Year ended 31 Dec 2012	11.3	10.9
Year ended 31 Dec 2013	—	—
Year ended 31 Dec 2014 and beyond	0.7	—
Vacant	7.0	—
Total	100.0	100.0

7.5.5 Five Year Transaction History

Based on land searches conducted on 4 March 2010, there were no sale and purchase transactions for The Metropolis Mall in the past five years.

7.6 WALDORF GARDEN PROPERTY

7.6.1 Description

Fortune REIT owns Waldorf Garden Property, which is part of the development known as “Waldorf Garden” located at No. 1 Tuen Lee Street, Tuen Mun, New Territories, Hong Kong.

Waldorf Garden Property, as at 31 December 2009, had a total Gross Rentable Area of 80,842 sq.ft. (excluding car parking spaces). It comprises shops on a retail floor of Waldorf Garden’s four-storey commercial/recreational/parking podium. Waldorf Garden Property also has parking facilities comprising 73 parking lots in total.

Waldorf Garden Property is wholly-owned by Fortune REIT through its Property Company, Waldorf Realty Limited. Waldorf Realty Limited is a special purpose vehicle, whose principal business activity is the ownership and operation of Waldorf Garden Property.

Waldorf Garden Property is held under a Government Lease for a term of 99 years less the last three days thereof commencing from 1 July 1898 which was statutorily extended until 30 June 2047. Further details are contained in section 1.5 of Appendix 5 (“Summary of Government Leases, Deeds of Mutual Covenant and Property Company Structure”) to this document.

As at 31 December 2009, Waldorf Garden Property was valued at HK\$810 million by the Independent Property Valuer (see the “Property Valuation Report” set out in Appendix 2 to this document).

7.6.2 Surrounding environment

Waldorf Garden Property is next to the Tuen Mun Highway and is connected to the adjacent Tuen Mun Town Plaza, one of the largest shopping mall in the Northwest New Territories, via a footbridge. A transportation network of buses, light rail and taxis provide convenient access to different parts of the New Territories, Kowloon and Hong Kong Island.

THE PROPERTIES AND BUSINESS

7.6.3 Tenant profile

The table below sets out details of the Waldorf Garden Property's overall tenant diversification, in terms of trade sub-sector by reference to total Gross Rentable Area as at 31 December 2009 and total Gross Rental Income for the month ended 31 December 2009:

	By Gross Rentable Area	By Gross Rental Income
	(%)	(%)
Electronics & IT	1.1	4.3
Fashion & Shoes	13.8	21.6
Food & Beverages	61.6	45.8
Gifts & Specialty, Hobbies, Toy, Jewellery	5.4	8.2
Homewares & Home Furnishings	3.4	3.0
Services & Education	4.8	10.5
Supermarkets	9.9	6.6
Total	100.0	100.0

7.6.4 Expiries

The table below sets out the expiring tenancies for Waldorf Garden Property which, by reference to total Gross Rentable Area as at 31 December 2009 and total Gross Rental Income for the month ended 31 December 2009, are scheduled to take place during the periods indicated:

<u>Period</u>	Expiring tenancies as a % of total Gross Rentable Area	Expiring tenancies as a % of total Gross Rental Income
	(%)	(%)
Year ended 31 Dec 2010	18.5	34.6
Year ended 31 Dec 2011	22.7	21.9
Year ended 31 Dec 2012	8.6	7.7
Year ended 31 Dec 2013	27.8	16.4
Year ended 31 Dec 2014 and beyond	22.4	19.4
Total	100.0	100.0

7.6.5 Five Year Transaction History

Fortune REIT acquired Waldorf Garden Property through the direct acquisition of the entire issued share capital of Waldorf Realty Limited on 28 June 2005. Based on land searches conducted on 4 March 2010, there were no other sale and purchase transactions for Waldorf Garden Property in the past five years.

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7.7 CARIBBEAN BAZAAR

7.7.1 Description

Fortune REIT owns Caribbean Bazaar, which is part of the development known as “Caribbean Coast” located at Tung Chung, Lantau Island, New Territories, Hong Kong.

Caribbean Bazaar, as at 31 December 2009, had a total Gross Rentable Area of 63,018 sq.ft. (excluding car parking spaces). It comprises a shopping arcade, a kindergarten and a wet market. Caribbean Bazaar also has parking facilities at the first floor, comprising 117 parking lots in total.

Caribbean Bazaar is wholly-owned by Fortune REIT through its Property Company, Genuine Joy Limited. Genuine Joy Limited is a special purpose vehicle, whose principal business activity is the ownership and operation of Caribbean Bazaar.

Caribbean Bazaar is held under a Government Lease which commenced on 26 June 1997 and will expire on 30 June 2047. Further details are contained in section 1.6 of Appendix 5 (“Summary of Government Leases, Deeds of Mutual Covenant and Property Company Structure”) to this document.

As at 31 December 2009, Caribbean Bazaar was valued at HK\$449 million by the Independent Property Valuer (see the “Property Valuation Report” set out in Appendix 2 to this document).

7.7.2 Surrounding environment

Caribbean Bazaar forms part of Caribbean Coast (which includes approximately 5,336 residential units) in Tung Chung. Tung Chung is mainly connected to other urban areas by the MTRC’s Tung Chung Line as well as a number of bus routes which connect the Hong Kong International Airport with urban areas via Tung Chung.

7.7.3 Tenant profile

The table below sets out details of the Caribbean Bazaar’s overall tenant diversification, in terms of trade sub-sector by reference to total Gross Rentable Area as at 31 December 2009 and total Gross Rental Income for the month ended 31 December 2009:

	By Gross Rentable Area	By Gross Rental Income
	(%)	(%)
Banking & Real Estate Services	10.5	21.5
Electronics & IT	0.3	0.5
Fashion & Shoes	0.9	0.8
Food & Beverages	22.5	19.1
Gifts & Specialty, Hobbies, Toy, Jewellery	0.8	0.9
Homewares & Home Furnishings	4.9	4.1
Services & Education	37.5	35.9
Supermarkets	19.8	14.6
Others	2.8	2.6
Total	100.0	100.0

THE PROPERTIES AND BUSINESS

7.7.4 Expiries

The table below sets out the expiring tenancies for Caribbean Bazaar which, by reference to total Gross Rentable Area as at 31 December 2009 and total Gross Rental Income for the month ended 31 December 2009, are scheduled to take place during the periods indicated:

<u>Period</u>	Expiring tenancies as a % of total Gross Rentable Area	Expiring tenancies as a % of total Gross Rental Income
	(%)	(%)
Year ended 31 Dec 2010.....	25.7	38.7
Year ended 31 Dec 2011.....	38.7	33.2
Year ended 31 Dec 2012.....	35.6	28.1
Year ended 31 Dec 2013.....	—	—
Year ended 31 Dec 2014 and beyond	—	—
Total.....	100.0	100.0

7.7.5 Five Year Transaction History

Fortune REIT acquired Caribbean Bazaar from MTR Corporation Limited through the relevant Property Company on 15 October 2009. Based on land searches conducted on 4 March 2010, there were no other sale and purchase transactions for Caribbean Bazaar in the past five years.

7.8 SMARTLAND

7.8.1 Description

Fortune REIT owns Smartland, which is part of the development known as “East Asia Gardens” located at Nos. 36-60 Texaco Road, 1, 3-21 Tsuen Fu Street, 16 & 24 Tsuen Wah Street, 2-4 Tsuen Wing Street, Tsuen Wan, New Territories, Hong Kong.

Smartland, as at 31 December 2009, had a total Gross Rentable Area of 123,544 sq.ft. (excluding car parking spaces). It comprises the majority of the four-storey commercial portion of East Asia Gardens. Smartland also has parking facilities at the basement level, comprising 67 parking lots in total.

Smartland is wholly-owned by Fortune REIT through its Property Company, Quick Switch Limited. Quick Switch Limited is a special purpose vehicle, whose principal business activity is the ownership and operation of Smartland.

Smartland is held under a Government Lease for a term of 99 years less three days commencing from 1 July 1898 which was extended until 30 June 2047. Further details are contained in section 1.7 of Appendix 5 (“Summary of Government Leases, Deeds of Mutual Covenant and Property Company Structure”) to this document.

As at 31 December 2009, Smartland was valued at HK\$376 million by the Independent Property Valuer (see the “Property Valuation Report” set out in Appendix 2 to this document).

THE PROPERTIES AND BUSINESS

7.8.2 Surrounding environment

Smartland is located in the densely populated district of Tsuen Wan, New Territories, opposite the approximately 1,026-room Panda Hotel. Smartland is also easily accessible to shoppers, residents and tourists by public and private transport namely MTRC, public bus services and taxis. It is well-positioned to cater for the daily needs of the local residents as well as working population in the area.

7.8.3 Tenant profile

The table below sets out details of the Smartland's overall tenant diversification, in terms of trade sub-sector by reference to total Gross Rentable Area as at 31 December 2009 and total Gross Rental Income for the month ended 31 December 2009:

	By Gross Rentable Area (%)	By Gross Rental Income (%)
Banking & Real Estate Services	1.3	2.8
Community Services	5.9	2.3
Electronics & IT	0.2	0.4
Fashion & Shoes	3.2	9.0
Food & Beverages	26.8	30.9
Gifts & Specialty, Hobbies, Toy, Jewellery	1.5	5.3
Homewares & Home Furnishings	1.4	1.8
Leisure & Entertainment, Sports & Fitness	11.7	8.0
Services & Education	15.6	20.8
Supermarkets	26.2	17.7
Others	0.6	1.0
Vacant	5.6	—
Total	100.0	100.0

7.8.4 Expiries

The table below sets out the expiring tenancies for Smartland which, by reference to total Gross Rentable Area as at 31 December 2009 and total Gross Rental Income for the month ended 31 December 2009, are scheduled to take place during the periods indicated:

<u>Period</u>	Expiring tenancies as a % of total Gross Rentable Area (%)	Expiring tenancies as a % of total Gross Rental Income (%)
Year ended 31 Dec 2010	11.4	16.5
Year ended 31 Dec 2011	38.2	38.6
Year ended 31 Dec 2012	11.9	24.1
Year ended 31 Dec 2013	5.9	2.3
Year ended 31 Dec 2014 and beyond	27.0	18.5
Vacant	5.6	—
Total	100.0	100.0

7.8.5 Five Year Transaction History

Based on land searches conducted on 4 March 2010, there were no sale and purchase transactions for Smartland in the past five years.

7.9 TSING YI SQUARE PROPERTY

7.9.1 Description

Fortune REIT owns Tsing Yi Square Property, which is part of the development known as "Tsing Yi Garden" located at Nos. 7-19 Tsing Luk Street, Tsing Yi, New Territories, Hong Kong.

Tsing Yi Square Property, as at 31 December 2009, had a total Gross Rentable Area of 78,836 sq.ft. (excluding car parking spaces). It comprises various shops on the ground floor and the first floor of Tsing Yi Garden. Tsing Yi Square Property also has parking facilities comprising 27 parking lots in total.

Tsing Yi Square Property is wholly-owned by Fortune REIT through its Property Company, Team Challenge Limited. Team Challenge Limited is a special purpose vehicle, whose principal business activity is the ownership and operation of Tsing Yi Square Property.

Tsing Yi Square Property is held under a Government Lease for a term of 99 years less the last three days thereof commencing from 1 July 1898 which was statutorily extended until 30 June 2047. Further details are contained in section 1.8 of Appendix 5 ("Summary of Government Leases, Deeds of Mutual Covenant and Property Company Structure") to this document.

As at 31 December 2009, Tsing Yi Square Property was valued at HK\$314 million by the Independent Property Valuer (see the "Property Valuation Report" set out in Appendix 2 to this document).

7.9.2 Surrounding environment

Tsing Yi Square Property forms part of Tsing Yi Garden (which includes approximately 1,520 residential units). Tsing Yi Square Property is located opposite to the Tsing Yi Urban Service Complex Building, which consists of a wet and dry market, library, sports centre and government offices. It is also near many other public facilities such as Tsing Yi Swimming Pool, Tsing Yi Sports Ground, Tsing Yi Clinic and badminton courts serving the neighbourhood of Tsing Yi. The Tsing Yi Square Property is situated within walking distance of Tsing Yi MTRC station, which provides convenient access to Hong Kong Island, Kowloon and Hong Kong International Airport. It is also easily accessible via buses, public light buses and taxis.

THE PROPERTIES AND BUSINESS

7.9.3 Tenant profile

The table below sets out details of the Tsing Yi Square Property's overall tenant diversification, in terms of trade sub-sector by reference to total Gross Rentable Area as at 31 December 2009 and total Gross Rental Income for the month ended 31 December 2009:

	By Gross Rentable Area (%)	By Gross Rental Income (%)
Banking & Real Estate Services	1.7	4.9
Community Services	6.5	2.5
Electronics & IT	2.5	1.9
Fashion & Shoes	0.4	0.6
Food & Beverages	17.8	25.9
Gifts & Specialty, Hobbies, Toy, Jewellery	5.6	6.0
Homewares & Home Furnishings	6.6	3.7
Leisure & Entertainment, Sports & Fitness	1.5	1.0
Services & Education	42.8	39.9
Supermarkets	12.3	10.2
Others	2.3	3.4
Total	100.0	100.0

7.9.4 Expiries

The table below sets out the expiring tenancies for Tsing Yi Square Property which, by reference to total Gross Rentable Area as at 31 December 2009 and total Gross Rental Income for the month ended 31 December 2009, are scheduled to take place during the periods indicated:

<u>Period</u>	Expiring tenancies as a % of total Gross Rentable Area (%)	Expiring tenancies as a % of total Gross Rental Income (%)
Year ended 31 Dec 2010	41.2	46.3
Year ended 31 Dec 2011	41.3	38.9
Year ended 31 Dec 2012	17.5	14.8
Year ended 31 Dec 2013	—	—
Year ended 31 Dec 2014 and beyond	—	—
Total	100.0	100.0

7.9.5 Five Year Transaction History

Fortune REIT acquired Tsing Yi Square Property from Fortune Port Group Limited through the relevant Property Company on 28 June 2005. Fortune Port Group Limited acquired Tsing Yi Square Property from Tsing-Yi Realty, Limited on 22 March 2005. Based on land searches conducted on 4 March 2010, there were no other sale and purchase transactions for Tsing Yi Square Property in the past five years.

7.10 JUBILEE COURT SHOPPING CENTRE

7.10.1 Description

Fortune REIT owns Jubilee Court Shopping Centre, which is part of the development known as "Jubilee Garden" located at Nos. 2-18 Lok King Street, Shatin, New Territories, Hong Kong.

Jubilee Court Shopping Centre, as at 31 December 2009, had a total Gross Rentable Area of 170,616 sq.ft. (excluding car parking spaces). It comprises a seven-storey commercial centre. Jubilee Court Shopping Centre also has parking facilities comprising 97 parking lots in total.

Jubilee Court Shopping Centre is wholly-owned by Fortune REIT through its Property Company, Yee Pang Realty Limited. Yee Pang Realty Limited is a special purpose vehicle, whose principal business activity is the ownership and operation of Jubilee Court Shopping Centre.

Jubilee Court Shopping Centre is held under a Government Lease for a term of 99 years less the last three days thereof commencing from 1 July 1898 which was statutorily extended until 30 June 2047. Further details are contained in section 1.9 of Appendix 5 ("Summary of Government Leases, Deeds of Mutual Covenant and Property Company Structure") to this document.

As at 31 December 2009, Jubilee Court Shopping Centre was valued at HK\$304 million by the Independent Property Valuer (see the "Property Valuation Report" set out in Appendix 2 to this document).

7.10.2 Surrounding environment

Jubilee Court Shopping Centre is surrounded by mostly private residential estates and a small number of public rental flats. It targets consumers residing and working in the area, in particular the approximately 2,260 units of residences in Jubilee Garden. Jubilee Court Shopping Centre is easily accessible to shoppers using public and private transport. It is situated near the Fo Tan MTRC station and its residential catchment includes the nearby residents, while the working catchment includes workers from the nearby Fo Tan Industrial Area and Railway House.

THE PROPERTIES AND BUSINESS

7.10.3 Tenant profile

The table below sets out details of the Jubilee Court Shopping Centre's overall tenant diversification, in terms of trade sub-sector by reference to total Gross Rentable Area as at 31 December 2009 and total Gross Rental Income for the month ended 31 December 2009:

	By Gross Rentable Area (%)	By Gross Rental Income (%)
Banking & Real Estate Services	1.6	12.4
Community Services	15.7	15.4
Food & Beverages	21.8	23.4
Gifts & Specialty, Hobbies, Toy, Jewellery	2.4	4.4
Homewares & Home Furnishings	0.4	0.7
Services & Education	26.4	26.3
Supermarkets	5.2	10.5
Wet Markets	0.8	2.0
Others	7.2	4.9
Vacant	18.5	—
Total	100.0	100.0

7.10.4 Expiries

The table below sets out the expiring tenancies for Jubilee Court Shopping Centre which, by reference to total Gross Rentable Area as at 31 December 2009 and total Gross Rental Income for the month ended 31 December 2009, are scheduled to take place during the periods indicated:

<u>Period</u>	Expiring tenancies as a % of total Gross Rentable Area (%)	Expiring tenancies as a % of total Gross Rental Income (%)
Year ended 31 Dec 2010	19.6	34.0
Year ended 31 Dec 2011	12.4	20.4
Year ended 31 Dec 2012	37.5	35.9
Year ended 31 Dec 2013	3.0	1.4
Year ended 31 Dec 2014 and beyond	9.0	8.3
Vacant	18.5	—
Total	100.0	100.0

7.10.5 Five Year Transaction History

Based on land searches conducted on 4 March 2010, there were no sale and purchase transactions for Jubilee Court Shopping Centre in the past five years.

7.11 THE HOUSEHOLD CENTER

7.11.1 Description

Fortune REIT owns The Household Center, which is part of the development known as “Nob Hill” located at No.8 King Lai Path, Kwai Chung, New Territories, Hong Kong.

The Household Center, as at 31 December 2009, had a total Gross Rentable Area of 91,779 sq.ft. (excluding car parking spaces). It comprises a three-storey shopping centre. The Household Center also has parking facilities comprising 43 parking lots in total.

The Household Center is wholly-owned by Fortune REIT through its Property Company, Art Full Resources Limited. Art Full Resources Limited is a special purpose vehicle, whose principal business activity is the ownership and operation of The Household Center.

The Household Center is held under a Government Lease which commenced on 17 July 1998 and will expire on 16 July 2048. Further details are contained in section 1.10 of Appendix 5 (“Summary of Government Leases, Deeds of Mutual Covenant and Property Company Structure”) to this document.

As at 31 December 2009, The Household Center was valued at HK\$274 million by the Independent Property Valuer (see the “Property Valuation Report” set out in Appendix 2 to this document).

7.11.2 Surrounding environment

The Household Center forms part of Nob Hill (which includes approximately 696 residential units). The Household Center caters for the daily needs of residents living in the private and public residential developments nearby, including residents of the Nob Hill and the approximately 13,110 residential units in Mei Foo Sun Chuen, Lai Yan Court, Wah Lai Estate, Lai King Estate, Regency Park, Wonderland Villas and Ching Lai Court. A bus terminal is located below the Nob Hill residential development and situated within walking distance to the Mei Foo MTRC station (which is along the mass transit railway line serving a number of districts in Kowloon and Hong Kong Island), the Mei Foo MTRC Station is also an interchange station with the West Rail. The Household Center is easily accessible to shoppers using public transportation, taxis and franchised buses. The working catchment of the Household Center also includes the hospital staff working in hospitals nearby.

THE PROPERTIES AND BUSINESS

7.11.3 Tenant profile

The table below sets out details of The Household Center's overall tenant diversification, in terms of trade sub-sector by reference to total Gross Rentable Area as at 31 December 2009 and total Gross Rental Income for the month ended 31 December 2009:

	By Gross Rentable Area (%)	By Gross Rental Income (%)
Banking & Real Estate Services	0.4	1.4
Electronics & IT	0.5	0.8
Fashion & Shoes	0.3	0.5
Food & Beverages	28.3	31.8
Gifts & Specialty, Hobbies, Toy, Jewellery	4.0	4.6
Homewares & Home Furnishings	0.7	1.0
Leisure & Entertainment, Sports & Fitness	0.2	0.3
Services & Education	36.0	31.1
Supermarkets	25.4	25.3
Others	1.2	3.2
Vacant	3.0	—
Total	100.0	100.0

7.11.4 Expiries

The table below sets out the expiring tenancies for The Household Center which, by reference to total Gross Rentable Area as at 31 December 2009 and total Gross Rental Income for the month ended 31 December 2009, are scheduled to take place during the periods indicated:

<u>Period</u>	Expiring tenancies as a % of total Gross Rentable Area (%)	Expiring tenancies as a % of total Gross Rental Income (%)
Year ended 31 Dec 2010	30.5	31.7
Year ended 31 Dec 2011	30.8	39.4
Year ended 31 Dec 2012	35.7	28.9
Year ended 31 Dec 2013	—	—
Year ended 31 Dec 2014 and beyond	—	—
Vacant	3.0	—
Total	100.0	100.0

7.11.5 Five Year Transaction History

Based on land searches conducted on 4 March 2010, there were no sale and purchase transactions for The Household Center in the past five years.

THE PROPERTIES AND BUSINESS

7.12 CENTRE DE LAGUNA PROPERTY

7.12.1 Description

Fortune REIT owns Centre de Laguna Property, which is part of the development known as “Blocks 32 to 38 of Laguna City” located at the junction of Cha Kwo Ling Road and Sin Fat Road, Kowloon, Hong Kong.

Centre de Laguna Property, as at 31 December 2009, had a total Gross Rentable Area of 43,000 sq.ft. It comprises a portion of the commercial area on the ground floor of the commercial development known as “Centre de Laguna” and a kindergarten.

Centre de Laguna Property is wholly-owned by Fortune REIT through its Property Company, Ace Courage Limited. Ace Courage Limited is a special purpose vehicle, whose principal business activity is the ownership and operation of Centre de Laguna Property.

Centre de Laguna Property is held under a Government Lease which commenced on 31 October 1989 and will expire on 30 June 2047. Further details are contained in section 1.11 of Appendix 5 (“Summary of Government Leases, Deeds of Mutual Covenant and Property Company Structure”) to this document.

As at 31 December 2009, Centre de Laguna Property was valued at HK\$166 million by the Independent Property Valuer (see the “Property Valuation Report” set out in Appendix 2 to this document).

7.12.2 Surrounding environment

Centre de Laguna Property is designed to serve the local shopping needs of the residents in the area. The Property was completed in 1992 and is part of the Laguna City residential development, a site of almost one million sq.ft. with approximately 8,072 residential units. Another residential project, Sceneway Garden, is also located near Centre de Laguna Property. Centre de Laguna Property is easily accessible by public and private transport, namely, buses, public light buses, and taxis. It is also near to a bus terminal and within walking distance of the Lam Tin MTRC station.

7.12.3 Tenant profile

The table below sets out details of Centre de Laguna Property’s overall tenant diversification, in terms of trade sub-sector by reference to total Gross Rentable Area as at 31 December 2009 and total Gross Rental Income for the month ended 31 December 2009:

	By Gross Rentable Area	By Gross Rental Income
	(%)	(%)
Electronics & IT	0.6	2.4
Food & Beverages	38.5	39.8
Gift & Specialty, Hobbies, Toy, Jewellery	1.9	2.7
Homewares & Home Furnishings	1.6	3.9
Services & Education	56.3	49.5
Others	1.1	1.7
Total	100.0	100.0

THE PROPERTIES AND BUSINESS

7.12.4 Expiries

The table below sets out the expiring tenancies for Centre de Laguna Property which, by reference to total Gross Rentable Area as at 31 December 2009 and total Gross Rental Income for the month ended 31 December 2009, are scheduled to take place during the periods indicated:

<u>Period</u>	Expiring tenancies as a % of total Gross Rentable Area	Expiring tenancies as a % of total Gross Rental Income
	(%)	(%)
Year ended 31 Dec 2010.....	41.2	34.0
Year ended 31 Dec 2011.....	49.5	47.5
Year ended 31 Dec 2012.....	9.3	18.5
Year ended 31 Dec 2013.....	—	—
Year ended 31 Dec 2014 and beyond	—	—
Total.....	100.0	100.0

7.12.5 Five Year Transaction History

Fortune REIT acquired Centre de Laguna Property from Fortune Port Group Limited through the relevant Property Company on 28 June 2005. Fortune Port Group Limited acquired Centre de Laguna Property from Jingofield Limited on 22 March 2005. Based on land searches conducted on 4 March 2010, there were no other sale and purchase transactions for Centre de Laguna Property in the past five years.

7.13 HAMPTON LOFT

7.13.1 Description

Fortune REIT owns Hampton Loft, which is part of the development known as “Hampton Place” located at 11 Hoi Fan Road, Kowloon, Hong Kong.

Hampton Loft, as at 31 December 2009, had a total Gross Rentable Area of 74,734 sq.ft. (excluding car parking spaces). It comprises the commercial units on levels five and six as well as parking facilities comprising 35 parking lots in total.

Hampton Loft is wholly-owned by Fortune REIT through its Property Company, Full Belief Limited. Full Belief Limited is a special purpose vehicle, whose principal business activity is the ownership and operation of Hampton Loft.

Hampton Loft is held under a Government Lease which commenced on 13 December 1999 and will expire on 12 December 2049. Further details are contained in section 1.12 of Appendix 5 (“Summary of Government Leases, Deeds of Mutual Covenant and Property Company Structure”) to this document.

As at 31 December 2009, Hampton Loft was valued at HK\$164 million by the Independent Property Valuer (see the “Property Valuation Report” set out in Appendix 2 to this document).

THE PROPERTIES AND BUSINESS

7.13.2 Surrounding environment

Hampton Loft forms part of Hampton Place (which includes approximately 880 residential units). Hampton Loft is situated near the Olympic MTRC station, which is a newly developed area originated from the MTRC Airport Express line project. Most of the adjacent projects are newly completed private residential developments including the approximately 1,829-unit The Long Beach and the approximately 700-unit One Silver Sea. The property is also within walking distance from the approximately 2,314-unit residential development Island Harbourview. Hampton Loft is easily accessible via the Olympic MTRC station, buses, public light buses and taxis.

7.13.3 Tenant profile

The table below sets out details of the Hampton Loft's overall tenant diversification, in terms of trade sub-sector by reference to total Gross Rentable Area as at 31 December 2009 and total Gross Rental Income for the month ended 31 December 2009:

	By Gross Rentable Area	By Gross Rental Income
	(%)	(%)
Services & Education	27.2	16.3
Others	72.8	83.7
Total	100.0	100.0

7.13.4 Expiries

The table below sets out the expiring tenancies for Hampton Loft which, by reference to total Gross Rentable Area as at 31 December 2009 and total Gross Rental Income for the month ended 31 December 2009, are scheduled to take place during the periods indicated:

<u>Period</u>	Expiring tenancies as a % of total Gross Rentable Area	Expiring tenancies as a % of total Gross Rental Income
	(%)	(%)
Year ended 31 Dec 2010	74.8	74.5
Year ended 31 Dec 2011	—	—
Year ended 31 Dec 2012	25.2	25.5
Year ended 31 Dec 2013	—	—
Year ended 31 Dec 2014 and beyond	—	—
Total	100.0	100.0

7.13.5 Five Year Transaction History

Fortune REIT acquired Hampton Loft from Global Coin Limited through the relevant Property Company on 15 October 2009. Based on land searches conducted on 4 March 2010, there were no other sale and purchase transactions for Hampton Loft in the past five years.

THE PROPERTIES AND BUSINESS

7.14 LIDO GARDEN PROPERTY

7.14.1 Description

Fortune REIT owns Lido Garden Property, which is part of the development known as “Lido Garden” located at No. 41-63 Castle Peak Road, Sham Tseng, Tsuen Wan, New Territories, Hong Kong.

Lido Garden Property, as at 31 December 2009, had a total Gross Rentable Area of 9,836 sq.ft. It comprises all the shops on the ground floor of Lido Garden.

Lido Garden Property is wholly-owned by Fortune REIT through its Property Company, Partner Now Limited. Partner Now Limited is a special purpose vehicle, whose principal business activity is the ownership and operation of Lido Garden Property.

Lido Garden Property is held under a Government Lease for a term of 24 years less the last three days thereof commencing from 1 July 1973 which was statutorily extended until 30 June 2047. Further details are contained in section 1.13 of Appendix 5 (“Summary of Government Leases, Deeds of Mutual Covenant and Property Company Structure”) to this document.

As at 31 December 2009, Lido Garden Property was valued at HK\$100 million by the Independent Property Valuer (see the “Property Valuation Report” set out in Appendix 2 to this document).

7.14.2 Surrounding environment

Lido Garden, which was completed in 1989, is located along a narrow strip of flat land along the waterfront facing Tsing Ma Bridge and Ting Kau Bridge. The area is famous for its restaurants. The piers in Sham Tseng are also a favourite place for people to go fishing. Lido Garden Property is easily accessible via buses, public light buses, and taxis.

7.14.3 Tenant profile

The table below sets out details of the Lido Garden Property’s overall tenant diversification, in terms of trade sub-sector by reference to total Gross Rentable Area as at 31 December 2009 and total Gross Rental Income for the month ended 31 December 2009:

	By Gross Rentable Area (%)	By Gross Rental Income (%)
Banking & Real Estate Services	27.8	34.7
Food & Beverages	18.9	15.8
Homewares & Home Furnishings	18.6	11.6
Services & Education	32.5	36.7
Others	2.2	1.2
Total	100.0	100.0

THE PROPERTIES AND BUSINESS

7.14.4 Expiries

The table below sets out the expiring tenancies for Lido Garden Property which, by reference to total Gross Rentable Area as at 31 December 2009 and total Gross Rental Income for the month ended 31 December 2009, are scheduled to take place during the periods indicated:

<u>Period</u>	Expiring tenancies as a % of total Gross Rentable Area (%)	Expiring tenancies as a % of total Gross Rental Income (%)
Year ended 31 Dec 2010.....	68.1	74.1
Year ended 31 Dec 2011.....	12.9	10.1
Year ended 31 Dec 2012.....	19.0	15.8
Year ended 31 Dec 2013.....	—	—
Year ended 31 Dec 2014 and beyond	—	—
Total.....	100.0	100.0

7.14.5 Five Year Transaction History

Fortune REIT acquired Lido Garden Property from Fortune Port Group Limited through the relevant Property Company on 28 June 2005. Fortune Port Group Limited acquired Lido Garden Property from Li Ka Shing Foundation Limited on 22 March 2005. Based on land searches conducted on 4 March 2010, there were no other sale and purchase transactions for Lido Garden Property in the past five years.

7.15 RHINE GARDEN PROPERTY

7.15.1 Description

Fortune REIT owns Rhine Garden Property, which is part of the development known as “Rhine Garden” located at No. 38 Castle Peak Road, Sham Tseng, Tsuen Wan, New Territories, Hong Kong.

Rhine Garden Property, as at 31 December 2009, had a total Gross Rentable Area of 14,604 sq.ft. It comprises certain retail portions (including a restaurant) on the ground floor of the three-storey podium of Rhine Garden.

Rhine Garden Property is wholly-owned by Fortune REIT through its Property Company, Proven Effort Limited. Proven Effort Limited is a special purpose vehicle, whose principal business activity is the ownership and operation of Rhine Garden Property.

Rhine Garden Property is held under a Government Lease which commenced on 1 September 1990 and will expire on 30 June 2047. Further details are contained in section 1.14 of Appendix 5 (“Summary of Government Leases, Deeds of Mutual Covenant and Property Company Structure”) to this document.

As at 31 December 2009, Rhine Garden Property was valued at HK\$64 million by the Independent Property Valuer (see the “Property Valuation Report” set out in Appendix 2 to this document).

THE PROPERTIES AND BUSINESS

7.15.2 Surrounding environment

Rhine Garden Property is located in Sham Tseng, Tsuen Wan, New Territories, a narrow strip of flat land along the waterfront facing Tsing Ma Bridge and Ting Kau Bridge. The area is famous for its restaurants. The piers in Sham Tseng are also a favourite place for people to go fishing. Rhine Garden Property is easily accessible via buses, public light buses, and taxis.

7.15.3 Tenant profile

The table below sets out details of the Rhine Garden Property's overall tenant diversification, in terms of trade sub-sector by reference to total Gross Rentable Area as at 31 December 2009 and total Gross Rental Income for the month ended 31 December 2009:

	<u>By Gross Rentable Area</u> (%)	<u>By Gross Rental Income</u> (%)
Banking & Real Estate Services	2.4	13.0
Services & Education	1.6	8.3
Supermarkets	96.0	78.7
Total	<u><u>100.0</u></u>	<u><u>100.0</u></u>

7.15.4 Expiries

The table below sets out the expiring tenancies for Rhine Garden Property which, by reference to total Gross Rentable Area as at 31 December 2009 and total Gross Rental Income for the month ended 31 December 2009, are scheduled to take place during the periods indicated:

<u>Period</u>	<u>Expiring tenancies as a % of total Gross Rentable Area</u> (%)	<u>Expiring tenancies as a % of total Gross Rental Income</u> (%)
Year ended 31 Dec 2010	1.5	8.3
Year ended 31 Dec 2011	98.5	91.7
Year ended 31 Dec 2012	—	—
Year ended 31 Dec 2013	—	—
Year ended 31 Dec 2014 and beyond	—	—
Total	<u><u>100.0</u></u>	<u><u>100.0</u></u>

7.15.5 Five Year Transaction History

Fortune REIT acquired Rhine Garden Property from Fortune Port Group Limited through the relevant Property Company on 28 June 2005. Fortune Port Group Limited acquired Rhine Garden Property from Penkilan Limited on 22 March 2005. Based on land searches conducted on 4 March 2010, there were no other sale and purchase transactions for Rhine Garden Property in the past five years.

SELECTED FINANCIAL INFORMATION

8.1 SELECTED FINANCIAL INFORMATION

The following is a summary of Fortune REIT's audited consolidated results for the 2007, 2008 and 2009 financial years, as extracted from the Accountants' Report set out in Appendix 1 ("Accountants' Report") to this document. Potential investors should read this summary with the Accountants' Report and not merely rely on the information contained in this summary. The Accountants' Report was prepared in accordance with IFRS.

Consolidated Statement of Comprehensive Income:

	Year ended 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Revenue	614,757	637,038	701,354
Property operating expenses	(164,702)	(173,894)	(206,694)
Net property income	450,055	463,144	494,660
Manager's base fee	(28,069)	(28,299)	(28,446)
Foreign currency exchange gain (loss)	1,243	(172)	25
Loss on disposal of investment properties held for resale	—	(225)	—
Interest income	7,671	7,712	728
Trust (expenses) income	(7,688)	(13,599)	2,521
Increase (decrease) in fair value of investment properties	460,507	(1,130,590)	806,283
(Increase) decrease in fair value of derivative financial instruments	(3,496)	5,729	—
Borrowing costs	(116,707)	(104,736)	(96,382)
Profit (loss) before taxation	763,516	(801,036)	1,179,389
Income tax expense	(59,814)	(53,839)	(66,201)
Profit (loss) for the year	703,702	(854,875)	1,113,188
Other comprehensive (expense) income			
Changes in fair value of derivative financial instruments under cash flow hedge	(12,893)	(30,900)	37,407
Total comprehensive income (expense) for the year	690,809	(885,775)	1,150,595
Income available for distribution to unitholders	284,876	302,855	337,841
Total distribution per Unit (HK cents) ⁽¹⁾	35.12	37.02	30.20

Note:

- (1) The decrease in total distribution per Unit in 2009 was mainly due to the issue of Units under the rights issue of Fortune REIT on 15 October 2009 and the issue of Units as acquisition fees on 16 October 2009.

SELECTED FINANCIAL INFORMATION

Consolidated Statement of Financial Position:

	At 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Assets and Liabilities			
Non-current assets			
Investment properties	9,713,000	8,602,000	11,500,000
Plant and equipment	191	117	44
Total non-current assets	9,713,191	8,602,117	11,500,044
Current assets			
Investment properties held for resale	904	—	—
Trade and other receivables	35,808	36,914	47,619
Bank balances and cash	242,118	243,361	515,341
Total current assets	278,830	280,275	562,960
Total assets	9,992,021	8,882,392	12,063,004
Non-current liabilities			
Borrowings	2,338,638	2,342,663	—
Derivative financial instruments	38,726	53,446	415
Deferred tax liabilities	109,426	114,777	132,991
Total non-current liabilities	2,486,790	2,510,886	133,406
Current liabilities			
Trade and other liabilities	191,966	194,460	276,474
Borrowings	—	—	2,786,286
Derivative financial instruments	1,022	11,473	27,097
Provision for taxation	5,994	9,209	7,079
Total current liabilities	198,982	215,142	3,096,936
Total liabilities	2,685,772	2,726,028	3,230,342
Net assets attributable to unitholders	7,306,249	6,156,364	8,832,662
Net asset value per Unit (HK\$) ⁽¹⁾	8.99	7.50	5.32

Note:

- (1) The net asset value per Unit is calculated based on the net unitholders' funds divided by the number of Units issued and to be issued as at each of reporting date. The decrease in net asset value per Unit in 2009 was mainly due to the issue of Units under the rights issue of Fortune REIT on 15 October 2009 and the issue of Units as acquisition fees on 16 October 2009.

SELECTED FINANCIAL INFORMATION

Consolidated Statement of Cash Flows:

	At 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Net cash from operating activities	391,480	405,562	482,214
Net cash used in investing activities	(9,822)	(11,199)	(2,054,732)
Net cash (used in) from financing activities	(391,064)	(393,120)	1,844,498
Net (decrease) increase in cash and cash equivalents . . .	(9,406)	1,243	271,980
Cash and cash equivalents at beginning of year	251,524	242,118	243,361
Cash and cash equivalents at end of year	242,118	243,361	515,341

8.2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

8.2.1 Basis of discussion and principal accounting policies

The Manager sets out below a discussion of the historical operating results of Fortune REIT for the financial years ended 31 December, 2007, 2008 and 2009. For details of the principal accounting policies, please refer to the Accountants' Report set out in Appendix 1 ("Accountants' Report") to this document.

8.2.2 Key factors affecting Fortune REIT's results of operations

Generally, the key factors affecting Fortune REIT's results of operations include, but are not limited to: (a) local market conditions; (b) the financial condition of tenants; (c) the availability of debt or equity financing; (d) interest rates and other operating expenses; (e) environmental laws and regulations, zoning laws and other governmental rules and fiscal policies; (f) market rents; (g) competition from other property owners for tenants; and (h) demand for new retail space. Local market conditions, which affect the demand for, and the supply of, space in the retail and commercial property market (including the Properties) are described in more detail in section 5 ("Retail and Commercial Property Market in Hong Kong") and Appendix 3 ("Hong Kong Retail Market Overview And District Analysis") of this document.

8.2.3 Components of Results of Operations

8.2.3.1 Gross Revenue

Fortune REIT generated Gross Revenue from base rental, charge-out collections, short term rental and other income from the Properties. During the past three financial years, most of the revenue was derived from its base rental from the Properties, including Metro Town, Caribbean Bazaar and Hampton Loft, which were acquired on 15 October 2009.

SELECTED FINANCIAL INFORMATION

The following table sets forth a breakdown of the revenue for the periods indicated:

	Year ended 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Base rental	421,327	454,786	498,939
Charge-out collections	120,904	121,838	133,527
Short term rental	67,157	57,865	67,530
Other income	5,369	2,549	1,358
Total	614,757	637,038	701,354

Notes:

- (1) **Base rental:** Base rental is rental income due from tenancies but excludes contingent rent. Base rental is derived from the total amount payable by all tenants pursuant to current lease agreements. Rents paid under Fortune REIT's lease agreements are generally fixed for a period of two to three years which is the usual market practice in Hong Kong.

- (2) **Charge-out collections:** Fortune REIT's leases provided that certain expenses related to the operation of the Properties are payable by most tenants and certain licensees. These expenses include air conditioning charges, management fees, promotional charges, government rent and rates, utility charges, cleaning and other charges.

- (3) **Short term rental:** Short term rental includes licence fees, contingent rent and car park revenues derived from the operation of the Properties.
 - **Licence fees:** Licence fees comprise income derived from the licensing of retail space, advertisement space and casual leasing.
 - **Contingent rent:** Certain tenants have provisions in their leases pursuant to which they are required to pay the higher of either their base rental or a fixed percentage of their monthly sales turnover.
 - **Car park revenues:** Car park revenues include income derived from the operation of the parking facilities in the Properties.

- (4) **Other income:** Other income consists of interest and administrative charges, forfeiture of tenants' deposits and sundry income.

SELECTED FINANCIAL INFORMATION

8.2.3.2 Gross Revenue Trend

The table below sets forth information on the Gross Revenue from each of the Properties for the periods indicated:

	Year ended 31 December		
	2007	2008	2009
	HK\$ million	HK\$ million	HK\$ million
City One Shatin Property	221.5	230.1	238.4
Ma On Shan Plaza	137.6	145.7	156.7
Metro Town ⁽¹⁾	N/A	N/A	19.5
The Metropolis Mall	95.2	86.7	100.9
Waldorf Garden Property	39.8	55.0	59.7
Caribbean Bazaar ⁽¹⁾	N/A	N/A	6.9
Smartland	29.5	29.0	27.0
Tsing Yi Square Property	23.0	23.0	24.6
Jubilee Court Shopping Centre	23.3	22.9	20.9
The Household Center	22.8	21.6	21.2
Centre de Laguna Property	10.8	11.7	11.7
Hampton Loft ⁽¹⁾	N/A	N/A	2.7
Lido Garden Property	6.5	6.3	6.1
Rhine Garden Property	4.8	5.0	5.1
Total	614.8	637.0	701.4

Note:

(1) Metro Town, Caribbean Bazaar and Hampton Loft were acquired on 15 October 2009.

The following table sets forth information on the average monthly rental per leased square foot derived from each of the Properties for the periods indicated:

	For the month ended 31 December		
	2007	2008	2009
	HK\$/sq.ft.	HK\$/sq.ft.	HK\$/sq.ft.
City One Shatin Property	37.2	39.8	40.1
Ma On Shan Plaza	28.2	31.6	32.7
Metro Town ⁽¹⁾	N/A	N/A	34.9
The Metropolis Mall	16.1	17.7	17.6
Waldorf Garden Property	45.4	50.5	50.5
Caribbean Bazaar ⁽¹⁾	N/A	N/A	33.5
Smartland	15.4	15.1	13.9
Tsing Yi Square Property	20.3	20.7	21.1
Jubilee Court Shopping Centre	8.5	9.6	8.8
The Household Center	17.7	16.5	16.1
Centre de Laguna Property	18.5	19.4	18.5
Hampton Loft ⁽¹⁾	N/A	N/A	9.9
Lido Garden Property	55.8	51.8	48.2
Rhine Garden Property	21.6	23.4	23.2
Total	25.2	27.0	27.5

Notes:

(1) Metro Town, Caribbean Bazaar and Hampton Loft were acquired on 15 October 2009.

(2) The average monthly rental per leased square foot is calculated by dividing the Gross Rental Income for the month of December by the leased area as at 31 December. Leased area is the Gross Rentable Area, as adjusted by the occupancy rate.

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8.2.3.3 Occupancy Trends

The table below set forth information on the occupancy rates of the Properties for the periods indicated:

	As at 31 December		
	2007	2008	2009
	%	%	%
City One Shatin Property	95.7%	97.0%	98.2%
Ma On Shan Plaza	100.0%	99.9%	100.0%
Metro Town ⁽¹⁾	N/A	N/A	100.0%
The Metropolis Mall	85.1%	95.9%	93.0%
Waldorf Garden Property	92.7%	100.0%	100.0%
Caribbean Bazaar ⁽¹⁾	N/A	N/A	100.0%
Smartland	89.6%	94.4%	94.4%
Tsing Yi Square Property	92.6%	97.6%	100.0%
Jubilee Court Shopping Centre	87.9%	88.1%	81.5%
The Household Center	82.2%	87.1%	97.0%
Centre de Laguna Property	96.5%	100.0%	100.0%
Hampton Loft ⁽¹⁾	N/A	N/A	100.0%
Lido Garden Property	100.0%	100.0%	100.0%
Rhine Garden Property	100.0%	100.0%	100.0%
Total	92.1%	96.0%	96.4%

Notes:

- (1) Metro Town, Caribbean Bazaar and Hampton Loft were acquired on 15 October 2009.
- (2) The weighted average occupancy rate is derived by dividing the sum of the leased area of each of the Properties by the total Gross Rentable Area of all the Properties.

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8.2.3.4 Property Operating Expenses

Fortune REIT's property operating expenses comprises building management fees, utilities, government rents and rates, property management fees, Manager's performance fees, carpark expenses and other operating expenses.

The following table sets forth a breakdown of the property operating expenses for the periods indicated.

	Year ended 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Building management fees	48,362	50,607	77,598
Utilities	31,104	30,541	28,549
Government rents and rates	18,841	17,537	23,189
Property management fee	14,039	14,641	16,190
Manager's performance fee	13,911	14,324	15,299
Car park expenses	8,018	7,916	8,388
Other operating expenses	30,427	38,328	37,481
Total	<u>164,702</u>	<u>173,894</u>	<u>206,694</u>

Notes:

- (1) **Building management fees:** Building management fees included contribution to estate common, staff costs and services contracts and maintenance of the Property Companies.
- (2) **Utilities:** Utilities, which form a significant component of direct costs of the Property Companies, comprise air conditioning charges, electricity and water.
- (3) **Government rents and rates:** Government rents and rates refer to the net amount paid in respect of (a) Government rents paid by the Property Companies under Government Grants, which require payment of an annual rent equivalent to 3% of the applicable rateable value of the relevant property and (b) Government rates payable by the Property Companies in respect of the Properties and charged at 5% of the applicable rateable value of the relevant properties. Government rents and rates in respect of Gross Rentable Area were mostly billed and recovered from the tenants on an actual basis.
- (4) **Property management fee:** Under the Property Management Agreement, the Property Manager is entitled to receive from the Property Companies a fee of 3.0% per annum of the Gross Property Revenue of each Property for the provision of property management services and lease management services.
- (5) **Manager's performance fee:** Under the Trust Deed, the Manager is entitled to receive a Manager's performance fee from the Property Companies of 3.0% per annum of the aggregate net property income of each of the Property Companies.
- (6) **Car park expenses:** Car park expenses comprises costs relating to the operation of the car parks, including car park leasing agency fees, car park management fees and car park manager fees.
- (7) **Other operating expenses:** Other operating expenses mainly comprises advertising and promotion expenses, audits fees, allowance for doubtful debts, depreciation of plant and equipment, legal and other professional fee, leasing commission and valuation fees.

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8.2.3.5 Non Property Expenses

Non property expenses comprise Manager's Base Fees, trust expenses, Trustee's fees and foreign exchange loss/gain.

Manager's Base Fees

Pursuant to the Trust Deed, the Manager is entitled to a base fee equal to 0.3% per annum of the Property Values, which will be paid quarterly in arrears in the form of Units. For further details regarding this fee, please see section 12.7.1 ("The Manager – Manager's Fees – Management Fees") of this document.

Trust Expenses

Trust expenses include recurring operating expenses such as Trustee's fees, annual listing fees, registrar fees, accounting fees, audit and tax adviser's fees, cost associated with the preparation and distribution of reports to Unitholders and other miscellaneous expenses.

Trustee's Fees

Fortune REIT currently pays the Trustee a fee equal to 0.03% per annum of the Property Values, payable monthly and subject to a minimum of HK\$50,000 per month. As additional trustee duties are to be carried out following the completion of the Introduction, the Trustee's fees will be increased from 0.03% per annum of the Property Values to 0.035% per annum of the Property Values from the Listing Date. The maximum fee permitted under the Trust Deed is 0.25% per annum of the Property Values. For further details regarding this fee, please see section 15.12 ("The Trust Deed – Trustee's Fee") of this document.

Foreign Exchange Loss/Gain

Foreign exchange loss/gain represents realised and unrealised foreign exchange differences. Unrealised exchange differences arise from translation of monetary assets and liabilities denominated in foreign currencies into Hong Kong dollars at rates of exchange ruling at the balance sheet date. Realised exchange differences arise from the conversion of Singapore dollar fixed deposits upon maturity as well as from the settlement of foreign currencies payable at the transaction dates.

8.2.3.6 Borrowing Costs

The borrowing costs of Property Companies consist of interest on bank borrowings, commitment fees and amortisation of front-end fees.

8.2.3.7 Income Tax Expense

Hong Kong Taxation

Tax expense is determined on the basis of tax effect accounting using the liability method. Tax expense has two components, current tax expense and deferred tax expense. Current tax expense is the amount of tax payable to the Inland Revenue Department in Hong Kong based on the relevant year's taxable profits. Deferred tax expense arises from

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the provision for future tax payable to the Inland Revenue Department in Hong Kong due to claims for capital allowances. Deferred taxes relating to the Properties are generally not payable unless the Properties are sold. The current tax rate is 16.5%.

Singapore Taxation

The Tax Ruling issued by the Ministry of Finance is premised on Fortune REIT being a tax resident of Singapore on the basis that the Trustee and the Manager are present in Singapore.

Fortune REIT will be exempt from Singapore income tax on its Tax-Exempt Income. As Tax-Exempt Income is exempt from Singapore income tax and does not form part of Fortune REIT's statutory income (for income tax purposes), Fortune REIT may distribute such income, after deduction of its tax-deductible expenses, to the Unitholders free of tax deducted at source.

Fortune REIT will be chargeable to Singapore income tax on its Taxable Income. Fortune REIT's Taxable Income (after deduction of a portion of allowable expenses) will be chargeable to Singapore income tax in the name of the Trustee at the prevailing corporate income tax rate, which is currently 17%. The tax paid by the Trustee is imputed to be the tax paid by the Unitholders and is available as a tax credit against the tax payable by the Unitholders.

Fortune REIT is not assessable to Singapore income tax on its Non-Taxable Capital Gains. Such gains may be distributed to Unitholders free from tax deducted at source.

8.2.4 Financial Year ended 31 December 2009 compared against Financial Year ended 31 December 2008

8.2.4.1 Gross Revenue

Gross revenue increased by HK\$64.4 million, or 10.1%, to HK\$701.4 million for the year ended 31 December 2009 from HK\$637.0 million for the year ended 31 December 2008. The increase was due primarily to revenue contribution of Metro Town, Caribbean Bazaar and Hampton Loft which were acquired on 15 October 2009 as well as an increase in occupancies of the Properties. Occupancies of the Properties improved to 96.4% as at 31 December 2009, the highest level on record since December 2005. Nine out of 14 Properties, including Metro Town, Caribbean Bazaar and Hampton Loft, achieved 100% occupancy as at 31 December 2009.

8.2.4.2 Property Operating Expenses

Property operating expenses increased by HK\$32.8 million, or 18.9%, to HK\$206.7 million for the year ended 31 December 2009 from HK\$173.9 million for the year ended 31 December 2008. The increase was due primarily to the acquisition of Metro Town, Caribbean Bazaar and Hampton Loft, as well as increases in repair and maintenance, staff costs, advertising and promotion expenses, which were partially offset by a decrease in leasing commissions and a decrease in utilities, as a result of the Manager's energy saving initiatives (including replacement of chiller plants at City One Shatin Property and linking up of two sets of chiller plants in The Household Center).

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8.2.4.3 Non Property Expenses

Non property expenses decreased by HK\$16.2 million, or 38.5%, to HK\$25.9 million for the year ended 31 December 2009 from HK\$42.1 million for the year ended 31 December 2008. The decrease was primarily due to the refund in Goods and Services Tax ("GST") of HK\$8.5 million for the year ended 31 December 2009 while the GST for the year ended 31 December 2008 was an expense of HK\$3.2 million.

8.2.4.4 (Increase)/Decrease in fair value of derivative financial instruments

Decrease in fair value of derivative financial instruments was HK\$5.7 million for the year ended 31 December 2008 compared to nil for the year ended 31 December 2009, as the structured rate swaps were unwounded in 2008. Under those two structured rate swaps which linked to the U.S. municipal swap index and the spread of the U.S. dollar interest rate swap respectively, the swap counterparty made or received payments from Fortune REIT on a quarterly basis at an agreed term based on the then prevailing market conditions. There were no up-front fees or step-up features noted for these structured rate swaps. All distributions for the year 2008 and 2009 were out of income. The change in fair value of derivative financial instruments does not have any impact on the distribution income for the years ended 31 December 2008 and 31 December 2009, respectively.

8.2.4.5 Increase/(Decrease) in Fair Value of Investment Properties

Increase in fair value of investment properties was HK\$806.3 million for the year ended 31 December 2009 compared to a decrease of HK\$1,130.6 million for the year ended 31 December 2008. The increase in fair value of investment properties for the year ended 31 December 2009 was due to improving economic conditions in Hong Kong, resulting in rising property values and rising rents in Hong Kong while the decrease in 2008 reflected negative property conditions as a result of the economic weakness in Hong Kong in 2008, which was exacerbated by the adverse global economic conditions.

8.2.4.6 Borrowing Cost

Borrowing costs decreased by HK\$8.3 million, or 7.9%, to HK\$96.4 million for the year ended 31 December 2009 from HK\$104.7 million for the year ended 31 December 2008. The decrease was due to the decrease of the effective interest rate on bank borrowings.

8.2.4.7 Income Tax Expense

Income tax expense in Hong Kong increased by HK\$13.6 million, or 25.9%, to HK\$66.1 million for the year ended 31 December 2009 from HK\$52.5 million for the year ended 31 December 2008. The increase was due to a one-off write-back of HK\$6.3 million of deferred tax in 2008, as a result of the change in Hong Kong tax rate from 17.5% to 16.5%.

Income tax expense in Singapore decreased by HK\$1.2 million, or 92.0%, to HK\$0.1 million for the year ended 31 December 2009 from HK\$1.3 million for the year ended 31 December 2008. The decrease was mainly due to the decrease in interest income derived in Singapore for the year ended 31 December 2009.

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8.2.4.8 Profit (Loss) for the year

Profit for the year was HK\$1,113.2 million for the year ended 31 December 2009 compared to a loss of HK\$854.9 million for the year ended 31 December 2008, as a result of the cumulative effect of the factors described above.

8.2.5 Financial Year ended 31 December 2008 compared against Financial Year ended 31 December 2007**8.2.5.1 Gross Revenue**

Gross revenue increased by HK\$22.2 million, or 3.6%, to HK\$637.0 million for the year ended 31 December 2008 from HK\$614.8 million for the year ended 31 December 2007. The increase was due primarily to an increase in overall occupancy and an increase in rental rates. Overall portfolio occupancy rose from 92.1% as at 31 December 2007 to 96.0% as at 31 December 2008. In addition, the average monthly rental per leased square foot improved by 7.1% to HK\$27.0 per square foot (for the month ended 31 December 2008) from HK\$25.2 per square foot (for the month ended 31 December 2007).

8.2.5.2 Property Operating Expenses

Property operating expenses increased by HK\$9.2 million, or 5.6%, to HK\$ 173.9 million for the year ended 31 December 2008 from HK\$164.7 million for the year ended 31 December 2007. The increase was due to increase in leasing commissions, advertising and promotion expenses as well as higher repair and maintenance expenses.

8.2.5.3 Non Property Expenses

Non property expenses increased by HK\$7.6 million, or 22.0%, to HK\$42.1 million for the year ended 31 December 2008 from HK\$34.5 million for the year ended 31 December 2007. The increase was due primarily to the unwinding of the MINT swap amounting to HK\$3.0 million and the related interest cost of HK\$1.0 million as well as an increase in foreign exchange loss of HK\$1.4 million.

8.2.5.4 (Increase)/Decrease in fair value of derivative financial instruments

Decrease in fair value of derivative financial instruments was HK\$5.7 million for the year ended 31 December 2008 compared to an increase of HK\$3.5 million for the year ended 31 December 2007. The change in fair value of derivative financial instruments does not have any impact on the distribution income for the years ended 31 December 2007 and 31 December 2008, respectively. There were no up-front fees or step-up features noted for these structured rate swaps. All distributions for the year 2007 and 2008 were out of income. The change in fair value of derivative financial instruments does not have any impact on the distribution income for the years ended 31 December 2007 and 31 December 2008 respectively.

8.2.5.5 Increase/(Decrease) in Fair Value of Investment Properties

Fair value of investment properties decreased by HK\$1,130.6 million for the year ended 31 December 2008 compared to an increase of HK\$460.5 million for the year ended 31 December 2007. The decrease in fair value of investment properties for the year ended 31 December 2008 was due to the increase in capitalisation rates as a result of the property

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market downturn in the second half of 2008, while the increase in fair value of investment properties for the year ended 31 December 2007 was due to improving economic conditions in Hong Kong.

8.2.5.6 Borrowing Cost

Borrowing costs decreased by HK\$12.0 million, or 10.3%, to HK\$104.7 million for the year ended 31 December 2008 from HK\$116.7 million for the year ended 31 December 2007. The decrease was due to the decrease of the effective interest rate on the bank borrowings.

8.2.5.7 Income Tax Expense

Income tax expense in Hong Kong decreased by HK\$5.9 million, or 10.1%, to HK\$52.5 million for the year ended 31 December 2008 from HK\$58.4 million for the year ended 31 December 2007. The decrease in 2008 was due primarily to a one-off write-back of HK\$6.3 million of deferred tax in 2008, as a result of the change in Hong Kong tax rate from 17.5% to 16.5%.

There has been no material change in income tax expense in Singapore for the financial year ended 31 December 2008 compared to the year ended 31 December 2007.

8.2.5.8 Profit (Loss) for the year

Loss for the year was HK\$854.9 million for the year ended 31 December 2008 compared to a profit of HK\$703.7 million for the year ended 31 December 2007, as a result of the cumulative effect of the factors described above.

8.3 LIQUIDITY AND CAPITAL RESOURCES

The principal sources of funding for the management of the Properties, asset enhancement initiatives and acquisitions have historically been from internally generated funds, fund-raising and loan facilities from various banks. Details of Fortune REIT's facility agreements are contained in sections 16.3 ("Material and Other Agreements relating to Fortune REIT — The 2005 Facility") and 16.4 ("Material and Other Agreements relating to Fortune REIT — The 2009 Facility") of this document.

8.4 WORKING CAPITAL STATEMENT

Taking into consideration the financial resources available to Fortune REIT, including its internally generated funds and the Facility Agreements, the Manager believes that Fortune REIT has sufficient liquid assets to meet its working capital and operating requirements for the 12 month period commencing from the Listing Date. To the extent that Fortune REIT makes any acquisitions or undertakes major asset enhancement initiatives, it would be required to rely on external borrowings and/or Unit or debt securities offerings to finance such acquisitions or asset enhancement initiatives. The issue of additional Unit or Unit-linked securities may result in dilution to Unitholders.

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8.5 INDEBTEDNESS

Total bank borrowings drawn down by the Property Companies as at 31 December 2009 amounted to HK\$2,864.7 million. Details of Fortune REIT's facility agreements are contained in sections 16.3 ("Material and Other Agreements relating to Fortune REIT — The 2005 Facility") and 16.4 ("Material and Other Agreements relating to Fortune REIT — The 2009 Facility") of this document.

8.6 NO MATERIAL ADVERSE CHANGE

The Manager has performed reasonable due diligence on Fortune REIT and the Property Companies. There has been no material adverse change in Fortune REIT's financial or trading position since 31 December 2009, being the last day of the financial period covered by the Accountants' Report included in Appendix 1 ("Accountants' Report") to this document.

OWNERSHIP OF THE UNITS

9.1 UNIT CAPITAL

As at the Latest Practicable Date, the total number of Units in issue was 1,661,595,267.

9.2 SIGNIFICANT AND OTHER UNITHOLDERS

So far as is known to the Directors and based on information available to them as at the Latest Practicable Date, immediately upon completion of the Introduction, each of the following persons will be considered a "significant Unitholder", and hence a "connected person" of Fortune REIT, for the purpose of the REIT Code:

Significant Unitholders immediately upon completion of the Introduction ⁽¹⁾	Direct interest		Deemed interest	
	Number of Units	Approximate percentage of the entire issued Unit capital (%)	Number of Units	Approximate percentage of the entire issued Unit capital (%)
Focus Eagle Investments Limited	413,074,684 ⁽²⁾	24.8		
Cheung Kong (Holdings) Limited			525,630,684 ⁽²⁾	31.6
Schroder Investment Management Group			197,889,300 ⁽³⁾	11.9

So far as is known to the Directors and based on information available to them as at the Latest Practicable Date, immediately upon completion of the Introduction, in addition to the significant Unitholders as disclosed above, each of the following persons will hold, or be deemed to hold for the purpose of the REIT Code, 5% or more of the then outstanding Units:

Other Unitholders interested in 5% or more of the then outstanding Units immediately upon completion of the Introduction ⁽¹⁾	Direct interest		Deemed interest	
	Number of Units	Approximate percentage of the entire issued Unit capital (%)	Number of Units	Approximate percentage of the entire issued Unit capital (%)
Ballston Profits Limited	112,556,000 ⁽²⁾	6.7		
Hutchison Whampoa Limited			112,556,000 ⁽²⁾	6.7
DBS Bank Ltd.	97,141,000 ⁽⁴⁾	5.8		
DBS Group Holdings Ltd			97,141,000 ⁽⁴⁾	5.8

Notes:

- (1) The unitholding interests set out in this section 9.2 were the interests of the relevant persons as at the Latest Practicable Date so far as was known to the Directors and based on information then available to them. In this section 9.2, it is assumed that there has not been, and will not be, any changes in such interests between the Latest Practicable Date and the date immediately upon completion of the Introduction.
- (2) As at the Latest Practicable Date: (a) Focus Eagle Investments Limited was an indirect wholly-owned subsidiary of Cheung Kong; and (b) Ballston Profits Limited was an indirect wholly-owned subsidiary of Hutchison Whampoa Limited, which in turn was 49.9% owned by Cheung Kong. Therefore, for the purpose of the REIT Code, Focus Eagle Investments Limited and Ballston Profits Limited are each an associated company of Cheung Kong, and accordingly, immediately upon completion of the Introduction and on the basis of Note (1) above (without taking into account the Unit Borrowing and Lending Agreements, the Unit Sale and Purchase Agreements and the Unit Option Agreements), Cheung Kong will be deemed to hold 525,630,684 Units, of which: (i) 413,074,684 Units are held by Focus Eagle Investments Limited; and (ii)

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112,556,000 Units are held by Ballston Profits Limited. Immediately upon completion of the Introduction and on the basis of Note (1) above, for the purpose of the REIT Code, Hutchison Whampoa Limited will be deemed to hold 112,556,000 Units, which are held by its indirect wholly-owned subsidiary, Ballston Profits Limited.

- (3) Immediately upon completion of the Introduction and on the basis of Note (1) above, for the purpose of the REIT Code, Schroder Investment Management Group will be deemed to hold 197,889,300 Units, of which: (i) 104,630,000 Units are held by Schroder Investment Management Limited; (ii) 78,312,000 Units are held by Schroder Investment Management (Singapore) Limited; and (iii) 14,947,300 Units are held by Schroder Investment Management (Hong Kong) Limited.
- (4) Immediately upon completion of the Introduction and on the basis of Note (1) above, for the purpose of the REIT Code, DBS Group Holdings Ltd will be deemed to hold 97,141,000 Units, which are held by its wholly-owned subsidiary, DBS Bank Ltd.

9.3 INTERESTS OF THE MANAGER

As at the Latest Practicable Date, the Manager held 6,371,971 Units, or approximately 0.38% of the entire issued Unit capital of Fortune REIT.

9.4 INTERESTS OF THE DIRECTORS

Details of the unitholding interests of the Directors in Fortune REIT as at the Latest Practicable Date were as follows:

<u>Unitholder</u>	Number of Units			Approximate percentage of the entire issued Unit capital (%)
	Direct Interest	Deemed Interest	Total Interest	
LIM Hwee Chiang ⁽¹⁾	2,100,000	19,067,971	21,167,971	1.27
SNG Sow-Mei (alias POON Sow Mei)	220,000	—	220,000	0.01

Notes:

- (1) For the purpose of Part XV of the SFO as if it applies to Fortune REIT, as at the Latest Practicable Date, Mr. Lim Hwee Chiang held a direct interest of 2,100,000 Units, and a deemed interest of 19,067,971 Units. Out of such 19,067,971 Units: (a) 6,371,971 Units were held by the Manager, a wholly-owned subsidiary of ARA which in turn is a direct and indirect controlled corporation of Mr. Lim; and (b) 12,696,000 Units were held by ARA Asian Asset Income Master Fund. ARA Strategic Capital I Pte Ltd was the fund manager of ARA Asian Asset Income Master Fund, and was an indirect controlled corporation of Mr. Lim.

Save as disclosed above, the other Directors did not have any unitholding interest in Fortune REIT as at the Latest Practicable Date for the purpose of Part XV of the SFO as if it applies to Fortune REIT.

DISTRIBUTION POLICY

10.1 GENERALLY

Fortune REIT's distribution policy is to distribute the higher of the following two amounts on a semi-annual basis to Unitholders:

- (a) 100% of Net Tax-Exempt Income of Fortune REIT in accordance with the Trust Deed. The Manager may at its discretion, direct the Trustee to include in Fortune REIT's distribution its Taxable Income and Non-Taxable Capital Gains including the dividends excluded from the distributions out of Tax-Exempt Income (if any) (collectively referred to as "**Other Income**") provided the funds are surplus to the business requirements and needs of Fortune REIT. Such Other Income, if not distributed, will form part of the Deposited Property.

Fortune REIT will be making distributions out of its Net Tax-Exempt Income and Other Income after payment of Singapore income tax imposed at the trust level on income subject to Singapore tax. All distributions will be free of tax deducted at source.

- (b) 90% of consolidated audited net profit after tax of Fortune REIT for the relevant financial year adjusted to eliminate the effects of certain adjustments in accordance with the REIT Code. The adjustments are significant adjustments which are charged or credited to the profit and loss account for the relevant financial year or the relevant distribution period (as the case may be), including but not limited to: (i) unrealised property revaluation gains/losses, including impairment provisions and reversals of impairment provisions; (ii) impairment loss of goodwill/ recognition of negative goodwill; (iii) differences between cash and accounting finance costs; (iv) realised gains on the disposal of properties; (v) fair value changes on financial instruments; (vi) deferred tax; and (vii) other material non-cash gains/losses, including the portion of the Manager's Base Fee that is paid in the form of Units. After eliminating these adjustments, the distribution amount may be different from the net profit recorded for the relevant financial year.

By adopting the above distribution policy, which will require Fortune REIT to distribute an amount equal to or greater than that specified in paragraph (b) above, Fortune REIT shall comply with the minimum distribution requirement under the REIT Code.

Under the Trust Deed, Fortune REIT is required to pay distributions within 60 days of the end of each distribution period.

10.2 CURRENCY

Distributions will be declared and paid in Hong Kong dollars. Unitholders whose Units are held directly through CDP will receive their distributions in the Singapore dollar equivalent of the distribution declared in Hong Kong dollars, unless Unitholders elect to receive the distributions in Hong Kong dollars by submitting a "Currency Election Notice" by the books closure date.

For the portion of the distributions to be paid in Singapore dollars, the Manager will make the necessary arrangements to convert the portion of the distributions in Hong Kong dollars into Singapore dollars at such exchange rate as the Manager may determine having regard to any premium or discount which may be relevant to the cost of exchange. Neither CCASS, CDP, the Manager, the Trustee nor Fortune REIT will be liable for any loss howsoever arising from the conversion of the distributions payable to Unitholders from Hong Kong

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dollars into Singapore dollars or vice versa. Save for approved depository agents (acting as nominees of their customers), each Unitholder may only elect to receive distributions in either Singapore dollars or Hong Kong dollars and shall not be able to elect to receive distributions partly in Hong Kong dollars and partly in Singapore dollars.

10.3 FACTORS AFFECTING DISTRIBUTIONS

Fortune REIT operates principally through the Property Companies and relies on dividend payments and other distributions from the Property Companies for its operating cash flows. In order to pay distributions in respect of the Units, Fortune REIT will rely on dividends, or advances from the Property Companies. The ability of the Property Companies to make such payments may be restricted by, among other things, their respective business and financial positions, the availability of distributable profits, applicable laws and regulations (which may restrict the payment of dividends by the Property Companies) or the terms of agreements (including the Facility Agreements) to which they are, or may become, a party. In particular, if the Property Companies fail to make payments due under the Facility Agreements or any other event of default under the Facility Agreements is outstanding, the Property Companies are prohibited under the Facility Agreements from declaring and making dividend payments to Fortune REIT.

There can be no assurance that the Property Companies will have sufficient distributable or realised profits or surplus in any future period to pay dividends or make advances to Fortune REIT. See section 2 ("Risk Factors") of this document for further information. The level of profit or surplus of each Property Company available for distribution by way of dividend to Fortune REIT may be affected by a number of factors including:

- (a) operating losses incurred by the Property Companies in any financial year;
- (b) losses arising from a revaluation of any of the Properties following any diminution in value of any of the relevant Properties. Such losses may become unrealised losses upon revaluation or realised losses upon disposal which would adversely affect the level of distributions paid to Unitholders;
- (c) changes in accounting standards, taxation regulations, corporation laws and regulations relating thereto in Hong Kong and/or Singapore and/or the British Virgin Islands; and
- (d) insufficient cash flows received by the Property Companies from the Properties.

Each Property Company will be required to revalue its property assets on an annual basis. In respect of a Property Company being a Hong Kong-incorporated company, if the revaluation loss recorded by that Property Company exceeds its retained earnings, it will not be able to make any distributions under the Hong Kong Companies Ordinance as companies are only allowed to declare dividends out of its accounting profits (i.e. positive distributable reserves).

Fortune REIT embedded in a mechanism adopted from 2005 onwards which would allow the Property Companies incorporated in Hong Kong to declare dividends in the event when a Property Company has negative distributable reserves. In such an event, when the distributable reserves of a Property Company becomes negative, the Manager may consider increasing the level of distributable reserves of the relevant Property Company to a positive level by redeeming preference shares with subvention payment.

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When a subvention payment is made by Fortune REIT to the Property Company, the Property Company will record a receivable from Fortune REIT and correspondingly increase its revenue reserve. To address and offset the payment obligation to Fortune REIT, the Property Company will redeem the required number of preference shares held by Fortune REIT and offset this payable to Fortune REIT arising from the redemption of preference shares against the receivable from Fortune REIT arising from the subvention payment. The net impact of the above arrangement allows the relevant Property Company to increase its distributable reserve with an amount equal to the value of the redeemed preference shares.

The redeemable preference shares are redeemable at the option of the Property Companies and they have the following characteristics:

- (a) they do not carry any right to dividend;
- (b) they are not participating (i.e., there is no right to participate in the surplus profits of the Property Company after payment of dividend to the holders of the ordinary shares);
- (c) they shall not have any voting rights at general meetings of the company;
- (d) in the event of a winding up of the subsidiary, the holders of the redeemable preference shares shall have priority over the holders of the ordinary shares as to repayment of capital and premium paid on the issue of such redeemable preference shares, but that the holders of the redeemable preference shares shall not be entitled to participate in the surplus assets (if any) of the Property Company; and
- (e) each redeemable preference share shall be redeemable at any time at the option of the Property Companies at a redemption price equal to the issue price thereof.

There can be no assurance that the level of dividends payable by Fortune REIT to Unitholders in the future would not be adversely affected by any revaluation loss in respect of any of the Properties as described in section 2 ("Risk Factors").

11.1 FORTUNE REIT AND THE PROPERTY COMPANIES

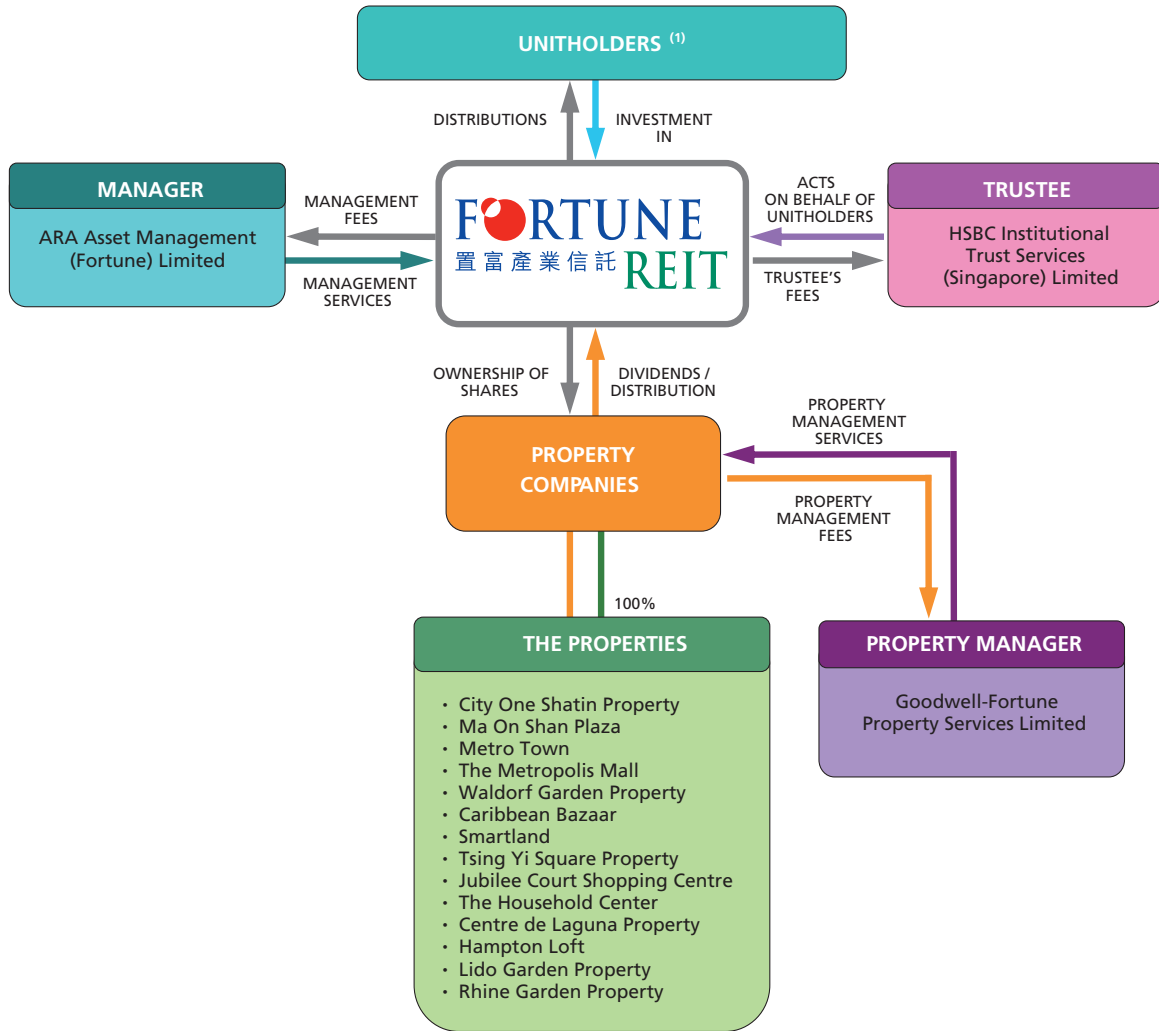
Fortune REIT is a real estate investment trust established in Singapore and constituted and governed by the Trust Deed entered into between the Manager and the Trustee, originally dated 4 July 2003 and as amended and restated from time to time. A summary of the principal terms of the Trust Deed is contained in section 15 (“The Trust Deed”). Also, a summary of the law that applies to Singapore trusts is contained in Appendix 4 (“Summary of Singapore trust law”) to this document. The Manager has received legal advice that, as at the Latest Practicable Date, having regard to the provisions of the Trust Deed as well as the general law in Singapore and in Hong Kong respectively, as applicable to Fortune REIT, the rights and protections available to unitholders of Fortune REIT, as a REIT governed by Singapore law, were of a standard comparable to those available to unitholders of a REIT governed by Hong Kong law.

Fortune REIT is principally regulated by the SFA and the CIS Code (including the Property Funds Appendix) in Singapore. Following the Introduction, Fortune REIT will also be principally regulated by the SFC and the REIT Code in Hong Kong. The Property Funds Appendix and the REIT Code impose certain restrictions on real estate investment trusts in Singapore and Hong Kong respectively.

Fortune REIT holds a portfolio of 14 retail malls and parking facilities in Hong Kong through the ownership of Property Companies. More specifically, the shares in the entire issued share capital of the Property Companies are held by the Trustee on trust for Fortune REIT. Further information regarding the Properties and the Property Companies is contained in section 7 (“The Properties and Business”).

The following diagram depicts the ownership and management structure of Fortune REIT, and the relationship among Fortune REIT, the Unitholders, the Manager, the Trustee and the Property Manager. A chart showing the corporate structure of the Property Companies is included in section 3 of Appendix 5 (“Summary of Government Leases, Deeds of Mutual Covenant and Property Company Structure”) to this document.

STRUCTURE AND ORGANIZATION OF FORTUNE REIT



Note:

- (1) Please see section 9 (“Ownership of the Units”) for information on the unitholding interests of the significant and other Unitholders.

11.2 THE TRUSTEE

The Trustee is a company incorporated in Singapore and registered as a trust company under the Trust Companies Act, Chapter 336 of Singapore. The Trustee is wholly-owned by The Hongkong and Shanghai Banking Corporation Limited, a licensed bank incorporated in Hong Kong which provides a wide range of international banking and trust services through its main office in Hong Kong as well as its subsidiaries worldwide. The Trustee is qualified to act as a trustee for collective investment schemes authorized under the SFO pursuant to the REIT Code.

The Trustee's powers and duties are specified in the Trust Deed and include: (a) acting as trustee of Fortune REIT and, therefore, safeguarding the rights and interests of the Unitholders; (b) holding the assets of Fortune REIT (principally the shares in the entire issued share capital of the Property Companies) on trust pursuant to the Trust Deed for the benefit of the Unitholders; and (c) exercising all the powers of a trustee and the powers that are incidental to the ownership of the assets of Fortune REIT. Further information regarding the Trustee's powers and duties is contained in section 15.10 ("The Trust Deed — Powers, Duties and Obligations of the Trustee") of this document.

To facilitate the discharge of the Trustee's powers and duties in Hong Kong, the Trustee has entered into certain arrangements with HSBC Institutional Trust Services (Asia) Limited, the Trustee's affiliate in Hong Kong ("HSBC HK"), whereby HSBC HK will provide certain administrative and advisory services to the Trustee in connection with the performance of the Trustee's duties. These services include: (a) advising on, monitoring and reporting in regard to the compliance of Fortune REIT with the requirements of the REIT Code and other applicable Hong Kong laws and regulations; and (b) advising, assisting and making recommendations to the Trustee in connection with the performance of the Trustee's duties under the REIT Code and other applicable Hong Kong laws and regulations.

11.3 THE MANAGER

The Manager is a company incorporated in Singapore under the Companies Act, Chapter 50 of Singapore on 7 April 2003. The Manager is a wholly-owned subsidiary of ARA, which is listed on the SGX-ST.

The Manager is licensed to conduct the regulated activity of asset management (Type 9) under Part V of the SFO, and is responsible for Fortune REIT's investment and financing strategies, asset enhancement and acquisition and disposal policies and for overall management of the Properties. Further information regarding the Manager is contained in section 12 ("The Manager") and section 14 ("Corporate Governance") of this document.

11.4 THE PROPERTY MANAGER

The Property Manager was incorporated in Hong Kong on 28 March 2003, and is a wholly-owned subsidiary of Goodwell Property and an indirect wholly-owned subsidiary of Cheung Kong.

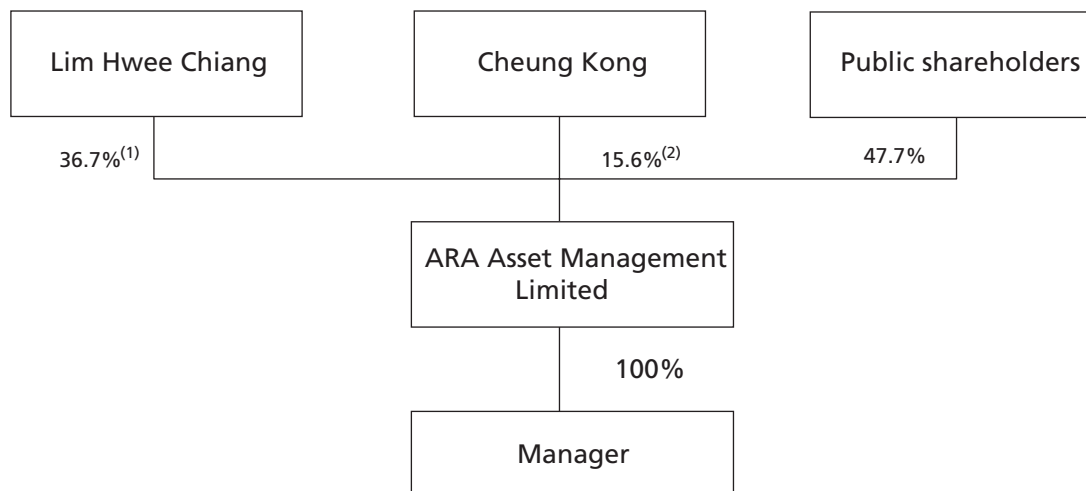
STRUCTURE AND ORGANIZATION OF FORTUNE REIT

Under the Property Management Agreement, the Manager has appointed the Property Manager to manage, supervise, maintain and market the Properties. The Property Manager is responsible, subject to the overall management and supervision of the Manager, for providing property management services, lease management services and marketing services to properties of Fortune REIT. Further information regarding the Property Manager is contained in section 13 ("The Property Manager").

THE MANAGER

12.1 OVERVIEW

The Manager, formerly known as ARA Asset Management (Singapore) Limited, was incorporated in Singapore under the Companies Act on 7 April 2003. The Manager subsequently changed its name to ARA Asset Management (Fortune) Limited. The Manager is a wholly-owned subsidiary of ARA, which is a company listed on the SGX-ST and was, as at the Latest Practicable Date, 36.7% directly and indirectly owned by Mr. Lim Hwee Chiang (a Director) and 15.6% indirectly owned by Cheung Kong.



Notes:

- (1) Direct and indirect interest
- (2) Indirect interest

The Manager has a general power of management over the assets of Fortune REIT. The Manager's main responsibility is to manage Fortune REIT's assets and liabilities for the benefit of Unitholders. In particular, the Manager is responsible for the day-to-day management of the assets held by each Property Company and shall at its discretion make recommendations to the Trustee on the annual budget and the management and operation of such Property Company, and generally carry out the activities in relation to the assets of such Property Company in accordance with the provisions of the Trust Deed. Further, the Manager will set the strategic direction of Fortune REIT and give recommendations to the Trustee on acquisition, divestment or enhancement of assets of Fortune REIT in accordance with its stated strategy.

The Manager has covenanted in the Trust Deed to use its best endeavours to carry on and conduct its business in a proper and efficient manner and to conduct all transactions with or for Fortune REIT at arm's length.

Following the Introduction, the Manager will be responsible for ensuring compliance with the provisions of the Applicable Rules, the Trust Deed and all relevant contracts. The Manager will also be responsible for all regular communications with Unitholders.

The Manager may require the Trustee to borrow on behalf of Fortune REIT (upon such terms and conditions as the Manager deems fit, including the charging or mortgaging of all or any part of the Deposited Property) whenever the Manager considers, among other

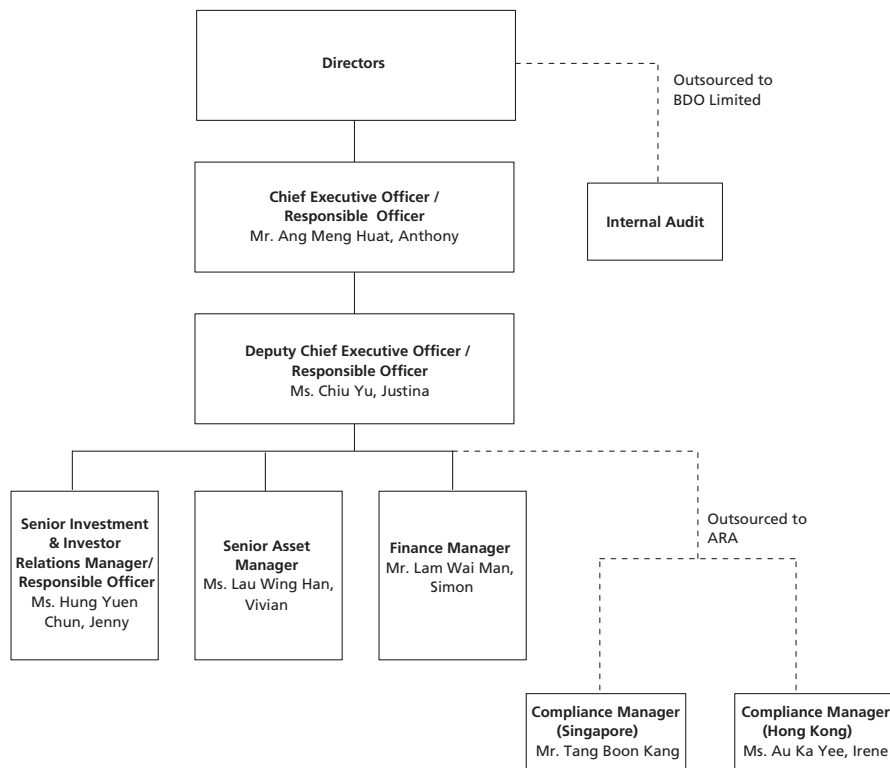
THE MANAGER

things, that such borrowings are necessary or desirable in order to enable Fortune REIT to meet any liabilities or to finance the acquisition of any property. However, pursuant to the Trust Deed, the Manager must not direct the Trustee to incur a borrowing if to do so would breach the borrowing limits under the Applicable Rules that currently limit: (a) the Aggregate Leverage to 35%; and (b) the Gearing Ratio to 45%.

In the absence of fraud, negligence, wilful default or breach of the Trust Deed by the Manager, it shall not incur any liability by reason of any error of law or any matter or thing done or suffered or omitted to be done by it in good faith under the Trust Deed. In addition, the Manager shall be entitled, for the purpose of indemnity against any actions, costs, claims, damages, expenses or demands to which it may be put as Manager, to have recourse to the Deposited Property or any part thereof save where such action, cost, claim, damage, expense or demand is occasioned by fraud, negligence, wilful default or breach of the Trust Deed by the Manager. The Manager may, in managing Fortune REIT and in carrying out and performing its duties and obligations under the Trust Deed, with the written consent of the Trustee, appoint such person(s) to exercise any or all of its powers and discretions and to perform all or any of its obligations under the Trust Deed, provided always that the Manager shall be liable for all acts and omissions of such persons as if such acts and omissions were its own.

12.2 ORGANISATIONAL AND REPORTING STRUCTURE OF THE MANAGER

The following diagram sets forth the organizational and reporting structure of the Manager:



THE MANAGER

12.3 BOARD OF DIRECTORS OF THE MANAGER

The Board of Directors is entrusted with the responsibility for the overall management of the Manager. The two executive Directors, Mr Ang Meng Huat, Anthony and Ms Chiu Yu, Justina, are licensed by the SFC as Responsible Officers of the Manager for the purpose of the SFO. The following table sets forth information regarding the Directors:

DIRECTORS

Non-Executive Directors

- CHIU Kwok Hung, Justin *Chairman and Non-Executive Director*
- LIM Hwee Chiang *Non-Executive Director*
- IP Tak Chuen, Edmond *Non-Executive Director*
- Eirene YEUNG *Non-Executive Director*

Executive Directors and Responsible Officers

- ANG Meng Huat, Anthony *Executive Director and Chief Executive Officer*
- CHIU Yu, Justina *Executive Director and Deputy Chief Executive Officer*

Independent Non-Executive Directors

- LIM Lee Meng *Independent Non-Executive Director and Chairman of the Audit Committee*
- CHENG Mo Chi, Moses *Independent Non-Executive Director*
- SNG Sow-Mei (alias POON Sow-Mei) *Independent Non-Executive Director*

Alternate Director

- MA Lai Chee, Gerald *Alternate Director to IP Tak Chuen, Edmond*

The Directors are designated as executive Directors, non-executive Directors or independent non-executive Directors. Such designations were made by reference to, and after taking into account, the corporate governance standards under the Hong Kong Listing Rules.

The remuneration payable to the Directors is borne by the Manager out of its internal resources. Further information regarding the Board is contained in section 14 ("Corporate Governance"). Also, information on the business and working experience of each Director is set out below:

CHIU Kwok Hung, Justin, aged 59, has been a Director since the Manager's incorporation in 2003. He is the Chairman of the Manager. He is also the chairman and Non-executive Director of ARA, the holding company of the Manager, the chairman of ARA Trust Management (Suntec) Limited (the manager of Suntec REIT) and the chairman of ARA Asset Management (Prosperity) Limited (the manager of Prosperity REIT). ARA and Suntec REIT are listed on the Main Board of SGX-ST while Prosperity REIT is listed on the Main Board of Hong Kong Stock Exchange. Mr. Chiu is also a director of ARA Fund Management (Asia Dragon) Limited as the manager of the ARA Asia Dragon Fund. Mr. Chiu is a member of the 11th Shanghai Committee of the Chinese People's Political Consultative Conference of the People's Republic of China, a Fellow of Hong Kong Institute of Real Estate Administrators, and a member of the Board of Governors of Hong Kong Baptist University Foundation.

THE MANAGER

Mr. Chiu has more than 30 years of international experience in real estate and is one of the most respected professionals in the property industry in Asia. Mr. Chiu is an executive director of Cheung Kong, a company listed on the Main Board of Hong Kong Stock Exchange. He joined Cheung Kong in 1997 and has been an executive director since 2000, heading the real estate sales, marketing and property management teams. Prior to joining Cheung Kong, Mr. Chiu was with Sino Land Company Limited from 1994 to 1997 and Hang Lung Development Company, Limited (now known as Hang Lung Group Limited) from 1979 to 1994 responsible for the leasing and property management in both companies. Sino Land Company Limited and Hang Lung Group Limited are listed on the Main Board of Hong Kong Stock Exchange.

Mr. Chiu holds Bachelor degrees in Sociology and Economics from Trent University in Ontario, Canada. Mr. Chiu is the father of Ms. Chiu Yu, Justina, a Director.

LIM Hwee Chiang, aged 53, has been a Director since April 2003. He is also an executive director of ARA, the holding company of the Manager, which is also listed on the Main Board of SGX-ST. He was previously the Chief Executive Officer of the Manager, and has been a director of ARA since its establishment. He is also a director of ARA Trust Management (Suntec) Limited (the manager of Suntec REIT), ARA Asset Management (Prosperity) Limited (the manager of Prosperity REIT) and Am ARA REIT Managers Sdn Bhd (the manager of Malaysian-listed AmFIRST REIT), and the chairman of APM Property Management Pte. Ltd., Suntec Singapore International Convention & Exhibition Services Pte. Ltd. and the management council of Management Corporation Strata Title Plan No. 2179 (Suntec City). In addition, Mr. Lim is an independent director and member of the audit committee of Teckwah Industrial Corporation Limited (“**Teckwah**”), which is listed on the Main Board of the SGX-ST. He is also the vice president of the Hong Kong-Singapore Business Association and a senior vice president of the Asian Public Real Estate Association and a board member of the Valuation Review Board of the Ministry of Finance of Singapore.

Mr. Lim has close to 30 years of experience in real estate. Prior to the founding of ARA, from 1997 to 2002, he was an executive director of GRA (Singapore) Pte. Ltd., a wholly-owned subsidiary of Prudential (US) Real Estate Investors. From 1996 to 1997, he founded and was the managing director of The Land Managers (S) Pte. Ltd., a Singapore-based property and consulting firm specializing in feasibility studies, marketing and leasing management in Singapore, Hong Kong and China. He was the general manager of the Singapore Labour Foundation Management Services Pte. Ltd. from 1991 to 1995, and was with DBS Land Limited (now part of CapitaLand Limited) from 1981 to 1990.

Mr. Lim holds a Bachelor of Engineering (First Class Honours) in Mechanical Engineering, a Master of Science in Industrial Engineering, as well as a Diploma in Business Administration, each from the National University of Singapore.

IP Tak Chuen, Edmond, aged 57, has been a Director since 2003. He is also a non-executive director of ARA, the holding company of the Manager, and a director of ARA Trust Management (Suntec) Limited (the manager of Suntec REIT). Both ARA and Suntec REIT are listed on the Main Board of SGX-ST.

Mr. Ip has been an executive director of Cheung Kong since 1993 and deputy managing director since 2005, responsible for overseeing all financial and treasury functions of Cheung Kong and its subsidiaries, particularly in the fields of corporate and project finance. He has been an executive director of Cheung Kong Infrastructure Holdings Limited (“**CK Infrastructure**”) since its incorporation in 1996 and deputy chairman since 2003, and the

THE MANAGER

senior vice president and chief investment officer of CK Life Sciences Int'l., (Holdings) Inc. ("**CK Life Sciences**") since 2002. He oversees matters relating to corporate finance, strategic acquisition and investment of both CK Infrastructure and CK Life Sciences. Mr. Ip is also a non-executive director of TOM Group Limited ("**TOM**"), AVIC International Holding (HK) Limited ("**AVIC**"), Excel Technology International Holdings Limited ("**Excel**"), Ruinian International Limited ("**Ruinian**") and Shougang Concord International Enterprises Company Limited ("**Shougang**"). Cheung Kong, CK Infrastructure, CK Life Sciences, TOM, AVIC, Ruinian, and Shougang are listed on the Main Board of Hong Kong Stock Exchange. Excel is listed on the Growth Enterprise Market (GEM) of Hong Kong Stock Exchange.

Prior to joining Cheung Kong, Mr. Ip held a number of senior financial positions in major financial institutions and has extensive experience in the Hong Kong financial market covering diverse activities such as banking, capital markets, corporate finance, securities brokerage and portfolio investments.

Mr. Ip holds a Bachelor of Arts degree in Economics and a Master of Science degree in Business Administration.

Eirene YEUNG, aged 49, has been a Director since 2003. She is also director, corporate strategy unit and company secretary of Cheung Kong and alternate director to the group managing director of CK Infrastructure. She is also the company secretary of CK Infrastructure and CK Life Sciences. Ms. Yeung joined Cheung Kong in 1994. She advises the board on corporate strategy, and heads the corporate legal and secretarial team that oversees listing, regulatory and origination compliance, and advises and drives mergers and acquisitions, securities investments and corporate finance exercises. Cheung Kong, CK Infrastructure and CK Life Sciences are listed on the Main Board of Hong Kong Stock Exchange.

Prior to joining Cheung Kong, Ms. Yeung was in private practise at the law firms of Messrs. Robert W.H. Wang & Co and Deacons for a total of 10 years from 1984 to 1994 where she handled a wide spectrum of corporate and commercial legal work. She has been a solicitor of the High Court of the Hong Kong Special Administrative Region ("**HKSAR**") from 1986 and of the Supreme Court of Judicature in England and Wales from 1990.

Ms. Yeung is a member of the Dual Filing Advisory Group of the Securities and Futures Commission, a member of the Board of Review (Inland Revenue Ordinance), a member of the Companies Ordinance Rewrite Advisory Group, a member of the Advisory Group on BBA-JD Programme of The Chinese University of Hong Kong ("**HKCU**") and a member of the Public Affairs Forum, Home Affairs Bureau of the HKSAR; and was a Part-time Member of the Central Policy Unit of the Government of HKSAR from 2005 to 2007. Ms. Yeung is a fellow member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. She holds a Master of Science degree in Finance and a Master's degree in Business Administration from HKCU, and a Bachelor's degree in Laws from The University of Hong Kong.

ANG Meng Huat, Anthony, aged 55, has been a Director since 2010. He is also the Chief Executive Officer and a Responsible Officer of the Manager.

Prior to joining the Manager, Mr. Ang was the Chief Executive Officer of ARA Managers (Asia Dragon) Pte. Ltd, which manages the ARA Asia Dragon Fund, the flagship US\$1.15 billion private equity fund of ARA and the responsible officer of ARA Asset Management (Prosperity) Limited, the manager of Prosperity REIT. He is also a director of the manager of AmFIRST REIT listed on Bursa Malaysia, and an independent non-executive

THE MANAGER

director of Armstrong Industrial Corporation Limited, a precision engineering group listed on the Main Board of SGX-ST. Before joining ARA in 2006, Mr. Ang held various senior positions with GIC Real Estate Pte. Ltd, a global real estate fund management company; Vertex Management Pte Ltd, a Singapore-based global venture capital company; Majulah Connection Limited, a global business networking and consulting organization, and Armstrong Industrial Corporation Limited. Mr. Ang began his career with the Singapore Economic Development Board where he served for 14 years, including six years in the United States as the regional director of their North American operations.

Mr. Ang holds a Bachelor of Science degree (Mechanical Engineering) with First Class Honours from the Imperial College, London University, and obtained a Master of Business Administration from the European Institution of Business Administration (INSEAD) in 1982 on a scholarship from the Singapore and French governments. He is also a fellow of the Chartered Management Institute (United Kingdom) and the vice chairman of the Chartered Management Institute Singapore.

CHIU Yu, Justina, aged 29, was employed by the Manager from 2008 and has been a Director since 2010. She is also the Deputy Chief Executive Officer and a Responsible Officer of the Manager. She is responsible for the overall performance and direction of Fortune REIT. Prior to her current appointments, she was the Chief Operating Officer of the Manager overseeing strategic planning, investment, asset management and investor relations.

Ms. Chiu was previously with the Manager from 2003 to 2006, where she was involved in various functions of the Manager including finance, research and investment, asset management and investor relations.

Ms. Chiu holds a MSc in Real Estate Economics and Finance, a BSc in Accounting and Finance, a Postgraduate Certificate in Laws and a Postgraduate Diploma in Law. She is also a solicitor of the High Court of the HKSAR, a CFA Charterholder and a member of the American Institute of Certified Public Accountants. Ms. Chiu is a member of the 12th Changzhou Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. Ms. Chiu is the daughter of Mr. Chiu Kwok Hung, Justin, Chairman of the Manager.

LIM Lee Meng, aged 54, has been a Director since 2003. He is an Independent Director and the Chairman of the Audit Committee. He is also currently a senior partner of RSM Chio Lim, a member firm of RSM International. Mr. Lim is also an independent director of Teckwah, Datapulse Technology Limited ("**Datapulse**"), Tye Soon Ltd, Europtronic Group Ltd ("**Europtronic**") and ARA Trust Management (Suntec) Limited (the manager of Suntec REIT). He also serves as the chairman of the audit committees of Teckwah, Datapulse and Europtronic. Mr. Lim is also a practising member of the Institute of Certified Public Accountants of Singapore, an associate member of the Institute of Chartered Secretaries and Administrators and a member of the Singapore Institute of Directors. He is also the chairman of Yio Chu Kang Citizen Consultative Committee and the chairman of the finance committee of Ang Mo Kio — Yio Chu Kang Town Council.

Mr. Lim graduated from the Nanyang University of Singapore with a Bachelor of Commerce (Accountancy) degree in May 1980. He also holds a Master of Business Administration degree from the University of Hull (1992), a Diploma in Business Law from the National University of Singapore (1989) and an ICSA qualification from the Institute of Chartered Secretaries and Administrators.

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CHENG Mo Chi, Moses, aged 60, has been a Director since 2003. He is an Independent Director and a member of the Audit Committee. He is also an independent non-executive director of ARA, the holding company of the Manager, which is also listed on the Main Board of SGX-ST. Dr. Cheng is the Senior Partner of the law firm of Messrs. P.C. Woo & Co. and also serves as an independent non-executive director of a number of companies listed on the Main Board of Hong Kong Stock Exchange including the Hong Kong Exchanges and Clearing Limited, K. Wah International Holdings Limited, China COSCO Holdings Company Limited, China Mobile Limited, China Resources Enterprise Limited, Towngas China Company Limited, Kader Holdings Company Limited, Liu Chong Hing Investment Limited, City Telecom (H.K.) Limited, Guangdong Investment Limited and Tian An China Investments Company Limited. Between 1991 and 1995, he was appointed and served as a member of the Legislative Council of Hong Kong. In recognition of his public services, he was awarded an OBE by Her Majesty the Queen of the United Kingdom and appointed a Justice of Peace by the Hong Kong Government in 1997. He was also awarded the Gold Bauhinia Star medal by the HKSAR Government in 2003.

Dr. Cheng has been actively participating in community services. At the moment, he is the Chairman of the Education Commission, the Advisory Committee on Post-office Employment for Former Chief Executives and Politically Appointed Officials and the Advisory Committee on Post-service Employment of Civil Servants. He is the Founder Chairman of The Hong Kong Institute of Directors of which he is now the Honorary President and Chairman Emeritus. In addition, he is an active Rotarian and served as District Governor of Rotary International District 3450 from 1993 to 1994. Further, he is also an active member of the Anglican Church and is the Chancellor of the Province of the Hong Kong Sheng Kung Hui.

Dr. Cheng holds a Bachelor of Laws from the University of Hong Kong and a Post-Graduate Certificate in Laws from the University of Hong Kong.

SNG Sow-Mei (alias POON Sow Mei), aged 68, has been a Director since 2003. She is an Independent Director. She is also a non-executive independent director and audit committee member of CK Infrastructure, an independent director and audit committee member of ARA Trust Management (Suntec) Limited (the manager of Suntec REIT) and ARA Asset Management (Prosperity) Limited (the manager of Prosperity REIT). Since 2001, Mrs. Sng has been the senior consultant (international business) of Singapore Technologies Electronics Ltd. Concurrently she is the adviser of InfoWave Pte Ltd and Director of INFA Systems Ltd.

Prior to her appointments with Singapore Technologies Pte Ltd, where she was director, special projects for North East Asia during 2000 and 2001, Mrs. Sng was the managing director of CapitaLand Hong Kong Ltd for investment in Hong Kong and the region including Japan and Taiwan. In Hong Kong from 1983 to 1997, Mrs. Sng was the centre director and then regional director of the Singapore Economic Development Board and Trade Development Board respectively. She was Singapore's Trade Commissioner in Hong Kong from 1990 to 1997.

Mrs. Sng, who holds a Bachelor of Arts degree from the Nanyang University of Singapore, has wide experience in various fields of industrial investment, business development, strategic and financial management, especially in property investment and management. In 1996, Mrs. Sng was conferred the title of PPA (P) — Pingat Pentadbrian Awam (Perak), the Singapore Public Administration Medal (Silver).

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MA Lai Chee, Gerald, aged 42, has since April 2008 been an alternate Director to Mr. Ip Tak Chuen, Edmond, a Director. He is currently director, corporate strategy unit and chief manager, corporate business development at Cheung Kong. He is also a director of AMTD Financial Planning Limited, iBusiness Corporation Limited, CK Communications Limited, Beijing Net-Infinity Technology Development Co. Ltd., and mReferral Corporation (HK) Limited. He also serves as a non-executive director of ARA Asset Management (Prosperity) Limited (the manager of Prosperity REIT). Mr. Ma is an alternate director to Mr. Ip Tak Chuen, Edmond, director of ARA Trust Management (Suntec) Limited (the manager of Suntec REIT) and an alternate director to Mr. Dominic Lai, non-executive director of Hutchison Telecommunications Hong Kong Holdings Limited (“HTHKH”). Cheung Kong, Prosperity REIT and HTHKH are listed on the Main Board of Hong Kong Stock Exchange. Suntec REIT is listed on the Main Board of SGX-ST.

Mr. Ma has over 20 years of experience in banking, investment and portfolio management, real estate development and marketing, as well as managing IT related ventures and services. He is a member of the Hospitality Services Committee for Caritas Hong Kong and a member of the Finance Committee of the Scout Association of Hong Kong. He is also a member of the Chancellor’s Circle of the University of British Columbia, Canada (“UBC”) and a member of the Dean’s Advisory Board for the Faculty of Arts of UBC. He holds a Bachelor of Commerce degree in Finance and a Master of Arts degree in Global Business Management.

12.4 INDEPENDENCE OF DIRECTORS

In assessing the independence of the non-executive Directors, the Audit Committee will take into account various factors, none of which is necessarily conclusive. Independence is more likely to be questioned if the director:

- (a) holds more than 1% of the total issued Units (including Units held legally or beneficially by the director, together with the total number of Units which may be issued to the director or his nominee upon the exercise of any outstanding options, convertible securities and other rights (whether contractual or otherwise) to call for the issue of Units). Any candidate for appointment who holds an interest of more than 1% must satisfy the Audit Committee, prior to the appointment, that he or she is independent. A candidate holding 5% or more would not normally be considered to be independent;
- (b) has received an interest in the Units as a gift, or by means of other financial assistance, from Fortune REIT or a connected person (as defined in the REIT Code) of Fortune REIT (however, subject to the limit set out in paragraph (a) above). The director will still be considered independent if he/she receives Units from Fortune REIT (but not from connected persons of Fortune REIT) as part of his/her director’s fee or pursuant to option schemes;
- (c) is a director, partner or principal of a professional adviser which currently provides or has within one year immediately prior to the date of his/her proposed appointment or the proposed date of the listing of the Units, whichever is later, provided services, or is an employee of such professional adviser who is or has been involved in providing such services during the same period, to:
 - (i) Fortune REIT or any connected person of Fortune REIT; or

THE MANAGER

- (ii) any person who was a chief executive or a director (other than an independent non-executive director) of the Manager within one year immediately prior to the date of the proposed appointment or the proposed date of the listing of the Units, whichever is later, or any of their associates (as defined in the REIT Code);
- (d) has a material interest in any principal business activity of or is involved in any material business dealings with Fortune REIT or any connected person of Fortune REIT;
- (e) is on the board specifically to protect the interests of an entity whose interests are not the same as those of the Unitholders as a whole;
- (f) is or was connected with a director or the chief executive of the Manager, or a significant holder of Fortune REIT, within two years immediately prior to the date of his/her proposed appointment or the proposed date of the listing of the Units, whichever is later;
- (g) is, or has at any time during the two years immediately prior to the date of his/her proposed appointment or the proposed date of the listing of the Units, whichever is later, been, an executive or director (other than an independent non-executive director) of the Manager or any other connected person of Fortune REIT;
- (h) is financially dependent on Fortune REIT or any connected person of Fortune REIT;
- (i) was employed by the Manager or any of its related companies for the current or any of the past three financial years;
- (j) has an immediate family member, i.e. spouse, child, adopted child, step-child, brother, sister and parent who is, or has been in any of the past three financial years, employed by the Manager or any of its related companies as a senior executive officer whose remuneration is determined by the remuneration committee;
- (k) or an immediate family member, i.e. spouse, child, adopted child, step-child, brother, sister and parent, accepts any compensation from the Manager or any of its related companies other than compensation for board service for the current or immediate past financial year; or
- (l) or an immediate family member, i.e. spouse, child, adopted child, step-child, brother, sister and parent, is a substantial shareholder of or a partner in (with 5% or more stake), or an executive officer of or a director of any for-profit business organization to which the Manager or any of its subsidiaries made, or from which the Manager or any of its subsidiaries received, significant payments in the current or immediate past financial year. As a guide, payments aggregated over any financial year in excess of S\$200,000 should generally be deemed significant.

THE MANAGER

12.5 ROLES OF THE EXECUTIVE OFFICERS OF THE MANAGER

The **Chief Executive Officer** and **Deputy Chief Executive Officer** of the Manager are jointly responsible for working with the Board of Directors to determine the strategy for Fortune REIT.

The Chief Executive Officer and Deputy Chief Executive Officer are also responsible for the day-to-day operations of Fortune REIT, investment proposals, strategic planning and marketing. The roles of the Chief Executive Officer and Deputy Chief Executive Officer will be performed in the Manager's offices in Singapore and in Hong Kong respectively, where they will work with the other members of the Manager's asset management, investment, investor relations, legal, financial and compliance personnel in Hong Kong and Singapore in meeting the investment objectives of Fortune REIT. See section 14.11 ("Corporate Governance — Communication between Fortune REIT's Hong Kong and Singapore Offices") of this document for further information.

The **Senior Asset Manager** is primarily responsible for the business plans of Fortune REIT's properties with short, medium and long-term objectives, with a view to maximising the rental income of Fortune REIT via active asset management. The Senior Asset Manager works closely with the Property Manager to formulate asset enhancement strategies and to develop strategies to meet profit targets of the Properties. The Senior Asset Manager is also responsible for directing the development and implementation of marketing strategies and business development plans with the Property Manager.

The **Senior Investment and Investor Relations Manager** is primarily responsible for formulating and implementing Fortune REIT's investment strategy and policy and analysing the impact on the portfolio of acquisition and development opportunities and their financing and ensuring Fortune REIT's exposure to risk is appropriately managed. The Senior Investment and Investor Relations Manager is also responsible for external communications and managing relationships with the media, and for communications with Unitholders to provide regular and transparent disclosures and other communications to Unitholders and the market.

The **Finance Manager** is primarily responsible for ensuring effective and efficient financial management, including statutory reporting, financial and management accounting, taxation, and cash flow management for Fortune REIT. The work of the Finance Manager will also cover the projection of rental returns, accounting for rental collections and operating expenses incurred in the course of managing and operating the properties of Fortune REIT. The Finance Manager is also responsible for overseeing the preparation of financial statements, maintaining capital expenditure controls and ensuring that accounting records are prepared, maintained and reported in accordance with IFRS.

The Manager will outsource the **Compliance Managers** from ARA, the parent of the Manager. The Compliance Managers are responsible for ensuring that in managing the affairs of Fortune REIT, the Manager complies with the Trust Deed and the Applicable Rules. They are also responsible for ensuring that the Manager is kept up-to-date with any changes in applicable laws, rules and regulations that relate to compliance matters. Working together, the Compliance Managers (one based in Singapore and the other based in Hong Kong) will establish an effective compliance framework and conduct regular compliance reviews to monitor its implementation. The Compliance Managers are responsible for identifying contingency events and escalating them to the appropriate level within the Manager.

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The **Internal Auditor** of the Manager is responsible for reviewing the accuracy and completeness of records of all operations and transactions of Fortune REIT and ensuring that the Manager's internal control system functions properly. They are also responsible for reviewing and making recommendations to the Board or the Audit Committee, as the case may be, to ensure effective segregation of duties and operation functions of the Manager, and ensure effectiveness and accuracy of the reporting of irregularities and infringements of the Manager's operation and compliance procedures. The Internal Auditor of the Manager will be outsourced from BDO Limited, an independent third party, which is a member firm of BDO International. Under the outsourcing arrangements, the Internal Auditor, who will generally be engaged to perform the internal audit function for a particular year, will be paid a fee (calculated on a time-basis and paid out of the Deposited Property) for discharging such obligations. Further information regarding the Internal Auditors and the reasons for their selection is contained in section 14.7 ("Corporate Governance — Internal Controls").

12.6 EXECUTIVE OFFICERS

Information on the working experience of the Executive Officers of the Manager is set out below.

Mr. Ang Meng Huat, Anthony is the Chief Executive Officer of the Manager. Details of his working experience are set out in section 12.3 ("The Manager — Board of Directors of the Manager") above.

Ms. Chiu Yu, Justina is the Deputy Chief Executive Officer of the Manager. Details of her working experience are set out in section 12.3 ("The Manager — Board of Directors of the Manager") above.

Ms. Hung Yuen Chun, Jenny joined the Manager in 2006. She is the Senior Investment and Investor Relations Manager and a Responsible Officer of the Manager. Ms. Hung is responsible for communicating and liaising with Unitholders and investors of Fortune REIT. Ms. Hung is also responsible for identifying, researching and evaluating potential acquisitions or divestments which are consistent with the Manager's investment strategy with a view to enhance Fortune REIT's returns to Unitholders. Ms. Hung has more than 10 years experience in the real estate industry with exposure to the Hong Kong and People's Republic of China ("PRC") markets.

Prior to joining the Manager, Ms. Hung worked with Cheung Kong (Holdings) Limited from 2000 to 2006 as Assistant Manager, Market Research. She was involved in market analysis and formulation of marketing strategies for the launch of new residential projects as well as undertaking feasibility studies, deal structuring and negotiations for potential investments in Hong Kong and PRC. From 1999 to 2000, Ms. Hung was the Manager, Valuation Advisory Services in Jones Lang LaSalle, where she was involved in asset valuation and development advisory works. Ms. Hung started her career in the Hong Kong SAR Government Lands Department in 1997 after obtaining a Bachelor of Science degree in Surveying (First Class Honours) from the University of Hong Kong. She is a qualified General Practice Surveyor and an associate member of the Hong Kong Institute of Surveyors.

Ms. Lau Wing Han, Vivian joined the Manager in 2009. She is the Senior Asset Manager of the Manager and is responsible for the property management and strategic planning of the Properties.

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Prior to joining the Manager, Ms. Lau was the assistant general manager of a local developer, responsible for the overall performance of a portfolio of properties, including shopping arcades and retail space, commercial offices and service apartments in Hong Kong. She has also worked in the Real Estate Department and as head of the Collateral Appraisal Department of Hang Seng Bank Limited for over eight years, where she acquired experience in property management, building renovation, marketing and leasing of bank and non-bank properties, and mortgage valuations.

Ms. Lau holds a Master Degree of Housing Management and is a qualified General Practice Surveyor and an associate member of the Hong Kong Institute of Surveyors and a member of the Hong Kong Institute of Housing.

Mr. Lam Wai Man, Simon joined the Manager in 2008. He is the Finance Manager of the Manager. He is primarily responsible for the full spectrum of the financial functions, including financial management, taxation, treasury, internal control, compliance, investment and acquisition of Fortune REIT.

Mr. Lam has over 10 years of commercial experience in finance across the industries of real estate development, hotel, travel and F&B management. He was the Financial Controller of a private fund and real estate development company in the region prior to joining the Manager. Mr. Lam was the Operations Controller of a Singapore-based F&B restaurant chain focusing on the internal control functions of the company.

Mr. Lam is a Hong Kong citizen. He holds a degree in the Bachelor of Business and Master in Business Administration. He is also a member with the CPA Australia.

Mr. Tang Boon Kang has been the Singapore-based Compliance Manager of the Manager since 2010. He has also been the Head of Group Risk Management and Internal Audit Division of ARA since 2009. Prior to joining ARA, Mr. Tang was an Audit Manager with PricewaterhouseCoopers LLP Singapore. Mr. Tang was with PricewaterhouseCoopers for eight years including two years in London with PricewaterhouseCoopers London.

Mr. Tang is a Chartered Accountant of The Institute of Chartered Accountants in England and Wales and holds a Bachelor Degree of Accounting (First Class Honours).

Ms. Au Ka Yee, Irene has been the Hong Kong-based Compliance Manager of the Manager since 2010. She has also been the Legal and Compliance Manager of ARA Asset Management (Prosperity) Limited (the manager of Prosperity REIT) since 2007. Prior to joining ARA, Ms. Au was a solicitor in private practice for over eight years. She holds a Bachelor of Laws degree and a Postgraduate Certificate in Laws.

Apart from being a solicitor of the High Court of HKSAR, she is also an associate of the Chartered Institute of Arbitrators, East Asia Branch.

12.7 MANAGER'S FEES

12.7.1 Management Fees

The Manager is entitled to the following management fees:

- (a) a base fee which is 0.3% per annum of the Property Values ("**Manager's Base Fee**"); and
- (b) an annual performance fee of 3% per annum from each of the Property Companies of the Net Property Income of the relevant Property Company ("**Manager's Performance Fee**").

The Manager's Base Fee will be paid quarterly in arrears. The Manager's Performance Fee will be paid monthly in arrears.

The Manager's Base Fee payable to the Manager will be in the form of Units. Pursuant to the Trust Deed, the Manager may elect to receive such Units as Units listed on the SGX-ST or Units listed on the Hong Kong Stock Exchange. The Manager shall receive such number of Units as may be purchased for the relevant amount of the Manager's Base Fee at the prevailing market price on the SGX-ST (in respect of Units listed on the SGX-ST) or the prevailing market price on the Hong Kong Stock Exchange (in respect of Units listed on the Hong Kong Stock Exchange), as the case may be, at the time of the issue of such Units.

If the relevant thresholds for issue of Units without Unitholders' approval are exceeded and the Unitholders' approval is not obtained, then payment of that excess part of the Manager's Base Fee will be paid to the Manager in the form of cash.

Units issued to the Manager in payment of the Manager's Base Fee are equally entitled to, as with all other Units, any distribution to be made thereon.

Subject to certain restrictions described in section 14.10 ("Corporate Governance — Interests of, and dealings in units by, Directors, the Manager or the Significant Unitholders") and other restrictions contained in the Property Funds Appendix, the Manager may, at its option, sell any such Units issued and is entitled to keep any gains made on such sale for its own account.

Any increase in the rate or any change in the structure of the Manager's management fees must be approved by an Extraordinary Resolution of Unitholders passed at a Unitholders' meeting duly convened under the provisions of the Trust Deed.

12.7.2 Acquisition Fee and Divestment Fee

The Manager is also entitled to:

- (a) an acquisition fee of 1% of the acquisition price for any real estate purchased directly or indirectly by Fortune REIT (pro-rated if applicable to the proportion of Fortune REIT's interest in the real estate acquired) ("**Acquisition Fee**"). The Acquisition Fee is payable as soon as practicable after completion of the acquisition; and

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- (b) a divestment fee of 0.5% of the sale price of any real estate directly or indirectly sold or divested by Fortune REIT (pro-rated if applicable to the proportion of Fortune REIT's interest in the real estate sold) ("**Divestment Fee**"). The Divestment Fee is payable as soon as practicable after completion of the divestment.

Pursuant to the Trust Deed, the Manager may elect to be paid the Acquisition Fee and/or Divestment Fee in the form of cash and/or Units. Should the Manager elect to receive Units, the Manager may also elect to receive such Units as Units listed on the SGX-ST or Units listed on the Hong Kong Stock Exchange.

The Manager shall give the Unitholders at least one month's prior written notice of any increase in the rate of the Acquisition Fee or Divestment Fee that the Manager proposes to charge from time to time up to (but not exceeding) the maximum limits described above.

Any payment to third party agents or brokers in connection with the acquisition or divestment of any real estate for Fortune REIT shall be paid by the Manager to such persons out of the Acquisition Fee or the Divestment Fee received by the Manager, and not additionally out of the Deposited Property of Fortune REIT or, as the case may be, out of the assets of the relevant Property Companies which hold or own such real estate.

The Trustee, acting in consultation with the Manager, may on the recommendation of tax advisers, authorise the payment of any Acquisition Fee or Divestment Fee, either at the level of Fortune REIT or the relevant Property Company.

Any increase in the maximum permitted level of the Acquisition Fee or Divestment Fee must be approved by an Extraordinary Resolution of Unitholders passed at a Unitholders' meeting duly convened under the provisions of the Trust Deed. The notice period for such increase is 21 days.

12.8 RETIREMENT OR REMOVAL OF THE MANAGER

The Manager shall have the power to retire subject to: (a) the Manager selecting a new manager duly qualified under the Applicable Rules and acceptable to the Trustee and the SFC; and (b) the retirement not adversely affecting the interests of Unitholders in any material respect. Upon the retirement of the Manager, the Trustee shall appoint the new manager as soon as possible.

Also, the Manager may be removed by notice given in writing by the Trustee if:

- (a) the Manager goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Trustee), becomes bankrupt or if a receiver is appointed over any of its assets or a judicial manager is appointed in respect of the Manager;
- (b) the Manager ceases to carry on business;
- (c) the Manager fails or neglects after reasonable notice from the Trustee to carry out or satisfy any material obligation imposed on the Manager by the Trust Deed;

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- (d) the Unitholders, by a resolution passed by a simple majority of Unitholders present and voting (with no Unitholders being disenfranchised) at a meeting of Unitholders, of which not less than 21 days' notice has been given to the Manager and the Trustee shall so decide;
- (e) Unitholders representing at least 75% in value of the Units outstanding (excluding those held or deemed to be held by the Manager, as well as by any Unitholders who may have an interest in retaining the Manager) deliver to the Trustee a written request to dismiss the Manager;
- (f) for good and sufficient reason the Trustee is of the opinion, and so states in writing, that a change of the Manager is desirable in the interests of the Unitholders;
- (g) the MAS directs the Trustee to remove the Manager; or
- (h) if any Competent Authority withdraws its approval of the Manager to act as manager of Fortune REIT.

Where the Manager is removed under sub-paragraph (f) above, the Manager has a right under the Trust Deed to refer the matter to arbitration. Any decision made pursuant to such arbitration proceedings is binding upon the Manager, the Trustee and all Unitholders.

12.9 EXCLUSION OF LIABILITY

In the absence of fraud, negligence, wilful default or breach of the Trust Deed, the Manager shall not incur any liability by reason of any error of judgement or any matter or thing done or suffered or omitted to be done by it in good faith under the Trust Deed. In addition, the Manager shall be entitled, as an indemnity against any actions, costs, claims, damages, expenses or demands to which it may be put as manager of Fortune REIT, to have recourse to the assets of Fortune REIT or any part thereof, save where such action, cost, claim, damage, expense or demand is occasioned by fraud, negligence, wilful default or breach of the Trust Deed by the Manager.

Without in any way affecting the generality of its powers, the Manager in managing Fortune REIT and in carrying out and performing the duties and obligations on its part contained in the Trust Deed may, with the written consent of the Trustee, appoint such person or persons to exercise any or all of its powers and discretions and to perform all or any of its obligations under the Trust Deed, provided that the Manager shall be liable for all acts and omissions of such person(s) as if such acts or omissions were its own acts or omissions.

THE PROPERTY MANAGER

13.1 THE PROPERTY MANAGER OF FORTUNE REIT

The Property Manager, Goodwell-Fortune Property Services Limited, is a wholly-owned subsidiary of Goodwell Property, an indirect wholly-owned subsidiary of Cheung Kong and a connected person of Fortune REIT. The Property Manager was incorporated in Hong Kong on 28 March 2003. Goodwell Property was granted ISO 9001: 2000 (All Properties) certification in December 2002 and further obtained the "Integrated Management System" (IMS) (All Properties) accreditation in December 2007.

The Manager, the Trustee and the Property Manager have entered into the Property Management Agreement under which the Property Manager provides on a non-exclusive basis the following services for properties of Fortune REIT located in Hong Kong, subject to the overall management of the Manager:

- (a) *Property management services.* These include co-ordinating tenants' fitting out requirements, recommending third party contracts for the provision of property management (including parking facilities management), maintenance services, supervising the performance of service providers and contractors, arranging for adequate insurance and ensuring compliance with building and safety regulations.
- (b) *Lease management services.* These include administration of rental collection, management of rental arrears, initiating lease renewals and negotiation of terms.
- (c) *Marketing services.* These include providing marketing and marketing co-ordination services.

The Property Manager may provide services similar to the services covered under the Property Management Agreement to other parties operating in a similar business as the Property Companies, or in other businesses. Based on information available to the Manager, the Manager understands that currently, the Property Manager does not provide such services to other parties and that in future, if the Property Manager provides services to other parties, it will have a dedicated team that acts exclusively for Fortune REIT. Further, under the Property Management Agreement, the Property Manager is specifically required to (and to procure its employees and agents to) keep confidential relevant information which it may acquire, and shall not use or disclose such information.

See the section 16.2 ("Material and Other Agreements Relating to Fortune REIT — Property Management Agreement") in this document for further details.

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13.2 MANAGEMENT REPORTING STRUCTURE OF THE PROPERTY MANAGER



13.3 DIRECTORS AND EXECUTIVE OFFICERS OF THE PROPERTY MANAGER

Mr. Ho Kwong Fai has been a Director of the Property Manager since 2003. Mr. Ho is also an Assistant Chief Manager, Building Management of Cheung Kong and a Director of Goodwell-Prosperity Property Services Limited, the property manager of properties held by Prosperity Real Estate Investment Trust. Mr. Ho has over 24 years of experience in building management and holds a Professional Diploma in Real Estate Administration.

Mr. Jim Hung Kin, Jim has been a Director of the Property Manager since 2003. Mr. Jim is also a Director of Goodwell-Prosperity Property Services Limited, the property manager of properties held by Prosperity Real Estate Investment Trust, the General Manager of Citybase Property Management Ltd. since June 2005 and Goodwell Property from June 2002 to May 2005. Mr. Jim has more than 31 years of experience in the property management field. Mr. Jim is a corporate member of Chartered Institute of Housing (MCIH) and Hong Kong Institute of Housing (HKIH).

Mr. Wong Wo Muk, Philip has been a Director of the Property Manager since 2003. Mr. Wong is also a Manager, Building Management of Cheung Kong and a Director of Goodwell-Prosperity Property Services Limited, the property manager of properties held by Prosperity Real Estate Investment Trust. Mr. Wong has over 26 years of experience in building management. He holds a Bachelor of Arts degree with Honours in Business Studies and a Postgraduate Diploma in Surveying (Real Estate Development).

Mr. Leung Siu Por, Dicto has been the Chief Property Manager of the Property Manager since 2003 and the General Manager of the Property Manager since 2006. Mr. Leung leads a team of managers monitoring operating costs and overseeing day-to-day operations of the Properties. As the General Manager of the Property Manager, Mr. Leung is responsible for business development, analysis of key business issues and implementation of strategic business plans to meet with the continual growth of the Property Manager. Mr.

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Leung has more than 28 years of experience in property management, both in private and public sectors. Mr. Leung is a corporate member of Chartered Institute of Housing (MCIH) and holds a Master's Degree in Facilities Management.

13.4 FEES OF THE PROPERTY MANAGER

Under the Property Management Agreement, the Property Manager is entitled to receive from each Property Company, the following fees in relation to the management of the Property owned by the Property Company:

Property Management and Lease Management Services: For the property management and lease management services, the Property Company will pay the Property Manager, a fee of 3% per annum of the Gross Property Revenue of the relevant Property owned by the Property Company.

Marketing Services: For the marketing services provided by the Property Manager on a non-exclusive basis, the Property Company will pay the Property Manager, the following commissions: (a) a commission equivalent to one month's base rent, for securing a tenancy of three years or more; (b) a commission equivalent to one-half month's base rent, for securing a tenancy of less than three years; (c) a commission equivalent to one-half month's base rent, for securing a renewal of tenancy irrespective of duration of the renewal term; and (d) a commission equivalent to 10% of the total licence fee for securing a licence for a duration of less than 12 months (excluding licences for use as showflat granted or to be granted to a subsidiary of Cheung Kong). The Property Manager will not be entitled to any of the above commissions if the tenancy, renewal of tenancy or the licence is secured by a third party agent appointed by the relevant Property Company or the Trustee, upon recommendation of the Manager.

For further information regarding the Property Management Agreement, please see section 16.2 ("Material and Other Agreements Relating to Fortune REIT — Property Management Agreement").

CORPORATE GOVERNANCE

With the objectives of establishing and maintaining high standards of corporate governance, certain policies and procedures have been put in place to promote the operation of Fortune REIT in a transparent manner and with built-in checks and balances. Set out below is a summary of the key components of the corporate governance policies that have been adopted and will be followed by the Manager and Fortune REIT.

14.1 AUTHORIZATION STRUCTURE

Fortune REIT is authorised as a collective investment scheme under section 104 of the SFO. The SFC does not take any responsibility for the financial soundness of Fortune REIT or for the correctness of any statements made or opinions expressed in this document and other documents relating to Fortune REIT. Authorization by the SFC does not imply an official recommendation. Fortune REIT is also authorised as a unit trust scheme in Singapore pursuant to the SFA.

The Manager is licensed to conduct the regulated activity of asset management (Type 9) under Part V of the SFO.

The Manager has three persons who are approved as Responsible Officers, namely Mr. Ang Meng Huat, Anthony, Ms. Chiu Yu, Justina and Ms. Hung Yuen Chun, Jenny pursuant to the requirements of section 125 of the SFO and Chapter 5.4 of the REIT Code, two of whom are executive Directors pursuant to the requirements of section 125 of the SFO.

The Trustee is qualified to act as a trustee for collective investment schemes authorized under the SFO pursuant to the REIT Code.

14.2 ROLES OF THE TRUSTEE AND THE MANAGER

The Trustee and the Manager are independent of each other. The Trustee is responsible under the Trust Deed for the safe custody of the assets of Fortune REIT on behalf of Unitholders. The Manager's role under the Trust Deed is to manage Fortune REIT in accordance with the Trust Deed and, in particular, to ensure that the financial and economic aspects of Fortune REIT's assets are professionally managed in the sole interests of the Unitholders.

14.3 THE BOARD OF DIRECTORS

The Board is responsible for corporate governance and the overall management of the Manager. It establishes goals for the management and monitors the achievement of these goals. The Board is also responsible for the strategic business direction and risk management of Fortune REIT. All Board members participate in matters relating to corporate governance, business operations and risks, financial performance and the nomination and review of directors. The Board has established a framework for the management of the Manager and Fortune REIT, including a system of internal control and a business risk management process.

The Board has adopted a set of internal controls which it believes is adequate and appropriate delegations of authority have been provided to the management to facilitate operational efficiency. Changes to regulations, policies and accounting standards are monitored closely. Where the changes have an important impact on Fortune REIT and its disclosure obligations, Directors are briefed either during a Board meeting, at specially-convened sessions or via circulation of Board papers.

CORPORATE GOVERNANCE

Day-to-day management functions and certain supervisory functions will be delegated to relevant management teams and committees of the Board. The Board will also review major financial decisions and the performance of the Manager.

The Board meets to review the Manager's key activities. Board meetings are held once every quarter (or more often if necessary) to discuss and review the strategies and policies of Fortune REIT, including any significant acquisitions and disposals, the annual budget, the financial performance of Fortune REIT and approve the release of the quarterly, half year and full year results. The Board also reviews the risks to the assets of Fortune REIT, and acts upon any comments from the auditors of Fortune REIT. Where necessary, additional Board meetings would be held to address significant transactions or issues.

The Board presently comprises nine members, three of whom are independent non-executive Directors. The composition of the Board is determined using the following principles:

- (a) the Chairman of the Board should be a non-executive Director;
- (b) the Board should comprise Directors with a broad range of commercial experience including expertise in fund management and the property industry; and
- (c) at least one-third of the Board should comprise independent non-executive Directors, with a minimum of three independent non-executive Directors.

The Board comprises persons who as a group provide core competencies, such as business and management experience, finance, legal and fund management experience necessary and critical to meet the Manager's objectives. Collectively, their diverse corporate experiences and contributions are invaluable to Fortune REIT. The composition of the Board will be reviewed regularly to ensure that the Board has the appropriate mix of expertise and experience.

The Board will review the independence of the independent non-executive Directors annually based on the independence criteria set out in the codes of corporate governance practices applicable to Singapore and Hong Kong from time to time, and those set out in the compliance manual adopted by the Manager. The Board is of the view that the three independent non-executive Directors (who represent one third of the Board) are independent and no individual or small group of individuals dominates the Board's decision-making process.

The positions of Chairman and Chief Executive Officer ("CEO") are held by two separate persons in order to maintain an effective segregation of duties. The Chairman leads the Board discussions and deliberations and is responsible for setting the meeting agenda of Board meetings. He ensures that Board meetings are held when necessary. He promotes high standards of corporate governance and maintains effective communication with Unitholders. The CEO, working with the Deputy CEO, is responsible for the day-to-day management of the Manager and Fortune REIT. They execute the strategic plans set out by the Board and ensure that the Directors are kept updated and informed of Fortune REIT's business via management reports.

The Board is of the view that there are sufficient safeguards and checks to ensure that the decision-making process of the Board is independent and based on the collective decision of the Directors without any individual exercising any considerable concentration of power or influence.

The majority of the Board have been with Fortune REIT for several years and are familiar with their duties and responsibilities as Directors. All Directors are provided with regular updates on changes in the relevant laws and regulations to enable them to make well-informed decisions in discharging their duties and responsibilities. All newly-appointed directors of the Manager will be given letters explaining the terms of their appointment as well as their duties and obligations, and will also be briefed by the management on the business activities of Fortune REIT and its strategic directions.

14.4 AUDIT COMMITTEE

The Board has established an Audit Committee to assist it in discharging its responsibilities. The Audit Committee is appointed by the Board from among its members. The Audit Committee comprises non-executive Directors only, the majority of whom must be independent non-executive Directors. The chairman of the Audit Committee shall be an independent non-executive Director. The Audit Committee meets at least four times a year.

All members of the Audit Committee have many years of experience in senior management positions in both the financial and industrial sectors. The Board is of the view that the Audit Committee members, having accounting and related financial management expertise or experience, are appropriately qualified to discharge their responsibilities.

The role of the Audit Committee is to monitor and evaluate the effectiveness of the Manager's internal controls. The Audit Committee also reviews the quality and reliability of information prepared for inclusion in financial reports. The Audit Committee is responsible for the nomination of external auditors and internal auditors, and reviewing the adequacy of existing audits in respect of cost, scope and performance. The Audit Committee meets with the external auditors, and with the internal auditors, without the presence of the management, at least annually.

The Audit Committee's responsibilities also include:

- (a) reviewing external and internal audit reports to ensure that where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by the management;
- (b) monitoring the procedures in place to ensure compliance with the Applicable Rules;
- (c) reviewing and approving the financial statements and auditors' reports; and
- (d) monitoring the procedures established to regulate connected party transactions of Fortune REIT, including ensuring compliance with the provisions of the Applicable Rules relating to transactions between Fortune REIT and a connected person.

The Audit Committee is authorised to investigate any matters within its terms of reference. It is entitled to full access to and cooperation by the management and enjoys full discretion to invite any Director or executive officer of the Manager to attend its meetings. The Audit Committee has full access to reasonable resources to enable it to discharge its functions properly.

The Audit Committee has put in place a whistle blowing programme. Under this programme, the Audit Committee reviews arrangements, by which staff of the Manager may, in confidence, raise concerns about possible improprieties on matters of financial

reporting or other matters. The objective is to ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action. Details of the whistle blowing programme and arrangements have been made available to all employees of the Manager. To date, there have been no whistle blowing incidents so far as the Manager is aware.

14.5 DISCLOSURES COMMITTEE

The Board has also established a Disclosures Committee to assist it in discharging its responsibilities. The Disclosures Committee is appointed by the Board from among its members. The Disclosures Committee comprises the CEO or the Deputy CEO and two non-executive Directors, one of whom should be an independent non-executive Director. The CEO or Deputy CEO shall be the chairman of the Disclosures Committee.

The Disclosures Committee is responsible for reviewing matters relating to the disclosure of information to Unitholders and public announcements. In particular, the Disclosures Committee's responsibilities include:

- (a) reviewing and recommending to the Board on matters of corporate disclosure issues and announcements regarding (without limitation) financial reporting, connected party transactions and potential areas of conflict of interests;
- (b) overseeing compliance with applicable legal requirements and the continuity, accuracy, clarity, completeness and currency of information disseminated by or on behalf of Fortune REIT to the public and applicable regulatory agencies;
- (c) reviewing and approving all material non-public information and all public regulatory filings of or on behalf of Fortune REIT prior to such information being disseminated to the public or filed with applicable regulatory agencies, as applicable;
- (d) reviewing periodic and current reports, proxy statements, information statements, registration statements and any other information filed with regulatory bodies;
- (e) reviewing press releases containing financial information, information about material acquisitions or dispositions or other information material to Unitholders; and
- (f) reviewing correspondence containing financial information disseminated to Unitholders.

14.6 DESIGNATED COMMITTEE

The Board has also established a Designated Committee to assist it in discharging its responsibilities. The Designated Committee is appointed by the Board from among its members. The Designated Committee comprises the CEO or the Deputy CEO and two non-executive Directors, one of whom should be an independent non-executive Director.

The Designated Committee is responsible for reviewing matters relating to hedging strategies, financing and re-financing arrangements and transactions involving derivative instruments for hedging purposes. The decision(s) made by the Designated Committee have to be unanimous, failing which, the relevant matters must be considered by the full Board.

14.7 INTERNAL CONTROLS

The Manager has put in place a system of internal controls of procedures and processes to safeguard Fortune REIT's assets, Unitholders' interests as well as to manage risks. The Board will, through the Audit Committee, conduct an annual review on the effectiveness of the internal control system of Fortune REIT, which shall cover all material controls including financial, operational and compliance controls and risk management functions. The annual review shall consider the adequacy of resources, qualifications and experience of staff carrying out Fortune REIT's accounting and financial reporting functions, and their training programmes and budget.

The internal audit function of the Manager in Hong Kong is outsourced from BDO Limited, an independent third party, which is a member firm of BDO International. Under the outsourcing arrangements, the internal auditor, who will generally be engaged to perform the internal audit functions for a particular year, will be paid a fee (calculated on a time-basis) for discharging such obligations.

The Audit Committee is satisfied that the internal auditor have met the standards set by internationally recognised professional bodies including the Standards for the Professional Practise of Internal Auditing set by The Institute of Internal Auditors. The internal auditor reports directly to the Audit Committee on audit matters, and to the Board on administrative matters. The Audit Committee also reviews and approves the annual internal audit plan and reviews the internal audit reports and activities.

The functions of internal audit include reviewing and making recommendations to the Board or the Audit Committee (as the case may be) to ensure effective segregation of duties and operational functions of the Manager and the effectiveness and accuracy of reporting of irregularities and infringements of the Manager's operational and compliance procedures.

14.8 RISK ASSESSMENT AND MANAGEMENT OF BUSINESS RISK

Effective risk management is a fundamental part of Fortune REIT's business strategy. Recognising and managing risk is central to the business and to protecting Unitholders' interests and value. Fortune REIT operates within overall guidelines and specific parameters set by the Board. Each transaction is comprehensively analysed to understand the risks involved. Responsibility for managing risks lies initially with the business unit concerned, working within the overall strategy outlined by the Board.

The Board meets quarterly or more often if necessary and reviews the financial performance of Fortune REIT. The Board also reviews the risks to the assets of Fortune REIT, and acts upon any comments of the auditors of Fortune REIT. In assessing business risk, the Board considers the economic environment and the property industry risk. The management meets weekly to review the operations of Fortune REIT and discuss continuous disclosure issues.

Key risks, control measures and management actions are continually identified, reviewed and monitored by the management as part of Fortune REIT's enterprise-wide risk management framework. The internal auditor assists and guides the management in the formulation of risk policies and processes to effectively identify, evaluate and manage significant risks.

14.9 CONFLICTS OF INTEREST

The Manager has instituted the following procedures to deal with potential conflict of interest issues which the Manager may encounter in managing Fortune REIT:

- (a) The Manager will be a dedicated manager to Fortune REIT and will not manage any other real estate investment trust which invests in the same type of properties as Fortune REIT or be involved in any other property business.
- (b) The entry into any connected party transaction of Fortune REIT must be reviewed and/or approved by the Audit Committee by a majority vote.
- (c) At least one-third of the Board shall comprise independent non-executive Directors.

It is also provided in the Trust Deed that as and to the extent required by the REIT Code or any conditions of waivers and exemptions from the operation of the REIT Code granted by the SFC from time to time, the Trustee shall take actions or commence proceedings on behalf of the Trust as necessary, including action against the Manager or other connected persons or (upon request in writing by the Manager) action against any other person including against the Trustee Connected Persons (as defined in section 17.1.1 ("Continuing Connected Party Transactions — Connected Persons of Fortune REIT") of this document in relation to any transactions or agreements entered into by the Trustee for and on behalf of Fortune REIT with such persons. However, the Trustee shall have discretion to refrain from taking actions or commencing proceedings after consultation with the Manager if it considers in its absolute discretion that such action is not in the best interests of the Unitholders.

Under the Trust Deed, any Unitholder shall be prohibited from voting its own Units at, or being counted in the quorum for, a meeting at which it has a material interest in the business to be conducted and that interest is different from the interests of other Unitholders (as determined by the Manager, where the Unitholder concerned is not a connected person related to the Manager, or the Trustee, where the Unitholder concerned is not a connected person related to the Trustee, if appropriate, in its absolute opinion) including an issue of new Units where a Unitholder may increase its holdings of Units by more than its pro rata share.

14.10 INTERESTS OF, AND DEALINGS IN UNITS BY, DIRECTORS, THE MANAGER OR THE SIGNIFICANT UNITHOLDERS

To monitor and supervise any dealings of Units, the Manager has adopted a code containing rules on dealings by the Directors and the Manager. Pursuant to this code, any Directors or the Manager wishing to deal in the Units must first have regard to provisions analogous to those set out in Parts XIII and XIV of the SFO with respect to insider dealing and market misconduct.

Directors who are aware of or privy to any negotiations or agreements related to intended acquisitions or disposals which are significant transactions or any price-sensitive information must refrain from dealing in the Units as soon as they become aware of them or privy to them until proper disclosure of the information in accordance with the Applicable Rules. Directors who are privy to relevant negotiations or agreements or any

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price-sensitive information should caution those Directors who are not so privy that there may be unpublished price-sensitive information and that they must not deal in the Units for a similar period.

Similarly, where the Manager is in possession of any unpublished price-sensitive information, it must refrain from dealing in the Units as soon as it becomes aware of them or privy to them until proper disclosure of the information in accordance with the Applicable Rules.

The Manager or any Director must not deal in any of the Units on any day on which Fortune REIT's financial results are published and: (a) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and (b) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results, unless the circumstances are exceptional. In any event, in the case of dealings by a Director or the Manager, the Directors or the Manager must comply with the procedure set out in the code containing rules on dealings by the Directors and the Manager adopted by the Manager.

This code may also be extended to senior executives, officers and other employees of the Manager as the Board may determine.

The Manager has also adopted procedures for monitoring the disclosure of interests by Directors, the chief executive, and the Manager. The relevant provisions of the SFO and the applicable Singapore rules and regulations shall be deemed to apply to the Manager, the Directors, the chief executive and each Unitholder and all persons claiming through or under him.

Under the Trust Deed, Unitholders with a holding of 5% or more of the Units in issue will have a notifiable interest and will be required to notify the Hong Kong Stock Exchange, the Trustee and the Manager of their holdings in Fortune REIT. The Manager shall keep a register for these purposes and it shall record in the register, against a person's name, the particulars provided pursuant to the notification and the date of entry of such record. The said register shall be available for inspection by the Trustee and any Unitholder at any time during business hours upon reasonable notice to the Manager.

14.11 COMMUNICATION BETWEEN FORTUNE REIT'S HONG KONG AND SINGAPORE OFFICES

As the management and operations of Fortune REIT are overseen and conducted by the Manager's management teams and staff located in Hong Kong and Singapore, the Manager will ensure that both offices work as a fully integrated team and communicate regularly and work closely together in meeting the investment objectives of Fortune REIT.

14.12 KEEPING OF FORTUNE REIT'S RECORDS

An up to date set of key documents will be stored in the Manager's premises in Singapore and Hong Kong. Pursuant to the SFO, the Manager will seek the approval of the SFC if it changes the address at which any records are kept.

14.13 COMMUNICATION WITH UNITHOLDERS

The Applicable Rules require that a listed entity disclose to the market matters that would be likely to have a material effect on the price of the entity's securities. The Manager upholds a strong culture of continuous disclosure and transparent communication with Unitholders and the investing community. The CEO, the Deputy CEO together with the Senior Investment and Investor Relations Manager oversee this function. The Manager's disclosure policy requires timely and full disclosure of all material information relating to Fortune REIT by way of public releases or announcements through the SGX-ST and the Hong Kong Stock Exchange at the first instance and then including the releases on Fortune REIT's website at www.fortunereit.com.

The Manager also conducts regular briefings for analysts and media representatives, which will generally coincide with the release of Fortune REIT's results. During these briefings, management will review Fortune REIT's most recent performance as well as discuss the business outlook for Fortune REIT.

14.14 REPORTING

Fortune REIT will prepare its accounts in accordance with IFRS with a financial year end of December 31 and a financial half year of June 30. In accordance with the Applicable Rules and the Trust Deed, the annual report and accounts for Fortune REIT will be published and sent to Unitholders no later than three months following each financial year end and the interim results no later than two months following each financial half year.

It is the aim of the Board to provide Unitholders with a balanced and understandable assessment of Fortune REIT's financial position and prospects. The management will provide the Board with complete and adequate information in a timely manner through regular updates on Fortune REIT's financial results as well as market trends and business development involving Fortune REIT.

14.15 GENERAL MEETINGS

Fortune REIT will in each year hold an annual general meeting in addition to any other general meetings in that year.

The Trustee or the Manager may at any time convene a meeting of Unitholders. The Manager shall also convene a meeting of Unitholders at the request in writing of not less than 50 Unitholders or Unitholders representing not less than 10% of the issued Units. Pursuant to the Trust Deed, at least 14 days' notice of the meeting shall be given to the Unitholders, except that 21 days' notice shall be given to the Unitholders where an Extraordinary Resolution is proposed for consideration at such meeting, and that 20 Business Days' notice shall be given to the Unitholders in respect of an annual general meeting. Also, in compliance with the relevant requirements under Appendix 14 to the Hong Kong Listing Rules, 10 Business Days' notice shall be given to the Unitholders in respect for any general meeting other than an annual general meeting. The notice for each of the above meetings shall specify the time and place of the meeting and the resolutions to be proposed.

The quorum shall be not less than two Unitholders present in person or by proxy registered as holding together not less than: (a) 10% of the Units for the time being in issue and outstanding in the case of an Ordinary Resolution; or (b) 25% of the Units for the time being in issue and outstanding in the case of an Extraordinary Resolution.

14.16 MATTERS TO BE DECIDED BY UNITHOLDERS BY EXTRAORDINARY RESOLUTION

Under the Trust Deed, decisions with respect to certain matters require specific prior approval of Unitholders by way of Extraordinary Resolution. Such matters include: (a) disposal of any land or an interest, option or right over any of the land forming part of the assets of Fortune REIT or shares in any property company holding such land, option or right over any of the land for Fortune REIT within two years of the acquisition of such land; (b) any increase in the rate above the permitted limit or change in structure of the Manager's management fees; (c) any increase in the rate above the permitted limit or change in structure of the Trustee's fees; (d) certain modifications of the Trust Deed; (e) termination of Fortune REIT (except in certain limited circumstances); (f) merger of Fortune REIT; (g) removal of Fortune REIT's auditors and appointment of other auditors; (h) removal of the Trustee; and (i) a change in Fortune REIT's investment policy.

Any decisions to be made by resolution of the Unitholders other than the above shall be made by Ordinary Resolution, unless an Extraordinary Resolution is required by the Applicable Rules (see section 15.9 ("The Trust Deed — Meeting of Unitholders") for examples).

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The Trust Deed is a complex document and the following is a summary only. Investors should refer to the Trust Deed itself to confirm specific information or for a detailed understanding of Fortune REIT. A copy of the Trust Deed is available for inspection at the registered office of the Manager in Hong Kong, being Units 5508-10, 55th Floor, The Center, 99 Queen's Road Central, Hong Kong, during normal business hours up to the Listing Date.

15.1 THE TRUST DEED

Fortune REIT is a REIT constituted and governed by the Trust Deed entered into between the Manager and the Trustee, originally dated 4 July 2003 and as amended and restated from time to time. Following the Introduction, Fortune REIT will be regulated by the Applicable Rules.

The terms and conditions of the Trust Deed shall be binding on each Unitholder (and persons claiming through such Unitholder) as if such Unitholder had been a party to the Trust Deed and as if the Trust Deed contained covenants on the part of each Unitholder to observe and be bound by the provisions of the Trust Deed and an authorisation by each Unitholder to do all such acts and things as the Trust Deed may require the Manager and/or the Trustee to do.

The provisions of the Applicable Rules prescribe certain terms that have been included in the Trust Deed and certain rights, duties and obligations of the Manager, the Trustee and the Unitholders that have been included in the Trust Deed.

For the avoidance of doubt, Fortune REIT shall comply with all Applicable Rules, including both Singapore and Hong Kong regulatory requirements insofar as they apply to Fortune REIT.

15.2 REIT STRUCTURE

Fortune REIT was constituted as a unit trust under Singapore law to invest in real estate (either directly or indirectly through special purpose vehicles). The investment objective of Fortune REIT is primarily to own and invest in a portfolio of retail shopping malls located in Hong Kong. The Manager must manage Fortune REIT so that the principal investments of Fortune REIT are real estate. For further details of the investment objectives and policies of the Manager, see section 6 ("Strategy"). The assets of Fortune REIT are held by the Trustee on trust for the benefit of the Unitholders.

15.3 THE UNITS AND UNITHOLDERS

The rights and interests of Unitholders are contained in the Trust Deed. Under the Trust Deed, the Trustee must exercise all due diligence and vigilance in protecting the rights and interests of Unitholders.

Each Unit represents an undivided interest in Fortune REIT. A Unitholder has no equitable or proprietary interest in the underlying assets of Fortune REIT and is not entitled to the transfer to it of any asset (or any part thereof) or of any real estate, any interest in any asset and real estate-related assets (or any part thereof) of Fortune REIT. A Unitholder's right is limited to the right to require due administration of Fortune REIT in accordance with the provisions of the Trust Deed, including, without limitation, by suit against the Manager or the Trustee.

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Unless otherwise expressly provided in the Trust Deed, a Unitholder may not interfere or seek to interfere with the rights, powers, authority or discretion of the Manager or the Trustee, exercise any right in respect of the assets of Fortune REIT or any part thereof or lodge any caveat or other notice affecting the real estate assets and real estate-related assets of Fortune REIT or any part thereof, or require that any Authorised Investment (as defined in the Trust Deed) forming part of the assets of Fortune REIT be transferred to such Unitholder.

15.4 ISSUE OF UNITS

The following is a summary of the provisions of the Trust Deed relating to the issue of Units.

The Manager has the exclusive right to effect, for the account of Fortune REIT, the issue of Units.

New Units may be offered on a *pro rata* basis to all existing Unitholders without the prior approval of Unitholders other than where any such issue increases the market capitalisation of Fortune REIT by more than 50%, in which case such issue shall require the prior approval of Unitholders by Ordinary Resolution at a meeting to be convened by the Manager.

New Units may be offered otherwise than on a *pro rata* basis to all existing Unitholders, without the approval of Unitholders if the issue of new Units during any financial year does not increase the total number of Units from the number of Units that were outstanding at the end of the previous financial year by more than 20% (or such other percentage of outstanding Units as may, from time to time, be prescribed by the SFC). An issue of new Units exceeding this threshold will require specific prior approval of Unitholders by Ordinary Resolution at a meeting to be convened by the Manager in accordance with the provisions of the Trust Deed.

The Manager may effect the issue of Units on behalf of Fortune REIT at an issue price that is: (a) equal to or above the relevant market price; (b) in its discretion, at a discount of no more than 20% to such market price; or (c) where approval by way of an Ordinary Resolution is required to be obtained, on the pricing basis as authorised in such Ordinary Resolution. For this purpose, the relevant market price shall mean the price as determined by the Manager as being the higher of: (a) the closing price of the Units on the Hong Kong Stock Exchange on the date of the relevant agreement or other instrument for the proposed issue of Units; and (b) the average closing price of the Units in the 10 trading days immediately prior to the earlier of: (i) the date of announcement of the proposed issue of Units; (ii) the date of the relevant agreement or other instrument for the proposed issue of Units; and (iii) the date on which the issue price is fixed.

Notwithstanding the above, the Manager shall not: (a) issue Units and/or; (b) issue Units at an issue price, that would result in non-compliance with the other provisions of the Trust Deed in respect of issue of Units, including, but not limited to: (a) the provisions which prohibit the Manager from issuing Units in a number exceeding any limit set out in the Singapore Listing Rules; and (b) the provisions regarding compliance with the Singapore

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Listing Rules as may be applicable in determining the issue price. The main requirements for the issue of Units under the Singapore Listing Rules as at the Latest Practicable Date were as follows:

- (a) The Manager need not obtain the prior approval of Unitholders in a general meeting for the issue of new Units if the Unitholders had by ordinary resolution in a general meeting, given a general mandate to the Directors to issue these new Units.
- (b) A general mandate must limit the aggregate number of Units and convertible securities that may be issued. The limit must be not more than 50% of the total number of issued Units excluding treasury shares, of which the aggregate number of Units and convertible securities issued other than on a *pro rata* basis to existing Unitholders must be not more than 20% of the total number of issued Units excluding treasury shares.
- (c) A general mandate may remain in force until the earlier of the following:
 - (i) the conclusion of the first annual general meeting of Fortune REIT following the passing of the resolution. By an ordinary resolution passed at that meeting, the mandate may be renewed, either unconditionally or subject to conditions; or
 - (ii) it is revoked or varied by ordinary resolution of the Unitholders in general meeting.
- (d) Generally, under the Singapore Listing Rules, an issue of Units must not be priced at more than 10% discount to the weighted average price excluding declared distributions for trades done on the underlying units on the SGX-ST for the full market day on which the placement or subscription agreement is signed, provided that the placees are not entitled to the declared distributions.

Unitholders must hold at least 1,000 Units or such other number of Units as the Manager with prior notification to the Trustee may from time to time determine.

The Manager may, in its absolute discretion, elect not to extend an offer of Units under a rights issue to those Unitholders whose addresses are outside Singapore or Hong Kong. In such event, the rights or entitlement to Units of such Unitholders will be offered for sale by the Manager as the nominee and authorised agent of each such relevant Unitholder and at such price, as the Manager may determine. The Trustee shall have the discretion to impose such other terms and conditions in connection with the such sale as necessary. The proceeds of any such sale, if successful, will be paid to the relevant Unitholders.

15.5 REPURCHASE AND REDEMPTION OF UNITS

The Manager is not obliged to repurchase or cause the redemption of Units. In the event that the Manager decides to make any offer to repurchase or redeem Units, such repurchase or redemption must be effected in compliance with the provisions of the Trust Deed and the Applicable Rules.

15.6 PUBLIC FLOAT REQUIREMENT

The Manager shall use best efforts to ensure that a minimum of 25% (or any other percentage as may be specified or permitted by the SFC from time to time) (the "Public Float Percentage") of the outstanding Units are held in public hands at all times. In the event that the Manager becomes aware that the percentage of the outstanding Units in the public hands has fallen below the Public Float Percentage, the Manager shall use its best efforts to restore the percentage of Units held in public hands to at least the Public Float Percentage. The Manager shall adopt proper internal procedures for monitoring the public float and shall notify the Trustee and the SFC promptly if such percentage falls below the Public Float Percentage.

In addition, under the Singapore Listing Rules, should the percentage of Units in public hands fall below 10%, the SGX-ST may suspend trading of the Units on the SGX-ST, after which the Manager may be allowed a period of three months, or such longer period as the SGX-ST may agree, to raise the public float percentage to at least 10%, failing which Fortune REIT may be delisted from the SGX-ST.

15.7 RIGHTS AND LIABILITIES OF UNITHOLDERS

The key rights of Unitholders include rights to:

- (a) receive income and other distributions attributable to the Units held;
- (b) receive audited accounts and the annual reports of Fortune REIT; and
- (c) participate in the termination of Fortune REIT by receiving a share of all net cash proceeds derived from the realisation of the assets of Fortune REIT less any liabilities, in accordance with their proportionate interests in Fortune REIT.

No Unitholder has a right to require that any asset of Fortune REIT be transferred to it.

Further, Unitholders cannot give any directions to the Trustee or the Manager (whether at a meeting of Unitholders or otherwise) if it would require the Trustee or the Manager to do or omit doing anything which may result in:

- (a) Fortune REIT ceasing to comply with the Applicable Rules; or
- (b) the exercise of any discretion expressly conferred on the Trustee or the Manager by the Trust Deed or the determination of any matter which, under the Trust Deed, requires the agreement of either or both of the Trustee and the Manager.

The Trust Deed contains provisions that are designed to limit the liability of a Unitholder to the amount paid or payable for any Unit. The provisions seek to ensure that if the issue price of the Units held by a Unitholder has been fully paid, no such Unitholder, by reason alone of being a Unitholder, will be personally liable to indemnify the Trustee or any creditor of Fortune REIT in the event that the liabilities of Fortune REIT exceed its assets.

15.8 AMENDMENT OF THE TRUST DEED

Save where an amendment to the Trust Deed has been approved by an Extraordinary Resolution, no amendment may be made to the provisions of the Trust Deed without the prior approval of the Competent Authorities (where required under the Applicable Rules) and unless the Trustee certifies, in its opinion, that such amendment:

- (a) does not materially prejudice the interests of Unitholders and does not operate to release to any material extent the Trustee or the Manager from any responsibility to the Unitholders and does not increase the costs and charges payable from the Deposited Property;
- (b) is necessary in order to comply with applicable fiscal, statutory or official requirements (whether or not having the force of law) including, without limitation, requirements under any Applicable Rules; or
- (c) is made to correct a manifest error.

No such amendment shall impose upon any Unitholder any obligation to make any further payments in respect of its Units or to accept any liability in respect thereof.

15.9 MEETING OF UNITHOLDERS

An annual general meeting shall, in addition to any other meeting, be held once in every calendar year, at such time (within a period of not more than 15 months after the holding of the last preceding annual general meeting) and place as may be determined by the Trustee and the Manager.

A meeting of Unitholders may be convened at any time and place by the Trustee or the Manager. The Manager shall also convene a meeting at the request in writing of not less than 50 Unitholders or Unitholders representing not less than 10% of the issued Units. The party convening the meeting may convene a meeting of Unitholders at such time or place (subject to the provisions of the Trust Deed) as the party convening the meeting may think fit and propose resolutions for consideration at such meeting.

A person nominated in writing by the Trustee shall preside at every meeting and if no such person is nominated or if at any meeting the person nominated shall not be present within 15 minutes after the time appointed for holding the meeting, the Unitholders present shall choose one of their number to be Chairman.

Except as otherwise provided for in the Trust Deed, at least 14 days' notice (not inclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given) of every meeting for an Ordinary Resolution shall be given to the Unitholders, and at least 21 days' notice (not inclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given) of every meeting for an Extraordinary Resolution shall be given to the Unitholders, both in manner provided in the Trust Deed. The notice shall specify the place, day and hour of meeting and the terms of the resolutions to be proposed. A copy of the notice shall be sent by post to the Trustee unless the meeting shall be convened by the Trustee. The accidental omission to give notice to or the non-receipt of notice by any of the Unitholders shall not invalidate the proceedings at any meeting.

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The quorum for any meeting of Unitholders shall be not less than two Unitholders present in person or by proxy registered as holding together not less than: (a) 10% of the Units for the time being in issue and outstanding in the case of an Ordinary Resolution; or (b) 25% of the Units for the time being in issue and outstanding in the case of an Extraordinary Resolution. No business shall be transacted at any meeting unless the requisite quorum is present at the commencement of business.

Any Unitholder shall be prohibited from voting its own Units at, or being counted in the quorum for, a meeting at which it has a material interest in the business to be conducted and that interest is different from the interests of other Unitholders (as determined by the Manager, where the Unitholder concerned is not a connected person related to the Manager, or the Trustee, where the Unitholder concerned is not a connected person related to the Trustee, if appropriate, in its absolute opinion) including an issue of new Units where a Unitholder may increase its holdings of Units by more than its *pro rata* share.

At any meeting, a resolution put to the meeting shall be decided on a poll and the result of the poll shall be deemed to be the resolution of the meeting. On a poll, every Unitholder who is present in person or by proxy, or (being a corporation) is present by one of its officers as its proxy, shall have one vote for every Unit of which it is the Unitholder, provided such Units are fully paid up. Votes cast by or on behalf of Unitholders in contravention of the Applicable Rules shall not be counted. A person need not use all his votes or cast them the same way. An instrument of proxy may be in the usual common form or in any other form which the Trustee shall approve.

A corporation, being a Unitholder, may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of Unitholders. The person so authorised shall, upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

HKSCC Nominees Limited (or any successor thereto) may appoint more than one proxy or corporate representative to attend and vote at Unitholders' meetings as if they were individual Unitholders and such representatives shall not be required to produce any documents of title or notarized authorisation in respect of such appointment. Where a Unitholder is a recognised clearing house (within the meaning of the SFO) or its nominee(s), it may authorise such person or persons as it thinks fit to act as its representative(s) or proxy(ies) at any Unitholders' meeting or any class of Unitholders provided that, if more than one person is so authorised, the authorisation or proxy form must specify the number and class of Units in respect of which each such person is so authorised. The person so authorised will be entitled to exercise the same power on behalf of the recognised clearing house as that clearing house or its nominee(s) could exercise if it were an individual Unitholder.

Under the Trust Deed, decisions with respect to certain matters require specific prior approval of Unitholders by way of Extraordinary Resolution. Such matters include: (a) disposal of any land or an interest, option or right over any of the land forming part of the assets of Fortune REIT or shares in any Property Company holding such land, option or right over any of the land for Fortune REIT within two years of the acquisition of such land; (b) any increase in the rate above the permitted limit or change in structure of the Manager's fees; (c) any increase in the rate above the permitted limit or change in structure of the Trustee's fees; (d) certain modifications to the Trust Deed; (e) termination of Fortune REIT

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(except in certain limited circumstances); (f) merger of Fortune REIT; (g) removal of Fortune REIT's auditors and/or appointment of other auditors; (h) removal of the Trustee; and (i) a change in Fortune REIT's investment policy.

Any decisions to be made by resolution of the Unitholders other than the above shall be made by Ordinary Resolution, unless an Extraordinary Resolution is required by the Applicable Rules. Such matters to be made by Ordinary Resolution include, without limitation: (a) any issue of Units after the Listing Date which will require the approval of Unitholders pursuant to the Trust Deed and/or the Applicable Rules (please see section 15.4 ("The Trust Deed — Issue of Units") for details); (b) the removal of the Manager or Independent Property Valuer; or (c) any connected party transaction within the meaning of the REIT Code.

15.10 POWERS, DUTIES AND OBLIGATIONS OF THE TRUSTEE

The Trustee's powers, duties and obligations are set out in the Trust Deed. These powers and duties include:

- (a) acting as trustee of Fortune REIT and, therefore, safeguarding the rights and interests of the Unitholders;
- (b) holding the assets of Fortune REIT on the trusts contained in the Trust Deed for the benefit of the Unitholders;
- (c) overseeing the activities of the Manager for compliance with the Trust Deed, other relevant constitutive documents and the regulatory requirements applicable to Fortune REIT; and
- (d) taking all reasonable care to ensure that the assets of Fortune REIT are properly segregated and held for the benefit of the Unitholders in accordance with the provisions of the Trust Deed.

The Trustee shall exercise all due diligence and vigilance in carrying out its functions and duties, and in safeguarding the rights and interests of Unitholders.

In the exercise of its powers, the Trustee may (on the recommendation of the Manager in writing) and subject to the provisions of the Trust Deed, acquire or dispose of any real or personal property, borrow and encumber any asset.

The Trustee may, subject to the provisions of the Trust Deed, appoint and engage a person or entity to exercise any of its powers or perform its obligations, and any real estate agents or managers, in relation to the management, development, leasing, purchase or sale of any of real estate assets and real estate-related assets.

Although the Trustee may borrow money for the purpose of Fortune REIT, the Trustee shall take all reasonable care to ensure that the investment and borrowing provisions set out in the Trust Deed and the conditions under which Fortune REIT was authorised by the SFC and MAS are complied with. The Manager must not direct the Trustee to borrow money if upon the effecting of such borrowing, the Aggregate Leverage exceeds 35% (or such other higher or lower percentage as may be permitted by the Property Funds Appendix or as may be specifically permitted by the Competent Authorities), or the Gearing Ratio exceeds 45% (or such other higher or lower percentage as may be permitted by the REIT Code or as may be specifically permitted by the Competent Authorities).

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The Trustee is not personally liable to a Unitholder in connection with the office of the Trustee except in respect of its own fraud, negligence or wilful default, or breaches of the Trust Deed to which the Trustee is a party, or breaches of the Applicable Rules. Any liability incurred and any indemnity to be given by the Trustee shall be limited to the assets of Fortune REIT over which the Trustee has recourse, provided that the Trustee has acted without fraud, negligence, or wilful default, or breaches of the Trust Deed to which the Trustee is a party, or breaches of the Applicable Rules. The Trust Deed contains certain indemnities in favour of the Trustee under which it will be indemnified out of the assets of Fortune REIT for liability arising in connection with certain acts or omissions, provided that the Trustee has acted without fraud, negligence, or wilful default, or breaches of the Trust Deed to which the Trustee is a party, or breaches of the Applicable Rules.

15.11 RETIREMENT AND REPLACEMENT OF THE TRUSTEE

The Trustee may retire or be replaced under the following circumstances:

- (a) The Trustee shall not be entitled to retire voluntarily except upon the appointment, with the prior written consent of the Competent Authorities (where applicable), of a new trustee. The retirement of the Trustee shall take effect at the same time as the new trustee takes up office as the trustee of Fortune REIT.
- (b) The Trustee may be removed by notice in writing to the Trustee by the Manager if:
 - (i) the Trustee goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Manager), becomes bankrupt or if a receiver is appointed over any of its assets or if a judicial manager is appointed in respect of the Trustee;
 - (ii) the Trustee ceases to carry on business;
 - (iii) the Trustee fails or neglects after reasonable notice from the Manager to carry out or satisfy any material obligation imposed on the Trustee by the Trust Deed;
 - (iv) the Unitholders by Extraordinary Resolution duly passed at a meeting of Unitholders held in accordance with the provisions contained in the Trust Deed, and of which at least 21 days' notice has been given to the Trustee and the Manager, shall so decide; or
 - (v) a Competent Authority directs that the Trustee be removed.

15.12 TRUSTEE'S FEE

Fortune REIT currently pays the Trustee a fee equal to 0.03% per annum of the Property Values, payable monthly and subject to a minimum of HK\$50,000 per month. As additional trustee duties are to be carried out following the completion of the Introduction, the Trustee's fees will be increased from 0.03% per annum of the Property Values to 0.035% per annum of the Property Values from the Listing Date. The maximum fee permitted under the Trust Deed is 0.25% per annum of the Property Values. The Trustee shall give at least one month's prior written notice to the Manager and the Unitholders of any increase in the rate of the remuneration of the Trustee that the Trustee proposes to

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charge from time to time up to (but not exceeding) the permitted limit. Any such increase must be approved by the Manager. Any increase in the maximum permitted amount or any change in the structure of the Trustee's fees must be passed by an Extraordinary Resolution. In addition, Fortune REIT has paid the Trustee a one-time inception fee of \$25,000.

15.13 TERMINATION OF FORTUNE REIT

Under the Trust Deed, Fortune REIT is of indeterminate duration but may be terminated as follows.

Fortune REIT will be terminated if it is wound up by a court order or is otherwise terminated by the operation of law. Fortune REIT will also be terminated if for any reason, there is no manager for a period of more than 60 calendar days or such longer period as the Trustee considers appropriate.

Save as described above, the termination of Fortune REIT shall require specific prior approval by Extraordinary Resolution at a meeting to be convened in accordance with the provisions contained in the Trust Deed by the Manager. Where the proposal to terminate Fortune REIT is recommended by the Manager, the Manager and any connected persons of the Manager shall abstain from voting if they hold interests in the Units and if their interest (at the sole determination of the Trustee) in terminating Fortune REIT is different from that of all other Unitholders. The Trustee shall have no liability for any consequence arising out of such termination recommended by the Manager and approved by Extraordinary Resolution in the absence of fraud, bad faith, wilful default or negligence. Upon the Unitholders' approval of the termination of Fortune REIT, no further Units shall be created, issued, cancelled or sold, and no transfer of Units may be registered and no other change to the register may be made without the sanction of the Trustee.

An announcement on the termination of Fortune REIT shall be made by the Manager to the Unitholders as soon as reasonably practicable in accordance with the provisions of the Trust Deed. The Manager shall also serve on Unitholders, within 21 days of the announcement, a circular containing the following information: (a) the rationale for the termination of Fortune REIT; (b) the effective date of the termination; (c) the manner in which the assets of Fortune REIT are to be dealt with; (d) the procedures and timing for the distribution of the proceeds of the termination; (e) a valuation report of Fortune REIT prepared by an approved valuer which is dated not more than three months before the date of the circular; (f) the estimated costs of the termination and who is expected to bear such costs; and (g) such other material information that the Manager determines that the Unitholders should be informed of.

Generally, upon the termination of Fortune REIT, the Trustee shall, subject to any authorisations or directions given to it by the Manager or the Unitholders pursuant to the Trust Deed, and subject to the Applicable Rules, dispose of the Deposited Property and repay any borrowings incurred on behalf of Fortune REIT in accordance with the Trust Deed (together with any interest accrued but remaining unpaid) as well as all other debts and liabilities in respect of Fortune REIT before applying the balance of the Deposited Property to the Unitholders in accordance with their proportionate interests in Fortune REIT. The manner of disposal of the Deposited Property is specified in the Trust Deed, with such manner being subject to the relevant provisions of the REIT Code.

Upon the completion of the liquidation of the assets of Fortune REIT, the following shall be prepared: (a) a Manager's review and comment on the performance of Fortune REIT and an explanation as to how the investments have been disposed of and the

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transaction prices and major terms of disposal; (b) a Trustee's report that the Manager has managed and liquidated the assets of Fortune REIT in accordance with the REIT Code and the provisions of the Trust Deed; (c) financial statements of Fortune REIT which shall be distributed to Unitholders by the Manager within three months of completion of the liquidation of the assets of Fortune REIT and a copy filed with the SFC; and (d) an auditors' report. Following the disposal of the Deposited Property and the distribution of the net cash proceeds derived from the sale or realisation of the Deposited Property, Fortune REIT shall be terminated.

15.14 MERGER OF FORTUNE REIT

The merger of Fortune REIT shall require specific prior approval from the Unitholders by Extraordinary Resolution duly passed at a meeting of Unitholders held in accordance with the provisions contained in the Trust Deed. Where the merger is recommended by the Manager, the Manager and connected persons related to it who hold interests in the Unit shall abstain from voting in circumstances where their interest (at the sole determination of the Trustee) in merging Fortune REIT is different from that of all other Unitholders. Where upon any such merger the Trustee retires, any deed effecting the merger by which the Deposited Property and liabilities of Fortune REIT are so merged shall include indemnification of the Trustee to its satisfaction. In case the merger is recommended by the Manager and approved by Extraordinary Resolution, the Trustee shall cease to be liable for obligations and liabilities of Fortune REIT subsisting at the time of merger to the extent such obligations and liabilities are subsequently discharged from and out of the merged entity, and shall have no other liability for the consequences arising out of such merger of Fortune REIT (other than any liability arising from the fraud, wilful default, bad faith or negligence of the Trustee). No further Units shall be created, issued, cancelled or sold upon the Unitholder's approval of the merger of Fortune REIT.

Any merger of Fortune REIT may only take effect upon the successor entity assuming responsibility for the performance and discharge of all obligations and liabilities of Fortune REIT subsisting at the time of the merger.

An announcement on the merger of Fortune REIT shall be made by the Manager to the Unitholders as soon as reasonably practicable in accordance with the provisions of the Trust Deed. The Manager shall also serve on Unitholders, within 21 days of the announcement, a circular containing the following information: (a) the rationale for the merger of Fortune REIT; (b) the effective date of the merger; (c) the manner in which the assets of Fortune REIT are to be dealt with; (d) the procedures and timing for the issuance or exchange of new Units arising from the merger; (e) a valuation report of Fortune REIT prepared by an approved valuer which is dated not more than three months before the date of the circular; (f) the estimated costs of the merger and who is expected to bear such costs; and (g) such other material information that the Manager determines that the Unitholders should be informed of.

Upon the Unitholders' approval of the merger of Fortune REIT: (a) no further Units shall be created, issued, cancelled or sold; and (b) no transfer of Units may be registered and no other change to the unit registers may be made without the sanction of the Trustee.

Upon the completion of the merger of Fortune REIT, the following shall be prepared: (a) a Manager's review and comment on the performance of Fortune REIT and an explanation as to how the investments have been accounted for in the merged scheme; (b) a Trustee's report that the Manager has managed and merged Fortune REIT in accordance with the REIT Code and the provisions of the Trust Deed; (c) financial statements of Fortune

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REIT which shall be distributed to Unitholders by the Manager within three months of completion of the merger of Fortune REIT and a copy filed with the SFC; and (d) an auditors' report.

15.15 DEEMED APPLICATION OF PART XV OF THE SFO

With certain exceptions, the provisions of Part XV of the SFO, which requires shareholders of Hong Kong listed corporations to notify the Hong Kong Stock Exchange and the listed corporation if their shareholding interests reach or exceed a certain percentage (which is 5% as of the date of this listing document), have been incorporated into the Trust Deed, mutatis mutandis, and have been made binding on the Directors and the chief executive of the Manager, the Manager and on each Unitholder and all persons claiming through or under him as if:

- (a) Fortune REIT is a "listed corporation" for the purposes of Part XV of the SFO;
- (b) the "relevant share capital" of such listed corporation are references to: (i) the Units which are issued and outstanding from time to time; and (ii) the Units which the Manager has agreed to issue, either conditionally or unconditionally, from time to time;
- (c) a Unit is a share comprised in the relevant share capital of such listed corporation;
- (d) a person who is interested in a Unit is interested in a share in the relevant share capital of such listed corporation;
- (e) the Manager itself is a director of such listed corporation;
- (f) the directors and chief executive of the Manager are the directors and chief executive respectively of such listed corporation;
- (g) "percentage level", in relation to a notifiable interest, means the percentage figure found by expressing the aggregate number of Units in which the person is interested immediately before or (as the case may be) immediately after the relevant time as a percentage of all the Units in issue at the relevant time as published by the Manager and rounding that figure down (if it is not a whole number) to the next whole number; and
- (h) "percentage level", in relation to a short position, means the percentage figure found by expressing the aggregate number of Units in which the person has a short position immediately before or (as the case may be) immediately after the relevant time as a percentage of all the Units in issue at the relevant time as published by the Manager and rounding that figure down (if it is not a whole number) to the next whole number.

Specifically, the Trust Deed provides that, subject to certain modifications set out in the Trust Deed:

- (a) the duty of disclosure under Divisions 2 to 4 of Part XV of the SFO shall arise in respect of a person who: (i) is interested in Units, or who acquires an interest in or who ceases to be interested in Units; or (ii) has a short position in Units, or who comes to have or ceases to have a short position in Units; and

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- (b) the duty of disclosure under Divisions 7 to 9 of Part XV of the SFO shall arise in respect of the Manager and each director and chief executive of the Manager who: (i) is interested in Units, or who acquires an interest in or who ceases to be interested in Units, or (ii) has a short position in Units, or who comes to have or ceases to have a short position in Units.

Where a duty of disclosure arises by virtue of the deemed application of Part XV of the SFO, the relevant person shall give notice to the Manager and the Hong Kong Stock Exchange, and the Manager shall promptly send a copy of the notification received by it to the Trustee.

The powers and duties of a "listed corporation" under Division 5 of Part XV of the SFO to investigate ownership of interests in Units shall be exercisable or performed by the Trustee and the Manager, provided that the power shall be exercised or performed solely by the Manager, save where the interest or short position (or deemed interest or deemed short position) relates to Units held by the Manager or to Units in which the Manager is interested or has a short position, in which case the power shall be exercised by or the duty shall be performed solely by the Trustee.

If a person who has a duty of disclosure under the Trust Deed fails to make notification in accordance with the provisions of the Trust Deed, irrespective of whether that person is a Unitholder or not, the Units in which that person is (or is deemed to be) interested in (the "**Affected Units**") shall be subject to any or all of the following actions which: (a) if the person interested in the Affected Units is a person other than the Manager, the Manager; or (b) if the person interested in the Affected Units is the Manager, the Trustee, may, in its absolute discretion, take in respect of any or all of the Affected Units:

- (a) declare that the voting rights attached to any or all of the Affected Units to be suspended (and, upon such declaration, such voting rights shall be suspended for all purposes in connection with Fortune REIT);
- (b) suspend the payment of any distributions in respect of any or all of the Affected Units (and, upon such suspension, any such distributions shall be retained in a trust account in the name of: (i) (where the person interested in the Affected Units is a person other than the Manager) the Manager; or (ii) where the person interested in the Affected Units is the Manager) the Trustee, pending the application of such distributions);
- (c) impose an administrative fee of up to HK\$0.10 per Affected Unit for each day of noncompliance from the date on which disclosure is due to be made by the person; and/or
- (d) suspend registration and/or decline to register any transfer of part or all of the Affected Units,

until the relevant notification requirements are fully complied with to the satisfaction of the Manager or the Trustee, as the case may be.

Each Unitholder and all persons claiming through or under him expressly acknowledge and agree to the grant of the rights and powers set out above to the Manager and the Trustee and agree to be bound by any action taken by the Manager or the Trustee (as the may be) pursuant to the provisions of the Trust Deed in good faith.

15.16 GOVERNING LAW AND JURISDICTION

The Trust Deed shall in all respects be governed by, and construed in accordance with, the laws of Singapore. Pursuant to the Trust Deed, the Manager, the Trustee and each Unitholder submit to the non-exclusive jurisdiction of the courts of Singapore and Hong Kong.

The Manager has received legal advice that, as of the Latest Practicable Date, a judgment of the Court of Final Appeal or the High Court (consisting of the Court of Appeal and the Court of First Instance), being a superior court, of Hong Kong (other than a judgment of such a court given on appeal from a court which is not a superior court) was enforceable in Singapore if it was final and conclusive as between the parties thereto and there was payable thereunder a sum of money (not being a sum payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalty), pursuant and subject to the Reciprocal Enforcement Of Foreign Judgments Act (Chapter 265 of Singapore) and the Reciprocal Enforcement Of Foreign Judgments (Hong Kong Special Administrative Region Of The People's Republic Of China) Order.

Likewise, as at the Latest Practicable Date, a judgment of a superior court in Singapore was enforceable in Hong Kong pursuant to the Foreign Judgments (Reciprocal Enforcement) Ordinance (Chapter 319 of the Laws of Hong Kong) and Schedule 1 to the Foreign Judgments (Reciprocal Enforcement) Order (Chapter 319A of the Laws of Hong Kong), in which Singapore was specified as a jurisdiction with reciprocal arrangements with Hong Kong in relation to the enforcement of judgments.

16.1 INFORMATION REGARDING THE LEASEHOLD TITLE TO THE PROPERTIES

16.1.1 Government Leases

Each of the Properties is held under a Government Lease which contains terms and conditions ordinarily found in grants or leases granted by the Government of Hong Kong. For example, provisions requiring the lessee:

- (a) to develop or redevelop the land in compliance with the buildings and town planning legislations and regulations;
- (b) not to exceed the permitted gross floor area or permitted plot ratio and site coverage;
- (c) to use the land and buildings erected on the land for the permitted use;
- (d) to maintain all buildings erected on the land in good and substantial repair and condition;
- (e) to maintain and repair any slopes, retaining walls, supports, foundations or other structures whether on the land or on adjoining land and in accordance with the relevant guidelines issued from time to time by the relevant government authorities;
- (f) to pay the yearly government rent and discharge all taxes, rates, charges and assessments imposed on the land; and
- (g) not to encroach upon or occupy any adjoining Government land.

The Government has a right to terminate the lease and re-enter the land in the event the lessee fails to observe or perform the terms and conditions of the Government Lease. Some of the Government Leases also contain special conditions which impose certain specific obligations or restrictions on the lessees. A summary of the Government Leases for the Properties, including any special conditions, is described in Appendix 5 ("Summary of Government Leases, Deeds of Mutual Covenant and Property Company Structure") to this document.

16.1.2 Deeds of Mutual Covenant

In Hong Kong, it is common for a number of owners to own collectively both the parcel of land and the building(s) on it. The land and building(s) are held by the co-owners as tenants in common in shares which usually bear some relationship to the size of the individual units held by the various owners within the building(s).

In Hong Kong, the relationship between the co-owners is governed by a document called a deed of mutual covenant (or an instrument of a similar nature), which is an agreement between the co-owners to regulate their co-ownership of the land and building(s) and to provide for the building's effective maintenance and management. A deed of mutual covenant notionally divides the land and building(s) into a number of undivided shares. Some deeds of mutual covenant also provide for management shares to be allocated to each unit for the purpose of calculating a co-owner's contribution to management expenses.

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Under a deed of mutual covenant, each co-owner is allocated a number of shares which entitle that owner to exclusive use and occupation of the owner's unit(s) to the exclusion of other co-owners and gives each co-owner certain rights and obligations in relation to the use, maintenance and repair of the common parts and facilities of the building(s) to which each co-owner is bound to contribute a proportionate share of the associated costs and expenses by reference to the undivided shares or management shares allocated to its unit. Most deeds of mutual covenant also require a co-owner to pay management fee deposits and make contributions to the management funds before taking possession of its unit and provides for the formation of an owners' committee to speak for the individual owners in all relations between the owners and the manager and to make such decisions as reappointment of the manager, approval of annual budgets and approval of house rules.

The manager in a deed of mutual covenant usually has a general power of management in relation to the development concerned in accordance with the provisions of the deed of mutual covenant. Its scope of responsibilities under the deed of mutual covenant usually include the following:

- (a) management, maintenance, repair and upkeep of common areas, common facilities, the structure and fabric of the buildings, walls, foundations, roofs, lifts, escalators, fire service installations, security systems and other plant and equipment in the buildings;
- (b) operation and maintenance of the building services systems (including the air-conditioning system, electrical and mechanical systems, plumbing and drainage system, building management system and fire services system); and
- (c) maintenance of building security.

The deed of mutual covenant usually binds the manager and all the owners of a development and their successors-in-title, regardless of whether they are original parties to the deed of mutual covenant and amendment to the deed of mutual covenant requires the consent of all the existing co-owners and their respective mortgagees. A summary of the deeds of mutual covenant for the Properties is described in Appendix 5 ("Summary of Government Leases, Deeds of Mutual Covenant and Property Company Structure") to this document.

16.2 PROPERTY MANAGEMENT AGREEMENT

16.2.1 Overview

The Properties comprising the current portfolio of Fortune REIT and any subsequent properties located in Hong Kong whether directly or indirectly acquired or wholly or partly owned by Fortune REIT will be managed by the Property Manager pursuant to the Property Management Agreement.

The Property Management Agreement was entered into on 7 July 2003 and renewed on 1 August 2008 by the Trustee, the Manager and the Property Manager (as amended by an extension letter dated 1 August 2008) pursuant to which the Property Manager was appointed to operate, maintain, manage and market all the properties of Fortune REIT located in Hong Kong, subject to the overall management of the Manager. If the property is directly held by Fortune REIT, the fees payable to and obligations undertaken in favour of

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the Property Manager will be paid and assumed by Fortune REIT and if the property is indirectly acquired by Fortune REIT through a property company, such fees and obligations will be paid and undertaken by the relevant property company.

16.2.2 Term

The Property Management Agreement will terminate on 11 August 2013. Two months prior to this termination date, the Property Manager may request to extend its appointment for a further five years on the same terms and conditions except for revision of all fees payable to the Property Manager to the prevailing market rates.

The Trustee, on the recommendation of the Manager, will decide the prevailing market rates for the extension term and if the Property Manager disagrees with the Trustee's decision on the prevailing market rates for the extension term, this will be referred to an independent expert whose determination of the prevailing market rates shall be final and binding on the parties.

The Trustee will agree to extend the appointment of the Property Manager for the extension term on the revised fees based on the prevailing market rates determined as aforesaid provided that such extension shall be subject to the approval of the Unitholders if such approval is required pursuant to any applicable regulatory requirements relating to interested person/party transactions relating to real estate investment trusts. The Trustee is not obliged to extend the appointment of the Property Manager if the above conditions are not fulfilled.

16.2.3 Property Manager's Services

The services provided by the Property Manager for each property under its management include the following:

- (a) property management services, including co-ordinating tenants' fitting out requirements, recommending third party contracts for provision of property management services (including parking facilities management), maintenance services, supervising the performance of service providers and contractors, arranging for adequate insurances and ensuring compliance with building and safety regulations;
- (b) lease management services, including administration of rental collection, management of rental arrears, initiating lease renewals and negotiation of terms; and
- (c) marketing and marketing co-ordination services.

In addition, the Property Manager will co-ordinate with the relevant service providers under all existing contracts entered into by or on behalf of the relevant Property Company, in relation to the provision of services for the relevant Property, and use reasonable endeavours to arrange for the: (a) termination; (b) continuation on same terms as those existing; or (c) replacement on such terms as the Trustee and the Manager may agree with such service providers, to ensure continuity in the provision of such services to the relevant Property Company.

16.2.4 Property Management Fees

Under the Property Management Agreement, the Property Manager is entitled to receive from each Property Company, the following fees in relation to the management of the Property owned by the Property Company:

Property Management and Lease Management Services: For the property and lease management services, the Property Company will pay the Property Manager, a fee of 3% per annum of the Gross Property Revenue of the relevant Property owned by the Property Company.

Marketing Services: For the marketing services provided by the Property Manager on a non-exclusive basis, the Property Company will pay the Property Manager, the following commissions: (a) a commission equivalent to one month's base rent, for securing a tenancy of three years or more; (b) a commission equivalent to one-half month's base rent, for securing a tenancy of less than three years; (c) a commission equivalent to one-half month's base rent, for securing a renewal of tenancy irrespective of duration of the renewal term; and (d) a commission equivalent to 10% of the total licence fee for securing a licence for a duration of less than 12 months (excluding licences for use as a showflat granted or to be granted to a subsidiary of Cheung Kong). The Property Manager will not be entitled to any of the above commissions if the tenancy, renewal of tenancy or the licence is secured by a third party agent appointed by the relevant Property Company or by the Trustee, upon recommendation of the Manager.

16.2.5 Certain Operating Expenses

In addition to its fees, the Property Manager will be fully reimbursed for the employment costs and remuneration relating to the employees of the Property Manager engaged solely and exclusively for management of the Properties as approved in each annual budget by the Trustee upon the recommendation of the Manager.

The Property Manager, as agent for the relevant Property Company, will enter into contracts with third party service providers for the provision of cleaning, maintenance, security, car park operation and management and other services for the relevant Property, and the costs and expenses under such contracts will form part of the operating expenses to be paid by the Property Company provided that these have been approved by the Trustee on the recommendation of the Manager in each annual budget or (if not covered in an approved annual budget) in accordance with pre-approved expenditure limit from time to time approved by the Trustee and the Manager.

16.2.6 Termination

The Trustee or the Manager may terminate the appointment of the Property Manager for all properties under its management on the occurrence of certain specified events, which include the liquidation or cessation of business of the Property Manager. The Trustee or the Manager may also terminate the appointment of the Property Manager specifically in relation to a property under its management, in the event of the sale of such property or the sale of the property company which owns such property or if the Property Manager after receipt of written notice fails (within cure periods where applicable) to remedy any breach of its obligations in relation to such property.

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On the termination of the appointment of the Property Manager, the Manager shall, as soon as practicable, recommend to the Trustee the appointment of a replacement property manager for the affected property.

16.2.7 Novation

The Trustee and the Manager are entitled to novate their respective rights, benefits and obligations under the Property Management Agreement to a new trustee of Fortune REIT or a new manager of Fortune REIT appointed in accordance with the terms of the Trust Deed. The Property Manager is also entitled to novate its rights, benefits and obligations under the Property Management Agreement to any wholly-owned, direct or indirect subsidiary of Cheung Kong.

16.2.8 Indemnity

Each party to the Property Management Agreement, including each Property Company which has executed a deed of ratification and accession (the “**indemnifying party**”) shall indemnify each of the other parties (the “**indemnified party**”) from and against any and all actions, proceedings, liabilities, claims, demands, losses, damages, charges, costs and expenses that the indemnified party suffers or incurs, to the extent that they arise out of any breach, negligence, fraud or misconduct of the indemnifying party, its employees or agents, in the performance of the indemnifying party’s obligations and duties under the Property Management Agreement.

16.2.9 Exclusion of Liability

In the absence of fraud, negligence, wilful default or breach of the Property Management Agreement by the Property Manager, it shall not incur any liability by reason of any error of law or any matter or thing done or suffered or omitted to be done by it in good faith under the Property Management Agreement.

In addition, each Property Company, or if the Property is owned directly by Fortune REIT, Fortune REIT, shall indemnify the Property Manager against any actions, costs, claims, damages, expenses or demands to which it may be put as Property Manager, save where such action, cost, claim, damage, expense or demand is occasioned by the fraud, negligence, wilful default or breach of the Property Management Agreement by the Property Manager.

16.2.10 No Restriction on Property Manager

The Property Manager may provide services similar to the services covered under the Property Management Agreement to other parties operating in a similar business as the Property Companies, or in other businesses. Based on information available to the Manager, the Manager understands that currently, the Property Manager does not provide such services to other parties and that in future, if the Property Manager provides services to other parties, it will have a dedicated team that acts exclusively for Fortune REIT. Further, under the Property Management Agreement, the Property Manager is specifically required to (and to procure its employees and agents to) keep confidential relevant information which it may acquire, and shall not use or disclose such information.

16.3 THE 2005 FACILITY

Fortune REIT has a facility (the **"2005 Facility"**) from DBS Bank Ltd. and The Hongkong and Shanghai Banking Corporation Limited that consists of omnibus facilities of HK\$2,650.0 million comprising a HK\$2,385.0 million term loan facility and a HK\$265.0 million revolving credit facility, each for a term of five years from 28 June 2005. Such facilities are secured in the ordinary and usual course of business of Fortune REIT.

16.4 THE 2009 FACILITY

16.4.1 Description

Fortune REIT has a facility (the **"2009 Facility"**) from DBS Bank Ltd. and Standard Chartered Bank (Hong Kong) Limited that consists of the following: (a) a HK\$480.0 million term loan facility due on 28 June 2010 (the **"Acquisition Facility"**), that was used to finance the acquisitions of Metro Town, Caribbean Bazaar and Hampton Loft by Fortune REIT; (b) a HK\$2,830.0 million term loan facility due on 14 October 2013 (the **"Refinancing Facility"**), that will be drawn down on or before 28 June 2010 and will be used to refinance the 2005 Facility and the Acquisition Facility; and (c) a HK\$270.0 million revolving loan facility due on 14 October 2013 (the **"Revolving Facility"**), that will be used for corporate funding purposes. The 2009 Facility bears an interest margin of 2.0% per annum over the Hong Kong Interbank Offer Rate (HIBOR).

16.4.2 Guarantee

The 2009 Facility is guaranteed by the Trustee (in its capacity as trustee of Fortune REIT).

16.4.3 Security

The Acquisition Facility and the Revolving Facility will initially be secured by the following (collectively the **"Acquisition Facility Security Documents"**): (a) mortgages over Metro Town, Caribbean Bazaar and Hampton Loft (the **"Newly Acquired Properties"**); (b) assignment in respect of the rights of the Trustee, Mega Gain Resources Limited, Genuine Joy Limited and Full Belief Limited (the **"New Property Companies"**) under the Property Management Agreement relating to the Newly Acquired Properties; (c) security agreements in respect of the other assets of the New Property Companies; and (d) share mortgages over the shares in the New Property Companies.

Subject to the fulfilment of certain conditions precedent, the Acquisition Facility Security Documents will be released and discharged after the Refinancing Facility is drawn to repay the outstanding amounts under the Acquisition Facility and the 2005 Facility.

After the drawing of the Refinancing Facility, the 2009 Facility will continue to be guaranteed by the Trustee (in its capacity as trustee of Fortune REIT), and will be secured by: (a) mortgages over the Properties (other than the Newly Acquired Properties, Waldorf Garden Property and Jubilee Court Shopping Centre); (b) assignment in respect of the rights of the Trustee and the Property Companies (other than the New Property Companies) under the Property Management Agreement relating to the Properties (other than the Newly Acquired Properties); (c) security agreements in respect of the other assets of the Property Companies (other than the New Property Companies); and (d) share mortgages over the shares in the Property Companies (other than the New Property Companies).

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In the case of each of Waldorf Garden Property and Jubilee Court Shopping Centre, it has been agreed that reasonable endeavours would be used to obtain the necessary governmental consents for the creation of mortgage over such property.

16.4.4 Events of Default

The credit agreement of the 2009 Facility (the “**2009 Credit Agreement**”) contains customary events of default, the occurrence of which would allow the facility agent, upon instruction of the majority lenders to demand immediate repayment of all amounts outstanding under the finance documents (including the 2009 Credit Agreement, the security documents, the fee letters and the transfer certificates) (the “**Finance Documents**”) and/or cancel the lenders’ commitment under the 2009 Facility.

Such events include (without limitation): (a) non-payment of any sum payable under the 2009 Facility; (b) a breach by the Property Companies, the Trustee or any other obligor of any of their obligations under the 2009 Facility; (c) a breach of any of the representations or warranties made under the 2009 Facility; (d) a default in any other indebtedness of the Trustee, the Property Companies and the intermediate holding companies of the Property Companies which are subsidiaries of the Trustee in its capacity as trustee for Fortune REIT (collectively, for the purposes of this section 16.4, the “**Group**”) or Fortune REIT unless the aggregate amount of such indebtedness is less than HK\$30 million or its equivalent; (e) the insolvency of any member of the Group or Fortune REIT; (f) a petition for winding-up presented by a creditor of any member of the Group or Fortune REIT and not being discharged or struck out within 15 Business Days; (g) any attachment, sequestration, distress, execution or analogous event affects any assets of a member of the Group or Fortune REIT, having an aggregate value of at least HK\$20 million and not being discharged within 14 days; cessation of business of any of the Property Companies, the Trustee, any other obligor or Fortune REIT; (h) change of ownership of any of the Property Companies; (i) expropriation or nationalisation of all or material part of assets of the Property Companies, the Trustee, any other obligor or Fortune REIT; (j) cessation of listing of the Units on the SGX-ST; (k) suspension of the trading in the Units on the SGX-ST for a consecutive period of more than 14 trading days; (l) destruction of the Properties whereby the reinstatement value and the loss of rental are not sufficiently covered by insurance proceeds; (m) current and pending litigation in relation to any Property Company or the Trustee or any other obligor which restrains the compliance with any material obligations under the Finance Documents or which will have a material adverse effect; or (n) failure of Fortune REIT to comply with the applicable laws, the CIS Code and other regulations where non-compliance would have a material adverse effect and the occurrence of any other event which has a material adverse effect.

16.4.5 Covenants

The 2009 Credit Agreement contains certain customary covenants that restrict the Property Companies (subject to certain agreed exceptions) from, amongst other things, incurring additional debt and creating security on or disposing of its property, revenues and other assets.

Further affirmative covenants of each Property Company and the Trustee, as applicable, include but not limited to the following:

- (a) comply with its obligation under, and diligently enforce its rights under, the Property Management Agreement;

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- (b) maintain insurance with reputable insurers with respect to its Property and its other asset of insurable nature against such risks and in such amounts and with such deductibles as are normally maintained by persons carrying on the same or similar class of business and such insurance shall include third party liability insurance and property all risk insurance for an amount not less than the reinstatement value of such Property; and
- (c) before any security interest is created and perfected over Jubilee Court or Waldorf Garden, Yee Pang Realty Limited or Waldorf Realty Limited will procure its financial indebtedness owing to its shareholders or its affiliates and the respective rights and claims of the same in relation to such financial indebtedness are subordinated to its obligations and the respective rights and claims under or in connection with the Finance Documents and it will not make any payment on account of the said financial indebtedness without the prior written consent of all the lenders.

The Property Companies and the Trustee must also ensure that the following financial covenants are complied with:

- (a) the ratio of Consolidated EBITDA to Consolidated Debt Service (each as defined in the 2009 Credit Agreement) is at all times not less than 1.5 to 1;
- (b) for so long as only the loan owing under the Acquisition Facility and/or the Revolving Facility is outstanding, the total outstanding and undrawn amount of the Acquisition Facility and the Revolving Facility shall not exceed 45% of the value of the Properties which are at the relevant time mortgaged in favour of the security agent to secure the 2009 Facility (as determined in accordance with the then most recent valuation report by an independent professional property appraiser appointed by the facility agent); and
- (c) for so long as only the loan owing under the Refinancing Facility and/or the Revolving Facility is outstanding, the total outstanding and undrawn amount of the Refinancing Facility and the Revolving Facility shall not exceed 45% of the value of the Properties which are at the relevant time mortgaged in favour of the security agent to secure the 2009 Facility (as determined in accordance with the then most recent valuation report by an independent professional property appraiser appointed by the facility agent).

The negative covenants include (but are not limited to) that Fortune REIT, the Property Companies and the Trustee, as applicable, must not, apart from certain agreed exceptions:

- (a) create or allow to exist any security interest on any of its assets which are subject to the security documents of the 2009 Facility or the assets of Fortune REIT relating to the Properties;
- (b) incur or permit to be outstanding any financial indebtedness except for any financial indebtedness incurred under the Finance Documents or owed by a Property Company to another member of the Group or certain other exceptions;
- (c) make any loans or grant any other form of credit or give any guarantee or indemnity to or for the benefit of any person in respect of any obligation of any other person except: (a) for those granted in the ordinary course of business; (b) any guarantee issued in respect of any derivative transaction protecting against or

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benefiting from fluctuations under any finance document; (c) any inter-company loan or shareholder loan among members of the Group or (d) any other loan to any entity in respect of acquisition of new properties by Fortune REIT as permitted under the 2009 Credit Agreement;

- (d) change the general scope and nature of the business or engage in any other activities save for the ownership, management, letting and sale of: (a) the Properties; or (b) (in the case of Fortune REIT only) any properties or related assets as permitted under the Trust Deed and the CIS Code;
- (e) enter into any amalgamation, demerger, merger or reconstruction except: (a) winding-up of Pinelink Investment Limited or Mightypattern Limited provided that the security agent will enjoy the same or similar security over substantially the same assets before and after such winding-up or; (b) any reorganisation on a solvent basis which will not have a material adverse effect;
- (f) acquire any business, shares or other ownership interests in any other persons or make any investment other than: (a) investments made in its Property; or (b) (in the case of Fortune REIT only) investment in any other properties or entities holding interest in such properties and certain other exceptions;
- (g) dispose of all or any part of its assets except for a disposal: (a) in the ordinary course of trading of the disposing entity; (b) in exchange for other assets comparable or superior as to type, value and quality; and (c) by way of leases, tenancies or licences in the manner as required under the 2009 Credit Agreement; and
- (h) grant or renew any lease of any part of its Property unless the lease is granted on an arm's length basis at prevailing market rates and the terms of the lease (including any option to extend) does not exceed seven years.

16.5 INTEREST RATE SWAP AGREEMENTS

The relevant Property Companies have entered into interest rate swap agreements with Deutsche Bank AG and Standard Chartered Bank (Hong Kong) Limited, which are effective as at the date of this document. The following table sets forth the notional amounts of each such interest rate swap agreement:

Counterparty	Notional Amount (HK\$ million)	Effective Date	Expiry Date
Deutsche Bank AG.	614.5	29 June 2006	28 June 2010
	1,119.7	28 September 2008	28 June 2010
	614.5	28 March 2009	28 March 2014
Standard Chartered Bank (Hong Kong) Limited	480.0	21 January 2010	28 December 2014
	320.5	28 June 2010	28 December 2014

Under the interest rate swap agreements, the swap counterparties pay to the relevant Property Companies on a quarterly basis (or such other periods as agreed between both parties) an aggregate amount equivalent to the floating rate interest payable under the

MATERIAL AND OTHER AGREEMENTS RELATING TO FORTUNE REIT

2005 Facility and/or the 2009 Facility, as the case may be. In return, the relevant Property Companies pay fixed interest rate on the notional amount of their respective interest rate swap agreements to the respective swap counterparties.

16.6 2009 SALE AND PURCHASE AGREEMENTS

On 24 August 2009, Fortune REIT entered into three separate sale and purchase agreements to acquire Metro Town, Caribbean Bazaar and Hampton Loft:

- (a) The sale and purchase agreement in respect of the acquisition of Metro Town was entered into between the Trustee, Mcbride International Limited and Natisone Investments Limited (and Cheung Kong and Nan Fung Development Limited as guarantors). Pursuant to this agreement, Fortune REIT would acquire Metro Town via the acquisition of the entire issued share capital of Marvel Point Investments Limited, which wholly owned Metro Town through its ownership of Mega Gain Resources Limited.
- (b) The sale and purchase agreement in respect of the acquisition of Caribbean Bazaar was entered into between Genuine Joy Limited (a wholly-owned subsidiary of Fortune REIT) and MTR Corporation Limited. Pursuant to this agreement, Fortune REIT would acquire Caribbean Bazaar through the purchase of the asset itself.
- (c) The sale and purchase agreement in respect of the acquisition of Hampton Loft was entered into between Full Belief Limited (a wholly-owned subsidiary of Fortune REIT) and Global Coin Limited. Pursuant to this agreement, Fortune REIT would acquire Hampton Loft through the purchase of the asset itself.

16.7 2009 UNDERWRITING AGREEMENT

On 24 August 2009, the Manager entered into an underwriting agreement with Cazenove & Co. (Singapore) Pte. Limited and DBS Bank Ltd. in respect of Fortune REIT's rights issue, which raised gross proceeds of approximately HK\$1,889.0 million (principally for the purpose of acquiring Metro Town, Caribbean Bazaar and Hampton Loft, and for asset enhancement initiatives and general corporate purposes).

17.1 INTRODUCTION

Following completion of the Introduction, there will be continuing transactions between Fortune REIT and companies or entities held or controlled by it (collectively, the “**Fortune REIT Group**”) on the one hand, and the following “connected persons” of Fortune REIT on the other hand. These transactions will constitute connected party transactions of Fortune REIT within the meaning of the REIT Code. Details of these transactions as well as the waivers sought by Fortune REIT in relation to the relevant provisions in Chapter 8 of the REIT Code on connected party transactions are set out below.

17.1.1 Connected Persons of Fortune REIT

For the purpose of the REIT Code, “connected persons” of Fortune REIT include, among others:

(1) *Cheung Kong*

For the purpose of the REIT Code, Cheung Kong is a significant holder (that is, a holder of 10% or more of the outstanding Units) of Fortune REIT upon the Introduction, and is therefore a connected person of Fortune REIT under paragraph 8.1(d) of the REIT Code.

Any person who is connected to Cheung Kong as described in paragraphs 8.1(e), (f) or (g) of the REIT Code is also a connected person of Fortune REIT, and these persons include: (i) any director, senior executive or officer of Cheung Kong; (ii) any associate (as defined in the REIT Code) of Cheung Kong or of any director, senior executive or officer of Cheung Kong; and (iii) any controlling entity, holding company, subsidiary or associated company (as defined in the REIT Code) of Cheung Kong (collectively, and together with Cheung Kong, the “**CKH Group**”).

(2) *Manager*

The Manager is a connected person of Fortune REIT under paragraph 8.1(a) of the REIT Code.

Any person who is connected to the Manager as described in paragraphs 8.1(e), (f) or (g) of the REIT Code is also a connected person of Fortune REIT, and these persons include: (i) any director, senior executive or officer of the Manager; (ii) any associate (as defined in the REIT Code) of any director, senior executive or officer of the Manager; and (iii) any controlling entity, holding company, subsidiary or associated company (as defined in the REIT Code) of the Manager (collectively, and together with the Manager, the “**Manager Group**”).

(3) *Trustee*

The Trustee and companies within the same group of or otherwise “associated” with the Trustee within the meaning given in the REIT Code (the “**Trustee Connected Persons**”). As a result, the list of “connected persons” of Fortune REIT will include HSBC Holdings plc. and other members of its group (including The Hongkong and Shanghai Banking Corporation Limited, Hang Seng Bank Limited and their respective subsidiaries) because the Trustee is an indirect wholly-owned subsidiary of HSBC Holdings plc.

CONTINUING CONNECTED PARTY TRANSACTIONS

17.1.2 Internal controls

The Manager has established an internal control system intended to ensure that connected party transactions between Fortune REIT and its “connected persons” are monitored and that they are undertaken on terms in compliance with the REIT Code. As required by the REIT Code, all connected party transactions must be carried out at arm’s length terms and in the best interest of Unitholders.

As a general rule, the Manager must demonstrate to the Audit Committee that all connected party transactions satisfy the above criteria, which may entail (where practicable) obtaining quotations from parties unrelated to the Manager, or obtaining one or more valuation letters from independent professional valuers.

The Manager shall investigate and monitor all transactions by Fortune REIT in order to determine whether such transactions are connected party transactions. Furthermore, the Manager shall maintain a register to record all connected party transactions which are entered into by Fortune REIT and the bases, including any quotations from unrelated party and/or independent valuations obtained to support such bases, on which they are entered into. The Manager shall also incorporate into its internal audit plan a review of all connected party transactions entered into Fortune REIT.

With respect to leases of real estate by members of Fortune REIT Group in the ordinary and usual course of business, transactions shall be evaluated for these purposes by reference to the value of rental for the term of the lease.

17.2 CERTAIN CONTINUING CONNECTED PARTY TRANSACTIONS OF FORTUNE REIT

17.2.1 Continuing connected party transactions between the Fortune REIT Group on the one hand, and the CKH Group or the Manager Group on the other hand

(a) Categories of transactions

The Manager has applied for, and the SFC has granted, a waiver from strict compliance with the disclosure and unitholders’ approval requirements under Chapter 8 of the REIT Code in respect of the following continuing connected party transactions between the Fortune REIT Group on the one hand, and the CKH Group or the Manager Group (as the case may be) on the other hand:

- ***Leasing/licensing transactions***

As part of the Fortune REIT Group’s ordinary and usual course of business, each Property Company, as owner of the relevant property, is either already a party to, or may from time to time enter into, leases or licences with members of the CKH Group (the “**CKH Group Leases/Licenses**”) or members of the Manager Group (the “**Manager Group Leases/Licenses**”) in respect of its properties. During the last three financial years, the Manager Group did not have any lease/licence of premises at the portfolio of the Properties.

All the CKH Group Leases/Licences which are expected to be subsisting as at the time of the Introduction are on normal arm’s length commercial terms and at market levels.

CONTINUING CONNECTED PARTY TRANSACTIONS

The Independent Property Valuer has confirmed that the rental/license fees in respect of the CKH Group Leases/Licenses are at market levels as at their respective agreement dates, and the other commercial terms in the leases or licences such as tenure, rental deposits, break clauses and the like are normal commercial terms.

- ***Property management arrangements, third party services and other operational transactions***

In addition, there are various categories of continuing connected party transactions with members of the CKH Group which have been entered into relating to property management, estate management and other operational transactions in respect of Fortune REIT and its assets and operations, comprising the following:

- (i) *Property management* — Under the Property Management Agreement dated 7 July 2003 entered into between the Trustee, the Manager and the Property Manager, the Manager has delegated the property and lease management and marketing functions in respect of Fortune REIT's real estate assets to the Property Manager, which is an indirect wholly-owned subsidiary of Cheung Kong.

Pursuant to a property management extension letter from the Property Manager to the Trustee and the Manager dated 1 August 2008, the Property Management Agreement has been extended for a further term of five years to 11 August 2013.

Under the Property Management Agreement, the Property Manager is entitled to a fee of 3.0% per annum of the Gross Property Revenue for the provision of property and lease management services. In addition, the Property Manager is also entitled to commissions for the provision of marketing services, such commissions are derived at by reference to the duration of the relevant leases/licences entered into or renewed and the total rental/licence fees paid.

For further details of the Property Management Agreement, see section 16.2 ("Material and Other Agreements Relating to Fortune REIT — Property Management Agreement").

- (ii) *Third party services* — Under the Property Management Agreement, the Property Manager, as agent for the relevant Property Companies, has entered into, and will continue to enter into, contracts with third party service providers for the provision of, among other things, cleaning, maintenance, security, car park management and other ancillary services for the relevant property. Some of these third party service providers are members of the CKH Group.
- (iii) *Deeds of mutual covenant* — Each Property Company will, where applicable, be bound by the terms of the deed of mutual covenant applicable to the property owned by it. The deed of mutual covenant binds the manager under the deed of mutual covenant (the "**DMC Manager**") and all the owners of a development and their successors-in-title, irrespective of whether they are original parties to the

CONTINUING CONNECTED PARTY TRANSACTIONS

deed of mutual covenant. Some of the DMC Managers in respect of properties held by Fortune REIT are members of the CKH Group. Further, there may also be situations arising where one or more members of the CKH Group may own other parts of the development of which the property owned by Fortune REIT forms part, and therefore technically the deed of mutual covenant constitutes a contract between them.

- (iv) *Back-office support services* — Some members of the CKH Group currently provide back-office support services to the Manager. Such support takes the form of full-time or part-time secondment of staff, or may be in other forms such as service-level arrangements for back-office support services such as accounting and corporate secretarial services with charge-back arrangements on arm's-length normal commercial terms.

(b) Waiver terms and conditions

Pursuant to such waiver, the connected party transactions falling within the categories mentioned above need not be disclosed as connected party transactions and are not subject to Unitholders' approval, subject to the conditions imposed by the SFC set out below:

- ***Waiver period/Extensions or modifications***

The waiver in the preceding paragraph granted by the SFC has been granted for a period to expire on 31 December 2012. The waiver may be extended beyond 31 December 2012 and/or the conditions of the waiver may be modified from time to time, provided that:

- (i) *Independent Unitholders' approval* — the approval of the Unitholders other than those who have a material interest in the relevant transactions within the meaning of paragraph 8.11 of the REIT Code (the "**Independent Unitholders**") is obtained by way of an ordinary resolution passed in a general meeting of Unitholders;
- (ii) *Disclosure* — disclosure of details of the proposed extension and/or modification (as the case may be) shall be made by way of an announcement by the Manager of such proposal, and a circular and notice shall be issued to Unitholders in accordance with Chapter 10 of the REIT Code; and
- (iii) *Extension period* — any extension of the waiver period shall, on each occasion of such extension, be for a period which will expire not later than the third full financial year-end date of Fortune REIT after the date on which the approval referred to in (i) above is obtained.

CONTINUING CONNECTED PARTY TRANSACTIONS
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- ***Annual caps***

The annual value of the continuing connected party transactions described in section 17.2.1(a) shall not exceed the respective annual cap amounts set out below:

Categories of continuing connected transactions	Connected person	Financial year ending 31 December		
		2010	2011	2012
Leasing/licensing transactions	CKH Group	HK\$140,000,000	HK\$168,000,000	HK\$202,000,000
Leasing/licensing transactions	Manager Group	HK\$ 8,000,000	HK\$ 9,600,000	HK\$ 11,500,000
Property management arrangements, third party services and other operational transactions	CKH Group	HK\$ 43,000,000	HK\$ 52,000,000	HK\$ 62,000,000

In respect of leasing/licensing transactions, an independent valuation will be conducted for each of such transactions except where they are conducted on standard or published rates.

- ***Disclosure in semi-annual and annual reports***

Details of the relevant continuing connected party transactions shall be disclosed in Fortune REIT's semi-annual and annual reports, as required under paragraph 8.14 of the REIT Code.

- ***Auditors' review procedures***

In respect of each relevant financial year, the Manager will engage and agree with the auditors of Fortune REIT to perform certain review procedures on continuing connected party transactions. The auditors will then report to the Manager on the factual findings based on the work performed by them (and a copy of such report shall be provided to the SFC), confirming whether all such continuing connected party transactions:

- (i) have received the approval of the Board (including its independent non-executive directors);
- (ii) are in accordance with the pricing policies of Fortune REIT;
- (iii) have been entered into in accordance with the terms of the agreements governing the transactions; and
- (iv) the total value in respect of which has not exceeded the respective annual cap amount (where applicable).

- ***Review by the independent non-executive directors of the Manager***

The independent non-executive Directors (the "INEDs") shall review the relevant continuing connected party transactions annually, and confirm in Fortune REIT's annual report for the relevant financial year that such transactions have been entered into:

- (i) in the ordinary and usual course of business of Fortune REIT;

CONTINUING CONNECTED PARTY TRANSACTIONS

- (ii) on normal commercial terms (to the extent that there are comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to Fortune REIT than terms available to or from (as appropriate) independent third parties; and
- (iii) in accordance with the relevant agreement and the Manager's internal procedures governing them, if any, on terms that are fair and reasonable and in the interests of the Unitholders as a whole.

- ***Auditors' access to books and records***

The Manager shall allow, and shall procure the counterparty to the relevant continuing connected party transactions to allow, the auditors of Fortune REIT sufficient access to their records for the purpose of reporting on the transactions.

- ***Notification to the SFC***

The Manager shall promptly notify the SFC and publish an announcement if it knows or has reason to believe that the auditors and/or the INEDs will not be able to confirm the matters set out above.

- ***Subsequent increases in annual caps with Independent Unitholders' approval***

It may become necessary from time to time in the future for the Manager to seek to increase one or more of the annual cap amounts referred to above. This may be due to, for example, further asset acquisitions by Fortune REIT thereby increasing the scale of its operations generally, or changes in market or operating conditions. An increase in any or all of such annual cap amounts is permitted, provided that:

- (i) *Independent Unitholders' approval* — the approval of Independent Unitholders is obtained by way of an ordinary resolution passed in a general meeting of Unitholders;
- (ii) *Disclosure* — disclosure of details of the proposal to increase the relevant cap amount(s) shall be made by way of an announcement by the Manager of such proposal, and a circular and notice shall be issued to Unitholders in accordance with Chapter 10 of the REIT Code; and
- (iii) *Other compliance requirements* — all the waiver terms and conditions described above shall continue to apply to the relevant transactions, save that the relevant increased annual cap amount(s) shall apply.

- ***Subsequent material changes***

The Manager shall comply with all requirements under paragraph 8.14 of the REIT Code where there is any material change to the terms of the relevant continuing connected party transactions, or where there is any subsequent changes to the REIT Code which may impose stricter requirements in respect of disclosure and/or unitholders' approval.

CONTINUING CONNECTED PARTY TRANSACTIONS

Details of the connected party transactions will be disclosed in the semi-annual and annual report of Fortune REIT in the relevant financial year as required under paragraph 8.14 of the REIT Code. The independent non-executive Directors will review the connected party transactions annually and confirm whether such transactions are carried out in the ordinary and usual course of business of Fortune REIT based on normal commercial terms and in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Unitholders.

(c) *Opinion of the Board*

The Board (including all the INEDs) has confirmed that:

- in its opinion, the annual cap amounts stated above, and the basis for such annual cap amounts, are fair and reasonable having regard to the interests of the Unitholders as a whole;
- for the continuing connected party transactions in respect of which waiver has been granted (the “**Continuing CPTs**”) which are expected to be subsisting as at the Listing Date, in its opinion, each such Continuing CPT has been entered into (i) in the ordinary and usual course of business of Fortune REIT and (ii) on terms which are normal commercial terms and are fair and reasonable and in the interests of the Unitholders as a whole; and
- for the Continuing CPTs which will be entered into after the Listing Date, each of such Continuing CPTs shall be entered into (i) in the ordinary and usual course of business of Fortune REIT and (ii) on terms which are normal commercial terms and are fair and reasonable and in the interests of the Unitholders as a whole.

(d) *Opinion of the Joint Listing Agents*

The Joint Listing Agents, in their capacity as the joint listing agents of Fortune REIT for the purpose of the authorisation of Fortune REIT under Part IV of the SFO and the Introduction, have confirmed that, in their opinion, the Continuing CPTs as subsisting as at the Latest Practicable Date were in the ordinary and usual course of business of Fortune REIT, on normal commercial terms, and were fair and reasonable and in the interests of the Unitholders as a whole.

(e) *Opinion of the Independent Property Valuer*

The Independent Property Valuer has confirmed that the rental/license fees in respect of the CKH Group Leases/Licenses and the Manager Group Leases/Licenses are at market levels as at their respective agreement dates, and the other commercial terms in the leases or licences such as tenure, rental deposits, break clauses and the like are normal commercial terms.

CONTINUING CONNECTED PARTY TRANSACTIONS

17.2.2 Continuing connected party transactions between the Fortune REIT Group on the one hand, and the Trustee Connected Persons on the other hand

The Manager has applied for, and the SFC has granted, a waiver from strict compliance with the disclosure and unitholders' approval requirements under Chapter 8 of the REIT Code in respect of certain continuing connected party transactions between the Fortune REIT Group on the one hand, and the Trustee Connected Persons on the other hand.

For the purpose of this waiver, (i) "**HSBC Group**" means The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries and, unless otherwise expressly stated in this section 17.2.2, excludes the Trustee and its proprietary subsidiaries (being the subsidiaries of the Trustee but excluding those subsidiaries formed in its capacity as the trustee of Fortune REIT). Specifically, HSBC Group includes Hang Seng Bank Limited and its subsidiaries., (ii) "**Trustee Connected Persons**" include a director, a senior, executive or an officer of any of the Trustee, and a controlling entity, holding company, subsidiary or associated company of the Trustee.

(a) General conditions

In support of the application for the waiver sought, the Manager has undertaken with the SFC to meet certain conditions, including the following general conditions (the "**General Conditions**") on an on-going basis:

- the connected party transactions are carried out at arm's length on normal commercial terms and in the interests of the Unitholders as a whole;
- the Manager must implement internal controls and compliance procedures to ensure that the connected party transactions are monitored and undertaken on terms in compliance with the REIT Code;
- the Manager is satisfied with the Trustee's internal controls and compliance procedures, such as Chinese walls, to ensure that the operation of the Trustee is independent of other banking, financial services and other business functions and operations of the HSBC Group; and
- the Manager incorporates provisions in the Trust Deed that require the Trustee to take actions or commence proceedings on behalf of Fortune REIT, as the Manager deems necessary to protect the interest of Unitholders, including against the Trustee Connected Persons in relation to any transaction or agreement entered into by the Trustee for and on behalf of Fortune REIT with such Trustee Connected Persons.

Separately and for the purpose of the waiver, each of the Trustee and The Hongkong and Shanghai Banking Corporation Limited (for itself and on behalf of its subsidiaries) has given an undertaking to the SFC that it will act independently of one another in its dealings with Fortune REIT. The Trustee further undertakes to the SFC that it will not be involved in the making of any decision on behalf of Fortune REIT to enter into any transaction with the other Trustee Connected Persons, subject only to the Trustee's duties of oversight under the REIT Code and the Trust Deed.

As a general rule, the Manager must demonstrate to the Audit Committee that all connected party transactions of Fortune REIT with any Trustee Connected Person satisfy the General Conditions, which may entail (where practicable) obtaining quotations

CONTINUING CONNECTED PARTY TRANSACTIONS

from parties unrelated to the Trustee. For example, for non-daily “corporate finance transactions”, there should be procedures to ensure: (i) competitive “best pricing”, having regard to the nature of the services being sought and market conditions; and (ii) the Trustee should not be involved in the selection of the parties to the transactions. Further, all connected party transactions are to be reviewed by the INEDs to ensure that they are conducted in the best interests of the Unitholders as a whole.

The waiver is given on the premise that it only applies to connected party transactions involving the Trustee Connected Persons solely as a result of and for so long as the Trustee is in office as the trustee of Fortune REIT. If connected party transactions arise as a result of other circumstances, these will be governed by Chapter 8 of the REIT Code.

Notwithstanding the foregoing, the SFC reserves the right to review or revise any of the terms and conditions of any of the waivers if there is any subsequent change of circumstances that affect any of them. In the event of future amendments to the REIT Code imposing more stringent requirements than those applicable as at the date of the waivers granted by the SFC on transactions of the kind to which the transactions belong (including, but not limited to, a requirement that any such transaction be made conditional on approval by the independent Unitholders), the Manager shall take immediate steps to ensure compliance within a reasonable period of time.

(b) Excluded transactions

The following transactions will not be deemed connected party transactions of Fortune REIT for the purpose of Chapter 8 of the REIT Code:

- where the HSBC Group acts for a third party as nominee, custodian, agent or trustee and conducts “agency transactions” with the Fortune REIT Group;
- where a collective investment scheme (including another REIT) transacts with the Fortune REIT Group, and a company within the HSBC Group acts as the manager or trustee of such collective investment scheme but the transaction is not a proprietary transaction of the HSBC Group; and
- where a member of the HSBC Group (other than the Trustee except where the Trustee is the trustee of another collective investment scheme and is acting in that capacity) acquires, purchases, subscribes, sells or disposes of Units on terms which are the same as available to the public or other Unitholders as a whole, and, where applicable, are subject to the application and allocation rules as set out in the Hong Kong Listing Rules. For the avoidance of doubt, any dealing by the HSBC Group in Units on the Hong Kong Stock Exchange will not be a connected party transaction.

(c) Ordinary banking and financial services

Based on the controls summarized above, the Manager intends to adopt and observe certain policies with respect to transactions between Fortune REIT Group and HSBC Group. Further, the Manager has engaged, or may from time to time engage, the HSBC Group to provide “ordinary banking and financial services” to the Fortune REIT Group and will not be subject to any requirements for announcement, or Unitholders’

CONTINUING CONNECTED PARTY TRANSACTIONS

approvals under Chapter 8 of the REIT Code. In addition, the disclosure and reporting requirements under Chapter 8 of the REIT Code with respect to such transactions shall be modified as described below:

- ***Nature of transactions***

For this purpose, “ordinary banking and financial services” means:

- (i) deposits and other “banking business” (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) with an HSBC Group member which is a “licensed corporation” or “registered institution” (as defined in the SFO) or overseas equivalent (together, the “**HSBC Group intermediaries**”) and conducted on arm’s length commercial terms;
- (ii) loans and facilities extended by an HSBC Group intermediary being a transaction in the ordinary and usual course of business of the Fortune REIT Group and provided to, or arranged for, the Fortune REIT Group on arm’s length commercial terms; and
- (iii) related financial services constituting “regulated activities” (as defined in the SFO), and other banking or financial services required in the ordinary and usual course of business by the Fortune REIT Group (including insurance, ORSO retirement benefit schemes, Mandatory Provident Fund Schemes, credit cards, asset management and other such services).

For the avoidance of doubt, “ordinary banking and financial services” does not include “corporate finance transactions” which are defined in section 17.2.2(d).

In particular, under the 2005 Facility, which is a facility agreement between Fortune REIT and, among others, The Hongkong and Shanghai Banking Corporation Limited, the HSBC Group has, together with another bank, extended to the Fortune REIT Group omnibus facilities of HK\$2,650.0 million comprising HK\$2,385.0 million term loan facility and a HK\$265.0 million revolving credit facility, each for a term of five years from 28 June 2005. Such facilities are secured in the ordinary and usual course of business of the Fortune REIT Group and are provided to the Fortune REIT Group on arm’s length and normal commercial terms.

CONTINUING CONNECTED PARTY TRANSACTIONS

- ***Waiver terms and conditions***

In respect of all the “ordinary banking and financial services”-related transactions provided by the HSBC Group to the Fortune REIT Group, subject to the following conditions, Fortune REIT shall not be required to seek prior Unitholders’ approval or to make announcement and/or circular, as may otherwise be required under Chapter 8 of the REIT Code:

- (i) A summary disclosure of all such transactions provided by the HSBC Group to the Fortune REIT Group in each financial year shall be disclosed in the relevant annual report of Fortune REIT. Such information shall include the nature of the transactions, types of transactions or services, and identities of the connected persons of the same transactions.
- (ii) The INEDs shall also confirm in the annual report that they have reviewed the terms of all such transactions and are satisfied that these transactions have been entered into:
 - in the ordinary and usual course of business of Fortune REIT;
 - on normal commercial terms (to extent that there are comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to Fortune REIT than terms available to or from (as appropriate) independent third parties; and
 - in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Unitholders as a whole.
- (iii) The auditors of Fortune REIT shall be engaged to perform certain agreed-upon review procedures and report to the Manager (and a copy of such report shall be provided to the SFC), confirming that all such transactions:
 - have followed the Manager’s internal procedures for such transactions, and are in accordance with the terms disclosed in this listing document;
 - have received the approval of the Board (including the INEDs);
 - are in accordance with the pricing policies of Fortune REIT;
 - have been entered into in accordance with the terms of the agreements governing the transactions; and
 - the total value in respect of which has not exceeded the respective cap amount (where applicable).

CONTINUING CONNECTED PARTY TRANSACTIONS

(d) Corporate finance transactions

The SFC has granted a waiver from strict compliance with the requirement under Rule 8.9 and 8.11 of the REIT Code to seek Unitholders' prior approval and to make announcements and circulars (in accordance with Chapter 10 of the REIT Code) in respect of certain "corporate finance transactions" between Fortune REIT Group and the HSBC Group. In addition, the disclosure and reporting requirements under Chapter 8 of the REIT Code with respect to such transactions shall be modified as described in conditions below.

- **Nature of transactions**

For this purpose, "corporate finance transactions" means:

- (i) underwriting, securitisation, issue of debt instruments or other securities, or other related arrangements where the HSBC Group is involved in an underwriting or arranging capacity or acts as financial adviser, listing agent and/or global co-ordinator to Fortune REIT, provided that these transactions are carried out at arm's length on normal commercial terms, the primary objective of which is the offering or distribution of securities to parties outside of the HSBC Group;
- (ii) lending and borrowing of funds or other related arrangements in connection with any facility agreement by which the Fortune REIT Group will finance the acquisition of real estate; and
- (iii) "corporate advisory transactions", that is, the provision of corporate finance advice to the Fortune REIT Group and excludes transactions set out above, provided that the aggregate fees that the HSBC Group derived from all "corporate advisory transactions" conducted for the Fortune REIT Group during a financial year shall be capped at 1% of the latest published net asset value (the "NAV") of Fortune REIT. For the avoidance of doubt, "corporate finance advice" means advice concerning:
 - compliance with or in respect of the Hong Kong Listing Rules, the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the Hong Kong Code on Takeovers and Mergers and/or the Hong Kong Code on Share Repurchases;
 - any offer to dispose of securities to the public, or to acquire securities from the public, or acceptance of any such offer, but only in so far as the advice is generally given to holders of securities or a class or securities; or
 - corporate restructuring in respect of securities (including the issue, cancellation or variation of any rights attaching to any securities).

CONTINUING CONNECTED PARTY TRANSACTIONS

- ***Waiver terms and conditions***

The above waiver is granted on the condition that:

- (i) Any offering document or circular to be issued by Fortune REIT in respect of such corporate finance transactions shall include upfront disclosure of this waiver and, with respect to those corporate finance transactions under paragraphs (i) and (ii) under “Nature of transactions” of this section 17.2.2(d), full disclosure of the material terms of the relevant agreements.
- (ii) The annual report of Fortune REIT shall include disclosure of the aggregate fees paid to the HSBC Group in respect of all the corporate finance transactions conducted for the Fortune REIT Group in the relevant financial year.
- (iii) In respect of any corporate finance transaction conducted by the HSBC Group whose fees, payable by the Fortune REIT Group, exceed HK\$1 million, the relevant annual report of Fortune REIT shall include disclosure of:
 - the occurrence and nature of the transaction;
 - the parties to the transaction; and
 - the date of the transaction.
- (iv) The annual report of Fortune REIT shall disclose a statement made by each of the Manager and the Trustee to confirm that such corporate finance transactions have been conducted in compliance with the General Conditions, and that the Trustee has not been involved in the making of any decision to enter into any corporate finance transaction on behalf of Fortune REIT (subject to the Trustee’s duties of oversight under the REIT Code and the Trust Deed), including the selection of the financial adviser for the transaction.
- (v) The annual report of Fortune REIT shall include a statement by the INEDs that they have reviewed the terms of such corporate finance transactions and are satisfied that they have been entered into:
 - in the ordinary and usual course of business of Fortune REIT;
 - on normal commercial terms (to extent that there are comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to Fortune REIT than terms available to or from (as appropriate) independent third parties; and
 - in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Unitholders as a whole.

CONTINUING CONNECTED PARTY TRANSACTIONS

- (vi) The auditors' report shall cover all the relevant corporate finance transactions.

Notwithstanding the above, in the case where the aggregate fees that the HSBC Group generates from all "corporate advisory transactions" conducted for the Fortune REIT Group during any financial year exceed 1% of the latest NAV of Fortune REIT as disclosed in its latest published audited accounts, the compliance requirements in respect of connected party transactions as set out in Chapter 8 of the REIT Code shall apply.

For the avoidance of doubt, where by virtue of the nature of the transaction, other than the involvement of HSBC Group in its capacity as described above under "Corporate finance transactions — Nature of transactions", an announcement has to be made as required under the REIT Code (and is not exempted by any waiver granted by the SFC), such announcement shall disclose the role of HSBC Group and the relevant terms of engagement in accordance with the relevant provisions of the REIT Code.

(e) *Leasing/licensing transactions*

- ***Nature of transactions***

As part of the Fortune REIT Group's ordinary and usual course of business, the Fortune REIT Group, through the Property Companies as owner of the properties, is either already a party to, or may from time to time enter into, leases or licences with members of the HSBC Group ("**Trustee Leases/Licenses**").

- ***Waiver terms and conditions***

The SFC has granted a waiver from strict compliance with the requirement to make announcements and to seek Unitholders' prior approval as set out in Rule 8.9 and 8.11 of the REIT Code in respect of any lease or licence transactions entered into with Fortune REIT Group where any member of the HSBC Group is a lessee or licensee and the disclosure and reporting requirements under Chapter 8 of the REIT Code shall be modified as described in paragraphs (iii), (iv) and (v). As a result of this waiver, the Manager is not required to make announcements or seek Unitholders' approval regarding lease transactions between Fortune REIT Group and any member of the HSBC Group and the disclosure and reporting requirements under Chapter 8 of the REIT Code that will apply in respect of any lease or licence transactions entered into with Fortune REIT Group where any member of the HSBC Group is a lessee or licensee shall be modified as described in paragraphs (iii), (iv) and (v) below:

- (i) The grant of any Trustee Lease/License shall be negotiated and determined by the Manager and/or the Manager's delegate on behalf of the Fortune REIT Group.
- (ii) An independent valuation shall be conducted for each of the leasing/licensing transactions relating to the Trustee Leases/Licenses except where they are conducted on standard or published rates.

CONTINUING CONNECTED PARTY TRANSACTIONS

- (iii) The aggregate amount of annual rental/license fees paid by the HSBC Group to the Fortune REIT Group in any financial year, together with the material terms of any Trustee Lease/License in respect of which the annual rental/license fee (per lease/license) exceeds HK\$1 million, shall be disclosed in the relevant annual report of Fortune REIT in accordance with paragraph 8.15 of the REIT Code.
- (iv) The annual report of Fortune REIT shall include a statement by the INEDs that they have reviewed the terms of the Trustee Leases/Licenses and that they are satisfied that such Trustee Leases/Licenses have been entered into:
 - in the ordinary and usual course of business of Fortune REIT;
 - on normal commercial terms (to extent that there are comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to Fortune REIT than terms available to or from (as appropriate) independent third parties; and
 - in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Unitholders as a whole.
- (v) The auditors' report shall cover all the relevant leasing/licensing transactions relating to the Trustee Leases/Licenses.

(f) *Opinion of the Board*

The Board (including all the INEDs) has confirmed that:

- the waiver is in the interests of Unitholders as a whole;
- it is satisfied with the internal control procedures of the Trustee with respect to the independence of the Trustee's operation vis-à-vis the other banking/financial services functions/operations of the HSBC Group;
- the cap amount and the basis of the cap amount, in relation to the aggregate fees of the HSBC Group generated from all "corporate advisory transactions" between the HSBC Group and Fortune REIT conducted during the relevant financial year, is fair and reasonable having regard to the interests of the Unitholders of Fortune REIT as a whole; and
- each connected party transaction shall be entered into in the ordinary and usual course of business of Fortune REIT, on normal commercial terms at arm's length and in the interests of Unitholders as a whole.

17.3 UNITHOLDERS' MANDATE

The Manager may at any time in the future seek a general annual mandate from the Unitholders in relation to other waivers from, or confirmations in relation to, the connected party transaction rules under the REIT Code for which the Manager may apply to the SFC. In order to apply to the SFC for that purpose, the general mandate must be made subject to

CONTINUING CONNECTED PARTY TRANSACTIONS

any applicable requirements of the SFC or applicable provisions of the REIT Code. Such mandate may include continuation or extension of existing waivers (including those set out under section 17.2).

In seeking any such general mandate, the INEDs will render an opinion as to whether the methods or procedures for determining the transaction prices or other relevant terms of the transaction contemplated under the general mandate are sufficient to ensure that such transactions will be carried out on arm's length basis and on normal commercial terms, will not be prejudicial to the interests of Fortune REIT and the Unitholders and that the terms and conditions of such transactions will be fair and reasonable.

17.4 ROLE OF THE AUDIT COMMITTEE

The Audit Committee will periodically review (and the executive Directors or the management team of the Manager will periodically produce reports to the Audit Committee for review of) all connected party transactions to ensure compliance with the Manager's internal control systems and with the relevant provisions of the REIT Code. The review will include the examination of the nature of the transaction and its supporting documents or such other data deemed necessary by the Audit Committee. If a member of the Audit Committee has an interest in a transaction, he or she is to abstain from participating in the review and approval process in relation to that transaction.

17.5 ANNOUNCEMENTS AND REPORTING

Connected party transactions of Fortune REIT within any of the categories described above will be reviewed by Fortune REIT's auditors and will be subject to disclosure in Fortune REIT's annual reports and accounts.

17.6 TRUST DEED

The Trustee, on behalf of Fortune REIT, has entered into transactions or arrangements with the Manager in connection with the setting up of Fortune REIT. These transactions or arrangements constitute connected party transactions of Fortune REIT, and include the Trust Deed.

Fortune REIT was constituted by the Trust Deed entered into between the Trustee and the Manager, originally dated 4 July 2003 and as amended and restated from time to time. For further details of the Trust Deed, see section 15 ("The Trust Deed").

17.7 OTHER CONTINUING CONNECTED PARTY TRANSACTIONS

Currently, save as disclosed above, there are no connected party transactions of Fortune REIT which may continue after the Introduction.

18.1 MODIFICATIONS AND WAIVERS

In connection with the authorization of Fortune REIT by the SFC, the Manager has applied to, and has received approval from, the SFC in relation to the modifications of, and/or waivers from, strict compliance with certain requirements of the REIT Code. A summary of such modifications and waivers is set out below.

18.1.1 Connected party transactions — Chapter 8 of the REIT Code

The Manager has applied to the SFC for, and has received, a waiver from strict compliance with certain requirements under Chapter 8 of the REIT Code in relation to certain continuing connected party transactions of Fortune REIT, as described in section 17 (“Continuing Connected Party Transactions”) of this document.

18.1.2 Use of special purpose vehicles — Paragraph 7.5(d) of the REIT Code

Paragraph 7.5(d) of the REIT Code provides that a REIT may hold real estate through special purpose vehicles only if the REIT has no more than two layers of special purpose vehicles. Under the Note to that paragraph, the SFC has the discretion to allow a REIT to have additional layer(s) of special purpose vehicles if justified by the particular circumstances.

Fortune REIT holds City One Shatin Property through three layers of special purpose vehicles (the “SPVs”). Historically, City One Shatin Property has been held through the SPVs. In 2005, Fortune REIT acquired the property by acquiring the SPVs. If City One Shatin Property was to be held through no more than two layers of special purpose vehicles, this requires an upward transfer of the interests in either a SPV or the property itself. Such a transfer shall not be made at an undervalue, and will incur unnecessary transaction costs, which will not be beneficial to Fortune REIT and the Unitholders. Instead, the current holding structure may provide flexibility and facilitate future reorganizations involving disposal of the property at any level of the SPVs. Further, one of the SPVs is a British Virgin Islands-incorporated company, the presence of which may further reduce the transaction costs in future reorganizations involving City One Shatin Property.

For these reasons, the Manager has submitted to the SFC, and the SFC has confirmed, that Fortune REIT is allowed to hold real estate through three layers of special purpose vehicles in respect of City One Shatin Property, pursuant to the Note to paragraph 7.5(d) of the REIT Code. This has been allowed by the SFC subject to the condition that there will be no change to the maximum number of three layers of special purpose vehicles used by Fortune REIT in respect of that Property without further approval from the SFC.

18.1.3 Governing Law of the Trust Deed — Paragraph 9.5 of, and paragraph 3 of Appendix D to, the REIT Code

Under paragraph 9.5 of, and paragraph 3 of Appendix D to, the REIT Code, a REIT must be subject to and governed by the laws of Hong Kong. As noted in section 15.16 (“The Trust Deed — Governing Law and Jurisdiction”), the Trust Deed is governed by the laws of Singapore. The Manager has applied to the SFC for, and was granted, a waiver from strict compliance with the REIT Code requirements such that the Trust Deed, and hence Fortune REIT, is allowed to remain governed by the laws of Singapore following the Introduction.

MODIFICATIONS, WAIVERS AND LICENSING CONDITIONS

The disclosure obligations under paragraph 10.3 of the REIT Code will be considered by the Manager in the context of any change in Singapore law that may have a material adverse impact on the rights of, or protections available to, the Unitholders, as compared to those available to unitholders of REITs governed by Hong Kong law.

18.1.4 Payment of Manager's fee by way of Units — Chapter 12 of the REIT Code

As noted in section 12.7 ("The Manager — Manager's Fees"), the Manager's Base Fee and, where applicable, the Acquisition Fee or Divestment Fee (collectively, the "**Manager's Fees**") payable to the Manager may be in the form of Units issued at market price. The Manager has applied to the SFC for, and has received, a waiver from strict compliance with certain requirements under Chapter 12 of the REIT Code in respect of the issue of Units to the Manager as payment of all or part of the Manager's Fees subject to the following conditions:

- (a) for the purposes of the REIT Code, the number of Units issued to the Manager by way of payment of all or part of the Manager's Fees for each financial year of Fortune REIT shall be counted as part of the 20% (or such lower percentage as permitted by the REIT Code from time to time) of outstanding Units that the Manager may issue in each financial year without Unitholders' approval pursuant to paragraph 12.2 of the REIT Code;
- (b) in respect of each financial year, the maximum number of Units that may be issued to the Manager as payment of all or part of the Manager's Fees for that financial year shall, in the aggregate, be limited to such number of Units as represents 3% of the total number of Units outstanding as at the last day of the immediately preceding financial year plus the number of Units, if any, issued in that financial year for the purpose of financing any acquisition or divestment (where applicable) of real estate by Fortune REIT;
- (c) any issue of Units to the Manager as payment of all or part of the Manager's Fees shall be made strictly in accordance with the requirements of the Trust Deed and the Applicable Rules; and
- (d) in the event that any payment of all or part of the Manager's Fees in the form of Units exceeds the relevant thresholds set out in paragraph 12.2 of the REIT Code and paragraph (b) above, and Unitholders' approval is not obtained for the issue of Units for such purpose, then payment of that excess part of the Manager's Fees shall be made by Fortune REIT to the Manager in cash.

18.2 LICENSING CONDITIONS

In addition to the applicable conditions set out in the SFO, the SFC has imposed the following licensing conditions upon the Manager:

- (a) The Manager's license shall lapse and cease to have effect as and when:
 - (i) Fortune REIT is de-authorised; or
 - (ii) the Manager ceases to act as the management company of Fortune REIT; and
- (b) For type 9 regulated activity, the Manager shall only engage in managing Fortune REIT.

19.1 LISTINGS

Fortune REIT currently has a primary listing of Units on the SGX-ST, which it intends to maintain alongside its proposed dual primary listing of Units on the Hong Kong Stock Exchange.

19.2 REGISTRATION

The principal register of Unitholders (the “**Singapore Unit Register**”) is maintained in Singapore by the Singapore Unit Registrar whose address is 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623. The Units traded on the SGX-ST are registered in the name of CDP or its nominee and are held by CDP for and on behalf of Unitholders who maintain, either directly or through depository agents, securities accounts with CDP (each Unitholder, a “**Depositor**”). Fortune REIT has established a Hong Kong register of Unitholders (the “**Hong Kong Unit Register**”) in Hong Kong which is maintained by the Hong Kong Unit Registrar, whose address is Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong. Certificates in respect of the Units registered on the Hong Kong Unit Register will be issued by the Hong Kong Unit Registrar. The Singapore Unit Registrar will keep in Singapore duplicates of the Hong Kong Unit Register, which will be updated from time to time.

19.3 CERTIFICATES

Only Unit certificates issued by the Hong Kong Unit Registrar will be valid for delivery in respect of dealings effected on the Hong Kong Stock Exchange.

No certificate shall be issued for the Units listed on the SGX-ST to Unitholders. Instead, for so long as the Units are listed on the SGX-ST and the Units are registered in the name of CDP or its nominee, CDP shall issue statements to each Depositor in accordance with the terms and conditions for operation of securities account.

19.4 DEALINGS

Dealings in Units listed on both the Hong Kong Stock Exchange and the SGX-ST will be conducted in Hong Kong dollars. The Units are traded on the SGX-ST and will be traded on the Hong Kong Stock Exchange in board lots of 1,000 Units.

Currently, the transaction costs of dealings in the Units listed on the Hong Kong Stock Exchange will include a Hong Kong Stock Exchange trading fee of 0.005%, an SFC transaction levy of 0.004%, a transfer deed stamp duty of HK\$5.00 on the seller per transfer deed and ad valorem stamp duty on both the buyer and the seller charged at the rate of 0.1% each of the price of the Units being transferred. The brokerage commission in respect of trades of Units on the Hong Kong Stock Exchange is freely negotiable.

The clearing fee in Singapore is payable at the rate of 0.04% of the transaction value, subject to a maximum of S\$600 per transaction. Such clearing fee is subject to goods and services tax in Singapore (currently at 7.0%). The brokerage commission in respect of trades of Units on the SGX-ST is freely negotiable.

19.5 SETTLEMENT

19.5.1 Settlement of dealings in Singapore

Units listed on the SGX-ST are cleared and settled under the book-entry settlement system of CDP. All dealings in and transactions of Units through the SGX-ST are effected in accordance with the terms and conditions for the operation of securities accounts with CDP, as amended from time to time.

CDP, a wholly-owned subsidiary of the Singapore Exchange Limited, is incorporated under the laws of Singapore and acts as a depository and clearing organisation. CDP holds securities for its accountholders and facilitates the clearance and settlement of securities transactions between accountholders through electronic book-entry changes in the securities accounts maintained by such accountholders with CDP. Units will be registered in the name of CDP or its nominee and held by CDP for and on behalf of persons who maintain, either directly or through depository agents, securities accounts with CDP.

Persons holding Units in a securities account with CDP may withdraw the number of Units they own from the book-entry settlement system. A withdrawal fee of S\$10.00 for each withdrawal of 1,000 Units or less and a withdrawal fee of S\$25.00 for each withdrawal of more than 1,000 Units is payable to CDP upon submission of request to withdraw Units. Persons who wish to trade on the SGX-ST must deposit the Units into CDP. Investors should ensure that their Units are credited into their respective securities accounts with CDP before they begin to trade the Units on the SGX-ST as a buy-in may be instituted against the investors if they are unable to deliver the Units for settlement pursuant to trades done on the SGX-ST. A deposit fee of S\$10.00 is payable upon submission of request to deposit Units. The withdrawal and deposit fees are subject to Singapore goods and services tax (currently at 7.0%). Transactions in Units under the book-entry settlement system will be reflected by the seller's securities account being debited with the number of Units sold and the buyer's securities account being credited with the number of Units acquired. No transfer stamp duty is currently payable for the transfer of the Units that are settled on a book-entry basis.

A Singapore clearing fee for trades in Units on the SGX-ST is payable at the rate of 0.04% of the transaction value, subject to a maximum of S\$600.00 per transaction. The clearing fee is subject to Singapore goods and services tax (currently at 7.0%). Dealings in the Units will be carried out in Hong Kong Dollars and will be effected for settlement in CDP on a scripless basis. Settlement of trades on a normal "ready" basis on the SGX-ST generally takes place on the third market day following the transaction date, and payment for the securities is generally settled on the following day. CDP holds securities on behalf of investors in securities accounts. An investor may open a direct securities account with CDP or a securities sub-account with a depository agent. A depository agent may be a member company of the SGX-ST, bank, merchant bank or trust company.

19.5.2 Settlement of dealings in Hong Kong

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Units on the Hong Kong Stock Exchange and Fortune REIT complies with the stock admission requirements of Hong Kong Securities Clearing Company Limited ("HKSCC"), the Units will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in the Central Clearing and Settlement System established and operated by HKSCC ("CCASS") with effect from the date of commencement of dealings in the Units on the Hong Kong Stock Exchange or any other date that HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS

are subject to the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time ("**CCASS Rules**"). All necessary arrangements have been made for the Units to be admitted into CCASS.

Investors in Hong Kong must settle their trades executed on the Hong Kong Stock Exchange through their brokers directly or through custodians. For an investor in Hong Kong who has deposited his Units in his designated CCASS Participant's stock account maintained with CCASS, settlement will be effected by CCASS in accordance with the CCASS Rules. For an investor who holds the physical certificates, settlement certificates and the duly executed transfer forms must be delivered to his broker or custodian before the settlement date.

19.5.3 Distributions

Distributions will be declared in Hong Kong dollars.

19.6 TRANSFER OF UNITS

19.6.1 Transfer of Units

All duties, fees and expenses specified herein are subject to changes from time to time.

19.6.2 Removal of Units between CDP and the Hong Kong Unit Registrar

Currently, Units traded on the SGX-ST are registered in the name of CDP or its nominee. For the purposes of trading on the Hong Kong Stock Exchange following the Introduction, the Units must be registered on the Hong Kong Unit Register. Units may be transferred between the CDP and the Hong Kong Unit Register. An investor who wishes to trade on the SGX-ST must have a direct securities account with CDP or a securities sub-account with a depository agent, and an investor who wishes to trade on the Hong Kong Stock Exchange following the Introduction must have his Units registered on the Hong Kong Unit Register by removing them from CDP to the Hong Kong Unit Register. A resolution has been passed by the Directors authorising the removal of Units between CDP and the Hong Kong Unit Register as may from time to time be requested by the Unitholders of Fortune REIT.

19.6.3 From CDP to the Hong Kong Unit Register

If an investor whose Units are traded on the SGX-ST wishes to trade his Units on the Hong Kong Stock Exchange following the Introduction, he must effect a removal of Units from CDP to the Hong Kong Unit Register.

A removal of the Units from CDP to the Hong Kong Unit Register involves the following procedures:

- (1) As the investor's Units have been deposited with CDP, the investor must first withdraw his Units from CDP by completing a Request for Withdrawal of Securities form available from CDP and submitting the same to CDP together with the transfer deed (if required), the certificate of stamp duty (if required) and the withdrawal fee as prescribed by CDP from time to time.

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- (2) The investor shall also complete a Removal Request form obtained from the Singapore Unit Registrar and submit the Removal Request form to the Singapore Unit Registrar.
- (3) CDP will then withdraw the specified number of Units from the investor's securities account with CDP and liaise with the Singapore Unit Registrar on re-registration. The Singapore Unit Registrar shall then register the specified number of Units in the name of the investor on the Singapore Unit Register.
- (4) Upon notification from CDP and the receipt of the Removal Request form together with bank drafts for the amount as prescribed by the Singapore Unit Registrar and the Hong Kong Unit Registrar from time to time from the investor, the Singapore Unit Registrar shall take all actions necessary to effect the transfer and removal of Units from the Singapore Unit Register.
- (5) On completion, the Singapore Unit Registrar shall then notify the Hong Kong Unit Registrar of the removal whereupon the Hong Kong Unit Registrar shall update the Hong Kong Unit Register and issue Unit certificate(s) in the name of the investor and send such Unit certificate(s) to the address specified by the investor. Despatch of Unit certificate(s) will be made at the risk and expense of the investor as specified in the Removal Request form.
- (6) If the investor's Units upon being registered in Hong Kong are to be deposited with CCASS, the investor must deposit the Units into CCASS for credit to his CCASS Investor Participant stock account or his designated CCASS Participant's stock account. For depositing of Units into CCASS or to effect sale of Units in Hong Kong, the investor should execute a transfer form which is in use in Hong Kong and which can be obtained from the offices of the Hong Kong Unit Registrar and deliver it together with his Unit certificate(s) issued by the Hong Kong Unit Registrar to HKSCC directly if he intends to deposit the Units into CCASS for credit to his CCASS Investor Participant stock account or via a CCASS Participant if he wants the Units to be credited to his designated CCASS Participant's stock account.

Under normal circumstances, steps (1) to (5) generally require up to 13 Business Days to complete. Generally, expedited unit transfer services at a turnaround time of up to nine Business Days are available at Unitholders' request but will be subject to the discretion of the Hong Kong Unit Registrar and will not be available during peak operation seasons of the Hong Kong Unit Registrar.

19.6.4 From Hong Kong Unit Register to CDP

Following the Introduction, if an investor whose Units are traded on the Hong Kong Stock Exchange wishes to trade his Units on the SGX-ST, he must effect a removal of the Units from the Hong Kong Unit Register to CDP. Such removal and deposit of the Units would involve the following procedures:

- (1) If the investor's Units are registered in the investor's own name, the investor shall complete the Unit Removal Form (the "**Removal Request Form**") available from the Hong Kong Unit Registrar or the Singapore Unit Registrar and submit the same together with the Unit certificate(s) in his name and bank draft for the amount as prescribed by the Singapore Unit Registrar and the Hong Kong Unit Registrar from time to time to the Hong Kong Unit Registrar. If the investor's Units are deposited with CCASS, the investor must first withdraw such Units from

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his CCASS Investor Participant stock account with CCASS or from the stock account of his designated CCASS Participant and submit the relevant Unit transfer form(s) executed by HKSCC Nominees Limited, the relevant Unit certificate(s) and a duly completed Removal Request Form to the Hong Kong Unit Registrar.

- (2) Upon receipt of the Removal Request Form, the relevant Unit certificate(s) and where appropriate, the completed Unit transfer form(s) executed by HKSCC Nominees Limited, the Hong Kong Unit Registrar shall take all actions necessary to effect the transfer and the removal of the Units from the Hong Kong Unit Register to the Singapore Unit Register.
- (3) The Hong Kong Unit Registrar shall notify the Singapore Unit Registrar of the removal from the Hong Kong Unit Register. The Singapore Unit Registrar shall then register the specified number of Units in the investor's name on the Singapore Unit Register, following which, the Singapore Unit Registrar shall liaise with CDP on the deposit of Units into CDP and re-register the specified number of Units in CDP's or its nominee's name on the Singapore Unit Register. Upon receipt of the relevant documents and payment of deposit fee from the Singapore Unit Registrar in good order, CDP shall credit the specified number of Units into the investor's securities account with CDP.
- (4) The investor must ensure that he has a securities account in his own name or sub-account with a CDP depository agent before he can complete and sign off on delivery instruction set out in the Removal Request Form.

For Units which are deposited with CCASS and under normal circumstances, for steps (1) to (3), Unitholders will generally need to allow up to 14 Business Days to remove their Units to CDP. Generally, expedited unit transfer services at a turnaround time of up to seven Business Days are available at Unitholders' request but are subject to the discretion of the Hong Kong Unit Registrar and are not available during peak operation seasons of the Hong Kong Unit Registrar.

For Units which are registered in their own name and under normal circumstances, for steps (1) to (3), Unitholders will generally need to allow up to 10 Business Days to remove their Units to CDP. Generally, expedited unit transfer services (without the need for re-registration in this case) at a turnaround time of up to six Business Days are available at Unitholders' request but are subject to the discretion of the Hong Kong Unit Registrar and are not available during peak operation seasons of the Hong Kong Unit Registrar.

19.6.5 Stamp Duty

For those Units which are registered on the Hong Kong Unit Register, any transfer thereof or dealings therein will be subject to Hong Kong stamp duty. For those Units which are deposited with CDP, no transfer stamp duty is currently payable for the transfer of the Units that are settled on a book-entry basis.

19.6.6 Costs

All costs attributable to the removal of Units from the Hong Kong Unit Register to CDP and any removal from CDP to the Hong Kong Unit Register shall be borne by the Unitholder requesting the removal. In particular, Unitholders should note that the Hong Kong Unit Registrar will charge a re-registration and removal handling fee according to the turnaround time requested by Unitholders. CCASS charges a withdrawal fee of HK\$3.50 per

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board lot (subject to a minimum of HK\$20.00 per withdrawal order for CCASS Investor Participant) for withdrawal from the CCASS system. The Singapore Unit Registrar will charge S\$10.00 for each removal of Units, as stated in the Removal Request forms used in Hong Kong or Singapore. The fees charged by the Singapore Unit Registrar are subject to Singapore goods and services tax (currently at 7.0%).

19.6.7 Special Arrangements to Facilitate Transfers prior to the Introduction

Special arrangements have been made to facilitate transfers of Units prior to the Introduction. In connection with the Introduction, the Singapore Unit Registrar and the Hong Kong Unit Registrar will provide three batch-transfers of Singapore-listed Units for Unitholders seeking to transfer their Units to the Hong Kong Unit Register prior to the Introduction. The key dates in relation to such batch-transfer exercise (the “Batch-Transfer”) are set out below:

<u>Events</u>	<u>First Batch-Transfer</u>	<u>Second Batch-Transfer</u>	<u>Third Batch-Transfer</u>
Final date to submit Request for Withdrawal of Securities form to CDP and Removal Request form to the Singapore Unit Registrar	9 April 2010	16 April 2010	20 April 2010
Unit certificates available for collection from the Hong Kong Unit Registrar’s office	16 April 2010	23 April 2010	27 April 2010

Unitholders who hold their Units directly in CDP and who wish to participate in the Batch-Transfer will need to complete and submit the Request for Withdrawal of Securities form, together with the transfer deed, to CDP and the Removal Request form to the Singapore Unit Registrar before the relevant dates stipulated above.

The Singapore Unit Registrar and the Hong Kong Unit Registrar have agreed to waive their charges to Unitholders in respect of the Batch-Transfer. CDP’s existing charges will still apply, together with any other costs to be levied by Unitholders’ own brokers, nominees or custodians (where relevant).

The Manager has made arrangements to inform the Unitholders and the Singapore investing public of details of the Introduction and the Batch-Transfer procedures.

19.7 BRIDGING ARRANGEMENTS

19.7.1 Intended Arbitrage Activities during the Bridging Period

Upon the Introduction and during the Bridging Period, the Bridging Dealers, on their own account, will seek to undertake arbitrage activities in circumstances as described below. Such arbitrage activities are expected to contribute to the liquidity of trading in the Units on the Hong Kong market upon the Introduction as well as to reduce potential material divergence between Unit prices on the Hong Kong and the Singapore markets:

1. The Bridging Dealers will seek to carry out arbitrage trades in line with market practice in the context of dual listed stocks. The arbitrage trades are envisaged to be carried out where there exists a meaningful price differential between prices of Units quoted on the Hong Kong Stock Exchange and those quoted on the SGX-ST. In relation to the Introduction, it is envisaged that a typical arbitrage

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trade would be executed if and when prices of Units quoted on the Hong Kong Stock Exchange are meaningfully higher than those on the SGX-ST, in which case the Bridging Dealers will seek to purchase Units at the lower price in Singapore and sell Units at the higher price in Hong Kong.

The typical cost of executing an arbitrage trade is minimal and should constitute a small percentage of the Unit price. In the Hong Kong context, the typical cost comprises stamp duty (0.1%), trading fee (0.005%) and transaction levy (0.004%) while in the Singapore context, there is a clearing fee (0.04% up to a maximum of S\$600) and trading fee (0.0075%). Nonetheless, as the Bridging Dealers envisage, that for arbitrage trades to occur, the Unit price differential would need to exceed such transaction costs and the risk premium as perceived by the Bridging Dealers (including but not limited to factors such as price volatility and market liquidity on both markets).

The Bridging Dealers intend to carry out arbitrage trades where (a) there exists a meaningful Unit price differential between the Hong Kong and Singapore markets (as determined by the Bridging Dealers), and (b) the Bridging Dealers are able to purchase sufficient quantities of Units to address such price differentials when they arise and to contribute towards trading liquidity to a meaningful extent. The bridging arrangements and the role of the Bridging Dealers will terminate and cease at the expiry of the Bridging Period.

2. For the Bridging Dealers to contribute meaningfully towards liquidity of trading in the Units on the Hong Kong market, there should be no trading or exchange disruption in or early closure (other than due to different trading hours) of one or both stock exchanges. There should be concurrent availability of Units on both stock exchanges. Each of the Bridging Dealers has also entered into a Unit Borrowing and Lending Agreement to ensure it will have ready access to appropriate quantities of Units for settlement purposes upon the Introduction and during the Bridging Period.
3. There is a Unit Borrowing and Lending Agreement between Focus Eagle Investments Limited (the "Lender"), an indirect wholly-owned subsidiary of Cheung Kong, and each of the Bridging Dealers with effect from 31 March 2010. Pursuant to the Unit borrowing arrangement, the Lender will, at the request of each or both of the Bridging Dealers, make available to the Bridging Dealers Unit lending facilities of an aggregate of up to 10% of the Units in issue (to be shared equally between the Bridging Dealers). Such Units will be used for settlement in connection with the arbitrage trades carried out by the Bridging Dealers in Hong Kong. These Units will have been registered on the Hong Kong Unit Register prior to the Introduction. The total number of Units subject to such Unit borrowing arrangement is significantly in excess of the aggregate of the daily trading volumes of the Units on the SGX-ST for the 15 trading days immediately before and up to the Latest Practicable Date.

Each Unit Borrowing and Lending Agreement provides, inter alia, that all the Units borrowed shall be returned to the Lender not later than 13 Business Days after the Bridging Period End Date.

4. Additionally, to facilitate the role of the Bridging Dealers commencing from the pre-opening period (9:30 a.m. – 10:00a.m.) on the first day of the Introduction, the Bridging Dealers have established a mechanism in place to build up an

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ownership of a small inventory of Units prior to the commencement of trading. There is a Unit Sale and Purchase Agreement between Focus Eagle Investments Limited (the "Vendor") and each of the Bridging Dealers with effect from 31 March 2010 for the sale of an aggregate of 16,300,000 Units (representing just below 1% of the Units in issue, which shall be shared equally between the Bridging Dealers) at a sale price of HK\$3.57 per Unit, being the closing price of the Units quoted on the SGX-ST on the day immediately before the Latest Practicable Date.

5. Simultaneously with the Unit Sale and Purchase Agreement, there is a Unit Option Agreement between the Vendor and each of the Bridging Dealers with effect from 31 March 2010, pursuant to which each Bridging Dealer has a put option to sell the equivalent number of Units purchased under the relevant Unit Sale and Purchase Agreement back to the Vendor, at the same price as such Units were purchased, on or before the expiry of the Bridging Period, and the Vendor has the right to compel each Bridging Dealer to exercise such put option to sell the equivalent number of Units purchased under the relevant Unit Sale and Purchase Agreement back to the Vendor upon the expiry of the Bridging Period. Currently, it is intended that each Bridging Dealer will at the relevant time exercise its put option with respect to all of the Units it will have purchased under the relevant Unit Sale and Purchase Agreement.
6. The sole purpose of the Unit Sale and Purchase Agreement is to facilitate the Bridging Dealers in contributing towards trading liquidity in the Units on the Hong Kong market, by making available a quantity of Units to facilitate arbitrage trades commencing from the pre-opening period (9.30 a.m. – 10.00 a.m.) during the Bridging Period. Under the arrangement described in paragraphs (4) and (5) of this section 19.7.1, the Vendor will maintain a neutral position in respect of its unitholdings in Fortune REIT.
7. Each Bridging Dealer will continue to replenish its Unit inventory while carrying out the arbitrage trades. When a buy order has been executed on the Singapore market and a sale order has been executed on the Hong Kong market, the Bridging Dealers will instruct the Singapore Unit Registrar to transfer the Units purchased on the Singapore market to Hong Kong to replenish its Unit inventory for further trading. While such transfer of Units takes place, the Bridging Dealers will utilize the Units borrowed under the Unit Borrowing and Lending Agreements for settlement of the sale made in Hong Kong.
8. Each of the Bridging Dealers will set up a designated dealer identity number solely for the purposes of carrying out arbitrage trades under this exercise in Hong Kong, in order to ensure identification and thereby enhance transparency of such trades on the Hong Kong market. Once the respective designated dealer identity numbers are available and in any event not later than three Business Days before the first day of the Introduction, the Bridging Dealers will notify the Manager of their respective designated dealer identity numbers. Such information will then be posted by the Manager on the website of Fortune REIT, and disclosed by way of an announcement on both stock exchanges. Any change in such designated dealer identity numbers will be disclosed as soon as practicable using the same channels as described above.

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9. The Bridging Dealers will enter into such bridging arrangement (including the arbitrage activities) on a voluntary basis with a view to contributing towards liquidity of Units in Hong Kong, and intend for such bridging arrangements to constitute proprietary transactions. The Bridging Dealers will act independently of each other and not in concert.

It is emphasized that other than the Bridging Dealers, arbitrage activities and bridging arrangements may be carried out by market participants who have access to the Units. Also, other existing Unitholders who may have transferred part or all of their unitholdings from Singapore to Hong Kong upon the commencement of trading (or thereafter) can also carry out arbitrage trades in the Units. Such activities will depend on the extent of price differentials between the two stock exchanges, and the number of market participants (other than the Bridging Dealers) who elect to enter into such arbitrage activities and bridging arrangements.

The arbitrage activities of the Bridging Dealers and any persons acting for them will be entered into in accordance with all applicable laws, rules and regulations. The bridging arrangements being implemented in connection with the Introduction are not equivalent to the price stabilization activities which may be undertaken in connection with an initial public offering. In addition, the Bridging Dealers are not acting as market makers and do not undertake to create or make a market in Units on the Hong Kong market.

19.7.2 Spread of Unitholdings

It is expected that the following measures and factors will assist in creating and/or improving the spread of holdings of the Units available for trading on the Hong Kong Stock Exchange following the Introduction:

- As the Units are of one and the same class, Unitholders may at their discretion transfer Units from Singapore to Hong Kong upon or after the Introduction, as described in section 19.6 (“Listings, Registration, Dealings and Settlement – Transfer of Units”). Special arrangements have been made to facilitate transfers of Units, and to incentivize existing Unitholders to transfer their Units to Hong Kong prior to the Introduction by enabling them to do so at a reduced cost. Details of such arrangements are set out in section 19.6.7 (“Transfer of Units — Special Arrangements to Facilitate Transfers prior to the Introduction”). To the extent that existing Unitholders elect to transfer Units to Hong Kong before or shortly after the Introduction, such Units may help contribute to the general liquidity of the Units on the Hong Kong market.
- Cheung Kong has confirmed to the Manager that it intends to transfer, and/or procure the transfer of, Units representing an aggregate of about 15% of the Units in issue to the Hong Kong Unit Register prior to the Introduction. As indicated in paragraph (3) of section 19.7.1 (“Bridging Arrangements — Intended Arbitrage Activities during the Bridging Period”), Focus Eagle Investments Limited will lend and make available to the Bridging Dealers Units which will be used solely for settlement in connection with the arbitrage trades carried out by the Bridging Dealers in Hong Kong.
- In conducting arbitrage activities in circumstances as described in section 19.7.1 (“Bridging Arrangements — Intended Arbitrage Activities during the Bridging Period”), the Bridging Dealers are effectively acting as a conduit to transfer some of the trading liquidity of the Units in the Singapore market to the Hong Kong market.

The Manager and the Joint Listing Agents consider that having regard to the special arrangements described in sections 19.6.7 (“Transfer of Units – Special Arrangements to Facilitate Transfers prior to the Introduction”), 19.7 (“Bridging Arrangements”) and 19.8 (“Investor Education”) of this document, all reasonable efforts have been made to facilitate the migration of Units to the Hong Kong Unit Register to provide the basis for an open market at the time of Introduction.

19.7.3 Benefits of the Bridging Arrangements

It is believed that the bridging arrangements will benefit the Introduction in the following ways:

- As arbitrage trades are intended to be carried out by the Bridging Dealers during the Bridging Period where there exists a meaningful price differential in the Unit prices, the bridging arrangements are expected to contribute to the liquidity of the Units on the Hong Kong market upon the Introduction.
- Arbitrage trades, by their nature, would typically contribute to reducing potential material divergence between Unit prices on the Hong Kong and the Singapore markets.
- The bridging arrangements are perceived to be a mechanism which is fair to all market participants who have access to the Units, as it is open to all the Unitholders and other market participants who have such access to carry out arbitrage trades similar to those to be carried out by the Bridging Dealers.

19.7.4 Disclosure of the Bridging Arrangements

In order to enhance transparency of the arbitrage activities carried out under the bridging arrangements, various measures to provide information to the market and potential investors will be undertaken as described in section 19.8 (“Listings, Registration, Deals and Settlement – Investor Education”).

Further, the Manager will, as soon as practicable and in any event before the opening of trading hours on the Business Day immediately before the first day of the Introduction, release an announcement on the Hong Kong Stock Exchange and the SGX-ST to inform the investing public of the following information as at the latest practicable date prior to such announcement:

- the number of Units in respect of which the Singapore Unit Registrar has received instructions from Unitholders for the transfer of such Units to the Hong Kong Unit Register (whether under the Batch-Transfer arrangements or otherwise); and
- the total number of Units which have been registered on the Hong Kong Unit Register.

In respect of the arbitrage trades to be carried out by the Bridging Dealers, each of them will set up a designated dealer identity number solely for the purposes of carrying out such trades in Hong Kong, in order to ensure identification and thereby enhance transparency of the trades on the Hong Kong market. Information relating to such designated dealer identity numbers will be disclosed as set out under paragraph (8) of section 19.7.1 (“Bridging Arrangements — Intended Arbitrage Activities during the Bridging Period”).

In addition, where applicable, the arbitrage trades carried out by the Bridging Dealers, and the transactions under the Unit Borrowing and Lending Agreements, the Unit Sale and Purchase Agreements and the Unit Option Agreements, will also be disclosed in accordance with the deemed application of the disclosure of interests regime under the provisions of Part XV of the SFO.

19.8 INVESTOR EDUCATION

19.8.1 Arrangements involving the Manager and the Joint Listing Agents

Prior to the Introduction, the Manager and the Joint Listing Agents will cooperate to inform the investor community in Hong Kong of general information about Fortune REIT, as well as the developments and/or changes to the bridging arrangements as disclosed in this document. After the Introduction has taken place, the Manager and the Joint Listing Agents may continue to take measures to educate the public. The following measures will be taken to enhance transparency of Fortune REIT and the bridging arrangements:

- There will be media briefings and press interviews to inform investors of the arrangements;
- Analyst briefings will be conducted to research houses that cover Hong Kong-listed REITs;
- Briefings in relation to the bridging arrangements will be conducted for, amongst others, private bank divisions, a syndicate of brokerage houses and other institutional investors;
- Information factsheets on Fortune REIT generally, and on the Unit transfer procedures as summarized in section 19.6 (“Listings, Registration, Dealings and Settlement – Transfer of Units”) will be posted on the website of Fortune REIT;
- Information, including Fortune REIT’s previous day closing price, trading volume and other relevant historical data will be disclosed on the website of Fortune REIT. Furthermore, during a period of three Business Days prior to the commencement of dealings in the Units on the Hong Kong Stock Exchange, a daily announcement will be released on the Hong Kong Stock Exchange and the SGX-ST, disclosing Fortune REIT’s previous day closing price on the SGX-ST, as well as any relevant developments and updates with regard to the bridging arrangements; and
- Electronic copies of this document will be disseminated through the website of Fortune REIT and the websites of the Hong Kong Stock Exchange and the SGX-ST. In addition, physical copies of this document will be made available for collection at the following locations:
 - Office of the Manager at Units 5508-10, 55th Floor, The Center, 99 Queen’s Road Central, Hong Kong;
 - Office of DBS Asia Capital Limited at 22nd Floor, The Center, 99 Queen’s Road Central, Hong Kong; and
 - Office of J.P. Morgan Securities (Asia Pacific) Limited at Chater House, 28th Floor, 8 Connaught Road Central, Hong Kong.

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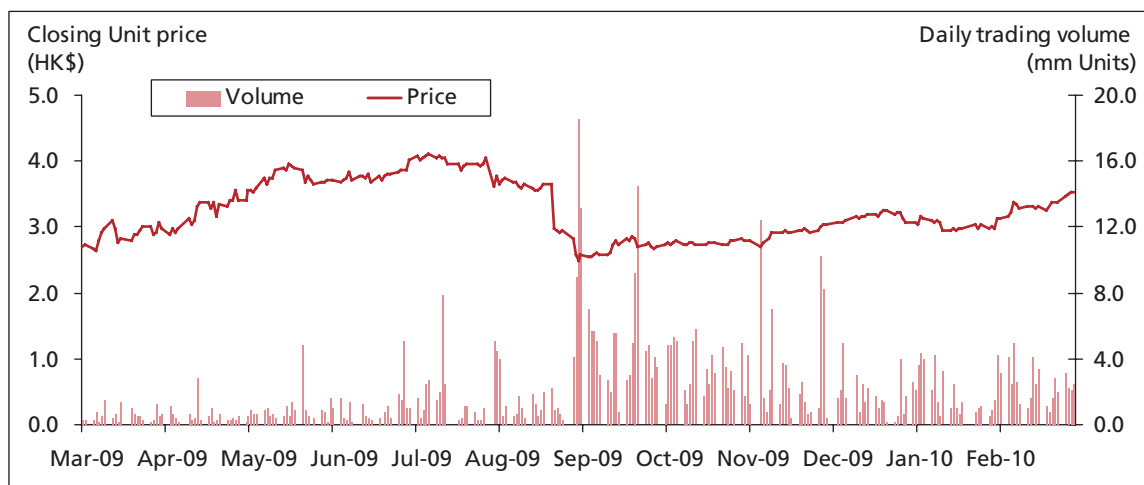
19.8.2 Other Sources of Information

Real-time trading information in respect of the Units can be obtained from the following sources:

- the website of SGX-ST at http://www.sgx.com/wps/portal/marketplace/mp-en/prices_indices_statistics/securities/stocks, at no cost; or
- through service providers that provide such facilities at investors' own expense. Such service will be provided on and subject to the terms and conditions of the relevant service provider.

19.8.3 Historical Trading Information in respect of the Units on the SGX-ST

Fortune REIT's Unit price and trading volume for the period from 26 March 2009 to the Latest Practicable Date



Source: Bloomberg as at Latest Practicable Date

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Selected historical trading information of Fortune REIT for the period from 26 March 2009 to the Latest Practicable Date

	<u>Closing Unit price (HK\$)</u>			<u>Trading volume (Units)</u>
	<u>Period high</u>	<u>Period low</u>	<u>Period end</u>	<u>Average daily volume</u>
26 March 2009 to 25 April 2009	3.12	2.67	3.00	571,333
26 April 2009 to 25 May 2009	3.60	2.90	3.45	547,450
26 May 2009 to 25 June 2009	4.00	3.55	3.74	872,957
26 June 2009 to 25 July 2009	4.07	3.72	4.07	970,286
26 July 2009 to 25 August 2009	4.16	3.67	3.81	1,752,619
26 August 2009 to 25 September 2009	3.77	2.49	2.58	3,052,909
26 September 2009 to 25 October 2009	2.89	2.55	2.73	4,918,700
26 October 2009 to 25 November 2009	2.85	2.74	2.80	3,486,696
26 November 2009 to 25 December 2009	3.06	2.73	3.06	3,193,200
26 December 2009 to 25 January 2010	3.28	3.09	3.10	1,788,900
26 January 2010 to 25 February 2010	3.20	2.96	3.15	2,008,571
26 February 2010 to 25 March 2010	3.57	3.15	3.57	2,489,500
 26 March 2009 to 25 March 2010	 4.16	 2.49	 3.57	 2,133,135

Source: Bloomberg as at Latest Practicable Date

During the period from 26 March 2009 to the Latest Practicable Date, the closing prices of the Units on the SGX-ST fluctuated within a range between HK\$2.49 and HK\$4.16. The average daily trading volume of the Units on the SGX-ST during the period from 26 March 2009 to the Latest Practicable Date was 2,133,135.

TAXATION

The following summary of certain tax consequences of Fortune REIT and the Unitholders is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change (which may have a retroactive effect). The summary does not purport to be a comprehensive description of all the tax considerations that may be applicable to Fortune REIT and to all categories of Unitholders, some of whom may be subject to special rules. The following statements are by way of a general guide to investors only and do not constitute tax advice. Investors are therefore advised to consult their professional advisers concerning possible taxation or other consequences of purchase, holding, selling or otherwise disposing of the Units under the laws of their country of incorporation, establishment, citizenship, residence or domicile.

20.1 HONG KONG TAXATION

20.1.1 Fortune REIT

20.1.1.1 Profits Tax

Fortune REIT, as a collective investment scheme constituted as a unit trust and authorized under section 104 of the SFO, is exempt from Hong Kong profits tax.

The Property Companies will be subject to Hong Kong profits tax in respect of profits arising in or derived from Hong Kong (including but not limited to profits derived from the letting of the Property in Hong Kong) if the companies are regarded as carrying on a trade or business in Hong Kong at the current rate of 16.5%. The Property Companies will not be subject to Hong Kong profits tax on any capital gains derived from the disposal of the Property, provided the Property is not held for trading purposes as Hong Kong does not impose tax on capital gains. For tax purposes, the Manager treats the Property as not held for trading purposes.

The Property Companies incorporated outside Hong Kong will be subject to Hong Kong profits tax in respect of profits arising in or derived from Hong Kong at the current rate of 16.5% if they are regarded as carrying on a trade, profession or business in Hong Kong.

20.1.1.2 Withholding Tax

Distributions from the Property Companies to Fortune REIT will not be subject to any withholding tax in Hong Kong. Distributions from Fortune REIT to Unitholders will not be subject to any withholding tax in Hong Kong.

20.1.1.3 Stamp Duty

In the event that the Manager decides to acquire a new property in Hong Kong or dispose of any property in Hong Kong, such acquisition or disposal of property will attract Hong Kong stamp duty. Depending on the purchase price, Hong Kong stamp duty will be charged at up to 3.75% of the higher of the consideration or market value of the property.

In the case where the acquisition or disposal is effected by way of a transfer of shares, Hong Kong stamp duty is payable on any purchase and sale of shares, to the extent the shares to be transferred constitute Hong Kong stock as defined under the Hong Kong Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong). The applicable rate is 0.2% of the higher of the consideration or value of the shares.

TAXATION

20.1.2 UNITHOLDERS

20.1.2.1 Profits Tax

It is understood that, under the Inland Revenue Department's current practice, Hong Kong profits tax will not be payable by a Unitholder on distributions made by Fortune REIT. However, Unitholders should take advice from their own professional advisers as to their particular tax position.

Hong Kong profits tax will not be payable by any Unitholder (other than a Unitholder carrying on a trade, profession or business in Hong Kong and holding the Units for trading purposes) on any capital gains made on the sale or other disposal of the Units.

20.1.2.2 Stamp Duty

The sale and purchase of Units that are listed on the Hong Kong Stock Exchange by a Unitholder will attract Hong Kong stamp duty at the current rate of 0.2% of the price of the Units being sold or purchased. The Unitholder selling the Units and the purchaser will each be liable for one-half of the amount of Hong Kong stamp duty payable upon such transfer. In addition, a fixed duty of HK\$5 is currently payable on any instrument of transfer of Units.

20.2 SINGAPORE TAXATION

Fortune REIT has obtained a tax ruling from the Ministry of Finance ("**MOF**") dated 10 June 2003 (the "**2003 Ruling**") confirming the Singapore tax consequences of Fortune REIT and that of the Unitholders, in relation to dividend distributions receivable from special purpose vehicles incorporated in Hong Kong and in the British Virgin Islands (the "**2003 Property Companies**").

Subsequently, Fortune REIT obtained another tax ruling from the MOF dated 11 April 2005 (the "**2005 Ruling**") confirming the Singapore tax consequences of Fortune REIT and that of the Unitholders, in relation to dividend distributions receivable from special purpose vehicles incorporated in the British Virgin Islands (the "**2005 Property Companies**").

Fortune REIT has also obtained a tax ruling from the Inland Revenue Authority of Singapore ("**IRAS**") dated 28 July 2009 (the "**2009 Ruling**") on the Singapore tax consequences of Fortune REIT and that of the Unitholders, in relation to dividend distributions receivable from further special purpose companies incorporated in the British Virgin Islands (the "**2009 Property Companies**").

TAXATION

In accordance with the 2003 Ruling, the 2005 Ruling and the 2009 Ruling (collectively referred to as the “**Tax Rulings**”), the Singapore taxation consequences of Fortune REIT and that of the Unitholders are described below:

20.2.1 Fortune REIT

20.2.1.1 Tax-Exempt Income

Fortune REIT is exempt from Singapore income tax on the dividends received from the 2003 Property Companies, the 2005 Property Companies and the 2009 Property Companies (collectively referred to as the “**Subject Property Companies**”) that are distributed out of income (including interest and gains from the sale of real properties) which are subject to Hong Kong profits tax at a rate of not less than 15.0%.

The tax exemption on such dividends received from the companies incorporated in the British Virgin Islands (“**BVI**”) is applicable by virtue of Section 13(12) of the Singapore Income Tax Act (the “**ITA**”). For such dividends received from companies incorporated in Hong Kong, the exemption is applicable by virtue of Section 13(8) of the ITA. As these dividends are exempt from Singapore income tax, Fortune REIT may distribute such income, after deduction of its relevant expenses (the “**Relevant Tax-Exempt Income**”) to the Unitholders free of Singapore tax.

However, by virtue of the sunset clause announced by the Minister for Finance in the Singapore Budget 2010 on 22 February 2010 but not yet promulgated into law (the “**Sunset Clause**”), the exemption available under Section 13(12) of the ITA in respect of those companies incorporated in the BVI is valid only until 31 March 2015, that is, the dividends received by Fortune REIT that are currently exempt under Section 13(12) of the ITA would need to be received in Singapore on or before 31 March 2015 in order to enjoy the tax exemption granted under the Tax Rulings. If they are received after 31 March 2015 and the Sunset Clause is then in effect, the dividends would be taxable in Singapore to Fortune REIT at the corporate tax rate prevailing at the time (the “**Sunset Clause Taxable Income**”). This would effectively mean that the income would be subject to double taxation (i.e. once in Hong Kong when the BVI companies are taxed on the income arising from the Hong Kong properties, and again when the dividends distributed by the BVI companies are received in Singapore). However, in the event that a distribution is subsequently made out of such Sunset Clause Taxable Income, the Trustee and the Manager will not have to make a further deduction of income tax from the distribution.

As the Sunset Clause applies to exemptions granted under Section 13(12) of the ITA and not to exemptions applicable by virtue of Section 13(8) of the ITA, Fortune REIT should, even after 31 March 2015, be able to make distributions (from the dividends that are received from companies incorporated in Hong Kong, after deduction of its relevant expenses) to its unitholders, free of tax.

20.2.1.2 Taxable Income

Fortune REIT will be chargeable to Singapore income tax on dividends received from the Subject Property Companies that are paid out of income or gains which are not subject to Hong Kong profits tax, and all income derived from or accrued in Singapore, or received in Singapore from outside Singapore, except for gains from the sale of investments in the Subject Property Companies that have been confirmed by the IRAS to be capital in nature (the “**Taxable Income**”).

TAXATION

Fortune REIT's Taxable Income (after deduction of a portion of allowable expenses) will be chargeable to Singapore income tax in the name of the Trustee at the prevailing corporate tax rate, which is currently 17.0%. In the event that a distribution is subsequently made out of such Taxable Income, the Trustee and the Manager will not have to make a further deduction of income tax from the distribution.

20.2.1.3 Non-Taxable Capital Gains

Fortune REIT is not assessable to Singapore income tax on the gains from the disposal of investments in the Subject Property Companies that have been confirmed by the IRAS to be capital gains (the "**Non-Taxable Capital Gains**"). Such gains may be distributed to Unitholders free of tax.

20.2.2 Unitholders

20.2.2.1 Tax-Exempt Income

Unitholders (including Hong Kong Unitholders) receiving distributions made by Fortune REIT out of Tax-Exempt Income will not be assessable to Singapore income tax on the distributions received. In other words, no Singapore withholding tax will apply to distributions made to all Unitholders (including Hong Kong Unitholders) by Fortune REIT out of Tax-Exempt Income.

20.2.2.2 Taxable Income

Unitholders (including Hong Kong Unitholders) receiving distributions made out of Taxable Income will not be assessable to Singapore income tax on the distributions received. In other words, no Singapore withholding tax will apply to distributions made to all Unitholders (including Hong Kong Unitholders) by Fortune REIT out of Taxable Income.

20.2.2.3 Non-Taxable Capital Gains

Unitholders (including Hong Kong Unitholders) receiving distributions made out of Non-Taxable Capital Gains will not be assessable to Singapore income tax on the distributions received. In other words, no Singapore withholding tax will apply to distributions made to all Unitholders (including Hong Kong Unitholders) by Fortune REIT out of Non-Taxable Capital Gains.

20.2.2.4 Profits on Sale of Units

Unitholders (including Hong Kong Unitholders) who are holding the Units as their trading assets will be assessable to Singapore income tax on any gains realised from the disposal of such Units and are required to declare such gains in their income tax returns, provided the gains are sourced in Singapore.

Generally, disposal gains could be viewed as sourced in Singapore if, for example, the decisions to sell the Units were made in Singapore or the documents relating to the sale (if any) were executed in Singapore. Accordingly, where Hong Kong Unitholders make decisions or execute documents relating to disposals of Units outside of Singapore, the gain on disposal should not be assessable to Singapore income tax.

20.2.2.5 Terms and Conditions of the Tax Rulings

There are certain terms and conditions attached to the Tax Rulings. Where these terms and conditions cannot be satisfied, the MOF and the IRAS have the right to review, amend and revoke the Tax Rulings either in part or in whole at any time.

EXPERTS

This section sets out details of the reports prepared by various experts. The Manager has reviewed the reports prepared by these experts. Each of the Joint Listing Agents, Deloitte Touche Tohmatsu and Savills Valuation and Professional Services Limited has given and has not withdrawn its written consent to the issue of this document with the inclusion of its report(s), opinion(s), certificate(s) and/or summary thereof, as the case may be, and/or references to its name included herein in the form and context in which they are respectively included.

Deloitte Touche Tohmatsu, the reporting accountants of Fortune REIT, were responsible for preparing the Accountants' Report found in Appendix 1 ("Accountants' Report") to this document.

Savills Valuation and Professional Services Limited, the Independent Property Valuer and the Independent Property Market Consultant, was responsible for preparing: (a) the independent Property Valuation Report contained in Appendix 2 ("Property Valuation Report") to this document; and (b) the Hong Kong Retail Market Overview And District Analysis contained in Appendix 3 ("Hong Kong Retail Market Overview And District Analysis") to this document, upon which section 5 ("Retail and Commercial Property Market Summary") is based.

DEFINITIONS

In this document, unless the context otherwise requires, the following terms shall have the meanings set out in the table below. Also, where terms are defined and used in only one section of this document, these defined terms are not included in the table below.

Any discrepancies in the tables, graphs and charts between the listed amounts and total thereof are due to rounding. Where applicable, figures and percentages are rounded to one decimal place.

2005 Facility	Has the meaning given to it in section 16.3 (“Material and Other Agreements Relating to Fortune REIT — The 2005 Facility”).
2009 Facility	Has the meaning given to it in section 16.4 (“Material and Other Agreements Relating to Fortune REIT — The 2009 Facility”).
Accountants’ Report	The accountants’ report prepared by Deloitte Touche Tohmatsu, the reporting accountants of Fortune REIT, as contained in Appendix 1 (“Accountants’ Report”) to this document.
Acquisition Fee	Has the meaning given to it in section 12.7.2 (“The Manager — Manager’s Fees — Acquisition Fee and Divestment Fee”).
Aggregate Leverage	The ratio of the value of total borrowings and deferred payments (including deferred payments for assets whether to be settled in cash or in Units) to the value of the gross assets of Fortune REIT, including all its authorised investments held or deemed to be held under the Trust Deed.
Applicable Rules	The SFO, the REIT Code, the SFA, the CIS Code (including the Property Funds Appendix), the listing rules in Hong Kong and Singapore (where applicable), and all other law, rules and regulations in Hong Kong and Singapore applicable to Fortune REIT.
Appraised Value	In relation to each Property, the appraised value for that Property as set out in this document.
ARA	ARA Asset Management Limited.
associated company	Has the meaning given to it in Chapter 2 of the REIT Code.
Audit Committee	The audit committee of Fortune REIT as described in section 14.4 (“Corporate Governance — Audit Committee”).
Board or Board of Directors	The board of directors of the Manager.

DEFINITIONS

Bridging Dealers	(i) DBS Bank Ltd.; and (ii) J.P. Morgan Broking (Hong Kong) Limited (and/or its affiliates authorised to carry out arbitrage activities).
Bridging Period	The 30-day period from and including the Listing Date.
Bridging Period End Date	19 May 2010.
Business Day	Any day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks are open for business in Hong Kong and/or Singapore (as the case may be) and the Hong Kong Stock Exchange and/or the SGX-ST (as the case may be) are open for trading.
Caribbean Bazaar	The property owned by Fortune REIT as specifically described in section 7.7.1 (“The Properties and Business — Caribbean Bazaar — Description”).
CCASS	The Central Clearing and Settlement System established and operated by HKSCC.
CCASS Investor Participant	A person or persons admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation.
CCASS Participant	A CCASS Clearing Participant (as defined in the CCASS Rules of General Application), a CCASS Custodian Participant (as defined in the CCASS Rules of General Application) or a CCASS Investor Participant.
CDP	The Central Depository (Pte) Limited.
Centre de Laguna Property	The property owned by Fortune REIT as specifically described in section 7.12.1 (“The Properties and Business — Centre de Laguna Property — Description”).
Charge-Out Collections	The air conditioning charges, management fees, promotional charges, government rates, government rents, utility charges, cleaning and other charges payable by the tenants and licensees of the Properties.
Cheung Kong	Cheung Kong (Holdings) Limited.
CIS Code	The Code on Collective Investment Schemes issued by the MAS.
City One Shatin Property	The property owned by Fortune REIT as specifically described in section 7.2.1 (“The Properties and Business — City One Shatin Property — Description”).

DEFINITIONS

Competent Authority	Any applicable regulatory authority in Hong Kong, Singapore or any other applicable jurisdiction which regulates or supervises Fortune REIT or any part of its business, including, as applicable, the SFC, the Hong Kong Stock Exchange, the MAS and the SGX-ST.
connected person	Has the meaning given to it in Chapter 8 of the REIT Code.
Deposited Property	The value of all the gross assets of Fortune REIT, including the Properties held in Fortune REIT's portfolio.
Directors	The directors of the Manager from time to time.
Divestment Fee	Has the meaning given to it in section 12.7.2 ("The Manager — Manager's Fees — Acquisition Fee and Divestment Fee").
Extraordinary Resolution	A resolution proposed and passed as such by a majority consisting of 75% or more of the total number of votes cast for and against such resolution at a meeting of Unitholders duly convened under the provisions of the Trust Deed.
Facility Agreements	The 2005 Facility and the 2009 Facility.
Fortune REIT	Fortune Real Estate Investment Trust.
Gearing Ratio	The aggregate borrowings of Fortune REIT (as calculated under the Trust Deed) as a percentage of the total gross asset value of the Deposited Property as set out in the Fortune REIT's latest published audited accounts immediately prior to such borrowing being effected (as adjusted by (a) the amount of any distribution proposed by the Manager in such audited accounts and any distribution declared by the Manager since the publication of such accounts; and (b) where appropriate the latest published valuation of the assets of Fortune REIT if such valuation is published after the publication of such accounts).
Goodwell Property	Goodwell Property Management Limited.
Government	The Government of the Hong Kong Special Administrative Region.
Government Lease	In respect of a Property, the Government Lease (which includes any Government Lease, Conditions of Sale, Conditions of Grant, Conditions of Exchange or other grant document(s) and any variation or modification thereof) under which the relevant Property is held from the Government.

DEFINITIONS

Gross Floor Area	In respect of a Property, the gross floor area of that Property being the area contained within the external walls of the building measured at each floor level (including any floor below the level of the grounds), together with the area of each balcony in the building, which shall be calculated from the overall dimensions of the balcony (including the thickness of the sides thereof), and the thickness of external walls of the building excluding any floor space that is constructed or intended to be used solely for parking motor vehicles, loading or unloading of motor vehicles, or for refuse storage chambers, refused storage and material recovery chambers, material recovery chambers, refuse storage and material recovery rooms, refuse chutes, refuse hopper rooms and other types of facilities provided to facilitate the separation of refuse, or for access facilities for telecommunications and broadcasting services, or occupied solely by machinery or equipment for any lift, air-conditioning or heating system or any similar service.
Gross Property Revenue	Gross Revenue less Charge-out Collections and car park revenues.
Gross Rentable Area	In respect of a Property, consists of that portion of the Gross Floor Area of that Property determined by the relevant Property Company at any given time to be rentable.
Gross Rental Income	Consists of rental income and license income due from tenancies but excludes Turnover Rent.
Gross Revenue	Consists of Gross Rental Income, Charge-out Collections and all other income accruing or resulting from the operation of the Properties including licence fees, Turnover Rent, car park revenues and other revenues.
Hampton Loft	The property owned by Fortune REIT as specifically described in section 7.13.1 (“The Properties and Business — Hampton Loft — Description”).
HK\$	Hong Kong dollars, the lawful currency of Hong Kong.
HKSCC	Hong Kong Securities Clearing Company Limited.
Hong Kong	The Hong Kong Special Administrative Region of the People’s Republic of China.
Hong Kong Island	The area delineated by the constituency boundary on the approved map identified as Plan No. LCCA/2000/HK and marked with the district names Central & Western, Wan Chai, Eastern and Southern.

DEFINITIONS

Hong Kong Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited.
Hong Kong Unit Registrar	Computershare Hong Kong Investor Services Limited.
IFRS	The International Financial Reporting Standards as promulgated from time to time by the International Accounting Standards Board.
Independent Property Valuer or Independent Property Market Consultant	Savills Valuation and Professional Services Limited.
Introduction	The listing of the Units on the Hong Kong Stock Exchange by way of introduction.
Joint Listing Agents	DBS Asia Capital Limited, a corporation licensed under the SFO to engage in types 1, 4 and 6 of the regulated activities (as defined under the SFO); and J.P. Morgan Securities (Asia Pacific) Limited, a corporation licensed under the SFO to engage in types 1, 4, 6, and 7 of the regulated activities (as defined under the SFO).
Jubilee Court Shopping Centre	The property owned by Fortune REIT as specifically described in section 7.10.1 (“The Properties and Business — Jubilee Court Shopping Centre — Description”).
Latest Practicable Date	25 March 2010, being the latest practicable date for the purpose of ascertaining certain information contained in this document.
Lido Garden Property	The property owned by Fortune REIT as specifically described in section 7.14.1 (“The Properties and Business — Lido Garden Property — Description”).
Listing Committee	The Listing Committee of the Hong Kong Stock Exchange.
Listing Date	The date that the Units are to be listed on the Hong Kong Stock Exchange, which is currently expected to be 20 April 2010.
Ma On Shan Plaza	The property owned by Fortune REIT as specifically described in section 7.3.1 (“The Properties and Business — Ma On Shan Plaza — Description”).
Manager	ARA Asset Management (Fortune) Limited.
Manager’s Base Fee	Has the meaning given to it in section 12.7.1(a) (“The Manager — Manager’s Fees”).

DEFINITIONS

Manager's Performance Fee	Has the meaning given to it in section 12.7.1(b) ("The Manager — Manager's Fees").
MAS	The Monetary Authority of Singapore.
Metro Town	The property owned by Fortune REIT as specifically described in section 7.4.1 ("The Properties and Business — Metro Town — Description").
MTRC	A station on the Mass Transit Railway, which is operated by the MTR Corporation Limited.
Net Property Income	The aggregate of Gross Revenue less Property Operating Expenses.
Net Tax-Exempt Income	Tax-Exempt Income (excluding dividends paid out of interest income and gains from the sale of Real Estate, if any) after deduction of applicable expenses.
Non-Taxable Capital Gains	Gains from the disposal of investments in the Property Companies that have been confirmed by the Inland Revenue Authority of Singapore to be capital gains.
Ordinary Resolution	A resolution proposed and passed as such by a majority being greater than 50% or more of the total number of votes cast for and against such resolution at a meeting of Unitholders duly convened under the provisions of the Trust Deed.
Other Income	Has the meaning given to it in section 10.1 ("Distribution Policy — Generally").
PRC or China	The People's Republic of China excluding, for the purpose of this document only, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan.
Properties	The 14 properties owned by Fortune REIT, comprising City One Shatin Property, Ma On Shan Plaza, Metro Town, The Metropolis Mall, Waldorf Garden Property, Caribbean Bazaar, Smartland, Tsing Yi Square Property, Jubilee Court Shopping Centre, The Household Center, Centre de Laguna Property, Hampton Loft, Lido Garden Property and Rhine Garden Property, and "Property" means any one of them.
Property Companies	The companies identified in the chart in section 3 of Appendix 5 ("Summary of Government Leases, Deeds of Mutual Covenant and Property Company Structure") to this document (excluding, unless the context otherwise requires, Maxon Investment Limited, Prostar Resources Limited and Color Sky International Limited), and "Property Company" means any one of them.

DEFINITIONS

Property Funds Appendix	The investment guidelines for real estate investment trusts issued by the MAS as Appendix 2 to the CIS Code.
Property Management Agreement	The agreement described in section 16.2 (“Material and Other Agreements Relating to Fortune REIT — Property Management Agreement”).
Property Manager	Goodwell-Fortune Property Services Limited.
Property Operating Expenses	Consists of all costs and expenses incurred by the Property Companies in the operation, maintenance, management and marketing of the Properties including property management fees, government rents and government rates, the Manager’s Performance Fee and other property operating expenses.
Property Values	The value of all the Properties whether directly held by the Trustee or indirectly held by the Trustee through a property holding company, including a Property Company.
REIT	Real estate investment trust.
REIT Code	The Code on Real Estate Investment Trusts published by the SFC, as amended, supplemented or otherwise modified from time to time.
Responsible Officer(s)	The persons who are approved as responsible officers of Fortune REIT pursuant to the requirements of the SFO and Chapter 5.4 of the REIT Code.
Rhine Garden Property	The property owned by Fortune REIT as specifically described in section 7.15.1 (“The Properties and Business — Rhine Garden Property — Description”).
S\$	Singapore dollars, the lawful currency of Singapore.
SFA	The Securities and Futures Act, Chapter 289 of Singapore.
SFC	The Securities and Futures Commission of Hong Kong.
SFO	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time.
SGX-ST	Singapore Exchange Securities Trading Limited.
Singapore Listing Rules	The listing rules for the time being applicable to the listing of Fortune REIT as an investment fund on the SGX-ST as the same may be modified, amended, supplemented, revised or replaced from time to time.
Singapore Unit Registrar	Boardroom Corporate & Advisory Services Pte. Ltd.

DEFINITIONS

Smartland	The property owned by Fortune REIT as specifically described in section 7.8.1 (“The Properties and Business — Smartland — Description”).
Sq.ft.	Square foot.
Tax-Exempt Income	Dividends received from the Property Companies that are distributed out of income (including interest income and gains from the sale of Real Estate) which are subject to tax in the jurisdictions where the Property Companies are incorporated or registered which have a headline tax rate of not less than 15%.
Taxable Income	Dividends received from the Property Companies that are distributed out of income or gains which are not subject to tax in the jurisdictions where the Property Companies are incorporated or registered, and all income derived from or accrued in Singapore, or received in Singapore from outside Singapore (other than Tax-Exempt Income), except for gains from the sale of investments in the Property Companies that have been confirmed by the Inland Revenue Authority of Singapore to be capital in nature.
The Household Center	The property owned by Fortune REIT as specifically described in section 7.11.1 (“The Properties and Business — The Household Center — Description”).
The Metropolis Mall	The property owned by Fortune REIT as specifically described in section 7.5.1 (“The Properties and Business — The Metropolis Mall — Description”).
Trust Deed	The Trust Deed entered into between the Trustee and the Manager constituting Fortune REIT, originally dated 4 July 2003 and as amended and restated from time to time.
Trustee	HSBC Institutional Trust Services (Singapore) Limited.
Tsing Yi Square Property	The property owned by Fortune REIT as specifically described in section 7.9.1 (“The Properties and Business — Tsing Yi Square Property — Description”).
Turnover Rent	Rent calculated by reference to a fixed percentage of a tenant’s monthly sales turnover.
Unit	A unit of Fortune REIT.
Unit Borrowing and Lending Agreements	The unit borrowing and lending agreements as specifically described in section 19.7.1 (“Listings, Registration, Dealings and Settlement — Bridging Arrangements — Intended Arbitrage Activities during the Bridging Period”).

DEFINITIONS

Unit Option Agreements	The unit option agreements as specifically described in section 19.7.1 (“Listings, Registration, Dealings and Settlement — Bridging Arrangements — Intended Arbitrage Activities during the Bridging Period”).
Unit Sale and Purchase Agreements	The unit sale and purchase agreements as specifically described in section 19.7.1 (“Listings, Registration, Dealings and Settlement — Bridging Arrangements — Intended Arbitrage Activities during the Bridging Period”).
Unitholder(s)	The registered holder of a Unit.
Waldorf Garden Property	The property owned by Fortune REIT as specifically described in section 7.6.1 (“The Properties and Business — Waldorf Garden Property — Description”).



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Hong Kong

31 March 2010

The Board of Directors
ARA Asset Management (Fortune) Limited
HSBC Institutional Trust Services (Singapore) Limited
DBS Asia Capital Limited
J.P. Morgan Securities (Asia Pacific) Limited

Dear Sirs,

We set out below our report on the financial information of Fortune Real Estate Investment Trust ("Fortune REIT") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2007, 2008 and 2009 (the "Relevant Periods") (the "Financial Information"), for inclusion in the listing document of Fortune REIT dated 31 March 2010 (the "Listing Document") to be issued in connection with the proposed listing of the units of Fortune REIT on the Main Board of The Stock Exchange of Hong Kong Limited by way of introduction.

Fortune REIT is a Singapore-domiciled unit trust established under a Trust Deed dated 4 July 2003 (as amended) (the "Trust Deed"), governed by the laws of the Republic of Singapore, and declared as an authorised unit trust scheme under the Trustees Act, Chapter 377. Fortune REIT was admitted to the Official List of the Singapore Exchange Securities Trading Limited on 12 August 2003.

The principal activity of Fortune REIT is to own and invest in a portfolio of retail shopping malls located in Hong Kong through its subsidiaries whose primary purpose is to hold or own real estate properties, or directly in properties, with the primary objective of producing stable distributions for unitholders and to achieve long term growth in the net asset value per unit.

As at the date of this report, Fortune REIT has direct and indirect interest in the following subsidiaries, all of which operate in Hong Kong. All subsidiaries have adopted 31 December as their financial year end date except for Maxon Investment Limited which adopts 30 June as its financial year end date.

Name of company	Country of incorporation/ date of incorporation	Effective equity interest held by Fortune REIT			Issued and fully paid		Principal activities
		2007	2008	2009	Ordinary share	Redeemable preference share ¹	
		%	%	%	HK\$	HK\$	
Ace Courage Limited	British Virgin Island/ 26 April 2005	100	100	100	8	56,059	Property investment in Centre de Laguna

Name of company	Country of incorporation/ date of incorporation	Effective equity interest held by Fortune REIT			Issued and fully paid		Principal activities
		2007	2008	2009	Ordinary share	Redeemable preference share ¹	
		%	%	%	HK\$	HK\$	
Art Full Resources Limited	Hong Kong/ 23 October 2002	100	100	100	2	60,000	Property investment in The Household Center
Colour Sky International Limited ²	Hong Kong/ 23 October 2002	100	100	100	2	—	Inactive ³
Full Belief Limited	British Virgin Islands/ 6 October 2006	100	100	100	8	109,000	Property investment in Hampton Loft ⁴
Genuine Joy Limited	British Virgin Islands/ 22 September 2006	100	100	100	8	328,000	Property investment in Caribbean Bazaar ⁴
Marvel Point Investments Limited	British Virgin Islands/ 28 July 2006	—	—	100	78	—	Investment holding
Maxon Investment Limited ²	Hong Kong/ 5 June 1990	100	100	100	2	—	Financing ³
Mega Gain Resources Limited ²	Hong Kong/ 29 July 2006	—	—	100	1	436,400	Property investment in Metro Town
Mightypattern Limited	Hong Kong/ 26 October 1979	100	100	100	800	—	Investment holding
Million Nice Development Limited ²	Hong Kong/ 31 July 2002	100	100	100	2	—	Property investment in City One Shatin
Partner Now Limited	British Virgin Islands/ 3 May 2005	100	100	100	8	30,810	Property investment in Lido Garden
Pinelink Investment Limited ²	British Virgin Islands/ 12 September 2002	100	100	100	8	—	Investment holding
Poko Shine Limited	Hong Kong/ 22 August 1991	100	100	100	2	336,000	Property Investment in Ma On Shan Plaza
Prostar Resources Limited ²	British Virgin Islands/ 15 July 2002	100	100	100	8	—	Investment holding ³
Proven Effort Limited	British Virgin Islands/ 3 May 2005	100	100	100	8	17,495	Property investment in Rhine Garden
Quick Switch Limited	British Virgin Islands/ 5 July 1995	100	100	100	8	79,000	Property investment in Smartland
Team Challenge Limited	British Virgin Islands/ 3 May 2005	100	100	100	8	95,620	Property investment in Tsing Yi Square
Vision Million Limited	British Virgin Islands/ 22 August 2001	100	100	100	8	810,000	Property investment in The Metropolis Mall
Waldorf Realty Limited	Hong Kong/ 8 September 1972	100	100	100	420,000	—	Property investment in Waldorf Garden

Name of company	Country of incorporation/ date of incorporation	Effective equity interest held by Fortune REIT			Issued and fully paid		Principal activities
		2007	2008	2009	Ordinary share	Redeemable preference share ¹	
		%	%	%	HK\$	HK\$	
Yee Pang Realty Limited	Hong Kong/ 16 March 1973	100	100	100	10,000	8,000	Property Investment in Jubilee Court Shopping Centre

¹ All redeemable preference shares are held by Fortune REIT.

² Fortune REIT has indirect interest in these subsidiaries. All other subsidiaries are directly held by Fortune REIT.

³ These subsidiaries are under liquidation as of the date of this report.

⁴ Hampton Loft and Caribbean Bazaar were acquired by Full Belief Limited and Genuine Joy Limited, respectively in 2009.

The consolidated financial statements of Fortune REIT for the three years ended 31 December 2007, 2008 and 2009 are prepared in accordance with the provisions of the Trust Deed and Singapore Financial Reporting Standards (which include all Singapore Financial Reporting Standards and Singapore Financial Reporting Interpretations) issued by the Singapore Accounting Standards Council (the "Underlying Financial Statements") and audited by Deloitte & Touche LLP, Public Accountants and Certified Public Accountants in Singapore in accordance with Singapore Standards on Auditing. No audited financial statements have been prepared for Marvel Point Investments Limited, Prostar Resources Limited and Pinelink Investment Limited as there is no statutory audit requirement in the British Virgin Islands ("BVI") and these companies are either inactive or just act as investment holding company. For the purpose of this report, we have reviewed all transactions of these companies and carried out audit procedures as we considered necessary for inclusion of financial information in this report. The financial statements of the other subsidiaries including those incorporated in BVI and Hong Kong during the Relevant Periods are prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and audited by Deloitte Touche Tohmatsu, Certified Public Accountants in Hong Kong in accordance with Hong Kong Standards on Auditing issued by the HKICPA. The Financial Information set out in this report has been prepared from the Underlying Financial Statements. In addition, the Financial Information for the Relevant Periods has been prepared in accordance with accounting policies which conform to International Financial Reporting Standards and includes relevant disclosure requirements set out in Appendix C of the Code on Real Estate Investment Trusts issued by the Securities and Futures Commission.

For the purpose of preparing this report, we have examined the Underlying Financial Statements and carried out additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA. No adjustment was deemed necessary to the Underlying Financial Statements in preparing our report for inclusion in the Listing Document.

The Manager of Fortune REIT, ARA Asset Management (Fortune) Limited (formerly known as ARA Asset Management (Singapore) Limited) is responsible for preparing the Underlying Financial Statements and the content of the Listing Document in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information together with the notes thereon, for the purpose of this report, gives a true and fair view of the state of affairs of Fortune REIT and of the Group as at 31 December 2007, 2008 and 2009 and of the profit (loss) and cash flows of the Group for each of the three years ended 31 December 2007, 2008 and 2009.

(I) FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December		
		2007	2008	2009
		HK\$'000	HK\$'000	HK\$'000
Revenue	6	614,757	637,038	701,354
Property operating expenses	7	(164,702)	(173,894)	(206,694)
Net property income		450,055	463,144	494,660
Manager's base fee		(28,069)	(28,299)	(28,446)
Foreign currency exchange gain (loss)		1,243	(172)	25
Loss on disposal of investment properties held for resale		—	(225)	—
Interest income		7,671	7,712	728
Trust (expenses) income	8	(7,688)	(13,599)	2,521
Increase (decrease) in fair value of investment properties		460,507	(1,130,590)	806,283
(Increase) decrease in fair value of derivative financial instruments	19	(3,496)	5,729	—
Borrowing costs	9	(116,707)	(104,736)	(96,382)
Profit (loss) before taxation		763,516	(801,036)	1,179,389
Income tax expense	10	(59,814)	(53,839)	(66,201)
Profit (loss) for the year		703,702	(854,875)	1,113,188
Other comprehensive (expense) income				
Changes in fair value of derivative financial instruments under cash flow hedge		(12,893)	(30,900)	37,407
Total comprehensive income (expense) for the year		690,809	(885,775)	1,150,595
Income available for distribution to unitholders .		284,876	302,855	337,841
Basic earnings (loss) per unit (HK cents)				
— weighted average	11	86.88	(104.74)	110.95
Adjusted basic earnings per unit (HK cents)				
— notional	11	30.03	33.78	30.59

DISTRIBUTION STATEMENT

	Note	Year ended 31 December		
		2007	2008	2009
		HK\$'000	HK\$'000	HK\$'000
Profit (loss) for the year		703,702	(854,875)	1,113,188
Adjustments for non-cash items:				
Manager's base fee		28,069	28,299	28,446
(Increase) decrease in fair value of investment properties		(460,507)	1,130,590	(806,283)
Increase (decrease) in fair value of derivative financial instruments		3,496	(5,729)	—
Amortisation of front end fees		4,025	4,025	8,223
Foreign currency exchange (gain) loss		(1,243)	172	(25)
Other non-tax deductible trust expenses (income)		5,650	6,082	(5,708)
Non-tax exempt income		(3,574)	(5,709)	—
Non-tax exempt income of prior years		5,258	—	—
Income available for distribution		<u>284,876</u>	<u>302,855</u>	<u>337,841</u>
Distributions to unitholders:				
2007: HK cents 17.70, 2008: HK cents 18.51, 2009: HK cents 19.60 per unit for the six months ended 30 June (note (a))		143,322	150,916	161,698
2007: HK cents 17.42, 2008: HK cents 18.51, 2009: HK cents 10.60 per unit for the six months ended 31 December (note (b)).		<u>141,554</u>	<u>151,939</u>	<u>176,143</u>
		<u>284,876</u>	<u>302,855</u>	<u>337,841</u>
Total distribution per unit (HK cents) (note (c))		<u>35.12</u>	<u>37.02</u>	<u>30.20</u>
Distribution paid to unitholders	12	<u>278,382</u>	<u>292,409</u>	<u>313,610</u>

Notes:

- (a) The distribution per unit for the six months ended 30 June 2007, 2008 and 2009 is calculated based on the Group's income available for the distribution of HK\$143.3 million, HK\$150.9 million and HK\$161.7 million for the six months ended 30 June 2007, 2008 and 2009 over 809,641,049 units at 30 June 2007, 815,301,841 units at 30 June 2008 and 824,879,427 units at 30 June 2009 respectively.
- (b) The distribution per unit for the six months ended 31 December 2007, 2008 and 2009 is calculated based on the Group's income available for the distribution of HK\$141.5 million, HK\$151.9 million and HK\$176.1 million for the six months ended 31 December 2007, 2008 and 2009 over 812,266,047 units at 31 December 2007, 820,818,975 units at 31 December 2008 and 1,661,595,267 units at 31 December 2009 respectively.
- (c) The distribution per unit is based on the amount available for distribution for the relevant distribution period and the number of units in issue as at the end of each distribution period plus the number of units to be issued after the distribution period to the Manager as base fee for the last quarter of the relevant distribution period.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

GROUP

	Notes	At 31 December		
		2007	2008	2009
		HK\$'000	HK\$'000	HK\$'000
ASSETS AND LIABILITIES				
Non-current assets				
Investment properties	14	9,713,000	8,602,000	11,500,000
Plant and equipment	15	191	117	44
Total non-current assets		9,713,191	8,602,117	11,500,044
Current assets				
Investment properties held for resale	14	904	—	—
Trade and other receivables	16	35,808	36,914	47,619
Bank balances and cash	17	242,118	243,361	515,341
Total current assets		278,830	280,275	562,960
Total assets		9,992,021	8,882,392	12,063,004
Non-current liabilities				
Borrowings	18	2,338,638	2,342,663	—
Derivative financial instruments	19	38,726	53,446	415
Deferred tax liabilities	20	109,426	114,777	132,991
Total non-current liabilities		2,486,790	2,510,886	133,406
Current liabilities				
Trade and other payables	21	191,966	194,460	276,474
Borrowings	18	—	—	2,786,286
Derivative financial instruments	19	1,022	11,473	27,097
Provision for taxation		5,994	9,209	7,079
Total current liabilities		198,982	215,142	3,096,936
Total liabilities		2,685,772	2,726,028	3,230,342
Net assets attributable to unitholders		7,306,249	6,156,364	8,832,662
UNITHOLDERS' FUNDS				
Equity and reserves				
Equity	22	4,342,232	4,370,531	6,308,340
Unit issue costs	23	(173,097)	(173,097)	(271,593)
Hedging reserve		(34,019)	(64,919)	(27,512)
Retained profits		3,171,133	2,023,849	2,823,427
Net unitholders' funds		7,306,249	6,156,364	8,832,662
Units in issue and to be issued ('000)	22	812,266	820,819	1,661,595
Net asset value per unit (HK\$)	24	8.99	7.50	5.32
Adjusted net asset value per unit (HK\$)	24	9.04	7.58	5.33

STATEMENT OF FINANCIAL POSITION

FORTUNE REIT

	Notes	At 31 December		
		2007	2008	2009
		HK\$'000	HK\$'000	HK\$'000
ASSETS AND LIABILITIES				
Non-current assets				
Investments in subsidiaries	13	3,939,224	3,939,224	5,470,134
Current assets				
Trade and other receivables	16	142,867	162,156	85,721
Bank balances and cash	17	119,229	105,675	473,233
Total current assets		<u>262,096</u>	<u>267,831</u>	<u>558,954</u>
Total assets		<u>4,201,320</u>	<u>4,207,055</u>	<u>6,029,088</u>
Non-current liabilities				
Derivative financial instruments	19	5,729	—	—
Current liabilities				
Trade and other payables	21	6,448	5,671	16,946
Provision for taxation		1,371	2,726	2,849
Total current liabilities		<u>7,819</u>	<u>8,397</u>	<u>19,795</u>
Total liabilities		<u>13,548</u>	<u>8,397</u>	<u>19,795</u>
Net assets attributable to unitholders		<u>4,181,772</u>	<u>4,198,658</u>	<u>6,009,293</u>
UNITHOLDERS' FUNDS				
Equity and reserves				
Equity	22	4,342,232	4,370,531	6,308,340
Unit issue costs	23	(173,097)	(173,097)	(271,593)
Retained profits		18,637	1,224	(27,454)
Net unitholders' funds		<u>4,187,772</u>	<u>4,198,658</u>	<u>6,009,293</u>

CONSOLIDATED STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS

GROUP

	Equity	Unit issue costs	Hedging reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at 1 January 2007 . . .	4,314,163	(173,097)	(21,126)	2,745,813	6,865,753
Operations					
Profit for the year	—	—	—	703,702	703,702
Changes in fair value of derivative financial instruments under cash flow hedge	—	—	(12,893)	—	(12,893)
Total comprehensive (expense) income for the year	<u>—</u>	<u>—</u>	<u>(12,893)</u>	<u>703,702</u>	<u>690,809</u>
Unitholders' transactions					
Manager's base fees paid and payable in units	28,069	—	—	—	28,069
Distribution to unitholders (note 12).	—	—	—	(278,382)	(278,382)
Increase (decrease) in net assets resulting from unitholders' transactions	<u>28,069</u>	<u>—</u>	<u>—</u>	<u>(278,382)</u>	<u>(250,313)</u>
Balance as at 31 December 2007	4,342,232	(173,097)	(34,019)	3,171,133	7,306,249
Operations					
Loss for the year	—	—	—	(854,875)	(854,875)
Changes in fair value of derivative financial instruments under cash flow hedge	—	—	(30,900)	—	(30,900)
Total comprehensive expense for the year	<u>—</u>	<u>—</u>	<u>(30,900)</u>	<u>(854,875)</u>	<u>(885,775)</u>
Unitholders' transactions					
Manager's base fees paid and payable in units	28,299	—	—	—	28,299
Distribution to unitholders (note 12).	—	—	—	(292,409)	(292,409)
Increase (decrease) in net assets resulting from unitholders' transactions	<u>28,299</u>	<u>—</u>	<u>—</u>	<u>(292,409)</u>	<u>(264,110)</u>
Balance as at 31 December 2008	4,370,531	(173,097)	(64,919)	2,023,849	6,156,364

	Equity	Unit issue costs	Hedging reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Operations					
Profit for the year	—	—	—	1,113,188	1,113,188
Changes in fair value of derivative financial instruments under cash flow hedge	—	—	37,407	—	37,407
Total comprehensive income for the year	—	—	37,407	1,113,188	1,150,595
Unitholders' transactions					
Issuance of new units	1,888,973	—	—	—	1,888,973
Unit issue costs	—	(98,496)	—	—	(98,496)
Manager's base fees paid and payable in units	28,446	—	—	—	28,446
Acquisition fees paid in units . . .	20,390	—	—	—	20,390
Distribution to unitholders (note 12).	—	—	—	(313,610)	(313,610)
Increase (decrease) in net assets resulting from unitholders' transactions	1,937,809	(98,496)	—	(313,610)	1,525,703
Balance as at 31 December 2009	<u>6,308,340</u>	<u>(271,593)</u>	<u>(27,512)</u>	<u>2,823,427</u>	<u>8,832,662</u>

STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS

FORTUNE REIT

	Equity	Unit issue costs	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at 1 January 2007	4,314,163	(173,097)	53,020	4,194,086
Operations				
Profit and total comprehensive income for the year	—	—	243,999	243,999
Unitholders' transactions				
Manager's base fees paid and payable in units	28,069	—	—	28,069
Distribution to unitholders (note 12).	—	—	(278,382)	(278,382)
Increase (decrease) in net assets resulting from unitholders' transactions	<u>28,069</u>	<u>—</u>	<u>(278,382)</u>	<u>(250,313)</u>
Balance as at 31 December 2007	4,342,232	(173,097)	18,637	4,187,772
Operations				
Profit and total comprehensive income for the year	—	—	274,996	274,996
Unitholders' transactions				
Manager's base fees paid and payable in units	28,299	—	—	28,299
Distribution to unitholders (note 12).	—	—	(292,409)	(292,409)
Increase (decrease) in net assets resulting from unitholders' transactions	<u>28,299</u>	<u>—</u>	<u>(292,409)</u>	<u>(264,110)</u>
Balance as at 31 December 2008	4,370,531	(173,097)	1,224	4,198,658
Operations				
Profit and total comprehensive income for the year	—	—	284,932	284,932
Unitholders' transactions				
Issuance of new units	1,888,973	—	—	1,888,973
Unit issue costs	—	(98,496)	—	(98,496)
Manager's base fees paid and payable in units	28,446	—	—	28,446
Acquisition fees paid in units.	20,390	—	—	20,390
Distribution to unitholders (note 12).	—	—	(313,610)	(313,610)
Increase (decrease) in net assets resulting from unitholders transactions	<u>1,937,809</u>	<u>(98,496)</u>	<u>(313,610)</u>	<u>1,525,703</u>
Balance as at 31 December 2009	<u>6,308,340</u>	<u>(271,593)</u>	<u>(27,454)</u>	<u>6,009,293</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December		
		2007	2008	2009
		HK\$'000	HK\$'000	HK\$'000
Operating activities				
Profit (loss) before taxation		763,516	(801,036)	1,179,389
Adjustments for:				
Allowance for doubtful debts		121	2,078	2,138
(Increase) decrease in fair value of investment properties		(460,507)	1,130,590	(806,283)
Manager's base fees		28,069	28,299	28,446
Increase (decrease) in fair value of derivative financial instruments		3,496	(5,729)	—
Loss on disposal of investment properties held for resale		—	225	—
Depreciation of plant and equipment		79	74	74
Interest income		(7,671)	(7,712)	(728)
Borrowing costs		116,707	104,736	96,382
Operating cash flows before movements in working capital		443,810	451,525	499,418
(Increase) decrease in trade and other receivables		(5,974)	(3,568)	1,861
Increase in trade and other payables		2,297	2,494	47,221
Cash generated from operations		440,133	450,451	548,500
Income tax paid		(48,653)	(44,889)	(66,286)
Net cash from operating activities		391,480	405,562	482,214
Investing activities				
Acquisition of subsidiaries	14(a)	—	—	(1,415,743)
Acquisition of investment properties	14(a)	—	—	(587,000)
Upgrading of investment properties		(17,493)	(20,054)	(52,717)
Proceed from disposal of investment properties		—	1,143	—
Interest received		7,671	7,712	728
Net cash used in investing activities		(9,822)	(11,199)	(2,054,732)
Financing activities				
Proceeds from issue of new units, net of issue costs		—	—	1,810,867
Distribution paid		(278,382)	(292,409)	(313,610)
Borrowing costs paid		(112,682)	(100,711)	(88,159)
Drawdown of borrowings		—	—	516,000
Payment of front end fees		—	—	(80,600)
Net cash (used in) from financing activities		(391,064)	(393,120)	1,844,498
Net (decrease) increase in cash and cash equivalents		(9,406)	1,243	271,980
Cash and cash equivalents at beginning of year		251,524	242,118	243,361
Cash and cash equivalents at end of year, represented by bank balances and cash		242,118	243,361	515,341

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

Fortune REIT is a Singapore-domiciled unit trust established under a Trust Deed dated 4 July 2003 (as amended) (the "Trust Deed"), governed by the laws of the Republic of Singapore, and declared as an authorised unit trust scheme under the Trustees Act, Chapter 377. Fortune REIT was admitted to the Official List of the Singapore Exchange Securities Trading Limited on 12 August 2003.

The manager and trustee are ARA Asset Management (Fortune) Limited (formerly known as ARA Asset Management (Singapore) Limited) (the "Manager") and HSBC Institutional Trust Services (Singapore) Limited (the "Trustee") respectively and their registered offices and principal places of business are at 6 Temasek Boulevard, #16-02 Suntec Tower 4, Singapore 038986 and 21 Collyer Quay, #10-01 HSBC Building, Singapore 049320, respectively.

The principal activity of Fortune REIT and its subsidiaries (collectively referred to as the "Group") are to own and invest in a portfolio of retail shopping malls located in Hong Kong with the primary objective of producing stable distributions for unitholders and to achieve long term growth in the net asset value per unit.

The Financial Information for the Relevant Periods is presented in Hong Kong dollars, which is the same as the functional currency of Fortune REIT.

The Group has entered into several service agreements in relation to the management of Fortune REIT and its property operations. The fee structures of these services are as follows:

(a) Property management fees

Property management fee

Under the Property Management Agreement, Goodwell-Fortune Property Services Limited (the "Property Manager"), which is a subsidiary of Cheung Kong (Holdings) Limited ("CKH"), a significant unitholder of Fortune REIT, will receive from each of the property holding subsidiaries (the "Property Companies") a fee of 3% per annum of gross property revenue for the provision of property management services and lease management services.

In respect of City One Shatin, the property management services are provided by Paramatta Estate Management Limited, which is not a party related to the significant unitholder, at a fee of 3% per annum of gross property revenue. The lease management services and the marketing services are provided by the Property Manager.

Gross property revenue means the amount equivalent to the gross revenue less charge-out collections and car park revenues.

Marketing services

For the marketing services, the Property Companies will pay the Property Manager the following commissions:

- one month's base rent for securing a tenancy of three years or more;
- one-half month's base rent for securing a tenancy of less than three years;
- one-half month's base rent for securing a renewal of tenancy irrespective of duration of the renewal term; and
- 10.0% of the total licence fee for securing a licence for duration of less than 12 months.

(b) Trustee's fees

The Trustee's fees are 0.03% per annum (subject to a minimum of HK\$50,000 per month) on the value of the real estate properties and are accrued daily and paid monthly in arrears in accordance with the Trust Deed.

(c) Manager's fees

The Manager is entitled to receive the following remuneration for the provision of asset management services:

Base fee

Under the Trust Deed, the Manager will receive a base fee from Fortune REIT at 0.3% per annum on the value of the properties. The base fee will be paid quarterly in arrears and in the form of units in Fortune REIT during the first five years after the units are listed on the Singapore Exchange Securities Trading Limited. Thereafter, the base fee shall be paid to the Manager in the form of cash/or units as the Manager may elect.

Performance fee

Under the Trust Deed, the Manager will receive a performance fee from each of the Property Companies at 3% of the net property income in the form of cash.

(d) Acquisition fee and divestment fee

The Manager is entitled to receive the following fees:

Acquisition fee

Under the Trust Deed, the Manager will receive an acquisition fee of not exceeding a maximum of 1% of the acquisition price for any real estate purchased directly or indirectly by Fortune REIT (pro-rated if applicable to proportion of Fortune REIT's interest in the real estate acquired) in the form of cash/ or units as the Manager may elect.

Divestment fee

Under the Trust Deed, the Manager will receive a divestment fee of not exceeding a maximum of 0.5% of the sale price of any real estate directly or indirectly sold or divested by Fortune REIT (pro-rated if applicable to proportion of Fortune REIT's interest in the real estate sold) in the form of cash.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The International Accounting Standards Board (the "IASB") issued a number of new and revised International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRS"), amendments and related Interpretations ("IFRICs") (hereinafter collectively referred to as the "new IFRSs") which are effective for financial year beginning on 1 January 2009. For the purpose of preparing and presenting the Financial Information of the Relevant Periods, the Group has consistently early adopted all these new IFRSs for the Relevant Periods.

At the date of this report, the IASB has issued the following new and revised standards, amendments and interpretations which are not yet effective.

IFRSs (Amendments)	Amendment to IFRS 5 as part of Improvements to IFRSs May 2008 ¹
IFRSs (Amendments)	Improvements to IFRSs April 2009 ²
IAS 24 (Revised)	Related Party Disclosures ³
IAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
IAS 32 (Amendment)	Classification of Rights Issues ⁴
IAS 39 (Amendment)	Eligible Hedged Items ¹
IFRS 1 (Amendment)	Additional Exemptions for First-time Adopters ⁵
IFRS 1 (Amendment)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters ⁶
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ⁵
IFRS 3 (Revised)	Business Combinations ¹
IFRS 9	Financial Instruments ⁷
IFRIC 14 (Amendment)	Prepayments of a Minimum Funding Requirement ³

IFRIC 17	Distributions of Non-cash Assets to Owners ¹
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments ⁶

- ¹ Effective for annual periods beginning on or after 1 July 2009
- ² Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate
- ³ Effective for annual periods beginning on or after 1 January 2011
- ⁴ Effective for annual periods beginning on or after 1 February 2010
- ⁵ Effective for annual periods beginning on or after 1 January 2010
- ⁶ Effective for annual periods beginning on or after 1 July 2010
- ⁷ Effective for annual periods beginning on or after 1 January 2013

The Manager anticipates that the application of these standards, amendments and interpretations will have no material impact on the Financial Information.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis, except for investment properties and certain financial instruments, which are measured at fair value.

The Financial Information has been prepared in accordance with the following accounting policies which conform to IFRSs. In addition, the Financial Information includes the relevant disclosures requirements set out in Appendix C of the Code on Real Estate Investment Trusts ("REIT Code") issued by the Securities and Futures Commission and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

(a) Basis of consolidation

The Financial Information incorporates the financial statements of Fortune REIT and its subsidiaries controlled by Fortune REIT. Control is achieved where Fortune REIT has the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities.

On acquisition, the assets and liabilities of the relevant subsidiary are measured at their fair values at the date of acquisition. The results of the subsidiary acquired or disposed during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with those used by Fortune REIT.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

(b) Investments in subsidiaries

Investments in subsidiaries are included in Fortune REIT's statement of financial position at cost less any identified impairment loss. Results of subsidiaries are accounted for by Fortune REIT on the basis of dividends received or receivables during the year.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the course of the ordinary activities, net of discounts.

Rental income under operating leases is recognised in the profit or loss on a straight-line basis over the term of the relevant lease.

Contingent rentals, which include gross turnover rental, are recognised as income in the accounting period on a receipt basis. No contingent rentals are recognised if there are uncertainties due to the possible return of amounts received.

Charge-out collections, representing mainly air conditioning expenses, management expenses, promotion expenses, government rates and government rents payable by the tenants and licensees are recognised when the services and facilities are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at effective interest rate, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(d) Investment properties

Investment properties are properties held to earn rentals and capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

(e) Plant and equipment

Plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment loss.

Depreciation is provided to write off the cost of items of plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period in which the item is derecognised.

(f) Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets categorised as loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each reporting date subsequent to initial recognition, loans and receivables which includes trade and other receivables and bank balances and cash are carried at amortised cost using the effective interest method, less any identified impairment losses.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period. Interest income is recognised on an effective interest basis.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in economic conditions that correlate with default on receivables.

The carrying amount of the trade receivables is reduced by the impairment loss through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When such receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group entity after deducting all of its liabilities. Units issued by Fortune REIT are recorded at the proceeds received. Units are also issued as settlement for base fee paid or payable to the Manager. Base fee payable to the Manager in the form of units in Fortune REIT is recognised as an expense and recorded in unitholders' funds when the units become payable.

Unit issue costs are the transactions costs relating to issue of units in Fortune REIT which are accounted for as a deduction from the proceeds raised to the extent they are incremental costs directly attributable to the transactions that otherwise would have been avoided. Other transaction costs are recognised as an expense.

Redeemable preference shares issued by the subsidiaries which are redeemable at the option of the subsidiaries are classified as equity and recorded at the proceeds received in the statement of financial position of Fortune REIT.

Financial liabilities (including trade and other payables and borrowings) are subsequently measured at amortised cost, using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. Interest expense is recognised on an effective interest basis.

Derivative financial instruments and hedging

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The Group uses interest rate swaps to hedge its exposure against changes in interest rates. Hedging relationships are classified as cash flow hedges when such relationships are used to hedge against exposure to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability and such variability could affect profit or loss.

At the inception of the hedging relationship, the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in hedging reserve are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss accumulated in hedging reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction is recognised. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in hedging reserve is recognised immediately in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(g) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(h) Foreign currencies

The functional currency (the currency of the primary economic environment in which the entity operates) of Fortune REIT and its subsidiaries is Hong Kong dollars.

In preparing the financial statements of each individual entity, transactions in currencies other than Hong Kong dollars are recorded in Hong Kong dollars at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

(i) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(j) Impairment of tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(k) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the statement of financial position and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is charged or credited to profit or loss, except when it relates to items recognised in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(l) Investment properties held for resale

Investment properties are classified as held for resale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the Manager is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

i) Valuation of the investment properties

As described in Notes 3(d) and 14, investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have determined the fair values using the basis of capitalisation of the net income which involve the making of certain assumptions and the use of estimates. In relying on the valuation reports of the professional valuers, the Manager has exercised its judgement and is satisfied that the method of valuation is reflective of the current market conditions.

ii) Valuation of derivative financial instruments

As described in Note 19, the fair value of derivative financial instruments that are not quoted in active markets are determined by using certain valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices.

5. SEGMENT INFORMATION

The application of IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, which is the Manager, in order to allocate resources to segments and to assess their performance.

The Group owns 11, 11 and 14 properties as at 31 December 2007, 2008 and 2009 which are located in Hong Kong. Revenue and net property income of each property (which constitutes an operating segment) is the measure reported to the Manager for the purposes of resource allocation and performance assessment. The Manager considers that all existing properties held by the Group, consisting of retail shopping malls, have similar economic characteristic with similar nature in providing leasing service to similar type of retail tenants for rental income. The cost structure and the economic environment in which they operate are also similar. Therefore, the Manager concluded that each property or operating segment are aggregated into a single reportable segment and no further analysis for segment information is presented.

6. REVENUE

	Year ended 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Base rental	421,327	454,786	498,939
Charge-out collections	120,904	121,838	133,527
Short term rental	67,157	57,865	67,530
Other income	5,369	2,549	1,358
Total	<u>614,757</u>	<u>637,038</u>	<u>701,354</u>

The short term rental include contingent rents of HK\$1.1 million, HK\$1.3 million and HK\$1.1 million for years ended 31 December 2007, 2008 and 2009 respectively.

7. PROPERTY OPERATING EXPENSES

	Year ended 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Utilities	31,104	30,541	28,549
Government rents and rates	18,841	17,537	23,189
Contribution to estate common	17,196	18,123	20,305
Staff costs	13,822	14,171	25,253
Service contracts and maintenance	17,344	18,313	32,040
Manager's performance fee	13,911	14,324	15,299
Property management fee	14,039	14,641	16,190
Car park expenses	8,018	7,916	8,388
Advertising and promotion	5,291	7,296	8,435
Audit fees paid to			
— auditor of subsidiaries			
current year	750	760	890
under provision of prior year audit fees	2	10	—
— internal auditors of subsidiaries			
current year	330	340	340
overprovision of prior year audit fees	—	(30)	—
Allowance for doubtful debts	121	2,078	2,138
Depreciation of plant and equipment	79	74	74
Legal and other professional fee	2,643	3,770	4,581
Bank charges	259	268	270
Leasing commission	11,553	14,555	10,451
Valuation fees (paid to principal valuer)	175	197	328
Other operating expenses	9,224	9,010	9,974
Total	<u>164,702</u>	<u>173,894</u>	<u>206,694</u>

8. TRUST EXPENSES (INCOME)

	Year ended 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Audit fees paid to auditor of Fortune REIT	513	553	503
Professional fees	161	1,184	1,029
Non-deal roadshow expense	71	107	95
Trustee's fee	2,783	2,893	2,812
GST expenses (refund) (note)	2,867	3,188	(8,521)
Other charges	1,293	5,674	1,561
Total	<u>7,688</u>	<u>13,599</u>	<u>(2,521)</u>

Note: The amount in 2009 represents concession refund of GST expenses for prior years from Inland Revenue Authority of Singapore to all qualifying Singapore REITs in 2009 in relation to GST expenses paid in previous years.

9. BORROWING COSTS

	Year ended 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Interest expense on			
— term loans	111,424	74,567	25,932
— revolving loan	245	—	15
Fair value loss reclassified from equity on interest rate swap through cash flow hedges	621	25,752	61,819
Commitment fee	392	392	393
Amortisation of front end fees.	4,025	4,025	8,223
Total.	<u>116,707</u>	<u>104,736</u>	<u>96,382</u>

10. INCOME TAX EXPENSE

	Year ended 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
The income tax expense comprises:			
Current tax:			
Hong Kong	44,346	47,426	50,528
Singapore	1,371	1,355	122
Under (over) provision in prior years	217	(293)	—
	<u>45,934</u>	<u>48,488</u>	<u>50,650</u>
Deferred taxation (note 20).	13,880	5,351	15,551
	<u>59,814</u>	<u>53,839</u>	<u>66,201</u>

Fortune REIT's subsidiaries in Hong Kong are subject to Hong Kong Profits Tax at 17.5%, 16.5% and 16.5% for the years ended 31 December 2007, 2008 and 2009 respectively.

Fortune REIT, which is incorporated in Singapore, is subject to Singapore income tax at 18%, 18% and 17% for the years ended 31 December 2007, 2008 and 2009 respectively.

At present, Fortune REIT has not been accorded the tax transparency treatment and income earned will be subject to Singapore income tax at the prevailing corporate tax rate.

The Ministry of Finance of Singapore ("MOF") has issued a tax ruling on the taxation of Fortune REIT for income earned and expenditure incurred after its listing on 12 August 2003. Subject to meeting the terms and conditions of tax ruling, the Singapore taxation of Fortune REIT is described below:

(i) Tax-Exempt Income

Fortune REIT will be exempt from Singapore income tax on the dividends received from its subsidiaries that are distributed out of income (including interest income and gains from the sale of real properties) which have been subject to Hong Kong Profits Tax at a rate of not less than 15%.

(ii) Taxable Income

Fortune REIT will be subject to Singapore income tax on dividends received from its subsidiaries that are paid out of income or gains which are not subject to Hong Kong Profits Tax, and on all income derived from or accrued in Singapore, or received in Singapore from outside Singapore.

(iii) Non-Taxable Capital Gain

Fortune REIT is not assessable to Singapore income tax on the gains from the disposal of investments in its subsidiaries that have been confirmed by MOF to be capital gains.

The income tax expense varied from the amount of income tax determined by applying the Hong Kong Profits Tax rate of 17.5%, 16.5% and 16.5% for the years ended 31 December 2007, 2008 and 2009 respectively to profit (loss) before taxation as a result of the following differences:

	Year ended 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Profit (loss) before taxation	763,516	(801,036)	1,179,389
Tax at the applicable income tax rate	133,615	(132,171)	194,599
Tax effect of expenses not deductible for tax purpose	6,999	193,224	5,651
Tax effect of income not taxable for tax purpose	(81,412)	(781)	(134,053)
Effect of different tax rates of overseas operations	39	113	4
Decrease in deferred tax liabilities resulting from a decrease in applicable tax rate	—	(6,253)	—
Under (over) provision in prior years	217	(293)	—
Others	356	—	—
Total	59,814	53,839	66,201

Hong Kong Profits Tax rate is used as it is the jurisdiction where the operation of the Group is substantially based.

11. EARNINGS (LOSS) PER UNIT

(i) *Weighted average basic earnings (loss) per unit*

Weighted average basic earnings (loss) per unit is calculated by dividing the profit (loss) for the year by the weighted average number of units in issue and to be issued during the year as follows:

	Year ended 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Profit (loss) for the year	703,702	(854,875)	1,113,188
Weighted average number of units in issue and to be issued during the year			
Number of units ('000)	809,934	816,186	1,003,312
Weighted average earnings (loss) per unit (HK cents)	86.88	(104.74)	110.95

The weighted average numbers of units during the year ended 31 December 2007 takes into account the 1,412,396 units as base fee for the period from 1 October 2007 to 31 December 2007 which were issued to the Manager on 15 January 2008.

The weighted average numbers of units during the year ended 31 December 2008 takes into account the 3,075,716 units as base fee for the period from 1 October 2008 to 31 December 2008 which were issued to the Manager on 9 January 2009.

The weighted average numbers of units during the year ended 31 December 2009 takes into account the 2,830,232 units as base fee for the period from 1 October 2009 to 31 December 2009 which were issued to the Manager on 7 January 2010.

(ii) Adjusted notional basic earnings per unit

Adjusted notional basic earnings per unit is calculated by dividing the net profit (loss) for the year excluding fair value gain (loss) on investment properties by the number of units used for the calculation of basic earnings (loss) per unit.

	Year ended 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Profit (loss) for the year	703,702	(854,875)	1,113,188
Add: (increase) decrease in fair value of investment properties . .	(460,507)	1,130,590	(806,283)
Adjusted profit for the year	<u>243,195</u>	<u>275,715</u>	<u>306,905</u>
Weighted average number of units in issue and to be issued during the year			
Number of units ('000)	<u>809,934</u>	<u>816,186</u>	<u>1,003,312</u>
Adjusted notional basic earnings per unit (HK cents)	<u>30.03</u>	<u>33.78</u>	<u>30.59</u>

12. DISTRIBUTION POLICY

Fortune REIT's distribution policy is to distribute 100% of its tax exempt income (except gain on revaluation of properties and dividends paid out of interest income and gains, which are distributable at the discretion of the Manager) after deduction of applicable expenses. Tax exempt income consists of dividends received in Singapore from the subsidiaries which are paid out of income subject to Hong Kong Profits Tax at a rate of not less than 15%. The Manager has the discretion to distribute any additional amounts (including capital) which may be a negative amount, which the Manager has determined is to be distributed or if thought fit by the Manager, to be transferred to or from an undistributed income reserve account. The income will be distributed on a semi-annual basis to unitholders and will be paid by the Manager within 60 days from the end of each distribution period according to the Trust Deed.

	Year ended 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Distributions paid to unitholders comprise:			
Distribution of 16.73 Hong Kong cents per unit for the period 1 July 2006 to 31 December 2006 paid on 28 February 2007	135,076	—	—
Distribution of 17.70 Hong Kong cents per unit for the period 1 January 2007 to 30 June 2007 paid on 29 August 2007	143,306	—	—
Distribution of 17.42 Hong Kong cents per unit for the period 1 July 2007 to 31 December 2007 paid on 29 February 2008	—	141,497	—
Distribution of 18.51 Hong Kong cents per unit for the period 1 January 2008 to 30 June 2008 paid on 29 August 2008	—	150,912	—
Distribution of 18.51 Hong Kong cents per unit for the period 1 July 2008 to 31 December 2008 paid on 27 February 2009	—	—	151,934
Distribution of 19.60 Hong Kong cents per unit for the period 1 January 2009 to 30 June 2009 paid on 28 August 2009	—	—	161,676
Total.	<u>278,382</u>	<u>292,409</u>	<u>313,610</u>

13. INVESTMENTS IN SUBSIDIARIES

	At 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
FORTUNE REIT			
Unquoted ordinary shares, at cost	2,446,240	2,446,240	3,103,750
Unquoted preference shares, at cost	1,492,984	1,492,984	2,366,384
Total	<u>3,939,224</u>	<u>3,939,224</u>	<u>5,470,134</u>

The investments in subsidiaries were pledged as securities to the banks for the loan facilities granted by these banks to the subsidiaries as disclosed in Note 18.

The redeemable preference shares are redeemable at the option of the subsidiaries and they have the following terms:

- (a) They do not carry any right to dividend;
- (b) They are not participating (i.e. there is no right to participate in the surplus profits of the subsidiary after payment of dividend to the holders of the ordinary shares);
- (c) They shall not have any voting rights at general meetings of the subsidiary;
- (d) In the event of a winding up of the subsidiary, the holders of the redeemable preference shares shall have priority over the holders of the ordinary shares as to repayment of capital and premium paid on the issue of such redeemable preference shares, but that the holders of the redeemable preference shares shall not be entitled to participate in the surplus assets (if any) of the subsidiary; and
- (e) Each redeemable preference share shall be redeemable at any time at the option of the subsidiary at a redemption price equal to the issue price thereof.

The increase in investments in subsidiaries in 2009 relates to the acquisition of Marvel Point Investments Limited and its subsidiary, Mega Gain Resources Limited and further investments in two existing subsidiaries, Full Belief Limited and Genuine Joy Limited to finance the acquisition of two investment properties in 2009 as disclosed in note 14(a).

14. INVESTMENT PROPERTIES

	At 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
GROUP			
FAIR VALUE			
At beginning of year	9,235,904	9,713,904	8,602,000
During the year:			
Acquisition of investment properties (note (a))	—	—	2,039,000
Disposal of investment properties	—	(1,368)	—
Capital expenditure incurred	17,493	20,054	52,717
Increase (decrease) in fair value of investment properties	<u>460,507</u>	<u>(1,130,590)</u>	<u>806,283</u>
At end of year	<u>9,713,904</u>	<u>8,602,000</u>	<u>11,500,000</u>
Analysed for reporting purposes as:			
Non-current assets	9,713,000	8,602,000	11,500,000
Current assets (note (b))	904	—	—
	<u>9,713,904</u>	<u>8,602,000</u>	<u>11,500,000</u>

Notes:

- (a) On 15 October 2009, Fortune REIT acquired Hampton Loft, Caribbean Bazaar and Metro Town. Hampton Loft and Caribbean Bazaar were acquired by Full Belief Limited and Genuine Joy Limited, respectively at a total consideration of HK\$587 million (the "Acquisition of investment properties") while Metro Town was acquired through the purchase of a 100% interest in the issued share capital of Marvel Point Investments Limited and its subsidiary, Mega Gain Resources Limited for a cash consideration of HK\$1,421 million with adjustment on the net current assets/liabilities as at completion date of acquisition (the "Acquisition of subsidiaries"). The Acquisition of subsidiaries has been accounted for as acquisition of assets and liabilities as they do not meet the definition of a business combination.

The above acquisitions were partly financed by net proceeds from the rights issue of HK\$1,528 million as well as a term loan of HK\$480 million and details are as follows:

	Acquisition of investment properties	Acquisition of subsidiaries	Total
	HK\$'000	HK\$'000	HK\$'000
Investment properties	587,000	1,452,000	2,039,000
Plant and equipment	—	1	1
Cash and cash equivalents.	—	5,450	5,450
Trade and other receivables	—	14,829	14,829
Trade and other payables	—	(34,793)	(34,793)
Provision for taxation.	—	(13,631)	(13,631)
Deferred tax liabilities	—	(2,663)	(2,663)
Total consideration, satisfied by cash.	<u>587,000</u>	<u>1,421,193</u>	<u>2,008,193</u>
Net cash outflow arising on acquisitions:			
Cash consideration paid	(587,000)	(1,421,193)	(2,008,193)
Cash and cash equivalents acquired	—	5,450	5,450
	<u>(587,000)</u>	<u>(1,415,743)</u>	<u>(2,002,743)</u>

- (b) Certain car park lots included in investment properties held for resale were disposed of in 2008. The car park lots which were not sold were reclassified as investment properties and of included in the independent valuation undertaken by Knight Frank Petty Limited.
- (c) On 31 December 2009, independent valuation was undertaken by Savills Valuation and Professional Services Limited while independent valuation were undertaken by Knight Frank Petty Limited on 31 December 2007 and 31 December 2008. The respective firms are independent valuers having appropriate professional qualifications and experiences in the valuation of similar properties in the relevant locations. The valuation of the properties was principally arrived at using the basis of capitalisation of the net income. In the valuation, the market rentals of all lettable units of the properties are assessed and capitalised at market yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in other lettable units of the properties as well as other lettings of similar properties in the neighbourhood. The capitalisation rate adopted is made by reference to the yields derived from analysing the sales transactions and the valuer's knowledge of the market expectation from property investors.
- (d) All of the Groups' property interests in properties located in Hong Kong are held under medium-term leases. Most of the leases contain tenancy periods ranging from two to three years. Subsequent renewals are negotiated with the lessees at prevailing market rates.
- (e) The investment properties (except Waldorf Garden and Jubilee Court Shopping Centre) with total fair value of HK\$8,623 million, HK\$7,574 million and HK\$10,386 million have been mortgaged as collaterals for credit facilities granted by the banks as at 31 December 2007, 2008 and 2009 respectively.

15. PLANT AND EQUIPMENT

	At 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
GROUP			
Cost:			
At beginning of year	411	411	411
Acquisition of properties (note 14(a))	—	—	1
At end of year	411	411	412
Accumulated depreciation:			
At beginning of year	141	220	294
Depreciation for the year	79	74	74
At end of year	220	294	368
Carrying values:			
At end of year	191	117	44

Plant and equipment comprises office equipment, furniture and fittings which are depreciated on straight-line basis at 20% to 33% per annum.

16. TRADE AND OTHER RECEIVABLES

	At 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
GROUP			
Trade receivables			
Outside parties	18,994	22,270	25,871
Less: allowances for doubtful debts	(321)	(2,380)	(4,216)
	18,673	19,890	21,655
Other receivables			
Security deposits	15,089	15,115	17,119
Other receivables	291	359	54
GST receivables	—	—	7,296
Prepayments	1,755	1,550	1,495
	17,135	17,024	25,964
Total	35,808	36,914	47,619
FORTUNE REIT			
Dividend receivable	132,795	155,862	—
Other receivables			
Other receivables	—	220	11
GST receivables	—	—	7,296
Prepayments	10,072	6,074	78,414
	10,072	6,294	85,721
Total	142,867	162,156	85,721

Aging analysis of the Group's trade receivables at the reporting date is as follows:

	At 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
GROUP			
1 — 30 days	17,213	16,102	17,936
30 — 90 days	117	1,250	3,715
Over 90 days	1,343	2,538	4
	<u>18,673</u>	<u>19,890</u>	<u>21,655</u>

There is no credit period given on billing for rental of properties. No interest is charged on the trade receivables for the first 10 days from the date of the invoice. Interest will be charged on the outstanding amount overdue for more than 10 days at the rate of 12% per annum.

Included in the Group's trade receivable balance are debtors with a carrying amount of HK\$18.7 million, HK\$19.9 million and HK\$21.7 million as at 31 December 2007, 2008 and 2009 respectively which are past due at the reporting date for which the Group has not provided for doubtful debts as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables for the Relevant Periods is 30 days.

Included in Fortune REIT's other receivables are prepayments for front end fees of HK\$10.0 million, HK\$6.0 million and HK\$78.4 million as at 31 December 2007, 2008 and 2009 respectively.

In determining the recoverability of a trade receivable, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The exposure of credit risk is limited due to deposits received from tenants. Full provision will be made on the balance overdue for 90 days after setting off the relevant tenant's deposits. Accordingly, the Manager believes that there is no further credit provision required in excess of the allowance for doubtful debts.

Included in the allowance for doubtful debts are specific trade receivables with a total balance of HK\$0.3 million, HK\$2.4 million and HK\$4.2 million as at 31 December 2007, 2008 and 2009 respectively.

Movement in the allowance for doubtful debts:

	At 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
GROUP			
At beginning of year	200	321	2,380
Amounts written off during the year	—	(19)	(302)
Increase in allowance recognised in profit or loss	121	2,078	2,138
At end of year	<u>321</u>	<u>2,380</u>	<u>4,216</u>

All trade and other receivables are denominated in Hong Kong dollars.

17. BANK BALANCES AND CASH

	At 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
GROUP			
Cash at bank and in hand	59,415	23,985	515,341
Fixed deposits with banks	182,703	219,376	—
Total	<u>242,118</u>	<u>243,361</u>	<u>515,341</u>
FORTUNE REIT			
Cash at bank and in hand	20,673	2,468	473,233
Fixed deposits with banks	98,556	103,207	—
Total	<u>119,229</u>	<u>105,675</u>	<u>473,233</u>

Interest rate analysis:

	Effective average interest rate per annum			Total			Within 1 to 3 months		
	Year ended 31 December			At 31 December			At 31 December		
	2007	2008	2009	2007	2008	2009	2007	2008	2009
	%	%	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
GROUP									
Fixed deposits with banks	<u>3.17</u>	<u>0.87</u>	<u>—</u>	<u>182,703</u>	<u>219,376</u>	<u>—</u>	<u>182,703</u>	<u>219,376</u>	<u>—</u>
FORTUNE REIT									
Fixed deposits with banks	<u>3.17</u>	<u>0.87</u>	<u>—</u>	<u>98,556</u>	<u>103,207</u>	<u>—</u>	<u>98,556</u>	<u>103,207</u>	<u>—</u>

The above fixed deposits as at 31 December 2007, 2008 and 2009 were placed for a period ranging from 1 day to 33 days, 1 day to 90 days and 1 day to 90 days respectively.

The bank balances and cash equivalents which are not denominated in the functional currency of the Group are as follows:

	At 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
GROUP AND FORTUNE REIT			
Denominated in:			
Singapore dollars	<u>18,256</u>	<u>683</u>	<u>3,143</u>

18. BORROWINGS

	At 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
GROUP			
Secured term loans	2,348,700	2,348,700	2,828,700
Secured revolving loans	—	—	36,000
Less: unamortised front end fees	(10,062)	(6,037)	(78,414)
	<u>2,338,638</u>	<u>2,342,663</u>	<u>2,786,286</u>
Carrying amount repayable:			
On demand or within one year	—	—	2,786,286
More than one year, but not more than five years	2,338,638	2,342,663	—
	<u>2,338,638</u>	<u>2,342,663</u>	<u>2,786,286</u>
Less: Amount due within one year shown under current liabilities	—	—	(2,786,286)
	<u>2,338,638</u>	<u>2,342,663</u>	<u>—</u>

- (i) In relation to the term loan and revolving credit facility of HK\$2,613.7 million under the facility agreement for a term of five years from 28 June 2005 ("Existing Facilities"), the total facilities drawn down as at 31 December 2007, 2008 and 2009 was HK\$2,348.7 million, HK\$2,348.7 million and HK\$2,384.7 million respectively, out of which the revolving loan of HK\$36 million drawn down as at 31 December 2009 is repayable on 29 January 2010 with effective interest rate of 0.48% per annum.

It bears interest at Hong Kong Inter-bank Offer Rate ("HIBOR") plus a margin. The margin is 0.28% for the first year, 0.30% for the second year, 0.34% for the third year, 0.36% for the fourth year and 0.42% for the fifth year.

The loan facilities are secured by, inter alia, a mortgage over certain investment properties with a fair value of HK\$8,623 million, HK\$7,574 million and HK\$8,229 million as at 31 December 2007, 2008 and 2009 respectively.

- (ii) On 15 October 2009, the Group entered into a term loan and revolving credit facility of HK\$3,100 million for a term of four years (the "New Facility"), out of which HK\$480 million has been drawn as at 31 December 2009 and is repayable on 28 June 2010. The HK\$480 million loan from the New Facility is secured by, inter alia, a mortgage over certain investment properties with a fair value of HK\$2,157 million as at 31 December 2009. The Existing Facilities and the HK\$480 million loan will be refinanced by the New Facility on 28 June 2010. The New Facility bears interest rate at HIBOR plus a margin of 2.00% per annum. In addition, the Trustee (in its capacity as trustee of Fortune REIT) has provided a guarantee for the New Facility.

Included in the loan obligation as at 31 December 2007, 2008 and 2009 are front end fees of HK\$20.1 million, HK\$20.1 million and HK\$100.7 million respectively paid to the banks to secure the loan facilities. The front end fees are amortised over the respective loan periods. The movement in the front end fees and the accumulated amortisation is as follows:

	At 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
At beginning of year	20,125	20,125	20,125
Additions.	—	—	80,600
At end of year	<u>20,125</u>	<u>20,125</u>	<u>100,725</u>
Movement in accumulated amortisation:			
At beginning of year.	(6,038)	(10,063)	(14,088)
Amortised during the year	(4,025)	(4,025)	(8,223)
At end of year	<u>(10,063)</u>	<u>(14,088)</u>	<u>(22,311)</u>
Net book values	<u>10,062</u>	<u>6,037</u>	<u>78,414</u>

The Group entered into interest rate swap contracts to swap certain floating rate term loans into fixed rate borrowings. As at 31 December 2007, 2008 and 2009, the fixed interest rates of borrowings after swap vary from 3.93% to 5.12%, 2.38% to 5.12% and 2.38% to 5.12% per annum respectively. Interest is repriced every three months.

The term loan of HK\$1,843.5 million, HK\$2,348.7 million and HK\$2,348.7 million as at 31 December 2007, 2008 and 2009, after hedging, gave an effective interest rate of 4.78%, 4.53% and 3.64% per annum respectively. The effective interest rate on the remaining term loan without hedging of HK\$505.2 million and HK\$480 million as at 31 December 2007 and 2009 is 4.74% and 2.15% per annum respectively.

19. DERIVATIVE FINANCIAL INSTRUMENTS

The total notional principal amount of the derivative financial instruments to which the Group is committed and their fair values are as follows:

	At 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
GROUP			
Notional amount			
Interest rate swaps	1,843,500	2,348,700	2,348,700
Structured rate swaps	614,500	—	—
Total	<u>2,458,000</u>	<u>2,348,700</u>	<u>2,348,700</u>
Fair value			
Interest rate swaps	34,019	64,919	27,512
Structured rate swaps	5,729	—	—
Total	<u>39,748</u>	<u>64,919</u>	<u>27,512</u>
FORTUNE REIT			
Notional amount			
Structured rate swaps	614,500	—	—
Fair value			
Structured rate swaps	5,729	—	—
Presented in the consolidated statement of financial position as:			
GROUP			
Current	1,022	11,473	27,097
Non-current	38,726	53,446	415
Total	<u>39,748</u>	<u>64,919</u>	<u>27,512</u>
Taken to:			
Other comprehensive income	34,019	64,919	27,512
Profit or loss	5,729	—	—
Total	<u>39,748</u>	<u>64,919</u>	<u>27,512</u>
FORTUNE REIT			
Non-current	5,729	—	—
Taken to:			
Profit or loss	5,729	—	—

The Group uses interest rate swaps designated as highly effective hedging instruments in order to manage its exposure to interest rate movements on its bank borrowings by swapping a proportion of these borrowings from floating rates to fixed rates. Contracts with notional amount of HK\$1,843.5 million as at 31 December 2007, HK\$2,348.7 million as at 31 December 2008 and HK\$1,734.2 million as at 31 December 2009 will mature in June 2010 while HK\$614.5 million as at 31 December 2009 will mature in March 2014. These contracts have fixed interest payments at rates ranging from 3.93% to 5.12%, 2.38% to 5.12% and 2.38% to 5.12% per annum for the years ended 31 December 2007, 2008 and 2009 respectively and have floating interest receipts at three months HIBOR repricing every three months.

The structured rate swaps are not designated for hedge accounting. Increase in fair value on structured rate swaps of HK\$3.4 million for the year ended 31 December 2007 and decrease in fair value on structured rate swaps of HK\$5.7 million for the year ended 31 December 2008 are recognised in profit or loss for the respective reporting period.

The fair value of financial derivative instruments are measured at fair value at the end of the reporting period. Their fair values are determined based on the discounted future cash flows using the applicable yield curve for the duration of the instruments.

The fair value of derivative financial liabilities fall under Level 2 of the fair value hierarchy and is measured based on inputs other than quoted prices that are observable either directly or indirectly.

20. DEFERRED TAX LIABILITIES

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

The followings are the major component of deferred tax liabilities (assets) recognised and movements therein during the Relevant Periods:

	Accelerated tax depreciation			Tax losses			Total		
	At 31 December			At 31 December			At 31 December		
	2007	2008	2009	2007	2008	2009	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
GROUP									
At beginning of year	102,167	114,717	120,046	(6,621)	(5,291)	(5,269)	95,546	109,426	114,777
Acquisition of subsidiaries (note 14(a))	—	—	2,663	—	—	—	—	—	2,663
Change in tax rate	—	(6,555)	—	—	302	—	—	(6,253)	—
Charge to profit or loss.	12,550	11,884	15,551	1,330	(280)	—	13,880	11,604	15,551
At end of year	<u>114,717</u>	<u>120,046</u>	<u>138,260</u>	<u>(5,291)</u>	<u>(5,269)</u>	<u>(5,269)</u>	<u>109,426</u>	<u>114,777</u>	<u>132,991</u>

The Manager expects to recover the carrying amount of investment properties through disposal. Hence, deferred tax is determined by reference to the tax consequence following disposal of the properties.

21. TRADE AND OTHER PAYABLES

	At 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
GROUP			
Trade payables			
Tenant's deposits			
— Outside parties	133,836	142,938	178,610
— Related parties (note 28)	377	749	7,875
Rental received in advance			
— Outside parties	5,598	4,775	10,158
	<u>139,811</u>	<u>148,462</u>	<u>196,643</u>
Other payables			
Trustee's fee	1,256	491	564
Manager's fee	514	624	—
Other expenses			
— Outside parties	27,162	24,755	42,466
— Related parties (note 28)	18,851	15,963	19,255
Interest payable	990	783	2,176
Others			
— Outside parties	3,382	3,382	12,223
— Related parties (note 28)	—	—	3,147
	<u>52,155</u>	<u>45,998</u>	<u>79,831</u>
Total	<u><u>191,966</u></u>	<u><u>194,460</u></u>	<u><u>276,474</u></u>
FORTUNE REIT			
Other payables			
Trustee's fee	1,256	491	564
Manager's fee	514	624	—
Other expenses	1,296	1,174	1,768
Others			
— Outside parties	3,382	3,382	11,467
— Related parties (note 28)	—	—	3,147
	<u>6,448</u>	<u>5,671</u>	<u>16,946</u>

Trade payables and other payables comprise deposits refundable to tenants upon cancellation of operating lease arrangements and amounts outstanding for ongoing costs. The tenant deposit is refundable to tenants within 30 days upon the termination of the tenancy agreement.

The tenant's deposit to be settled after twelve months from the reporting period based on lease term amounted to HK\$74.8 million, HK\$88.2 million and HK\$111.6 million as at 31 December 2007, 2008 and 2009, respectively.

Trade and other payables which are not denominated in the functional currency of the respective Group entities are as follows:

	At 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
GROUP AND FORTUNE REIT			
Denominated in:			
— Singapore dollars	550	1,505	547

22. EQUITY

	At 31 December					
	2007		2008		2009	
	Number of units	HK\$'000	Number of units	HK\$'000	Number of units	HK\$'000
Balance at beginning of year	806,218	4,314,163	812,266	4,342,232	820,819	4,370,531
Rights issue (Note a)	—	—	—	—	824,879	1,888,973
Issued of new units during the year:						
As payment of Manager's base fee.	4,636	20,724	5,477	21,794	6,695	19,750
As payment of Manager's acquisition fee (Note b).	—	—	—	—	6,372	20,390
Balance in issue at end of year	810,854	4,334,887	817,743	4,364,026	1,658,765	6,299,644
New units to be issued:						
As payment of Manager's base fee for the period from 1 October to 31 December (Note c)	1,412	7,345	3,076	6,505	2,830	8,696
Balance at end of year	<u>812,266</u>	<u>4,342,232</u>	<u>820,819</u>	<u>4,370,531</u>	<u>1,661,595</u>	<u>6,308,340</u>

Notes:

- (a) On 15 October 2009, Fortune REIT, via a rights issue exercise, issued 824,879,427 units at an issue price of HK\$2.29 per unit.
- (b) On 16 October 2009, Fortune REIT issued 6,371,875 units to the Manager at HK\$3.20 per unit as acquisition fees for the acquisitions disclosed in note 14(a).
- (c) On 15 January 2008, 9 January 2009 and 7 January 2010, Fortune REIT issued 1,412,396 units, 3,075,716 units and 2,830,232 units to the Manager at HK\$5.2006, HK\$2.1148 and HK\$3.0725 per unit as base fee for the period from 1 October 2007 to 31 December 2007, 1 October 2008 to 31 December 2008 and 1 October 2009 to 31 December 2009 respectively.

Each unit in Fortune REIT represents an undivided interest in Fortune REIT. The rights and interests of unitholders are contained in the Trust Deed and include the right to:

- Receive income and other distributions attributable to the units held;
- Receive audited financial statements and the annual reports of Fortune REIT; and
- Participate in the termination of Fortune REIT by receiving a share of all net cash proceeds derived from the realisation of the assets of Fortune REIT less any liabilities, in accordance with their proportionate interests in Fortune REIT. However, an unitholder has no right to require that any asset of Fortune REIT be transferred to him.

Although the unitholders have a right to receive distribution in accordance to the distribution policy as mentioned in note 12, Fortune REIT has no contractual obligation to pay or declare distribution of which is entirely at the discretion of the Manager pursuant to the Trust Deed. Accordingly, the issued units are classified as equity in accordance with IAS 32 "Financial Instruments: Disclosure and Presentation".

Further, unitholders cannot give any directions to the Trustee or the Manager (whether at a meeting of unitholders or otherwise) if it would require the Trustee or the Manager to do or omit doing anything which may result in:

- Fortune REIT ceasing to comply with applicable laws and regulations; or
- The exercise of any discretion expressly conferred on the Trustee or the Manager by the Trust Deed or the determination of any matter which, under the Trust Deed, requires the agreement of either or both of the Trustee and the Manager.

A unitholder's liability is limited to the amount paid or payable for any units in Fortune REIT. The provisions of the Trust Deed provide that no unitholder will be personally liable to indemnify the Trustee or any creditor of the Trustee in the event that liabilities of Fortune REIT exceed its assets.

23. UNIT ISSUE COSTS

The unit issue costs for the year ended 31 December 2009 consists of rights issue expenses and the Manager's acquisition fees, payable in cash and units.

24. NET ASSET VALUE PER UNIT AND ADJUSTED NET ASSET VALUE PER UNIT

Net asset value per unit is determined based on the unitholders' funds of HK\$7,306.2 million, HK\$6,156.4 million and HK\$8,832.7 million as at 31 December 2007, 2008 and 2009 respectively divided by the number of units issued and to be issued as at each reporting date.

The adjusted net asset value per unit is calculated based on the net unitholders' funds excluding hedging reserve divided by the number of units issued and to be issued as at each of reporting date. This comprises:

- i) the number of units in issue as at 31 December 2007, 31 December 2008 and 31 December 2009 of 810,853,651, 817,743,259 and 1,658,765,035 respectively; and
- ii) the units payable to the Manager on 15 January 2008, 9 January 2009 and 7 January 2010 as base fee for the period from 1 October 2007 to 31 December 2007, 1 October 2008 to 31 December 2008 and 1 October 2009 to 31 December 2009 of 1,412,396, 3,075,716 and 2,830,232 respectively.

25. CAPITAL RISK MANAGEMENT POLICIES AND OBJECTIVES

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to unitholders through the optimisation of the debt and unitholders' funds, and to ensure that all externally imposed capital requirements are complied with.

The capital structure of the Group consists of debt, which includes borrowings, cash and cash equivalents and unitholders' funds comprising issued equity, reserves and retained profits. Fortune REIT and the Group are required to maintain a certain level of aggregate borrowings which shall not at any time exceed 35% of the total gross asset value of the Group in order to comply with the Code on Collective Investment Scheme issued by the Monetary Authority of Singapore.

The management's strategy remains unchanged for the Relevant Periods. Fortune REIT and the Group is in compliance with externally imposed capital requirements for the three years ended 31 December 2007, 2008 and 2009.

26. FINANCIAL INSTRUMENTS

a. *Categories of financial instruments*

	At 31 December		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
GROUP			
Financial assets			
<i>Loans and receivables</i>			
Trade and other receivables	34,053	35,364	46,124
Bank balances and cash	242,118	243,361	515,341
	<u>276,171</u>	<u>278,725</u>	<u>561,465</u>
Financial liabilities			
<i>Amortised cost</i>			
Other payables	52,155	45,998	79,831
Borrowings	2,338,638	2,342,663	2,786,286
	<u>2,390,793</u>	<u>2,388,661</u>	<u>2,866,117</u>
<i>Fair value</i>			
Derivative financial instruments	39,748	64,919	27,512
	<u>2,430,541</u>	<u>2,453,580</u>	<u>2,893,629</u>
FORTUNE REIT			
Financial assets			
<i>Loans and receivables</i>			
Trade and other receivables	132,795	156,082	7,307
Bank balances and cash	119,229	105,675	473,233
	<u>252,024</u>	<u>261,757</u>	<u>480,540</u>
Financial liabilities			
<i>Amortised cost</i>			
Other payables	6,448	5,671	16,946
<i>Fair value</i>			
Derivative financial instruments	5,729	—	—
	<u>12,177</u>	<u>5,671</u>	<u>16,946</u>

b. *Financial risk management objectives and policies*

Details of Fortune REIT's and the Group's financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include interest rate risk, credit risk, foreign currency risks and liquidity risk.

The policies on how to mitigate these risks are set out below. The Manager manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

Fortune REIT's and the Group's exposure to changes in interest rates relates primarily to interest-earning financial assets and interest-bearing financial liabilities. Interest rate risk is managed by the Manager on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rates.

Where necessary, the Group adopts an appropriate hedging policy to minimise interest rate exposure. This may involve fixing certain portion of the interest payable on its underlying debt liabilities via financial derivatives or other suitable financial products.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the Group's exposure to interest rates for derivative instruments at the end of each reporting period and the stipulated changes taking place at the beginning of the financial year and held constant throughout the financial period in the case of financial

instruments that bear interest at floating rates. A range of 25 — 75 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the effect from possible change in interest rates.

If the interest rates have been higher or lower and all other variables were held constant, the Group's profit for the following year would decrease or increase accordingly. This is mainly attributable to the Group's exposure to interest rates on its floating rate borrowings which is not hedged. The following analysis shows the Group's sensitivity to interest rates exposure:

Increase in interest rates basis points by:

	Decrease in the Group's results		
	Year ended 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
25 basis points	1,262	1,317	253
50 basis points	2,526	2,634	506
75 basis points	<u>3,789</u>	<u>3,951</u>	<u>759</u>

Conversely, if the interest rates were to decline, the effect on the Group would be an increase in the Group's result by the amount shown above.

No interest rate sensitivity analysis in relation to derivative instruments of Fortune REIT is presented as the Manager considers the interest rate risk exposure is insignificant.

No interest rate sensitivity analysis in relation to interest bearing financial assets of the Group and Fortune REIT are presented since the Manager considers that the interest rate risk exposure on the interest bearing financial assets is insignificant.

Credit risk

Credit risk is the potential financial loss resulting from the failure of a tenant or counterparty to settle its financial and contractual obligations to the Property Companies, as and when they fall due. The Group has adopted a policy of obtaining deposit to mitigate the risk of financial loss from default.

Trade receivable consists of rental revenue receivable from tenant or counterparty. The Manager monitors their balances on an ongoing basis. Credit evaluations are performed by the Property Manager on behalf of the Manager before lease agreements are entered into with tenants.

Fortune REIT has concentration of credit risk on dividend receivable whereas the Group do not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The credit risk on liquid funds is limited because cash and fixed deposits are placed with reputable bank with high credit ratings assigned by international credit-rating agencies. The credit risk on derivative financial instrument is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

As at 31 December 2007, 2008 and 2009, the maximum exposure to credit risk of Fortune REIT and the Group is represented by the carrying value of each financial asset on its statement of financial position and the consolidated statement of financial position respectively.

Foreign currency risk

The functional currency of Fortune REIT and its subsidiaries is Hong Kong dollars ("HK\$").

The carrying amounts of monetary assets denominated in currencies other than their functional currency arise from Singapore dollars ("S\$") denominated bank balances and deposits amounting to S\$3.367 million, S\$0.126 million and S\$0.569 million as at 31 December 2007, 2008 and 2009 respectively. The foreign currency risks is managed by the Manager on an ongoing basis as well as to minimising the bank balance in Singapore dollars.

If HK\$ were to strengthen against S\$ by 5%, 10% and 15%, the Group's post-tax profit (loss) would decrease/increase by and Fortune REIT's profit would decrease by:

	Decrease in Fortune REIT's and the Group's results		
	Year ended 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
5%	913	34	157
10%	1,826	68	314
15%	2,738	102	471

Conversely, if the HK\$ were to weaken against S\$, there would be an equal and opposite effect on Fortune REIT's and the Group's profit (loss) for the year.

Liquidity risk

The Manager monitors and maintains a level of cash and cash equivalents deemed adequate by the Manager to finance Fortune REIT's and the Group's operations. In addition, the Manager also monitors and observes the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore concerning limits on total borrowings.

As at 31 December 2009, the Group had net current liabilities of HK\$ 2,534 million. The Manager considers that the Group is able to meet its financial obligations as they fall due as the Group has entered the New Facility of HK\$3,100 million on 15 October 2009 as disclosed in note 18(ii).

Liquidity risk analysis

The Group's derivative financial instruments are interest rate swaps with notional amount totalling HK\$1,843.5 million, HK\$2,348.7 million and HK\$2,348.7 million as at 31 December 2007, 2008 and 2009 respectively with contracted net cash flows due within four years from inception date.

As at 31 December 2007, Fortune REIT's and the Group's structured swaps with notional amount of HK\$614.5 million with contracted gross cash flows due within four years from inception date was unwound during 2008 and no structured swap were held as at 31 December 2008 and 2009.

The following table details Fortune REIT's and the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which Fortune REIT and the Group can be required to pay. For derivative instruments settled on a net basis, undiscounted net cash (inflows) outflows are presented. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date. The liquidity analysis for derivative financial instruments are prepared based on the contractual maturities as the management consider the contractual maturities are essential for an understanding of the timing of the cash flow of the derivatives.

GROUP

	Weighted average interest rate	On demand and less than 3 months	3 months to 1 year	1 year to 2 years	Over 2 years	Total undiscounted cash flows	Carrying amount at 31 December 2007
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2007							
Non-derivative financial liabilities							
Other payables	—	52,155	—	—	—	52,155	52,155
Tenants' deposits	—	15,628	43,744	46,990	27,851	134,213	134,213
Bank borrowings — variable rate	3.86	22,346	68,280	90,626	2,393,144	2,574,396	2,338,638
Cash Outflow		<u>90,129</u>	<u>112,024</u>	<u>137,616</u>	<u>2,420,995</u>	<u>2,760,764</u>	<u>2,525,006</u>
Derivatives — net settlement							
Derivative financial instruments, cash outflow							
— Interest rate swaps . . .		4,332	12,997	13,857	4,639	35,825	34,019
— Structured rate swaps . .		573	1,719	2,292	1,145	5,729	5,729
Total		<u>4,905</u>	<u>14,716</u>	<u>16,149</u>	<u>5,784</u>	<u>41,554</u>	<u>39,748</u>
	Weighted average interest rate	On demand and less than 3 months	3 months to 1 year	1 year to 2 years	Over 2 years	Total undiscounted cash flows	Carrying amount at 31 December 2008
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2008							
Non-derivative financial liabilities							
Other payables	—	45,998	—	—	—	45,998	45,998
Tenants' deposits	—	12,699	42,822	46,431	41,735	143,687	143,687
Bank borrowings — variable rate	1.36	7,868	24,041	2,364,348	—	2,396,257	2,342,663
Cash Outflow		<u>66,565</u>	<u>66,863</u>	<u>2,410,779</u>	<u>41,735</u>	<u>2,585,942</u>	<u>2,532,348</u>
Derivatives — net settlement							
Derivative financial instruments, cash outflow (inflow)							
		<u>12,413</u>	<u>37,239</u>	<u>39,686</u>	<u>(5,932)</u>	<u>83,406</u>	<u>64,919</u>

GROUP

	Weighted average interest rate	On demand and less than 3 months	3 months to 1 year	1 year to 2 years	Over 2 years	Total undiscounted cash flows	Carrying amount at 31 December 2009
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2009							
Non-derivative financial liabilities							
Other payables	—	79,831	—	—	—	79,831	79,831
Tenants' deposits	—	27,135	47,712	67,437	44,201	186,485	186,485
Bank borrowings — variable rate	0.81	41,706	2,834,328	—	—	2,876,034	2,786,286
Cash Outflow		<u>148,672</u>	<u>2,882,040</u>	<u>67,437</u>	<u>44,201</u>	<u>3,142,350</u>	<u>3,052,602</u>
Derivatives — net settlement							
Derivative financial instruments, cash outflow (inflow)		<u>17,526</u>	<u>24,630</u>	<u>6,309</u>	<u>(12,241)</u>	<u>36,224</u>	<u>27,512</u>

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	On demand and less than 3 months	3 months to 1 year	1 year to 2 years	Over 2 years	Total undiscounted cash flows	Carrying amount at 31 December
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2007						
Non-derivative financial liabilities						
Other payables	<u>6,448</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,448</u>	<u>6,448</u>
Derivatives — net settlement						
Derivative financial instruments, cash outflow	<u>573</u>	<u>1,719</u>	<u>2,292</u>	<u>1,145</u>	<u>5,729</u>	<u>5,729</u>
2008						
Non-derivative financial liabilities						
Other payables	<u>5,671</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>5,671</u>	<u>5,671</u>
2009						
Non-derivative financial liabilities						
Other payables	<u>16,946</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>16,946</u>	<u>16,946</u>

c. Fair value

The carrying amounts of cash and cash equivalents, trade and other receivables and other payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The long-term borrowings are floating rate loans based on market interest rates and hence their carrying values approximate their fair value.

The fair value of financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

27. OPERATING LEASE COMMITMENTS

	Year ended 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
GROUP			
Minimum lease income under operating leases included in revenue	576,624	576,624	632,466

At end of each reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	At 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Within one year	351,539	429,230	481,760
In the second to fifth years inclusive	266,601	410,518	376,791
Over five years	15,886	21,081	19,391
Total.	634,026	860,829	877,942

The Group rents out its investment properties in Hong Kong under operating leases. Operating lease income represents rentals receivable by the Group for its investment properties. Leases are negotiated for term ranging from one to three years with monthly fixed rental, except for certain leases of which contingent rents are charged based on the percentage of sales ranged from 4% to 15%.

28. CONNECTED AND RELATED PARTY TRANSACTIONS

During the Relevant Periods, the Group entered into the following transactions with connected and related parties:

	Notes	Year ended 31 December		
		2007	2008	2009
		HK\$'000	HK\$'000	HK\$'000
Rent and rental related income from				
AMTD Strategic Capital Limited	(a)	—	—	1,289
A.S. Watson Group (HK) Limited	(b)	59,593	63,316	68,049
Bermington Investment Limited	(a)	430	—	—
Big Sky Resources Limited	(a)	—	—	10
Cheung Kong Property Development Limited	(a)	675	4,469	15,626
Citybase Property Management Limited	(a)	919	943	1,539
Diamond Jubilee Investment Limited	(a)	5,265	273	—
Flying Snow Limited	(a)	205	—	—
Hutchison Telephone Company Limited	(b)	3,849	4,365	4,547
Perfect Idea Limited	(a)	—	—	1,489
Towerich Limited	(a)	27	61	67
Union Food Investments Limited	(a)	10,399	—	—
Carpark lease agency fee for the operations of the Group's carpark				
E-Park Parking Management Limited	(a)	2,415	1,745	1,665
Property management fee				
Goodwell-Fortune Property Services Limited	(a)	12,987	13,664	15,145
Leasing commission				
Goodwell-Fortune Property Services Limited	(a)	10,620	13,735	9,922
Trustee's fee				
HSBC Institutional Trust Services (Singapore) Limited		2,783	2,893	2,812

	Notes	Year ended 31 December		
		2007	2008	2009
		HK\$'000	HK\$'000	HK\$'000
Manager's base fee				
ARA Asset Management (Fortune) Limited (formerly known as ARA Asset Management (Singapore) Limited)		28,069	28,299	28,446
Manager's performance fee				
ARA Asset Management (Fortune) Limited (formerly known as ARA Asset Management (Singapore) Limited)		13,911	14,324	15,299
Back-office support service fee				
Cheung Kong (Holdings) Limited	(c)	396	396	419
Amount due to related companies included in other payables				
GROUP				
Citybase Property Management Limited	(a)	5,907	5,912	8,536
E-Park Parking Management Limited	(a)	763	260	331
Goodwell-Fortune Property Services Limited	(a)	5,908	4,461	4,910
Goodwell Property Management Limited	(a)	6,273	5,330	5,478
		<u>18,851</u>	<u>15,963</u>	<u>19,255</u>
Mcbride International Limited	(a)	—	—	3,147
		<u>18,851</u>	<u>15,963</u>	<u>22,402</u>
FORTUNE REIT				
Mcbride International Limited	(a)	—	—	3,147
Deposits placed with the Group for the lease of the Group's properties				
AMTD Strategic Capital Limited	(a)	—	—	1,639
A.S. Watson Group (HK) Limited	(b)	78	202	3,280
Big Sky Resources Limited	(a)	—	—	8
City Base Property Management Limited	(a)	—	—	839
Hutchison Telephone Company Limited	(b)	299	507	920
Perfect Idea Limited	(a)	—	—	1,155
Towerich Limited	(a)	—	40	34
		<u>377</u>	<u>749</u>	<u>7,875</u>

Notes:

- (a) These companies are the subsidiaries of CKH, a unitholder of Fortune REIT.
- (b) These companies are the subsidiaries of Hutchison Whampoa Limited, an associate of CKH and a unitholder of Fortune REIT.
- (c) The company is a unitholder of Fortune REIT.

Besides those stated in note 14(a), there is HK\$20.4 million paid in 6,371,875 units to the Manager as acquisition fees for the acquisition of three new properties on 15 October 2009.

The Manager represented that the above transactions were carried out in the Group's ordinary and usual course of business.

(II) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements for any of the companies comprising the Group have been prepared in respect of any period subsequent to 31 December 2009.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong



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23/F Two Exchange Square
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(as Trustee of Fortune Real Estate Investment Trust)
21 Collyer Quay
#14-01 HSBC Building
Singapore 049320

ARA Asset Management (Fortune) Limited
(as Manager of Fortune Real Estate Investment Trust)
6 Temasek Boulevard
#16-02 Suntec Tower 4
Singapore 038986

31 March 2010

Dear Sirs

- RE: (1) CITY ONE PLAZA, 1 NGAN SHING STREET, NGAN SHING COMMERCIAL CENTRE, 2 NGAN SHING STREET, CITY ONE MARKET, 6 LOK SHING STREET AND VARIOUS GROUND FLOOR SHOPS OF RESIDENTIAL TOWERS, CITY ONE SHATIN, SHA TIN, NEW TERRITORIES, HONG KONG ("CITY ONE SHATIN PROPERTY")**
- (2) MA ON SHAN PLAZA, BAYSHORE TOWERS, 608 SAI SHA ROAD, MA ON SHAN, SHATIN, NEW TERRITORIES, HONG KONG ("MA ON SHAN PLAZA")**
- (3) THE SHOPPING CENTRE OF METRO TOWN, 8 KING LING ROAD, TSEUNG KWAN O, NEW TERRITORIES, HONG KONG ("METRO TOWN")**
- (4) THE METROPOLIS MALL, THE METROPOLIS, 6-10 METROPOLIS DRIVE, KOWLOON, HONG KONG ("THE METROPOLIS MALL")**
- (5) SHOPS ON LEVEL 3 AND VARIOUS CARPARKS, WALDORF GARDEN, 1 TUEN LEE STREET, TUEN MUN, NEW TERRITORIES, HONG KONG ("WALDORF GARDEN PROPERTY")**

- (6) CARIBBEAN BAZAAR, CARIBBEAN COAST, 1 KIN TUNG ROAD, TUNG CHUNG, LANTAU ISLAND, NEW TERRITORIES, HONG KONG ("CARIBBEAN BAZAAR")
- (7) VARIOUS PORTIONS IN SMARTLAND, EAST ASIA GARDENS, 16 TSUEN WAH STREET, TSUEN WAN, NEW TERRITORIES, HONG KONG ("SMARTLAND")
- (8) VARIOUS PORTIONS IN TSING YI SQUARE, TSING YI GARDEN, 7-19 TSING LUK STREET, TSING YI, NEW TERRITORIES, HONG KONG ("TSING YI SQUARE PROPERTY")
- (9) JUBILEE COURT SHOPPING CENTRE, JUBILEE GARDEN, 2-18 LOK KING STREET, SHATIN, NEW TERRITORIES, HONG KONG ("JUBILEE COURT SHOPPING CENTRE")
- (10) THE HOUSEHOLD CENTER, NOB HILL, 8 KING LAI PATH, KWAI CHUNG, NEW TERRITORIES, HONG KONG ("THE HOUSEHOLD CENTER")
- (11) CENTRE DE LAGUNA, 93 CHA KWO LING ROAD, KINDERGARTEN ON GROUND FLOOR, 99 CHA KWO LING ROAD, KWUN TONG, KOWLOON, HONG KONG ("CENTRE DE LAGUNA PROPERTY")
- (12) HAMPTON LOFT, HAMPTON PLACE, 11 HOI FAN ROAD, TAI KOK TSUI, KOWLOON, HONG KONG ("HAMPTON LOFT")
- (13) SHOPS ON GROUND FLOOR, LIDO GARDEN, 41-63 CASTLE PEAK ROAD, SHAM TSENG, TSUEN WAN, NEW TERRITORIES, HONG KONG ("LIDO GARDEN PROPERTY")
- (14) SHOPS ON GROUND FLOOR, RHINE GARDEN, 38 CASTLE PEAK ROAD, SHAM TSENG, TSUEN WAN, NEW TERRITORIES, HONG KONG ("RHINE GARDEN PROPERTY")

(COLLECTIVELY THE "PROPERTIES")

In accordance with your instructions for us to value the Properties, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the Properties as at 31 December 2009 (referred to as the "Valuation Date") for inclusion in public listing document purpose.

Basis of Valuation

Our valuation of each property is our opinion of its market value which we would define as intended to mean "the estimated amount for which a Property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a Property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

Our valuation is prepared in accordance with Chapter 6.8 of the REIT Code and The HKIS Valuation Standards on Properties published by the Hong Kong Institute of Surveyors.

Valuation Methodologies

We have valued the Properties by reference to sales evidence as available on the market and where appropriate on the basis of capitalisation of the net income shown on schedules provided to us. We have made provisions for outgoings and in appropriate cases allowed for reversionary income potential.

In arriving at our opinion of values, we have considered relevant general and economic factors and in particular have investigated recent sales and leasing transactions of comparable properties. In the course of our valuation analysis, we have principally adopted the Income Capitalization Approach and counter-checked this by the Direct Comparison Approach. For the purposes of this valuation, we consider the Income Capitalization Approach is the most appropriate valuation method for assessing the market values of the property, due to the income driven nature of the Properties.

Income capitalization

The Income Capitalization Approach is a method of valuation whereby the existing net rental incomes (i.e. exclusive of rates, Government rent and management fees) of all lettable units of each property are capitalized for the respective unexpired terms of contractual tenancies whilst vacant units are assumed to be let at their respective market rents as at the Valuation Date. Upon expiry of the existing tenancies, each unit is assumed to be let at its market rent as at the Valuation Date, which is in turn capitalized for the unexpired term of the Government lease under which the property is held. Due consideration has been given to the expectation of the renewal of the Government lease upon expiry. The summation of the capitalized value of the term income for the leased portion, the capitalized value of the reversion income (i.e. market rental income) as appropriately deferred for the leased portion and the capitalized value for the vacant portion provides the market value of each property.

The market rentals of all lettable units of each property are determined by reference to the rentals achieved by other units in the property and by reference to the lettings of similar properties in the neighbourhood. The capitalization rate adopted is determined by reference to the yields achieved in analysed market sales transactions and our knowledge of the market expectation from property investors. This expected return reflects implicitly the quality of the investment, the expectation of the potential for future rental growth and capital appreciation, operating costs, risk factors and the like.

Direct comparison

As a supporting approach to the valuation, we have also considered the Direct Comparison Approach as a reference check for the valuations arrived from Income Capitalization Approach. In this regard, comparable sales transactions around the Valuation Date are collected and analyzed in terms of a price per square footage. The collected comparables are then adjusted to take account of the discrepancies between the Properties and comparables in terms of time, location, accessibility, age, building quality and condition, facilities and the like.

Title Investigations

We have not been provided with extracts from title documents relating to the Properties but we have caused searches to be made at the Land Registry. We have not, however, searched the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies handed to us. We do not accept a liability for any interpretation which we have placed on such information which is more properly the sphere of your legal advisers.

Valuation Consideration

We have relied to a very considerable extent on information given by the instructing party and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, lettings, floor areas and all other relevant matters. We have no reason to doubt the truth and accuracy of the information provided to us by the instructing party, and have been advised by the instructing party that no material facts have been omitted from the information provided.

We have not carried out detailed on-site measurements to verify the correctness of the floor areas in respect of the Properties but have assumed that the floor areas shown on the documents handed to us are correct. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the instructing party and are therefore only approximations.

We have inspected the exterior of the Properties valued and, where possible, we have also inspected the interior of the premises. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report that the Properties are free of rot, infestation or any other structural defect. No tests were carried out to any of the services.

No allowance has been made in our report for any charge, mortgage or amount owing on the Properties nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

A summary of our opinion of the market value of each property as at the Valuation Date is given below:-

	Property	Approximate Gross Area (sq ft)	No. of Parking Lots	Market Value as at 31 December 2009
1	City One Shatin Property	414,469	658	HK\$3,548,000,000
2	Ma On Shan Plaza.....	310,084	290	HK\$1,974,000,000
3	Metro Town	180,822	74	HK\$1,544,000,000
4	The Metropolis Mall	332,168	179	HK\$1,413,000,000
5	Waldorf Garden Property	80,842	73	HK\$810,000,000
6	Caribbean Bazaar.....	63,018	117	HK\$449,000,000
7	Smartland	123,544	67	HK\$376,000,000
8	Tsing Yi Square Property	78,836	27	HK\$314,000,000
9	Jubilee Court Shopping Centre	170,616	97	HK\$304,000,000
10	The Household Center	91,779	43	HK\$274,000,000
11	Centre de Laguna Property	43,000	N/A	HK\$166,000,000
12	Hampton Loft.....	74,734	35	HK\$164,000,000
13	Lido Garden Property	9,836	N/A	HK\$100,000,000
14	Rhine Garden Property	14,604	N/A	HK\$64,000,000
	Total	<u>1,988,352</u>	<u>1,660</u>	<u>HK\$11,500,000,000</u>

In performing our valuation, we have taken note of the legal issues relating to the Properties as set out in Appendix 5 (Summary of Government Leases, Deeds of Mutual Covenant and Property Company Structure) to the listing document of Fortune REIT dated 31 March 2010.

The reported analyses, opinions and conclusions are subject to the assumptions and limiting conditions stated in our valuation certificate and are our personal, unbiased professional analyses, opinions and conclusions. We have no present or prospective interest in the Properties and are not a related corporation of nor do we have a relationship with the Trustee, the Manager and Underwriters or other party/parties who, Fortune REIT is contracting with. The valuer's compensation is not contingent upon the reporting of a predetermined value or direction in value that favours the cause of the Vendor, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

We hereby certify that our valuers undertaking this valuation are authorized to practice as valuers and have the necessary expertise and experience in valuing similar types of properties.

We enclose herewith our valuation certificate and market overview.

Yours faithfully
For and on behalf of
Savills Valuation and Professional Services Limited
Charles C K Chan
MSc FRICS FHKIS MCI Arb RPS(GP)
Managing Director

Note: Mr Charles C K Chan, Chartered Estate Surveyor, Msc, FRICS, FHKIS, MCI Arb, RPS(GP), has been a qualified valuer since June 1987 and has about 25 years experience in valuation of properties in Hong Kong.

VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Market value in existing state as at 31 December 2009</u>	<u>Estimated Net Property Yield</u>
1 City One Plaza, 1 Ngan Shing Street, Ngan Shing Commercial Centre, 2 Ngan Shing Street, City One Market, 8 Lok Shing Street, Various Ground Floor Shops of Residential Towers, City One Shatin, Shatin, New Territories, Hong Kong Portions in Sections B, C, L and the Remaining Portion of Section A of Sha Tin Town Lot No. 1.	<p>City One Shatin is a comprehensive residential estate completed in phases between 1981 to 1989.</p> <p>The property mainly comprises various commercial areas within City One Shatin. Descriptions of the said commercial areas are set out below:-</p> <ul style="list-style-type: none"> — the free standing commercial podium known as Ngan Shing Commercial Centre (Commercial Block A) at the Ground Floor, 4th Floor and the Roof; — the free standing commercial podium known as City One Plaza (Commercial Block B) at the Ground Floor, 1st Floor and portion of the Roof, Roof Garden, Centre Garden and kiosks thereof; — the wet market and kindergarten below residential tower blocks 34-36 at Ground Floor; and — various single shops and non-domestic units dispersed throughout the development at the Ground Floor level of 12 individual tower blocks. <p>The total gross area of the property is approximately 38,505.11 sq m (414,469 sq ft).</p> <p>The property also comprises 658 parking lots within the development.</p> <p>Sha Tin Town Lot No. 1 is held from the Government under New Grant No. ST11064 for a term which expired on 27 June 1997 and was extended upon expiry until 30 June 2047.</p>	<p>The retail portion and various spaces of the property are let under various tenancies and licences for various terms yielding a total monthly rental income of about HK\$16,800,000 mostly exclusive of Government rates and rent, management fees and utility charges</p> <p>The occupancy rate of the property as at 31 December 2009 (including owner-occupied areas but excluding parking lots) is about 98.2%.</p> <p>The parking lots of the property is let on monthly/hourly basis with an average net monthly income of about HK\$438,000 from January 2009 to December 2009.</p>	HK\$3,548,000,000	5.8%

Notes:

- (1) The registered owner of the property is Million Nice Development Limited.
- (2) The property is subject to a mortgage and an amendment and reinstatement agreement both in favour of The Hongkong and Shanghai Banking Corporation Limited.
- (3) The property lies within an area zoned "Residential (Group A)" under Sha Tin Outline Zoning Plan.
- (4) In accordance with the property owner's standard terms and conditions of a tenancy agreement, the tenant is to be responsible for internal repairs of the property.
- (5) The rentals reported herein are contractual rentals without taking into account rent free periods, if any.
- (6) Estimated net property yield is based on the net monthly rental and licence income of the retail portion and miscellaneous spaces for December 2009 and the average net monthly income of the parking lots for the period of January 2009 to December 2009.
- (7) Based on the tenancy information provided, our analysis of the existing tenancy profile (excluding income from miscellaneous spaces, parking lots and owner-occupied spaces of 3,232 sq ft) is set out below:-

Tenancy Commencement Profile

<u>Year</u>	<u>% of total Gross Area</u>	<u>% of total Monthly Rental</u>
2006	2.5	0.6
2007	16.7	14.9
2008	37.7	39.1
2009	43.1	45.4
Total	100.0	100.0

Tenancy Expiry Profile

<u>Year</u>	<u>% of total Gross Area</u>	<u>% of total Monthly Rental</u>
Monthly	0.2	0.1
2010	39.8	42.9
2011	36.3	35.9
2012	19.8	19.5
2015	3.9	1.6
Total	100.0	100.0

Tenancy Duration Profile

<u>Tenancy Duration</u>	<u>% of total Gross Area</u>	<u>% of total Monthly Rental</u>
Monthly	0.2	0.1
Below and up to 2 years	35.6	44.1
More than 2 years and up to 3 years	57.8	53.6
More than 3 years	6.4	2.2
Total	100.0	100.0

VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Market value in existing state as at 31 December 2009</u>	<u>Estimated Net Property Yield</u>
2 Ma On Shan Plaza, Bayshore Towers, 608 Sai Sha Road, Ma On Shan, Shatin, New Territories, Hong Kong Portions in Sha Tin Town Lot No. 382.	<p>Ma On Shan Plaza is the commercial portion of a private residential development known as Bayshore Towers completed in 1994.</p> <p>The property comprises the entire shopping centre on Levels 2 and 3 of a five-storey podium (including a Basement, Ground Floor and Level 1) of the development.</p> <p>The total gross area of the property is approximately 28,807.51 sq m (310,084 sq ft).</p> <p>The property also comprises 290 parking lots on the Basement Floor of the commercial podium.</p> <p>Sha Tin Town Lot No. 382 is held from the Government under New Grant No. 12378 for a term from 6 December 1991 to 30 June 2047.</p>	<p>The retail portion and various spaces of the property are let under various tenancies and licences for various terms yielding a total monthly rental income of about HK\$10,200,000 mostly exclusive of Government rates and rent, management fees and utility charges</p> <p>The occupancy rate of the property as at 31 December 2009 (excluding parking lots) is 100.0%.</p> <p>The parking lots of the property is let on monthly/hourly basis with an average net monthly income of about HK\$341,000 from January 2009 to December 2009.</p>	HK\$1,974,000,000	6.4%

Notes:

- (1) The registered owner of the property is Poko Shine Limited.
- (2) The property is subject to a mortgage and an amendment and restatement agreement both in favour of The Hongkong and Shanghai Banking Corporation Limited.
- (3) The property lies within an area zoned "Residential (Group A)" under Sha Tin Outline Zoning Plan.
- (4) In accordance with the property owner's standard terms and conditions of a tenancy agreement, the landlord is to be responsible for structural and external repairs and the tenant is to be responsible for internal repairs of the property.
- (5) The rentals reported herein are contractual rentals without taking into account rent free periods, if any.
- (6) Estimated net property yield is based on the net monthly rental and licence income of the retail portion and miscellaneous spaces for December 2009 and the average net monthly income of the parking lots for the period of January 2009 to December 2009.

(7) Based on the tenancy information provided, our analysis of the existing tenancy profile (excluding income from miscellaneous spaces and parking lots) is set out below:-

Tenancy Commencement Profile

<u>Year</u>	<u>% of total Gross Area</u>	<u>% of total Monthly Rental</u>
2006	1.3	0.5
2007	33.1	22.1
2008	42.4	50.2
2009	23.2	27.2
Total	100.0	100.0

Tenancy Expiry Profile

<u>Year</u>	<u>% of total Gross Area</u>	<u>% of total Monthly Rental</u>
2010	38.2	33.3
2011	48.0	53.2
2012	13.8	13.5
Total	100.0	100.0

Tenancy Duration Profile

<u>Tenancy Duration</u>	<u>% of total Gross Area</u>	<u>% of total Monthly Rental</u>
Below and up to 2 years	13.0	22.9
More than 2 years and up to 3 years	84.7	74.5
More than 3 years	2.3	2.6
Total	100.0	100.0

VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Market value in existing state as at 31 December 2009</u>	<u>Estimated Net Property Yield</u>
3 The Shopping Centre of Metro Town, 8 King Ling Road, Tseung Kwan O, New Territories, Hong Kong Portions in Tseung Kwan O Town Lot No. 73.	<p>Metro Town is a comprehensive private residential development completed in 2006.</p> <p>The property comprises the entire retail premises on the Ground Level, Level 1, Level 2, Level 3 and Level 5, and the footbridge of a four-storey commercial podium of the development.</p> <p>The total gross area of the property is approximately 16,798.77 sq m (180,822 sq ft).</p> <p>The property also comprises 74 parking lots on Level 2 of the commercial podium of the development.</p> <p>Tseung Kwan O Town Lot No. 73 is held from the Government under New Grant No. SK9700 for a term from 11 February 2003 to 10 February 2053.</p>	<p>The retail portion and various spaces of the property are let under various tenancies and licences for various terms yielding a total monthly rental income of about HK\$6,300,000 mostly exclusive of Government rates and rent, management fees and utility charges</p> <p>The occupancy rate of the property as at 31 December 2009 (excluding parking lots) is 100.0%.</p> <p>The parking lots of the property is let on monthly/hourly basis with an average net monthly income of about HK\$115,000 from January 2009 to December 2009.</p>	HK\$1,544,000,000	5.0%

Notes:

- (1) The registered owner of the property is Mega Gain Resources Limited.
- (2) The property is subject to a mortgage in favour of Standard Chartered Bank (Hong Kong) Limited.
- (3) The property lies within an area zoned "Other Specified Uses (Commercial/Residential Development with Public Transport Interchange)" under Tseung Kwan O Outline Zoning Plan.
- (4) In accordance with the property owner's standard terms and conditions of a tenancy agreement, the landlord is to be responsible for structural and external repairs and the tenant is to be responsible for internal repairs of the property.
- (5) The rentals reported herein are contractual rentals without taking into account rent free periods, if any.
- (6) Estimated net property yield is based on the net monthly rental and licence income of the retail portion and miscellaneous spaces for December 2009 and the average net monthly income of the parking lots for the period of January 2009 to December 2009.

- (7) Based on the tenancy information provided, our analysis of the existing tenancy profile (excluding income from miscellaneous spaces and parking lots) is set out below:-

Tenancy Commencement Profile

<u>Year</u>	<u>% of total Gross Area</u>	<u>% of total Monthly Rental</u>
2007	65.1	61.7
2008	9.9	11.2
2009	25.0	27.1
Total	100.0	100.0

Tenancy Expiry Profile

<u>Year</u>	<u>% of total Gross Area</u>	<u>% of total Monthly Rental</u>
2010	49.0	53.8
2011	18.8	23.1
2012	5.0	5.2
2013	22.6	16.7
2014	4.6	1.2
Total	100.0	100.0

Tenancy Duration Profile

<u>Tenancy Duration</u>	<u>% of total Gross Area</u>	<u>% of total Monthly Rental</u>
Below and up to 2 years	17.8	24.1
More than 2 years and up to 3 years	54.9	58.0
More than 3 years	27.3	17.9
Total	100.0	100.0

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2009	Estimated Net Property Yield
4 The Metropolis Mall, The Metropolis, 6-10 Metropolis Drive, Kowloon, Hong Kong Portions in Kowloon Inland Lot No. 11077.	<p>The Metropolis Mall is the commercial portion of a comprehensive development known as The Metropolis completed in 2001.</p> <p>The property comprises the three levels of retail premises on the L7, L8 and L9 Floors of the multi-storey podium of the development.</p> <p>The total gross area of the property is approximately 30,859.16 sq m (332,168 sq ft).</p> <p>The property also comprises 179 parking lots on L5 of the commercial podium of the development.</p> <p>Kowloon Inland Lot No. 11077 is held from the Government under Conditions of Grant No. 12444 for a term from 14 February 1997 to 30 June 2047.</p>	<p>The retail portion and various spaces of the property are let under various tenancies and licences for various terms yielding a total monthly rental income of about HK\$5,500,000 mostly exclusive of Government rates and rent, management fees and utility charges</p> <p>The occupancy rate of the property as at 31 December 2009 (including owner-occupied area but excluding parking lots) is about 93.0%.</p> <p>The parking lots of the property is let on monthly/hourly basis with an average net monthly income of about HK\$311,000 from January 2009 to December 2009.</p>	HK\$1,413,000,000	4.9%

Notes:

- (1) The registered owner of the property is Vision Million Limited.
- (2) The property is subject to a mortgage and an amendment and restatement agreement both in favour of The Hongkong and Shanghai Banking Corporation Limited.
- (3) The property lies within an area zoned "Other Specified Uses (Commercial Development and Freight Yard)" under Hung Hom Outline Zoning Plan.
- (4) In accordance with the property owner's standard terms and conditions of a tenancy agreement, the landlord is to be responsible for structural and external repairs and the tenant is to be responsible for internal repairs of the property.
- (5) The rentals reported herein are contractual rentals without taking into account rent free periods, if any.
- (6) Estimated net property yield is based on the net monthly rental and licence income of the retail portion and miscellaneous spaces for December 2009 and the average net monthly income of the parking lots for the period of January 2009 to December 2009.

(7) Based on the tenancy information provided, our analysis of the existing tenancy profile (excluding income from miscellaneous spaces, parking lots and owner-occupied space of 2,226 sq ft) is set out below:-

Tenancy Commencement Profile

<u>Year</u>	<u>% of total Gross Area</u>	<u>% of total Monthly Rental</u>
2007	11.5	12.2
2008	51.7	55.1
2009	36.8	32.7
Total	100.0	100.0

Tenancy Expiry Profile

<u>Year</u>	<u>% of total Gross Area</u>	<u>% of total Monthly Rental</u>
2010	43.4	44.2
2011	44.4	44.8
2012	12.2	11.0
Total	100.0	100.0

Tenancy Duration Profile

<u>Tenancy Duration</u>	<u>% of total Gross Area</u>	<u>% of total Monthly Rental</u>
Below and up to 2 years	38.9	37.9
More than 2 years and up to 3 years	60.6	61.5
More than 3 years	0.5	0.6
Total	100.0	100.0

VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Market value in existing state as at 31 December 2009</u>	<u>Estimated Net Property Yield</u>
5 Shops on Level 3 and Various Carparks, Waldorf Garden, 1 Tuen Lee Street, Tuen Mun, New Territories, Hong Kong Portions in Tuen Mun Town Lot No. 194.	<p>Waldorf Garden is a private residential development completed in 1982.</p> <p>The property comprises a retail floor on the Level 3 of a 4-storey commercial/parking/recreational podium of the development.</p> <p>The total gross area of the property is approximately 7,510.41 sq m (80,842 sq ft).</p> <p>The property also comprises 73 parking lots on Level 1 and Level 2 of the commercial podium.</p> <p>Tuen Mun Town Lot No. 194 is held from the Government under New Grant No. 2344 for a term which expired on 27 June 1997 and was extended upon expiry until 30 June 2047.</p>	<p>The retail portion and various spaces of the property are let under various tenancies and licences for various terms yielding a total monthly rental income of about HK\$4,100,000 mostly exclusive of Government rates and rent, management fees and utility charges</p> <p>The occupancy rate of the property as at 31 December 2009 (excluding parking lots) is 100.0%.</p> <p>The parking lots of the property is let on monthly/hourly basis with an average net monthly income of about HK\$144,000 from January 2009 to December 2009.</p>	HK\$810,000,000	6.3%

Notes:

- (1) The registered owner of the property is Waldorf Realty Limited.
- (2) The property lies within an area zoned "Commercial/Residential" under Tuen Mun Outline Zoning Plan.
- (3) In accordance with the property owner's standard terms and conditions of a tenancy agreement, the landlord is to be responsible for structural and external repairs and the tenant is to be responsible for internal repairs of the property.
- (4) The rentals reported herein are contractual rentals without taking into account rent free periods, if any.
- (5) Estimated net property yield is based on the net monthly rental and licence income of the retail portion and miscellaneous spaces for December 2009 and the average net monthly income of the parking lots for the period of January 2009 to December 2009.
- (6) Based on the tenancy information provided, our analysis of the existing tenancy profile (excluding income from miscellaneous spaces and parking lots) is set out below:-

Tenancy Commencement Profile

<u>Year</u>	<u>% of total Gross Area</u>	<u>% of total Monthly Rental</u>
2007	22.5	26.9
2008	46.1	48.5
2009	31.4	24.6
Total	100.0	100.0

Tenancy Expiry Profile

<u>Year</u>	<u>% of total Gross Area</u>	<u>% of total Monthly Rental</u>
2010	18.5	33.8
2011	22.7	21.7
2012	8.6	7.9
2013	27.7	16.8
2014	22.5	19.8
Total	100.0	100.0

Tenancy Duration Profile

<u>Tenancy Duration</u>	<u>% of total Gross Area</u>	<u>% of total Monthly Rental</u>
Below and up to 2 years	13.6	23.1
More than 2 years and up to 3 years	34.1	37.2
More than 3 years	52.3	39.7
Total	100.0	100.0

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2009	Estimated Net Property Yield
6 Caribbean Bazaar, Caribbean Coast, 1 Kin Tung Road, Tung Chung, Lantau Island, New Territories, Hong Kong Portions in Tung Chung Town Lot No. 5.	<p>Caribbean Bazaar is the commercial portion of a private residential development known as Caribbean Coast completed in 2003.</p> <p>The property comprises the entire retail premises, a kindergarten and a wet market on the 1st Floor of a three-storey commercial podium (including two basements) of the development.</p> <p>The total gross area of the property is approximately 5,854.52 sq m (63,018 sq ft).</p> <p>The property also comprises 117 parking lots on the 1st Floor of the commercial podium of the development.</p> <p>Tung Chung Town Lot No. 5 is held from the Government under New Grant No. IS8102 for a term from 26 June 1997 to 30 June 2047.</p>	<p>The retail portion and various spaces of the property are let under various tenancies and licences for various terms yielding a total monthly rental income of about HK\$2,100,000 mostly exclusive of Government rates and rent, management fees and utility charges</p> <p>The occupancy rate of the property as at 31 December 2009 (excluding parking lots) is 100.0%.</p> <p>The parking lots of the property is let on monthly/hourly basis with an average net monthly income of about HK\$60,000 from January 2009 to December 2009.</p>	HK\$449,000,000	5.8%

Notes:

- (1) The registered owner of the property is Genuine Joy Limited.
- (2) The property is subject to a mortgage in favour of Standard Chartered Bank (Hong Kong) Limited.
- (3) The property lies within an area zoned "Comprehensive Development Area" under Tung Chung Town Centre Outline Zoning Plan.
- (4) In accordance with the property owner's standard terms and conditions of a tenancy agreement, the landlord is to be responsible for structural and external repairs and the tenant is to be responsible for internal repairs of the property.
- (5) The rentals reported herein are contractual rentals without taking into account rent free periods, if any.
- (6) Estimated net property yield is based on the net monthly rental and licence income of the retail portion and miscellaneous spaces for December 2009 and the average net monthly income of the parking lots for the period of January 2009 to December 2009.
- (7) Based on the tenancy information provided, our analysis of the existing tenancy profile (excluding income from miscellaneous spaces and parking lots) is set out below:-

Tenancy Commencement Profile

Year	% of total Gross Area	% of total Monthly Rental
2006	19.8	14.6
2007	2.3	2.6
2008	48.3	53.0
2009	29.6	29.8
Total	100.0	100.0

Tenancy Expiry Profile

<u>Year</u>	<u>% of total Gross Area</u>	<u>% of total Monthly Rental</u>
2010	25.7	38.6
2011	38.7	33.3
2012	35.6	28.1
Total	100.0	100.0

Tenancy Duration Profile

<u>Tenancy Duration</u>	<u>% of total Gross Area</u>	<u>% of total Monthly Rental</u>
Below and up to 2 years	31.1	46.4
More than 2 years and up to 3 years	37.5	32.3
More than 3 years	31.4	21.3
Total	100.0	100.0

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2009	Estimated Net Property Yield
7 Various Portions in Smartland, East Asia Gardens, 16 Tsuen Wah Street, Tsuen Wan, New Territories, Hong Kong Portions in Tsuen Wan Town Lot No. 247.	<p>Smartland is the commercial portion of a private residential development known as East Asia Gardens completed in 1981.</p> <p>The property comprises various retail portions on the Ground and 1st Floors, the whole of 2nd Floor, the reserved podium roof on the 3rd Floor, portions of external walls (except the portion at A101 on Ground Floor) of a four-storey podium (including the Basement), of the development.</p> <p>The total gross area of the property is approximately 11,477.52 sq m (123,544 sq ft).</p> <p>The property also comprises 67 parking lots on the Basement of the commercial podium of the development.</p> <p>Tsuen Wan Town Lot No. 247 is held from the Government under New Grant No. 5591 for a term which expired on 27 June 1997 and was extended upon expiry until 30 June 2047.</p>	<p>The retail portion and various spaces of the property are let under various tenancies and licences for various terms yielding a total monthly rental income of about HK\$1,630,000 mostly exclusive of Government rates and rent, management fees and utility charges</p> <p>The occupancy rate of the property as at 31 December 2009 (excluding parking lots) is about 94.4%.</p> <p>The parking lots of the property is let on monthly/hourly basis with an average net monthly income of about HK\$89,000 from January 2009 to December 2009.</p>	HK\$376,000,000	5.5%

Notes:

- (1) The registered owner of the property is Quick Switch Limited.
- (2) The property is subject to a mortgage and an amendment and restatement agreement both in favour of The Hongkong and Shanghai Banking Corporation Limited.
- (3) The property lies within an area zoned "Residential (Group A)" under Tsuen Wan Outline Zoning Plan.
- (4) In accordance with the property owner's standard terms and conditions of a tenancy agreement, the landlord is to be responsible for structural and external repairs and the tenant is to be responsible for internal repairs of the property.
- (5) The rentals reported herein are contractual rentals without taking into account rent free periods, if any.
- (6) Estimated net property yield is based on the net monthly rental and licence income of the retail portion and miscellaneous spaces for December 2009 and the average net monthly income of the parking lots for the period of January 2009 to December 2009.

- (7) Based on the tenancy information provided, our analysis of the existing tenancy profile (excluding income from miscellaneous spaces and parking lots) is set out below:-

Tenancy Commencement Profile

<u>Year</u>	<u>% of total Gross Area</u>	<u>% of total Monthly Rental</u>
2007	4.9	5.8
2008	55.7	40.7
2009	39.4	53.5
Total	100.0	100.0

Tenancy Expiry Profile

<u>Year</u>	<u>% of total Gross Area</u>	<u>% of total Monthly Rental</u>
2010	12.1	15.9
2011	40.5	38.8
2012	12.6	24.3
2013	6.3	2.3
2015	16.2	10.6
2017	12.3	8.1
Total	100.0	100.0

Tenancy Duration Profile

<u>Tenancy Duration</u>	<u>% of total Gross Area</u>	<u>% of total Monthly Rental</u>
Below and up to 2 years	12.7	22.0
More than 2 years and up to 3 years	52.1	56.7
More than 3 years	35.2	21.3
Total	100.0	100.0

VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Market value in existing state as at 31 December 2009</u>	<u>Estimated Net Property Yield</u>
8 Various Portions in Tsing Yi Square, Tsing Yi Garden, 7-19 Tsing Luk Street, Tsing Yi, New Territories, Hong Kong	<p>Tsing Yi Square is the commercial centre of a residential development known as Tsing Yi Garden completed in 1986.</p> <p>The property comprises various shops on the Ground and 1st Floors in the shopping centre of the development.</p>	<p>The retail portion of the property is let under various tenancies and licences for various terms yielding a total monthly rental income of about HK\$1,660,000 mostly exclusive of Government rates and rent, management fees and utility charges</p>	HK\$314,000,000	6.4%
Portions in Tsing Yi Town Lot No. 101.	<p>The total gross area of the property is approximately 7,324.04 sq m (78,836 sq ft).</p> <p>The property also comprises 27 parking lots within the development.</p> <p>Tsing Yi Town Lot No. 101 is held from the Government under New Grant No. 6229 for a term which expired on 27 June 1997 and was extended upon expiry until 30 June 2047.</p>	<p>The occupancy rate of the property as at 31 December 2009 (excluding parking lots) is 100.0%.</p> <p>The parking lots of the property is let on monthly/hourly basis with an average net monthly income of about HK\$20,000 from January 2009 to December 2009.</p>		

Notes:

- (1) The registered owner of the property is Team Challenge Limited.
- (2) The property is subject to a mortgage and an amendment and restatement agreement both in favour of The Hongkong and Shanghai Banking Corporation Limited.
- (3) The property lies within an area zoned "Residential (Group A)" under Tsing Yi Outline Zoning Plan.
- (4) In accordance with the property owner's standard terms and conditions of a tenancy agreement, the landlord is to be responsible for payment of capital expenses and the tenant is to be responsible for internal repairs of the property.
- (5) The rentals reported herein are contractual rentals without taking into account rent free periods, if any.
- (6) Estimated net property yield is based on the net monthly rental and licence income of the retail portion for December 2009 and the average net monthly income of the parking lots for the period of January 2009 to December 2009.
- (7) Based on the tenancy information provided, our analysis of the existing tenancy profile (excluding parking lots) is set out below:-

Tenancy Commencement Profile

<u>Year</u>	<u>% of total Gross Area</u>	<u>% of total Monthly Rental</u>
2007	24.6	21.7
2008	42.3	42.3
2009	33.1	36.0
Total	100.0	100.0

Tenancy Expiry Profile

<u>Year</u>	<u>% of total Gross Area</u>	<u>% of total Monthly Rental</u>
2010	41.2	46.3
2011	41.3	38.9
2012	17.5	14.8
Total	100.0	100.0

Tenancy Duration Profile

<u>Tenancy Duration</u>	<u>% of total Gross Area</u>	<u>% of total Monthly Rental</u>
Below and up to 2 years	24.3	35.6
More than 2 years and up to 3 years	68.6	54.6
More than 3 years	7.1	9.8
Total	100.0	100.0

VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Market value in existing state as at 31 December 2009</u>	<u>Estimated Net Property Yield</u>
9 Jubilee Court Shopping Centre, Jubilee Garden, 2-18 Lok King Street, Shatin, New Territories, Hong Kong Portions in Sha Tin Town Lot No. 87.	Jubilee Court Shopping Centre is the commercial centre of a private residential development known as Jubilee Garden completed in 1986. The property mainly comprises a free-standing seven-storey shopping centre and a wet market on the 1st Floor of the podium of Jubilee Garden. The total gross area of the property is approximately 15,850.61 sq m (170,616 sq ft). The property also comprises 97 parking lots within the development. Sha Tin Town Lot No. 87 is held from the Government under New Grant No. ST11326 for a term which expired on 27 June 1997 and was extended upon expiry until 30 June 2047.	The retail portion and various spaces of the property are let under various tenancies and licences for various terms yielding a total monthly rental income of about HK\$1,220,000 mostly exclusive of Government rates and rent, management fees and utility charges The occupancy rate of the property as at 31 December 2009 (including owner-occupied areas but excluding parking lots) is about 81.5%. The parking lots of the property is let on monthly/hourly basis with an average net monthly income of about HK\$202,000 from January 2009 to December 2009.	HK\$304,000,000	5.6%

Notes:

- (1) The registered owner of the property is Yee Pang Realty Limited.
- (2) The property lies within an area zoned "Other Specified Uses (Railway Depot Comprehensive Development Area)" under Sha Tin Outline Zoning Plan.
- (3) In accordance with the property owner's standard terms and conditions of a tenancy agreement, the landlord is to be responsible for structural and external repairs and the tenant is to be responsible for internal repairs of the property.
- (4) The rentals reported herein are contractual rentals without taking into account rent free periods, if any.
- (5) Estimated net property yield is based on the net monthly rental and licence income of the retail portion and miscellaneous spaces for December 2009 and the average net monthly income of the parking lots for the period of January 2009 to December 2009.
- (6) Based on the tenancy information provided, our analysis of the existing tenancy profile (excluding income from miscellaneous spaces, parking lots and owner-occupied space of 7,163 sq ft) is set out below:-

Tenancy Commencement Profile

<u>Year</u>	<u>% of total Gross Area</u>	<u>% of total Monthly Rental</u>
2007	5.8	8.0
2008	22.9	26.9
2009	71.3	65.1
Total	100.0	100.0

Tenancy Expiry Profile

<u>Year</u>	<u>% of total Gross Area</u>	<u>% of total Monthly Rental</u>
2010	25.4	34.2
2011	16.1	19.1
2012	48.5	36.8
2013	3.8	1.4
2014	6.2	8.5
Total	100.0	100.0

Tenancy Duration Profile

<u>Tenancy Duration</u>	<u>% of total Gross Area</u>	<u>% of total Monthly Rental</u>
Below and up to 2 years	23.4	34.9
More than 2 years and up to 3 years	66.6	55.2
More than 3 years	10.0	9.9
Total	100.0	100.0

VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Market value in existing state as at 31 December 2009</u>	<u>Estimated Net Property Yield</u>
10 The Household Center, Nob Hill, 8 King Lai Path, Kwai Chung, New Territories, Hong Kong Portions in Kwai Chung Town Lot No. 474.	<p>The Household Center is the commercial portion of a private residential development known as Nob Hill completed in 2002.</p> <p>The property comprises three levels of retail premises on the Ground, 1st and 2nd Floors of a four-storey podium of the development.</p> <p>The total gross area of the property is approximately 8,526.48 sq m (91,779 sq ft).</p> <p>The property also comprises 43 parking lots on the Mezzanine Floor of the commercial podium of the development.</p> <p>Kwai Chung Town Lot No. 474 is held from the Government under New Grant No. 7071 for a term from 17 July 1998 to 16 July 2048.</p>	<p>The retail portion and various spaces of the property are let under various tenancies and licences for various terms yielding a total monthly rental income of about HK\$1,430,000 mostly exclusive of Government rates and rent, management fees and utility charges</p> <p>The occupancy rate of the property as at 31 December 2009 (excluding parking lots) is about 97.0%.</p> <p>The parking lots of the property is let on monthly/hourly basis with an average net monthly income of about HK\$48,000 from January 2009 to December 2009.</p>	HK\$274,000,000	5.6%

Notes:

- (1) The registered owner of the property is Art Full Resources Limited.
- (2) The property is subject to a mortgage and an amendment and restatement agreement both in favour of The Hongkong and Shanghai Banking Corporation Limited.
- (3) The property lies within an area zoned "Residential (Group A)1" under Kwan Chung Outline Zoning Plan.
- (4) In accordance with the property owner's standard terms and conditions of a tenancy agreement, the landlord is to be responsible for structural and external repairs and the tenant is to be responsible for internal repairs of the property.
- (5) The rentals reported herein are contractual rentals without taking into account rent free periods, if any.
- (6) Estimated net property yield is based on the net monthly rental and licence income of the retail portion and miscellaneous spaces for December 2009 and the average net monthly income of the parking lots for the period of January 2009 to December 2009.
- (7) Based on the tenancy information provided, our analysis of the existing tenancy profile (excluding income from miscellaneous spaces and parking lots) is set out below:-

Tenancy Commencement Profile

<u>Year</u>	<u>% of total Gross Area</u>	<u>% of total Monthly Rental</u>
2007	5.4	9.1
2008	50.8	53.9
2009	43.8	37.0
Total	100.0	100.0

Tenancy Expiry Profile

<u>Year</u>	<u>% of total Gross Area</u>	<u>% of total Monthly Rental</u>
2010	31.5	32.1
2011	31.8	39.2
2012	36.7	28.7
Total	100.0	100.0

Tenancy Duration Profile

<u>Tenancy Duration</u>	<u>% of total Gross Area</u>	<u>% of total Monthly Rental</u>
Below and up to 2 years	29.1	26.3
More than 2 years and up to 3 years	70.4	73.4
More than 3 years	0.5	0.3
Total	100.0	100.0

VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Market value in existing state as at 31 December 2009</u>	<u>Estimated Net Property Yield</u>
11 Centre de Laguna, 93 Cha Kwo Ling Road, Kindergarten on Ground Floor, 99 Cha Kwo Ling Road, Kwun Tong, Kowloon, Hong Kong Portions in New Kowloon Inland Lot No. 6100.	Centre de Laguna is the commercial centre of a comprehensive private residential development known as Laguna City completed in 1992. The property comprises the commercial area on the Ground Floor of the commercial centre of Blocks 32 to 38 of the development and the kindergarten at Blocks 32 to 38 of the development. The total gross area of the property is approximately 3,994.80 sq m (43,000 sq ft). Kowloon Inland Lot No. 6100 is held from the Government under Conditions of Exchange No. 12071 for a term from 31 October 1989 to 30 June 2047.	The retail portion and various spaces of the property are let under various tenancies and licences for various terms yielding a total monthly rental income of about HK\$800,000 mostly exclusive of Government rates and rent, management fees and utility charges The occupancy rate of the property as at 31 December 2009 is 100.0%.	HK\$166,000,000	5.8%

Notes:

- (1) The registered owner of the property is Ace Courage Limited.
- (2) The property is subject to a mortgage and an amendment and restatement agreement both in favour of The Hongkong and Shanghai Banking Corporation Limited.
- (3) The property lies within an area zoned "Residential (Group A)2" under Cha Kwo Ling, Yau Tong & Lei Yue Mun Outline Zoning Plan.
- (4) In accordance with the property owner's standard terms and conditions of a tenancy agreement, the landlord is to be responsible for structural and external repairs and the tenant is to be responsible for internal repairs of the property.
- (5) The rentals reported herein are contractual rentals without taking into account rent free periods, if any.
- (6) Estimated net property yield is based on the net monthly rental and licence income of the retail portion and miscellaneous spaces for December 2009.
- (7) Based on the tenancy information provided, our analysis of the existing tenancy profile (excluding income from miscellaneous spaces) is set out below:-

Tenancy Commencement Profile

<u>Year</u>	<u>% of total Gross Area</u>	<u>% of total Monthly Rental</u>
2007	29.2	27.3
2008	7.2	11.8
2009	63.6	60.9
Total	100.0	100.0

Tenancy Expiry Profile

<u>Year</u>	<u>% of total Gross Area</u>	<u>% of total Monthly Rental</u>
2010	42.2	35.7
2011	48.5	45.8
2012	9.3	18.5
Total	100.0	100.0

Tenancy Duration Profile

<u>Tenancy Duration</u>	<u>% of total Gross Area</u>	<u>% of total Monthly Rental</u>
Below and up to 2 years	56.5	46.8
More than 2 years and up to 3 years	43.5	53.2
Total	100.0	100.0

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2009	Estimated Net Property Yield
12 Hampton Loft, Hampton Place, 11 Hoi Fan Road, Tai Kok Tsui, Kowloon, Hong Kong Portions in Kowloon Inland Lot No. 11107.	<p>Hampton Loft is the commercial portion of a private residential development known as Hampton Place completed in 2003.</p> <p>The property comprises the entire retail premises on the 5th and 6th Floors of the commercial podium of the development.</p> <p>The total gross area of the property is approximately 6,942.96 sq m (74,734 sq ft).</p> <p>The property also comprises 35 parking lots on the 1st Floor of the commercial podium of the development.</p> <p>Kowloon Inland Lot No. 11107 is held from the Government under Conditions of Sale No. 12554 for a term from 13 December 1999 to 12 December 2049.</p>	<p>The retail portion and various spaces of the property are let under various tenancies and licences for various terms yielding a total monthly rental income of about HK\$740,000 mostly exclusive of Government rates and rent, management fees and utility charges</p> <p>The occupancy rate of the property as at 31 December 2009 (excluding parking lots) is 100.0%.</p> <p>The parking lots of the property is let on monthly/hourly basis with an average net monthly income of about HK\$59,000 from January 2009 to December 2009.</p>	HK\$164,000,000	5.8%

Notes:

- (1) The registered owner of the property is Full Belief Limited.
- (2) The property is subject to a mortgage in favour of Standard Chartered Bank (Hong Kong) Limited.
- (3) The property lies within an area zoned "Residential (Group A)1" under South West Kowloon Outline Zoning Plan.
- (4) In accordance with the property owner's standard terms and conditions of a tenancy agreement, the tenant is to be responsible for internal repairs of the property.
- (5) The rentals reported herein are contractual rentals without taking into account rent free periods, if any.
- (6) Estimated net property yield is based on the net monthly rental and licence income of the retail portion and miscellaneous spaces for December 2009 and the average net monthly income of the parking lots for the period of January 2009 to December 2009.
- (7) Based on the tenancy information provided, our analysis of the existing tenancy profile (excluding income from miscellaneous spaces and parking lots) is set out below:-

Tenancy Commencement Profile

Year	% of total Gross Area	% of total Monthly Rental
2006	25.2	25.6
2007	74.8	74.4
Total	100.0	100.0

Tenancy Expiry Profile

<u>Year</u>	<u>% of total Gross Area</u>	<u>% of total Monthly Rental</u>
2010	74.8	74.4
2012	25.2	25.6
Total	100.0	100.0

Tenancy Duration Profile

<u>Tenancy Duration</u>	<u>% of total Gross Area</u>	<u>% of total Monthly Rental</u>
More than 2 years and up to 3 years	74.8	74.4
More than 3 years	25.2	25.6
Total	100.0	100.0

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2009	Estimated Net Property Yield
13 Shops on Ground Floor, Lido Garden, 41-63 Castle Peak Road, Sham Tseng, Tsuen Wan, New Territories, Hong Kong Portions in Tsuen Wan Marine Lot No. 4.	Lido Garden is a private residential development completed in 1989. The property comprises various shops units on the Ground Floor of the development. The total gross area of the property is approximately 913.79 sq m (9,836 sq ft). Tsuen Wan Marine Lot No. 4 is held from the Government under Conditions of Sale No. 2309 for a term which expired on 27 June 1997 and was extended upon expiry until 30 June 2047.	The property is let under various tenancies and licences for various terms yielding a total monthly rental income of about HK\$470,000 mostly exclusive of Government rates and rent, management fees and utility charges The occupancy rate of the property as at 31 December 2009 is 100.0%.	HK\$100,000,000	5.6%

Notes:

- (1) The registered owner of the property is Partner Now Limited.
- (2) The property is subject to a mortgage and an amendment and restatement agreement both in favour of The Hongkong and Shanghai Banking Corporation Limited.
- (3) The property lies within an area zoned "Residential (Group A)" under Tsuen Wan West Outline Zoning Plan.
- (4) In accordance with the property owner's standard terms and conditions of a tenancy agreement, the landlord is to be responsible for structural and external repairs and the tenant is to be responsible for internal repairs of the property.
- (5) The rentals reported herein are contractual rentals without taking into account rent free periods, if any.
- (6) Estimated net property yield is based on the net monthly rental and licence income of the retail portion for December 2009.
- (7) Based on the tenancy information provided, our analysis of the existing tenancy profile is set out below:-

Tenancy Commencement Profile

Year	% of total Gross Area	% of total Monthly Rental
2007	4.1	4.9
2008	51.7	56.4
2009	44.2	38.7
Total	100.0	100.0

Tenancy Expiry Profile

Year	% of total Gross Area	% of total Monthly Rental
2010	68.1	74.1
2011	12.9	10.1
2012	19.0	15.8
Total	100.0	100.0

Tenancy Duration Profile

<u>Tenancy Duration</u>	<u>% of total Gross Area</u>	<u>% of total Monthly Rental</u>
Below and up to 2 years	64.2	71.7
More than 2 years and up to 3 years	35.8	28.3
Total	100.0	100.0

VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Market value in existing state as at 31 December 2009</u>	<u>Estimated Net Property Yield</u>
14 Shops on Ground Floor, Rhine Garden, 38 Castle Peak Road, Sham Tseng, Tsuen Wan, New Territories, Hong Kong Portions in Lot No. 261 in Demarcation District No. 390.	Rhine Garden is a private residential development completed in 1992. The property comprises various shops units on the Ground Floor of the development. The total gross area of the property is approximately 1,356.74 sq m (14,604 sq ft). Lot No. 261 in Demarcation District No. 390 is held from the Government under New Grant No. TW6771 for a term from 1 September 1990 to 30 June 2047.	The property is let under various tenancies and licences for various terms yielding a total monthly rental income of about HK\$340,000 mostly exclusive of Government rates and rent, management fees and utility charges The occupancy rate of the property as at 31 December 2009 is 100.0%.	HK\$64,000,000	6.4%

Notes:

- (1) The registered owner of the property is Proven Effort Limited.
- (2) The property is subject to a mortgage and an amendment and restatement agreement both in favour of The Hongkong and Shanghai Banking Corporation Limited.
- (3) The property lies within an area zoned "Residential (Group A)1" under Tsuen Wan West Outline Zoning Plan.
- (4) In accordance with the property owner's standard terms and conditions of a tenancy agreement, the landlord is to be responsible for structural and external repairs and the tenant is to be responsible for internal repairs of the property.
- (5) The rentals reported herein are contractual rentals without taking into account rent free periods, if any.
- (6) Estimated net property yield is based on the net monthly rental and licence income of the retail portion for December 2009.
- (7) Based on the tenancy information provided, our analysis of the existing tenancy profile is set out below:-

Tenancy Commencement Profile

<u>Year</u>	<u>% of total Gross Area</u>	<u>% of total Monthly Rental</u>
2008	97.6	87.0
2009	2.4	13.0
Total	100.0	100.0

Tenancy Expiry Profile

<u>Year</u>	<u>% of total Gross Area</u>	<u>% of total Monthly Rental</u>
2010	1.5	8.3
2011	98.5	91.7
Total	100.0	100.0

Tenancy Duration Profile

<u>Tenancy Duration</u>	<u>% of total Gross Area</u>	<u>% of total Monthly Rental</u>
Below and up to 2 years	4.0	21.3
More than 2 years and up to 3 years	96.0	78.7
Total	100.0	100.0

MARKET OVERVIEW

Total private commercial stock at the end of 2008 was 114 million sq ft IFA, more than 42 per cent of which stock was located in Kowloon while Hong Kong Island and the New Territories each accounted for around 29 per cent of the remaining stock respectively.

The negative take-up of retail space in 2008 was the result of demand contraction on the back of the global financial crisis, and a number of chain retailers closed in Hong Kong, examples included Tai Lam and U-Right, which both closed towards the end of 2008. Vacancy rates increased to 8.7 per cent in 2008 as a result.

Supply of major shopping centres in Hong Kong is expected to fall to an average of 1.0 million sq ft gross per annum between 2009 and 2013, with the highest proportion of new centres located in Kowloon, representing 66 per cent of the total. There were three major retail developments completed in Tsimshatsui in late 2009 including K11, iSQUARE and 1881 Heritage, while the Chinese Estates project The One in Tsimshatsui (the former Tung Ying Building Redevelopment) is expected to be completed in 2010. No new supply is scheduled on Hong Kong Island until 2011, when the Hennessy Centre Redevelopment will be completed.

The strong rebound in the local economy as well as the implementation of the Individual Visit Scheme (IVS) induced a strong recovery in the retail market, and private retail rents increased by around 35 per cent from 2003 to 2008. Average prime shopping centre rents in Hong Kong stood at HK\$259 per sq ft gross at the end of 2008¹, surpassing their 1997 peak.

The recent weakening of the economy and the fall in retail sales since early 2009 both acted to push retail rents down in 2009. Retail rents recorded a fall over four consecutive months from January to April 2009, but remained relatively steady over the six month period from May 2009. Overall private retail rents rebounded by 8.2 per cent from April to November 2009 due to both recovering Mainland arrivals and local consumer confidence.

Prices of private retail space in Hong Kong have generally followed the same trend as rents. Prices grew along with rising rents from 1984 but have been rising more swiftly since the early 1990's, fuelled by negative real interest rates. A total increase of 650 per cent was recorded over the 1984 to 1994 period, representing average annual growth of 21 per cent. A marginal decline in prices was recorded in 1995 but values rose again in 1996 and 1997. Asset deflation took hold after the financial crisis and prices dropped by 52 per cent to 2002. After rising by more than 125 per cent from the trough in 2003 to 2008, yield compression became a stumbling block for most investors looking for yielding properties.

Retail sector investment activity has been limited since late 2008. Prices of private retail premises in Hong Kong thus recorded a fall of 4.5 per cent in January 2009. Nevertheless, availability of relatively cheap capital and rebounding investment sentiment due to the stock market rally has revived interest in retail properties and prices rebounded by nearly 31.1 per cent from January to November 2009.

As site availability becomes increasingly scarce in urban areas, new retail premises over the past decade have been completed in more remote areas in fringe Kowloon and the New Territories, forming the suburban retail market. Major characteristics of suburban retail centres are that they often come in the form of large retail podiums of new residential

¹ Source: Savills Research & Consultancy

developments, with a strong and often captive primary catchment, offering mainly daily necessities and basic comparison goods with a strong F&B presence. The ratio of suburban retail completions to total retail completions increased dramatically from 18 per cent for the period 1980 to 1998 to 33 per cent for the period 1999 to 2008, revealing that nearly one-third of the centres completed over the past decade have been suburban centres, most of which are located in the New Territories.

As most suburban shopping centres are located in the New Territories, we have adopted New Territories private retail rents as a proxy for their performance. Private retail rents in the New Territories have proved to be relatively more stable than rents on Hong Kong Island and in Kowloon, especially during market downturns. Taking the Asian Financial Crisis period (from 1997 to 1999) as an example, while private retail rents in the New Territories fell by 17.0 per cent over the period, much heavier falls of 30.0 per cent and 33.2 per cent were recorded for Hong Kong Island and Kowloon respectively over the same period.



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Dear Sirs,

HONG KONG RETAIL MARKET OVERVIEW AND DISTRICT ANALYSIS

As requested we have prepared a Retail Market Overview for ARA Asset Management (Singapore) Limited, in its capacity as manager of Fortune Real Estate Investment Trust, which includes an overview of the retail sector in Hong Kong. We have also undertaken an assessment of the retail market landscape of the eight districts in which the retail portfolio of Fortune Real Estate Investment Trust is located in the form of a District Analysis.

1.0 HONG KONG RETAIL MARKET

1.1 Economic Overview

1.1.1 *International Comparisons*

Hong Kong is one of the world's most open and dynamic economies benefiting from its strategic location as a gateway to Mainland China ("China" or the "Mainland") and its location in a time zone between Asia and Europe. Hong Kong performs an important role as an international finance, trade, business and communications centre. The Hong Kong Stock Exchange was ranked 7th among the world's major stock markets¹ in terms of market capitalization at the end of 2009 and 3rd largest in Asia after Tokyo Stock Exchange and Shanghai Stock Exchange. In terms of capital raised through initial public offerings, Hong Kong also surpassed New York Stock Exchange, London Stock Exchange and Shanghai Stock Exchange and ranked first in 2009². In terms of merchandise trade, Hong Kong was the 13th largest trading entity in the world in 2008³.

1.1.2 *Closer Integration with Mainland China*

Since the introduction of the Mainland's open door policy in 1978, Hong Kong has developed even closer links with Mainland China and this will remain one of the key factors in the future economic growth of Hong Kong. In support of this, the Hong Kong Government and the Central People's Government reached an agreement on May 9, 2009 to further liberalise measures governing Hong Kong's trade with the Mainland under the Closer Economic Partnership Arrangement (CEPA). Concessions granted under CEPA give Hong Kong companies a first-mover advantage and encourage better synchronisation of the chain of cross-boundary financial activity, goods production and distribution, service provision and recognition of professional qualifications.

Under the Individual Visit Scheme (IVS), which was first introduced in July 2003 as a liberalization measure under CEPA, residents of selected Mainland cities may visit Hong Kong in their own capacity. According to information available from the Tourism Commission on 18 January 2010, the coverage of the IVS has been expanded in the past four years and is now implemented in 49 Mainland cities, covering approximately 270 million residents in total. In 2009, Mainland Chinese residents made more than 10.5 million trips to Hong Kong under IVS, an increase of 10 per cent from 2008. These visitors accounted for 59.0 per cent of all Mainland visitors travelling to Hong Kong or 35.8 per cent of total visitor arrivals⁴. There are two new policies which are expected to strengthen already strong Mainland arrivals figures: effective from April 1, 2009 qualified (permanent) Shenzhen residents can apply for year-round multiple-entry visas to visit Hong Kong; another policy measure, effective from 15 December 2009, allows qualified non-Guangdong residents in Shenzhen to apply for IVS entry visas directly in Shenzhen without the need to travel back to their original provinces to make such an application.

¹ Source: World Federation of Exchanges

² Source: World Federation of Exchanges

³ Source: World Trade Organization

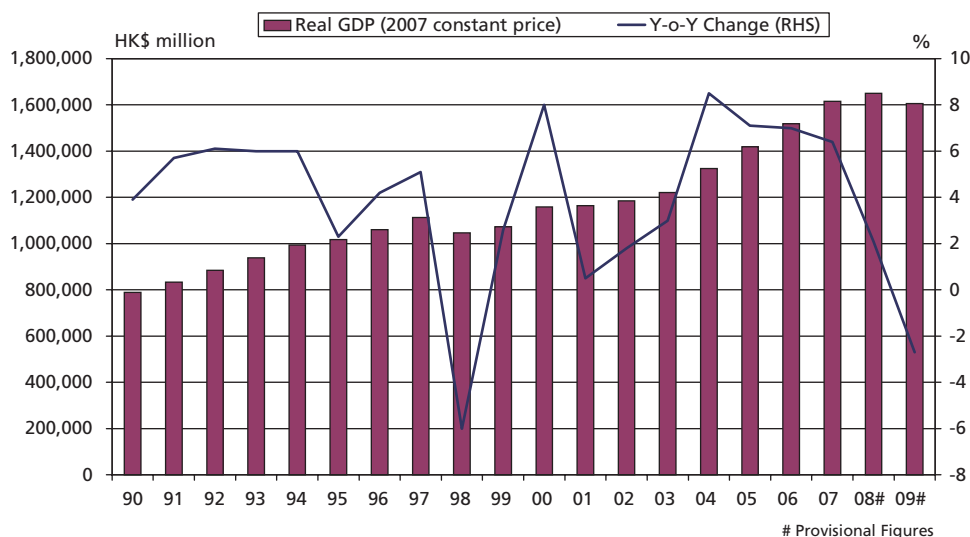
⁴ Source: Hong Kong Tourism Board (HKTB)

1.2 Key Economic and Demographic Indicators

1.2.1 Gross Domestic Product (GDP)

Hong Kong's economy has been growing strongly since 2003, and with the closer integration of Mainland China and the flourishing financial and trading sectors average real GDP growth of 6.4 per cent per annum was recorded from 2003 to 2007. Nevertheless, the global economic slowdown as a result of the sub prime mortgage crisis in 2008 adversely affected the local economy, and as such real GDP growth slowed significantly to 2.1 per cent in 2008, and recorded a decline of 7.5 per cent in the first quarter of 2009, the largest year-on-year decline in quarterly GDP since the Asian Financial Crisis in 1998. The economy stabilized quickly alongside the global economy in the second and third quarters with GDP registering more moderate year-on-year declines of 3.7 per cent and 2.2 per cent respectively. Real GDP growth returned to positive territory to register a 2.6 per cent increase in Q4/2009, reflecting a rebounding economy.

Hong Kong Real GDP and Y-o-Y Growth, 1990 — 2009



Source: Census and Statistics Department, Savills Research & Consultancy

1.2.2 Unemployment

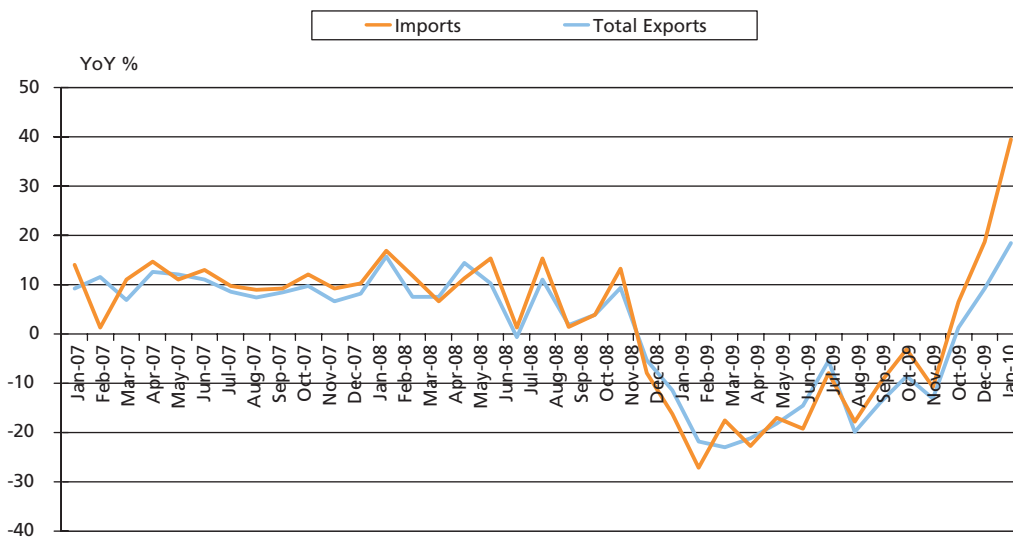
The seasonally adjusted unemployment rate increased from a 10-year low of 3.2 per cent for the three months ended August 2008 to 5.4 per cent for the three months ended August 2009, reflecting the rapid worsening of the employment situation over the first eight months of 2009 as the global economy deteriorated.

Unemployment rates have improved since August and declined moderately to 4.6 per cent in February 2010. Looking ahead, as business activity levels are expected to pick up around Easter, labour demand is likely to increase further, which should in turn ease the pressure on the unemployment rate in the near term.

1.2.3 Trading Performance

The trading sector, which has experienced seven years of consecutive growth since 2001 and is still regarded as one of the key drivers of the local economy, has been hard hit since the financial turmoil in late 2008. Both imports and total exports recorded double-digit year-on-year declines from December 2008 to October 2009. The year-on-year rate of decline slowed from 27.1 per cent and 21.8 per cent for imports and total exports in January 2009 to 10.7 per cent and 13.1 per cent in October 2009 respectively. In November 2009, imports and total exports recorded their first positive year-on-year growth of 6.5 per cent and 1.3 per cent respectively since October 2008, followed by strong rebounds of 18.7 per cent and 9.2 per cent in December 2009 and further 39.5 per cent and 18.4 per cent growth in January 2010 respectively.

Percentage Change of Imports and Total Exports, January 2007 — January 2010



Source: Census and Statistics Department, Savills Research & Consultancy

1.2.4 Inflation

Hong Kong's prolonged period of deflation came to an end in mid-2004 as a result of improved economic conditions, strong consumer demand and higher import prices, and inflation rates have remained positive since, with the exception of a brief decline in January 2005. The Composite Consumer Price Index (CPI) recorded an increase of 2.0 per cent in 2007 and 4.3 per cent in 2008. Inflation slowed to 0.5 per cent in 2009, mainly due to receding price pressures as the economy adjusted downwards, as well as some one-off Government relief measures, the most significant of which was the HK\$1,800 electricity charge subsidy from September 2008 to February 2009. The Composite CPI rose by 1.0 per cent in January 2010 compared with the same month one year earlier.

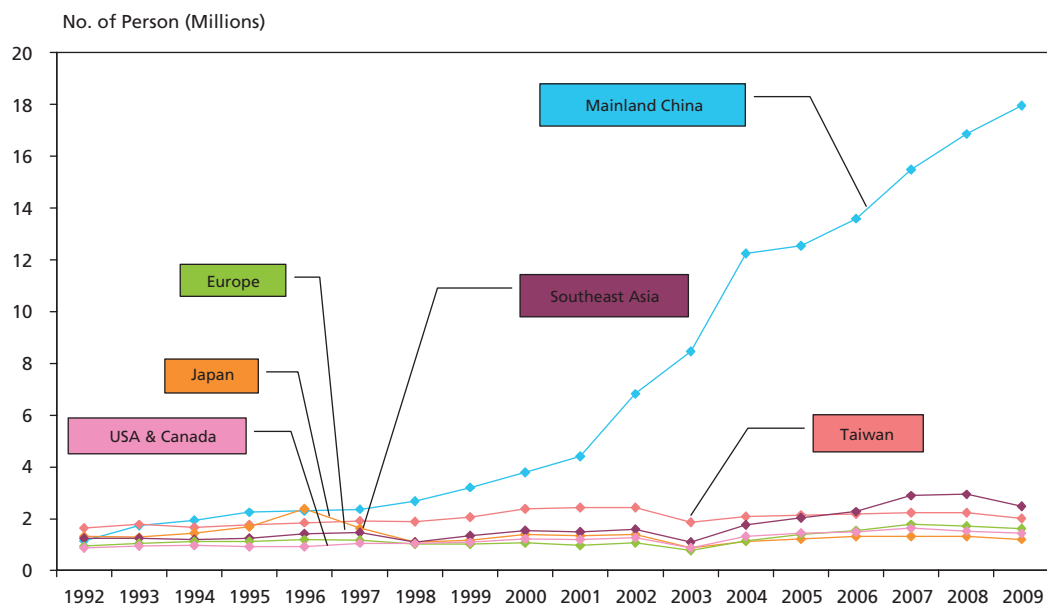
1.2.5 Tourist Arrivals

Hong Kong ranked 2nd in Asia (just behind Singapore) and 12th in the world in terms of travel and tourism competitiveness, according to the Travel & Tourism Competitiveness Index ("TTCI") in 2009 compiled by the World Economic Forum, which covers 133 countries around the world.

Since the implementation of IVS in 2004, visitor arrivals, in particular those from the Mainland, have been increasing dramatically. Visitor arrivals increased by 40 per cent in 2004 before recording more moderate growth of 7 per cent, 8 per cent and 12 per cent in 2005, 2006 and 2007 respectively. The financial crisis hit the tourism market hard in the second half of 2008, especially in the U.S. and Europe, and with visitors from these two areas recording 7 per cent and 4 per cent declines in 2008 respectively with further declines of 7 per and 6 per cent respectively in 2009. Overall visitor growth slowed to 5 per cent in 2008 but remained stable in 2009, mainly due to the counterbalancing growth in Mainland tourists, recording a 7 per cent increase in 2009.

The tremendous growth in Mainland Chinese arrivals since IVS implementation has made them the single most important source of tourists to Hong Kong and in 2009 their number totalled approximately 18.0 million, representing approximately 60.7 per cent of that year's arrivals.

Visitor Arrivals by Major Market of Origin, 1992 — 2009



Source: HKTB, Savills Research & Consultancy

The rebounding global economy towards the end of 2009 reinvigorated travel demand and we saw a gradual rebound in visitor arrivals from both long haul and short haul visitors from November 2009. Visitor arrivals numbers for almost all countries/regions over January 2010 recorded positive growth during the month.

Visitor Arrivals by Country/Territory, January 2010

<u>Country/Territory</u>	<u>Visitor Arrival</u> (‘000)	<u>Y-o-Y Change</u>
The Americas	133.8	+16.9
Europe, Africa & the Middle East.	172.8	+21.5
Australia, New Zealand & South Pacific.	73.3	+15.5
Japan	114.8	+22.0
South Korea.	82.1	+40.5
South & Southeast Asia	238.9	+26.1
Taiwan	182.1	+0.2
Macau	54.6	-8.7
Mainland China.	1,907.8	+0.8
Total/Weighted Average	2,960.3	+5.9

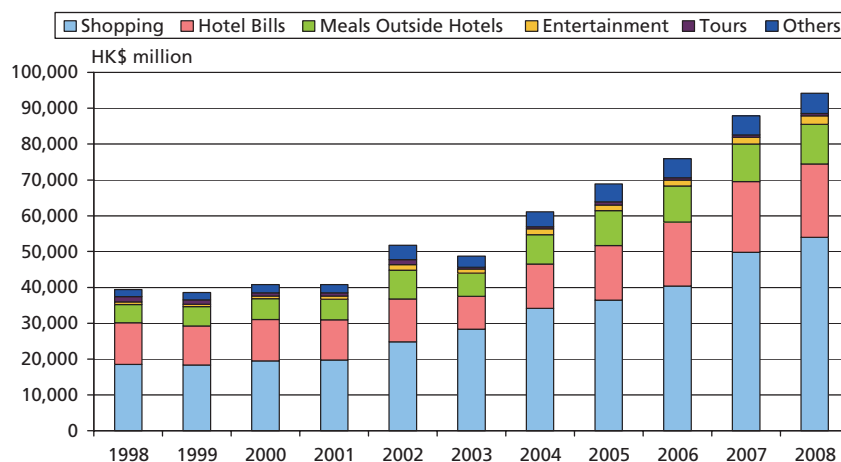
Source: HKTB, Savills Research & Consultancy

According to the World Travel Organization (UNWTO), international tourist arrivals declined by 4 per cent worldwide in 2009, while arrivals for the Asia Pacific region declined by a more moderate 2 per cent over the same period. Hong Kong's tourism market, with strong support from Mainland arrivals, outperformed and recorded a 0.3 per cent growth in visitor arrivals in 2009.

1.2.6 Tourist Expenditure

Tourist expenditure has increased steadily since 2003, with the proportion accounted for by Mainland visitors rising over time. The significance of spending on shopping as a sub-set of total tourist spending also increased from 46.9 per cent in 1998 to 57.3 per cent in 2008, with shopping spending reaching HK\$54.0 billion by 2008.

Breakdown of Overnight Visitor Expenditure by Category, 1998 — 2008



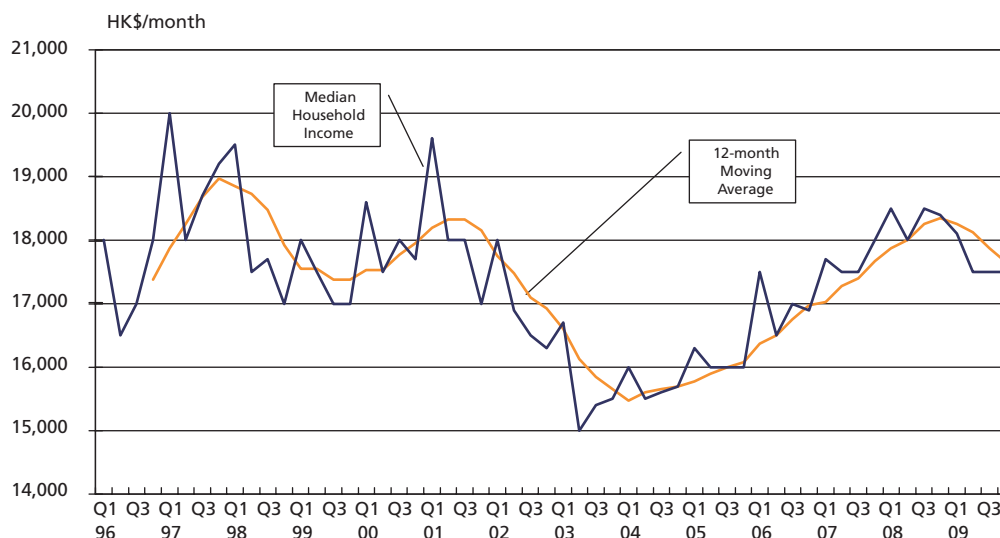
Source: HKTB, Savills Research & Consultancy

Over the past few years, overseas visitor spending on shopping has played an increasingly significant role in supporting the retail market, and the ratio of visitor spending on shopping to total retail sales increased from 9.5 per cent in 1998 to 19.7 per cent in 2008.

1.2.7 Population and Household Incomes

At the end of 2009, there were a total of 7.03 million residents in Hong Kong⁵. Population growth has rebounded slightly but remains at a low level, with an average annual growth rate of 0.7 per cent recorded over the five-year period from 2005 to 2009, compared with 0.5 per cent and 1.6 per cent from 2000 to 2004 and from 1995 to 1999 respectively.

Median Monthly Household Income, Q1/1996 — Q4/2009



Source: Census & Statistics Department, Savills Research & Consultancy

Median monthly household income is the primary measure of the incomes of the Hong Kong population. Income levels reached a recent high of HK\$20,000 per month in 1997 before declining by 5 per cent in the subsequent year due to the Asian Financial Crisis. Incomes rebounded briefly during the dot.com boom by 3 per cent, but continued to decline thereafter until the second half of 2003 before resuming an upward trend alongside economic recovery and declining unemployment rates. The latest financial crisis has also affected income levels, with median household incomes recording consecutive declines in Q1/2009 and Q2/2009, in the order of 1.6 per cent and 3.3 per cent respectively before stabilizing at HK\$17,500 per month in Q3/2009 and Q4/2009.

1.3 Hong Kong Infrastructure

There are a number of transport and tourism infrastructure projects underway/under planning which will further enhance the integration of Hong Kong with southern China, as well as improving the attraction of Hong Kong to overseas tourists. Major transport infrastructure includes the Hong Kong-Zhuhai-Macao Bridge and the Guangzhou-Shenzhen-Hong Kong Express Rail Link, while major tourism infrastructure includes an international cruise terminal at Kai Tak, the redevelopment of Ocean Park and the expansion of Disneyland.

⁵ Source: Census and Statistics Department

Key Transportation and Tourism Infrastructure

<u>Projects</u>	<u>Type</u>	<u>State</u>	<u>Expect Completion</u>
Hong Kong — Zhuhai — Macao Bridge	Bridge	Under Construction	2015/2016
Guangzhou — Shenzhen — HK Express Rail Link	Railway	Under Design	2015
Kowloon Southern Link	Railway	In Operation	August 2009
Tseung Kwan O Line Extension	Railway	In Operation	July 2009
West Island Line	Railway	Under Construction	2014
South Island Line (East)	Railway	Under Design	2015
Shatin to Central Link	Railway	Planning	2015 (Shatin to Hung Hom) 2019 (Hung Hom to Admiralty)
Central Kowloon Route	Road	Planning	2016
Tuen Mun Western Bypass and Tuen Mun — Chek Lap Kok Link	Road	Planning	2016
New Border Control Point in Heung Yuen Wai and Liantang	Border Control Point	Planning	2018
Hong Kong International Airport — Third Runway	Airport	Planning	Under Review
New Cruise Terminal	Tourism Infrastructure	Under Construction	First berth in operation in 2013
Redevelopment of Ocean Park	Tourism Infrastructure	Under Construction	2009 (Phase 1) 2012/2013 (Phase 2)
Expansion of Disneyland	Tourism Infrastructure	Planning	2014

Source: Hong Kong SAR Government, Savills Research & Consultancy

1.4 Retail Market Overview

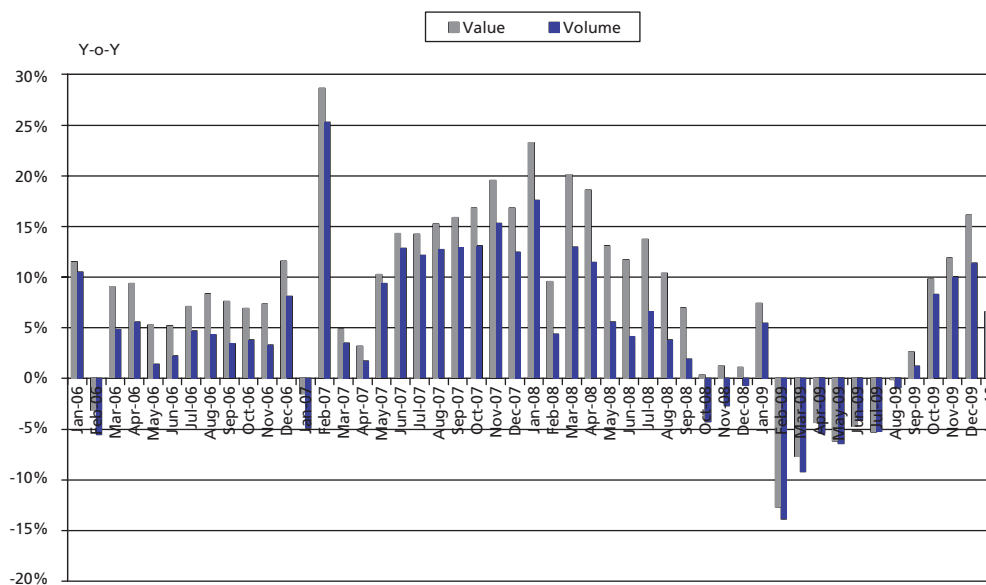
1.4.1 Retail Sales Performance

Retail sales have long been the barometer of retail market performance as the figures measure how well retailers have performed over the years and in turn how capable they are of paying rents. Therefore it is no coincidence that retail sales performance is highly correlated with retail rental movement over the past three decades (correlation coefficient = 0.96).

Retail sales have grown strongly over the past few years until the second half of 2008, when the global economic downturn began to exert pressure on the local economy as well as the employment market, weakening local consumer confidence. With the exception of January 2009, retail trade in Hong Kong recorded seven consecutive months of contraction from February 2009. Supported by the progressive improvement of the local economy and a more stable labour market, local consumer spending showed signs of revival towards the end of the third quarter. In tandem with improved inbound tourism, retail sales values rebounded strongly by 11.7 per cent and 16.1 per cent year-on-year in November and

December 2009 respectively. Overall retail sales value and volume increased by 0.6 per cent and declined by 0.8 per cent year-on-year over 2009, respectively. Retail sales value and volume continued their upward trends by recording another 6.6 per cent and 3.2 per cent growth respectively in January 2010.

**Year-on-Year Change in Retail Sales Value and Volume Indices,
January 2006 — January 2010**



Source: Census and Statistics Department, Savills Research & Consultancy

Retail Sales by Trade Category

In terms of trade category, the best performing sub-sector during the economic slowdown has been necessities trades, with food, alcoholic drinks & tobacco and supermarket sales recording 3.6 per cent and 3.3 per cent year-on-year growth respectively from January to December 2009. Motor vehicles and parts retailers were the hardest hit with sales values declining significantly by 18.8 per cent over the same period. Jewellery, watches and clocks, and valuable gifts, which have been supported by strong Mainland visitor spending over the past few years, saw sales values growing strongly by 47.6 per cent in December 2009 and record a 5.0 per cent year-on-year increase from January to December 2009. Positive retail sentiment at the beginning of the year induced strong sales growth in consumer durable goods (23.0%) and jewellery, watches and clocks, and valuable gifts (26.6%) in January 2010.

**Percentage Change in Retail Sales by Category,
January to December 2009 over January to December 2008**

Trade Category	Jan — Dec 2009 over Jan — Dec 2008
Food, Alcoholic Drinks & Tobacco	+3.6%
Supermarkets	+3.3%
Fuels	-9.7%
Clothing, Footwear & Allied Products	-0.8%
Consumer Durable Goods	-5.8%
— <i>Motor vehicles and parts</i>	-18.8%
— <i>Electrical goods and photographic equipment</i>	-0.2%
— <i>Furniture and fixtures</i>	-1.8%
— <i>Other consumer durable goods, not elsewhere classified</i>	-2.3%
Department Stores	+1.2%
Jewellery, Watches and Clocks, and Valuable Gifts	+5.0%
Other Consumer Goods	+1.2%

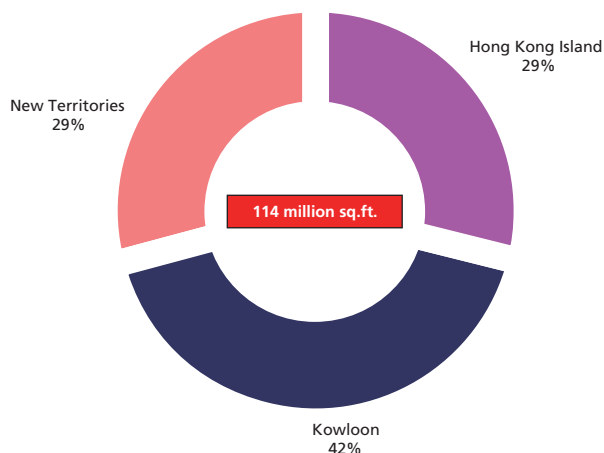
Source: Census and Statistics Department, Savills Research & Consultancy

1.4.2 Stock, Take-up/Vacancy and Supply

Existing Stock

The total stock of private commercial premises⁶ in Hong Kong doubled between 1980 and 2009. Total stock at the end of 2009 was 115 million sq.ft.⁷. In 2008, more than 42 per cent of private commercial stock was located in Kowloon while Hong Kong Island and the New Territories each accounted for around 29 per cent of the remaining stock respectively.

Total Private Commercial Stock by District, 2008



Source: Rating and Valuation Department, Savills Research & Consultancy

⁶ Defined by the Rating and Valuation Department, private commercial premises include retail premises and other premises designed or adopted for commercial use, with the exception of purpose-built offices. Car park space is excluded.

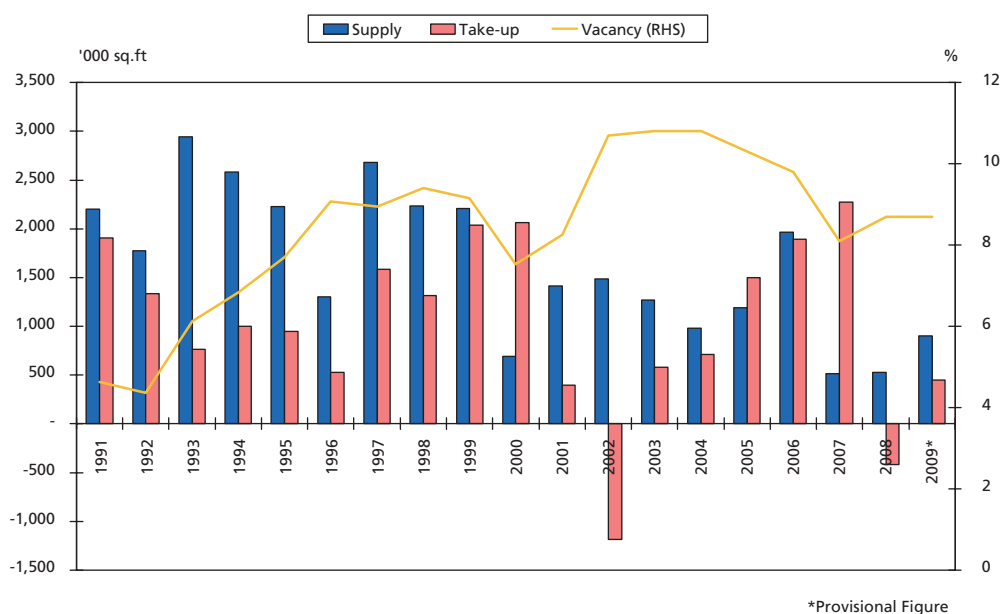
⁷ According to the Rating and Valuation Department, from 2006 onwards private commercial stock figures include properties owned by The Link REIT, which had a total IFA of 10.3 million sq.ft. in 2006. IFA means Internal Floor Area as defined by the Rating and Valuation Department, which means the area of all enclosed space of the unit measured to the internal face of enclosing external and/or party walls.

Take-up and Vacancy

Average take-up between 1980 and 1989, between 1990 and 1999, and between 2000 and 2009 stood at approximately 2.3 million sq.ft., 1.4 million sq.ft. and 0.8 million sq.ft., respectively. Besides the maturing nature of the market, the falling take-up is also attributable to falling supply levels. Take-up rebounded from 0.7 million sq.ft. in 2004 to 2.3 million sq.ft. in 2007.

The negative take-up of retail space in 2008 was the result of demand contraction on the back of the global financial crisis, and a number of chain retailers closed in Hong Kong, and examples included Tai Lam and U-Right, both of which closed towards the end of 2008. Vacancy rates increased to 8.7 per cent in 2008 as a result. Take-up increased to 0.5 million sq.ft. in 2009 mainly due to the strength of the retail sector towards the end of the year, and vacancy rates stabilized at 8.7 per cent in 2009 as a result.

Private Commercial Supply, Take-up and Vacancy Rate, 1991 — 2009



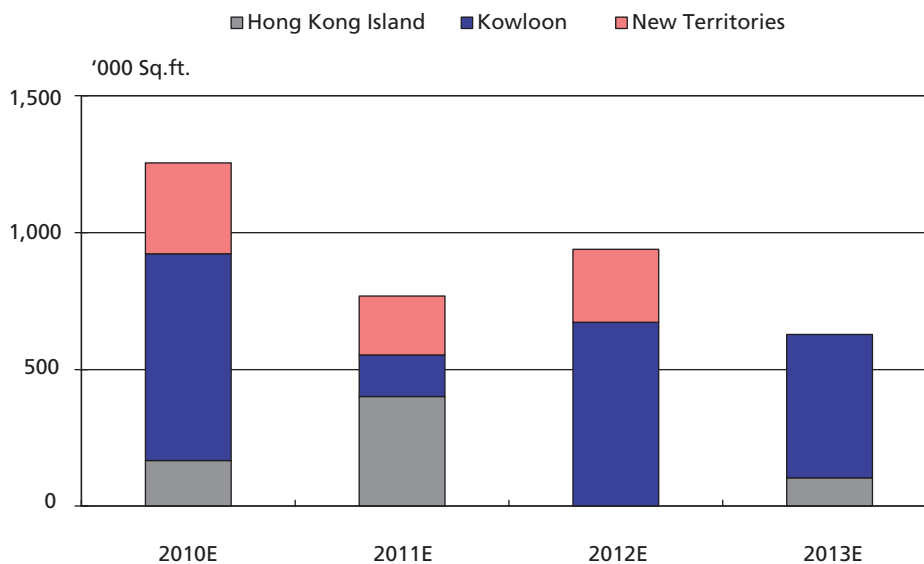
Source: Rating and Valuation Department, Savills Research & Consultancy

New Supply

Private commercial supply averaged approximately 2.1 million sq.ft. per annum between 1980 and 2009. However, supply levels were significantly lower in the 2000s compared with the previous two decades. Shopping centre supply reached a recent peak in 2006 when some 2.0 million sq.ft. was completed, including some larger-scale malls such as Elements in Tsimshatsui, Kowloon, and MegaBox, located in Kowloon Bay.

A majority of new retail supply currently scheduled for completion is being built in fringe areas as Hong Kong's traditional core retail districts⁸ are aging and increasingly constrained in their ability to expand and adapt to changing consumer needs. Many new shopping centres forecast for completion beyond 2013 will be located either on newly reclaimed land or in Hong Kong's New Towns⁹.

Major Shopping Centre¹⁰ Supply, 2010E — 2013E



Source: Buildings Department, Savills Research & Consultancy

Supply of major shopping centres in Hong Kong is expected to fall to an average of 0.9 million sq.ft.¹¹ per annum between 2010 and 2013, with the highest proportion of new centres located in Kowloon, representing 59 per cent of the total. There were three major retail developments completed in Tsimshatsui in late 2009 including K11, iSQUARE and 1881 Heritage, while the Chinese Estates project The One in Tsimshatsui (former Tung Ying Building Redevelopment) is expected to be completed in 2010. No major new supply is scheduled on Hong Kong Island until 2011, when the Hennessy Centre Redevelopment will be completed.

⁸ Central, Causeway Bay, Tsimshatsui and Mongkok.

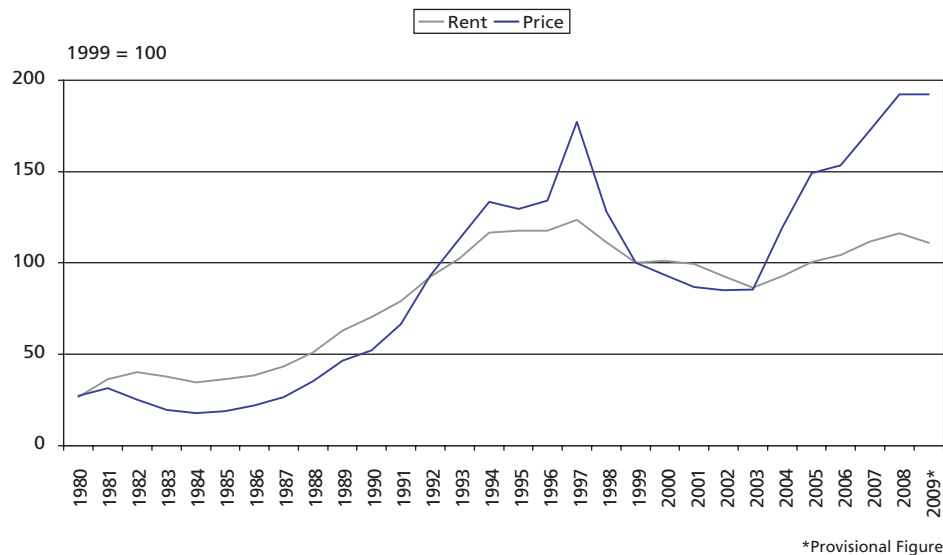
⁹ The basic concept for developing a New Town is to provide a balanced and self-contained community as far as possible in terms of provision of infrastructure and community facilities. Hong Kong has developed nine New Towns since the initiation of its New Town Development Programme in 1973 to cope with the increase in population and to improve the living environment by de-centralizing the population from over-crowded urban districts. The nine New Towns are Tsuen Wan, Sha Tin, Tuen Mun, Tai Po, Fanling / Sheung Shui, Yuen Long, Tseung Kwan O, Tin Shui Wai and Tung Chung. Source: Civil Engineering and Development Department.

¹⁰ Over 50,000 sq.ft.

¹¹ Gross floor area (GFA), is the area contained within the external walls of the building measured at each floor level, including any floor below the level of the ground, and excludes any floor space that the Building Authority is satisfied is constructed or intended to be used solely for parking motor vehicles, loading or unloading of motor vehicles or occupied solely by machinery or equipment for any lift, air-conditioning or heating system or any similar service.

1.4.3 Retail Rents and Prices

Private Retail Rental and Price Indices, 1980 — 2009



Source: Rating and Valuation Department, Savills Research & Consultancy

The strong rebound in the local economy as well as the implementation of the IVS induced a strong recovery in the retail market, and private retail rents increased by around 35 per cent from 2003 to 2008. Average prime shopping centre rents in Hong Kong stood at HK\$259 per sq.ft. gross at the end of 2008¹², surpassing their 1997 peak.

Prices of private retail space in Hong Kong have generally followed the same trend as rents. Prices grew along with rising rents from 1984 but have been rising more swiftly since the early 1990's, fuelled by negative real interest rates. A total increase of 650 per cent was recorded over the 1984 to 1994 period, representing average annual growth of 20 per cent. A marginal decline in prices was recorded in 1995 but values rose again in 1996 and 1997. Asset deflation took hold after the financial crisis and prices dropped by 52 per cent to 2002. After rising by more than 125 per cent from the trough in 2003 to 2008, yield compression became a stumbling block for most investors looking for yielding properties.

¹² Source: Savills Research & Consultancy

**Private Retail Rental and Price Indices Growth Rates (Month-on-Month),
January 2009 — January 2010**

	<u>Rent</u>	<u>Price</u>
January-2009	-2.6%	-4.5%
February-2009	-0.6%	+0.2%
March-2009	-0.1%	+3.1%
April-2009	-1.1%	+2.4%
May-2009	+1.8%	+7.0%
June-2009	+0.6%	+3.1%
July-2009	+1.4%	+3.9%
August-2009*	+0.6%	+4.6%
September-2009*	+1.1%	+3.1%
October-2009*	+1.2%	+1.4%
November 2009*	+1.6%	+0.1%
December-2009*	+2.7%	+3.2%
January-2010*	+0.3%	+2.1%

* Provisional Figures

Source: Rating & Valuation Department

The weakening of the economy and the fall in retail sales since early 2009 both acted to push retail rents down in 2009. Retail rents recorded a fall over four consecutive months from January to April 2009, but remained relatively steady over the six month period from May 2009 and rebounded strongly towards the end of 2009 and early 2010. Overall private retail rents rebounded by 11.7 per cent from April 2009 to January 2010 due to both recovering Mainland arrivals and local consumer confidence.

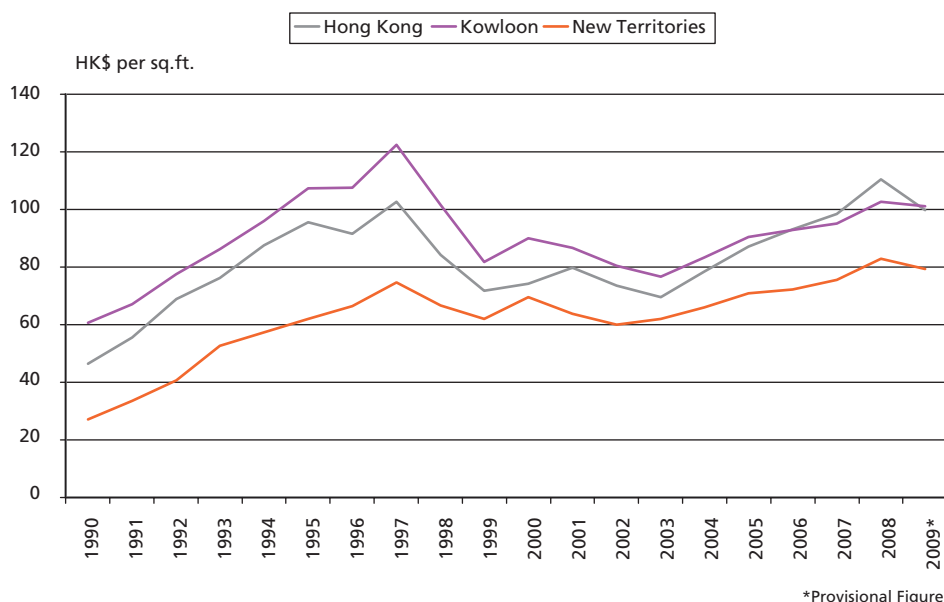
Retail sector investment activity has been limited since late 2008. Prices of private retail premises in Hong Kong thus recorded a fall of 4.5 per cent in January 2009. Nevertheless, availability of relatively cheap capital and rebounding investment sentiment due to the stock market rally has revived interest in retail properties and prices rebounded by 39.6 per cent from January 2009 to January 2010.

1.4.4 Suburban Retail Market

Traditionally, retail shops and shopping centres are located in prime locations in urban areas such as Central, Causeway Bay and Tsimshatsui, with a focus on selling luxury products and providing fine dining to affluent locals and, more recently, to high spending Mainland tourists who are visiting Hong Kong in increasing numbers thanks to the implementation of IVS since 2003.

As site availability becomes increasingly scarce in urban areas, new retail premises over the past decade have been completed in more remote areas in fringe Kowloon and the New Territories, forming the suburban retail market. Major characteristics of suburban retail centres are that they often come in the form of large retail podiums of new residential developments, with a strong and often captive primary catchment, offering mainly daily necessities and basic comparison goods with a strong F&B presence. The ratio of suburban retail completions to total retail completions increased dramatically from 18 per cent for the period 1980 to 1998 to 32 per cent for the period 1999 to 2009, revealing that nearly one-third of the centres completed over the past decade have been suburban centres, most of which are located in the New Territories.

Private Retail Rents by District, 1990 — 2009



Source: Rating and Valuation Department, Savills Research & Consultancy

As most suburban shopping centres are located in the New Territories, we have adopted New Territories private retail rents as a proxy for their performance. Private retail rents in the New Territories have proved to be relatively more stable than rents on Hong Kong Island and in Kowloon, especially during market downturns. Taking the Asian Financial Crisis period (from 1997 to 1999) as an example, while private retail rents in the New Territories fell by 17.0 per cent over the period, much heavier falls of 30.0 per cent and 33.2 per cent were recorded for Hong Kong Island and Kowloon respectively over the same period.

2.0 DISTRICT OVERVIEW

2.1 Shatin District Overview

Ma On Shan Plaza

Ma On Shan Plaza is located in Ma On Shan, New Territories. It comprises part of the Bayshore Towers development of 1,102 units completed in 1994. The 2-level shopping centre has a total gross rentable area of 310,084 sq.ft. and provision has been made for 290 car parks.

Public transport facilities are plentiful and include bus terminals, a public light bus terminal and a taxi waiting area, which are all located on the shopping centre's ground floor. The property has a bridge link to Ma On Shan MTR Station which enhances its links to Hong Kong core business districts via the Ma On Shan MTR Line.

Jubilee Court Shopping Centre

Jubilee Court Shopping Centre is located in Fo Tan, New Territories. It comprises part of Jubilee Garden which totals 2,260 units in eight high rise towers completed between 1985 and 1986. The shopping centre has a gross rentable area of 170,616 sq.ft. and provides 97 car parks. The large external area given over to signage means that the Centre is well exposed visually, helped by the fact that Jubilee occupies a prominent location overlooking the race course.

The Centre is already well-served by public transport as Fo Tan MTR Station is a 2-minute walk from Jubilee Court.

City One Shatin Property

City One Shatin Property is located in Shatin, New Territories and is the commercial constituent of City One Shatin residential development, which was completed between 1981 and 1989 with 10,642 residential units. City One Shatin Property is located south of the Shing Mun River. The total gross rentable area of the City One Shatin Property is 414,469 sq.ft. gross with 986 car parks which serves the daily needs of the local City One Shatin residents, as well as residents from other developments nearby.

City One Shatin Property can be easily accessed by private and public transportation. In addition, it is also close to the Tate's Cairn Tunnel to Kowloon. It is strategically located near City One MTR Station of the Ma On Shan Line connecting Wu Kai Sha with Tai Wai.

District Overview

Shatin, the second largest of Hong Kong's nine new towns, has been under development since 1973. In 1979, the Government approved the development of Ma On Shan as an extension of Shatin New Town. In mid-2008, the population by District Council District of Shatin reached 608,300 while according to the Planning Department, the total planned population of Ma On Shan would reach about 223,200 as part of an overall threshold of 737,200 for Shatin and Ma On Shan combined.

Shatin is a well developed new town comprising mainly residential areas. The area housed around 608,300 people in 2008 according to the Census and Statistics Department. In addition, there are four industrial areas for light industries in Shatin including Tai Wai, Fo Tan, Siu Lek Yuen and Shek Mun.

There are altogether 17 public housing estates (five of which are Tenants Purchase Scheme estates), 18 Home Ownership Scheme courts and seven Private Sector Participation Scheme developments in the district.

Major private residential developments in Shatin include City On Shatin (10,642 units) completed between 1981 and 1989, Royal Ascot (2,504 units) completed in 1995, Sunshine City (4,760 units) completed in 1993 and 1994 and Lake Silver (2,169 units) completed in 2009.

New Town Plaza Phase 1 and Phase 3 are the major shopping malls in Shatin. The malls are located on top of the Shatin MTR Station in the town centre of Shatin. New Town Plaza Phase 1 has 10 levels with a total area of 1.3 million sq.ft. and Phase 3 has three levels of 350,000 sq.ft. Around New Town Plaza there are also other retail facilities connected to the mall, which include Shatin Centre (100,000 sq.ft. gross), Shatin Plaza (115,000 sq.ft. gross) and Citylink Plaza (50,000 sq.ft. retail area).

Besides abundant choices of primary and secondary schools, there are also a number of tertiary institutions in Shatin, including the Chinese University of Hong Kong, the Hong Kong Institute of Vocational Education (Shatin), the Hang Seng School of Commerce and the Hong Kong Sports Institute.

Shatin also features a number of recreational facilities, such as the Racecourse, Shatin Park, Ma On Shan Park and Penfold Garden.

Road links between Shatin and Kowloon are provided by the Lion Rock Tunnel, Tate's Cairn Tunnel and Tai Po Road. Traffic access to the northwestern New Territories has been improved by the Shing Mun Tunnel which links Shatin with Tsuen Wan. The recently completed Route 8 runs between Shatin and Cheung Sha Wan and connects with Stonecutters Bridge to Tsing Yi, which further links up via the Tsing Ma Bridge to Hong Kong International Airport and the Ting Kau Bridge to Tuen Mun or Yuen Long.

The MTR East Rail Line runs between Hung Hom and Lo Wu/Lok Ma Chau and the Ma On Shan Line runs between Tai Wai and Wu Kai Sha. Both have helped Shatin District become more accessible.

The Shatin to Central Link is now under planning and preliminary design work was approved by the Executive Council in March 2008, and construction work is expected to start this year, with the Tai Wai to Hung Hom section expected to be completed by 2015, and the Hung Hom to Admiralty section expected to be completed in 2019.

Another upcoming road infrastructure, Stage 2 of Trunk Road T4, will consist of an elevated carriageway along the existing Lion Rock Tunnel Road and an approximately 1.7km single-lane and two-lane slip roads connecting the proposed elevated carriageway and Road T3, Shing Mun Tunnel Road. The implementation programme is under review.

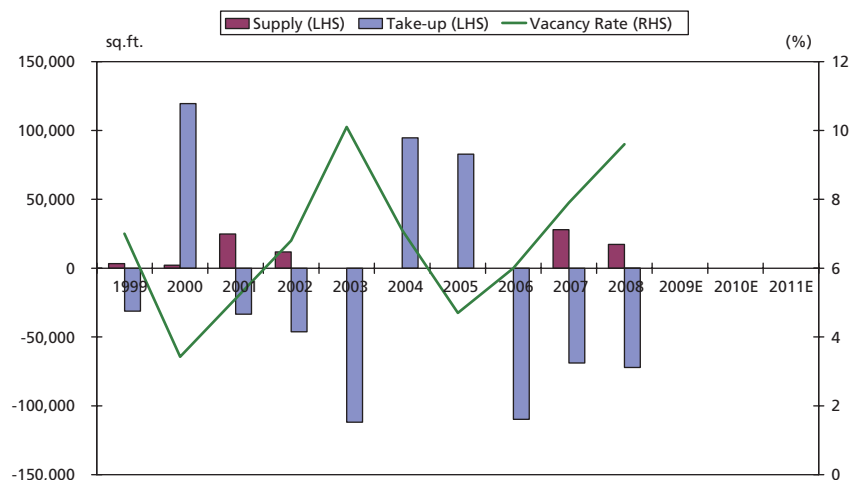
Private Commercial Supply, Take-up and Vacancy Rates¹³

According to the Rating and Valuation Department, over the past 10 years total private commercial supply in Shatin has only amounted to 87,000 sq.ft. Nevertheless, in 2006 the Rating and Valuation Department included The Link REIT properties into the stock and vacancy data, and vacant space increased by 110,000 sq.ft and rates rose to 6 per cent in

¹³ All floor areas quoted in this section are Internal Floor Area as defined by the Rating and Valuation Department

that year as a result. Average supply and take-up between 1999 and 2008 amounted to 8,700 sq.ft. and -17,700 sq.ft. per annum respectively, bringing vacancy rates to 9.6 per cent by the end of 2008. Up to 2011 no major retail projects will be completed in Shatin.

Shatin Private Commercial Supply, Take-up and Vacancy Rate, 1999 — 2011E



Source: Rating and Valuation Department, Savills Research and Consultancy

At the end of 2008, total private commercial stock in Shatin amounted to 4.78 million sq.ft. According to the Census and Statistics Department, in 2008 the total population of Shatin stood at 608,300 persons, resulting in a retail density of 7.9 sq.ft. of private commercial space per head. Up to 2011, the population of Shatin will increase to 638,100¹⁴ while stock is likely to remain the same, leading to a slight decrease in per capita stock to 7.5 sq.ft. per person at the end of 2011. We do not anticipate any major imbalances to develop in the supply and demand of retail floorspace from 2009 to 2011.

Future Development

The major upcoming residential development projects in Shatin include the MTR Tai Wai Maintenance Centre (4,276 units to be completed between 2010 and 2011), STTL 548, Area 77, Ma On Shan (1,143 units to be completed in 2010) and MTR Che Kung Temple Station (1,240 units to be completed in 2012).

In the long term, there are several sizable developments in Shatin including MTR Tai Wai Station which will have 2,900 units and 667,000 sq.ft. of retail area, Lok Wo Sha in Ma On Shan, which will be developed in six phases and provide around 3,000 units. Another major development is Shui Chuen O public housing project with around 10,000 units and some retail facilities. As all of these projects are still under planning, no exact time of completion is available.

Land premiums for the lease modification of STTL 347, On Ping Street and On Lai Street in Shek Mun have been paid and the site is planned to be developed into a 38-storey hotel development with a total gross floor area of 350,000 sq.ft.

¹⁴ Source: Planning Department

Competition Analysis

Ma On Shan Plaza

Sunshine City Plaza (533,000 sq.ft. gross) is a direct competitor of Ma On Shan Plaza and adjoins it via two footbridges. Nevertheless, it offers a very different trade mix to the subject. Sunshine City Plaza has a greater focus on fashion goods, a department store, F&B, appliances and jewelry/watches. Ma On Shan Plaza focuses more on daily needs such as F&B, supermarkets etc. Therefore we do not see any significant competition from this adjacent centre.

Ma On Shan Centre is another shopping centre nearby, as its scale is much smaller than Ma On Shan Plaza (82,000 sq.ft.), it poses little threat to Ma On Shan Plaza.

There are a number of shopping centres attached to the private and public housing estates in Ma On Shan, such as Heng On Shopping Centre of Heng On Estate, but with the local nature of most of these malls due to their sizes and trades, we do not regard them as competition.

<u>Development</u>	<u>Sub-district</u>	<u>GFA (sq.ft.)</u>	<u>Completion</u>
Direct Competing Centre			
Sunshine City Plaza	Ma On Shan	533,000	1993 & 1994
Sunshine Bazaar	Ma On Shan	80,000	1992
Ma On Shan Centre	Ma On Shan	82,000	1994
Other Competing Centre			
Heng On Shopping Centre	Ma On Shan	246,000	1987

*Note: we have only included shopping centres with GFA over 200,000 sq.ft. as "Other Competing Centre"
Source: Savills Research & Consultancy

Jubilee Court Shopping Centre

The nearest neighbourhood shopping centre to Jubilee is Ascot Plaza, which is within a 5-minute walk. The shopping centre was completed in 1997 and forms part of the Royal Ascot with 10 towers comprising 2,504 units. Ascot Plaza is smaller than Jubilee comprising an area of around 100,000 sq.ft. gross and is positioned to serve the local residents in the towers above. It is therefore fair to say that residents of Jubilee Court still primarily shop in Jubilee Court Shopping Centre for daily necessities.

No other large scale shopping centres exist in the vicinity of Jubilee Court Shopping Centre.

<u>Development</u>	<u>Sub-district</u>	<u>GFA (sq.ft.)</u>	<u>Completion</u>
Direct Competing Centre			
Ascot Plaza	Fo Tan	100,000	1995
Other Competing Centre			
Nil			

Source: Savills Research & Consultancy

City One Shatin Property

City One Shatin Property has no direct competing shopping malls. Within walking distance, there are two local retail facilities servicing the residents of their respective estates. Yu Chui Shopping Centre, which has a total area of 157,000 sq.ft. gross and 1,180 car parks, serves the residents of Yu Chi Court, a Home Ownership Scheme with 4,176 units completed in 2001. Another retail facility is Belair Gardens Commercial Centre, which has a total retail area of 96,000 sq.ft. and was completed in 1985 and 1988 respectively, which forms part of the Belair Gardens with 1,944 units. Both centres are significantly smaller than City One Shatin Property and do not pose any direct threat.

<u>Development</u>	<u>Sub-district</u>	<u>GFA (sq.ft.)</u>	<u>Completion</u>
Direct Competing Centre			
Nil			
Other Competing Centre			
Yu Chui Shopping Centre	Shatin	157,000	2001
Belair Gardens Commercial Centre	Shatin	96,000	1985 & 1988

Source: Savills Research & Consultancy

2.2 Kwun Tong District Overview

Centre de Laguna Property

Centre de Laguna Property is located in the Kwun Tong District of East Kowloon. Kwun Tong is an well established urban area with many large scale housing developments, industrial areas and commercial clusters.

Centre de Laguna Property is the commercial podium under Phase 3 of the Laguna City Project located at the junction of Cha Kwo Ling Road and Sin Fat Road in Kwun Tong. The whole Laguna City development comprises 38 residential blocks with a total of 8,072 units. Another major residential project, Sceneway Garden, is comprised of 4,112 residential units and is also located within a 5 to 10 minute walk of Centre de Laguna Property.

Centre de Laguna Property is designed to serve the local shopping needs of residents in the area with a gross rentable area of 43,000 sq.ft. and was completed in 1992. The subject property is easily accessible by public and private transport including buses, public light buses and taxis, and is within walking distance of the Lam Tin MTR Station.

District Overview

Kwun Tong is situated at the eastern part of the Kowloon Peninsula and is one of the earliest developed urban areas in Hong Kong. The district housed around 577,300 people in 2008, and the planned population of the area is expected to increase to 645,900 people by 2018.

Kwun Tong is one of the major industrial areas in Hong Kong and has a total of 35.9 million sq.ft. of private flatted factory space, representing almost 50 per cent of total Kowloon stock. Many industrial buildings are located in Kowloon Bay and Kwun Tong, however, in recent years, many of the industrial buildings have been redeveloped into high quality office buildings in line with the decline in industrial activity in Hong Kong. Beside the development of Millennium City, over the past three years, there has been approximately 4.0 million sq.ft. net high quality office buildings completed in Kwun Tong district, for example, Landmark East (890,000 sq.ft. net) and Manulife Financial Centre

(840,620 sq.ft. net) in Kwun Tong; and Manhattan Place (530,920 sq.ft. net) and Exchange Tower (457,050 sq.ft. net) in Kowloon Bay. These new office buildings have attracted many multinational companies to relocate from areas such as Island East and Causeway Bay. A further 1.4 million sq.ft. net of office space is in the supply pipeline for completion between 2010 and 2013.

Kwun Tong is also a well established residential district comprised of both private and public residential housing. Public estates in the area include Kai Tin Estate, On Tin Estate, and Upper Ngau Tau Kok Estate, while Amoy Gardens, Telford Gardens, Sceneway Garden and Laguna City are the major large scale private residential developments.

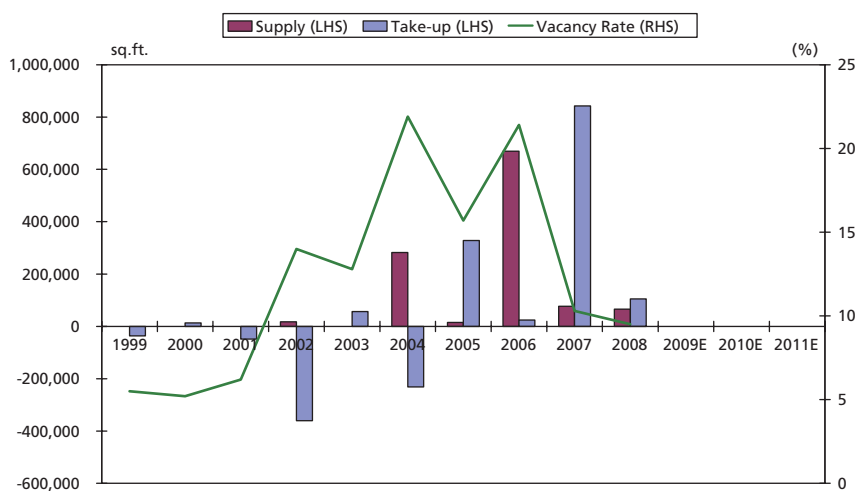
Some of the residential buildings in the area are relatively old and in their mature stage, as a result, the district is undergoing a series of redevelopments including the redevelopment of Kwun Tong Town Centre by the Urban Renewal Authority and the redevelopment of Lower Ngau Tau Kok Estate by The Government. A large scale of development, Kai Tak Development is the landmark project in the Kowloon City district.

Kwun Tong district has a well established transportation network. The Kwun Tong MTR Line connects other major districts in Kowloon including Wong Tai Sin, Kowloon Tong, Mongkok and Yau Ma Tei. Kwun Tong Road and Kwun Tong Bypass are major roads connecting to other Kowloon East areas such as San Po Kong, Choi Hung, Kowloon Bay and Ngau Tau Kok. The proposed extension of the Kwun Tong Line will further extend services to Homantin and Whampoa. The three km extension will enhance the accessibility of Kwun Tong and is expected to be operational by 2015.

A proposed Central Kowloon Route and Truck Road will provide an access road between the East Kowloon road network and the Yau Ma Tei interchange of the West Kowloon Highway. Also proposed is the Tseung Kwan O — Lam Tin Tunnel which will further enhance the accessibility of Tseung Kwan O and is expected to be completed by 2016.

Private Commercial Supply, Take-up and Vacancy Rates¹⁵

Kwun Tong Private Commercial Supply, Take-up and Vacancy Rate, 1999 — 2011E



Source: Rating and Valuation Department, Savills Research and Consultancy

¹⁵ All floor areas quoted in this section are Internal Floor Area as defined by the Rating and Valuation Department

Over the past 10 years, major private commercial supply in Kwun Tong was concentrated in 2004 and 2006, when Millennium City (APM) and Megabox competed in 2004 and 2006 respectively, and as a result vacancy rates rose rapidly to 21.4 per cent in 2006. Average supply and take-up between 2004 and 2008 amounted to 227,740 sq.ft. and 213,980 sq.ft. per annum respectively, bringing vacancy rates to 9.5 per cent at the end of 2008.

No major retail supply is scheduled to be completed in the area until 2011, while the upcoming retail space from the Kwun Tong Town Centre Redevelopment has no exact time for completion.

At the end of 2008, total private commercial stock in Kwun Tong amounted to 6.9 million sq.ft. According to the Census and Statistics Department, in 2008 the total population of Kwun Tong stood at 577,300 people, resulting in a retail density of 12.0 sq.ft. of private commercial space per head. The population of Kwun Tong will increase to 620,900¹⁶ in 2011, leaving the per capita retail stock at similar level of 11.1 sq.ft. per person at the end of 2011. We do not anticipate any major imbalances to develop in the supply and demand of retail floorspace from 2009 to 2011.

Future Development

As Kwun Tong is undergoing its redevelopment phase, there are many developments and new infrastructure being completed or under planning in the area. A total of 1.4 million sq.ft. net of office space is planned between 2010 and 2013, for example, Po Hing Building redevelopment project (261,600 sq.ft. net) in Kowloon Bay, a project with 270,000 sq.ft. net located at 7 Shing Yip Street, Kwun Tong, 414 Kwun Tong Road (236,000 sq.ft. net) and Piazza Industrial Building redevelopment (323,400 sq.ft. net) located at 133 Hoi Bun Road, Kwun Tong. Complementary facilities, like hotel developments, are also under construction at 38 Chong Yip Street and 84 Hung To Road in Kwun Tong.

The major development project is the Kwun Tong Town Centre Redevelopment project by the URA which comprises 4.3 million sq.ft. of floor area, approximately 2.26 million sq.ft. of which is commercial space. The project will provide a total of 2,000 residential units upon completion of the entire project¹⁷.

The proposed construction of Route 6 by 2016 will enhance the road accessibility of Kwun Tong. Route 6 is comprised of three sections, namely the Central Kowloon Route, Truck Road T2 and the Tseung Kwan O-Lam Tin Tunnel. The Central Kowloon Route and Truck Road will provide an access road between the East Kowloon road network and the Yau Ma Tei interchange of the West Kowloon Highway. The proposed Tseung Kwan O — Lam Tin Tunnel will further enhance the accessibility of Tseung Kwan O.

The extension of the Kwun Tong MTR Line will link to Homantin and Whampoa. The three km extension will enhance the accessibility of Kwun Tong and is expected to be complete by 2015.

¹⁶ Source: Planning Department

¹⁷ Source: Urban Renewal Authority

Competition Analysis

Besides Centre de Laguna Property, there are two other retail centres in the Lam Tin area, namely Laguna Plaza and Sceneway Plaza, which are regarded as the most direct competing centres to Centre de Laguna Property.

Laguna Plaza is situated next to the subject property and comprises some tenants of a comparable standard to Centre de Laguna Property. The major role of Laguna Plaza Centre is to serve the residents of the nearby area, as a result, the trade mix of these two malls are similar.

Sceneway Plaza is the retail podium of Sceneway Garden and is directly connected to the Lam Tin MTR Station, and as a result, some residents of Laguna City may shop at Sceneway Plaza when they arrive in the Lam Tin area by MTR.

Other competing centres are much further from Centre de Laguna Property and pose no direct threat to Laguna City's daily necessity patronage. Kai Tin Shopping Centre is an example of a shopping centre serving local residents who are living on the Kai Tin or On Tin Estates, while APM is located in Kwun Tong town centre with its young and trendy style attracting young shoppers.

<u>Development</u>	<u>Sub-district</u>	<u>GFA (sq.ft.)</u>	<u>Completion</u>
Direct Competing Centre			
Laguna Plaza	Lam Tin	168,123	1992
Sceneway Plaza	Lam Tin	217,000	1991
Other Competing Centre			
Kai Tin Shopping Centre	Lam Tin	170,286 (IFA)	1999/2003
APM	Kwun Tong	598,000	2004

*Note: we have only included shopping centres with GFA over 200,000 sq.ft. as "Other Competing Centre"
Source: Savills Research & Consultancy

2.3 Yau Tsim Mong District Overview

The Metropolis Mall

The Metropolis Mall, completed in 2001, is located in the established residential and commercial hub of Hung Hom in South Kowloon. It is the retail portion of The Metropolis, a 1.4 million sq.ft. complex comprising a retail mall, an office tower, a hotel and serviced apartments. The mall has a gross retail rentable area of 332,168 sq.ft. over three floors and a total of 179 parking lots. It is directly connected to Hung Hom MTR Station and is in close proximity to East Tsimshatsui Station. Moreover, The Metropolis Mall is served by the Hung Hom bus terminal and a taxi station, with the Kowloon entrance of the Cross Harbour Tunnel just minutes away.

The property serves a wide range of shoppers, including residents of the neighbouring apartment complexes, such as The Metropolis Residences, Harbour Place, The Royal Peninsula, Whampoa Garden, Whampoa Estate and Hung Hom Bay Centre. Its patronage also includes tourists and expatriates staying at the nearby 690-room Harbour Plaza Metropolis; concert-goers from the Hong Kong Coliseum, students from The Hong Kong Polytechnic University; office workers from The Metropolis Tower and visitors from Mainland China arriving via Hung Hom MTR Station.

Hampton Loft

Hampton Loft is the 2-storey retail podium of Hampton Place, an 880-unit residential development completed in 2003. The complex is located on the Northwestern shore of West Kowloon near MTR Olympic Station, and is within a 5-minute walk of Olympian City Phase 1, a 160,000-sq.ft. shopping centre, as well as the 2,314-unit Island Harbourview.

The centre comprises two shop units on the 5th floor and two shop units on the 6th floor, as well as 35 parking lots on the 1st floor of Hampton Place, and has a gross rentable area of 74,734 sq.ft. The entrance of the subject shopping centre is located on Level 1 adjacent to Hoi Fan Road which leads to the Level 5 and Level 6 arcade via various passenger lifts and internal staircases.

Most of the adjacent projects are newly completed private residential developments including the 1,829-unit The Long Beach and the 700-unit One Silver Sea, both within a 5-minute walk south of Hampton Loft. The Long Beach comprises 200,000-sq.ft. of commercial and retail space, which is a 3-storey complex, while One SilverSea includes 100,000-sq.ft. of commercial space, part of which will be converted into a boutique hotel pending government approval. To the north of the development are mainly schools and government facilities.

District Overview

The Metropolis Mall

The Metropolis Mall is located at one of Hong Kong's important transportation hubs. MTR Hung Hom Station lies to the northeast of Tsimshatsui, and is one of three ports-of-entry to Mainland China and serves as an intermediate station on the East Rail Line in Hong Kong. It is also the terminus of intercity train services with destinations to major cities such as Beijing, Shanghai, Guangzhou as well as Zhaoqing, Foshan and Dongguan in Guangdong. Moreover, since Hung Hom Station is located near the Cross Harbour Tunnel, it also serves as an important transport interchange for passengers heading to and from Hong Kong Island.

In addition to its important role as a transportation hub, education and leisure functions are also performed by the Hong Kong Polytechnic University and the Hong Kong Coliseum. The Hong Kong Polytechnic University, which is located across Hong Chong Road from The Metropolis Mall with a covered flyover connecting to The Metropolis Mall, while the 12,500-seat Hong Kong Coliseum, which is just adjacent to The Metropolis Mall, is a very popular venue for concerts and performing arts. It has attracted over 629,000 audiences in 2008/09. The Hong Kong Science Museum and Hong Kong History Museum are within a 10-minute walk. Other community services include the International Mail Centre and the Fire Services Department Headquarters.

The area will benefit from the completion of the Shatin to Central Link and MTR Kwun Tong Line Extension. The Shatin to Central Link's planning and preliminary design were approved by the Executive Council in March 2008 and construction work is expected to start this year. The Tai Wai to Hung Hom section (11km long) is an extension of the Ma On Shan Line from Tai Wai to Hung Hom, via South East Kowloon connecting to the Kowloon Southern Link and West Rail Line and is expected to be completed by 2015. The Hung Hom to Admiralty section (six km long) is an extension of the East Rail Line across the harbour to Hong Kong Island and is expected to be completed in 2019.

The proposed MTR Kwun Tong Line Extension is an approximately three-kilometre long railway extending from Yau Ma Tei Station of the existing MTR Kwun Tong Line with two new stations at Ho Man Tin and Whampoa. Passengers can interchange at the proposed Ho Man Tin Station for the future Shatin to Central Link. The extension will provide convenient railway services to the residents of Ho Man Tin, Hung Hom and Whampoa. These two projects will enhance the connectivity of Hung Hom Station with the rest of the intercity railway services.

Hampton Loft

West Kowloon is a newly developed residential and commercial area mostly constructed over reclaimed land, and spans three MTR stations (Kowloon, Olympic and Nam Cheong). The area has undergone very rapid development over the past few years with a number of mid to high-end residential developments, as well as commercial and retail facilities being developed.

As the West Kowloon District spans a large area with a wide variety of residential and working profiles, we will focus on the Olympic Station area to better understand the immediate vicinity of Hampton Loft.

Besides nearby residential developments, two office developments, namely HSBC Centre (around 990,000 sq.ft. completed in 1998) and Bank of China Centre (around 330,000 sq.ft. completed in 2000) are also located within the vicinity of Hampton Loft.

Further to the southeast of MTR Olympic Station is a cluster of private and public residential developments, namely Park Avenue and Central Park (1,624 and 1,312 units respectively, both completed in 2001), public housing estate Hoi Fu Court (2,800 units completed in 1999) and Hoi Ning Court (629 units completed in 2000) and HOS project Charming Garden (3,908 units completed in 1998). The area also features the 500,000-sq.ft. Olympian City Phase 2, which is the retail podium of both Park Avenue and Central Park.

The Olympic Station area is mainly connected to other urban areas via the MTR Tung Chung Line, with the MTR Olympic Station serving as the major transport node. In addition, the bus terminals on the ground levels of Olympian Station Phase 1 and HSBC Centre provide additional road transport connections to the area.

Major new transport infrastructure includes the Central Kowloon Route, which forms part of Route 6 and extends to the Kai Tak Redevelopment Area as well as Tseung Kwan O in the east. The expected completion of the Route is 2016.

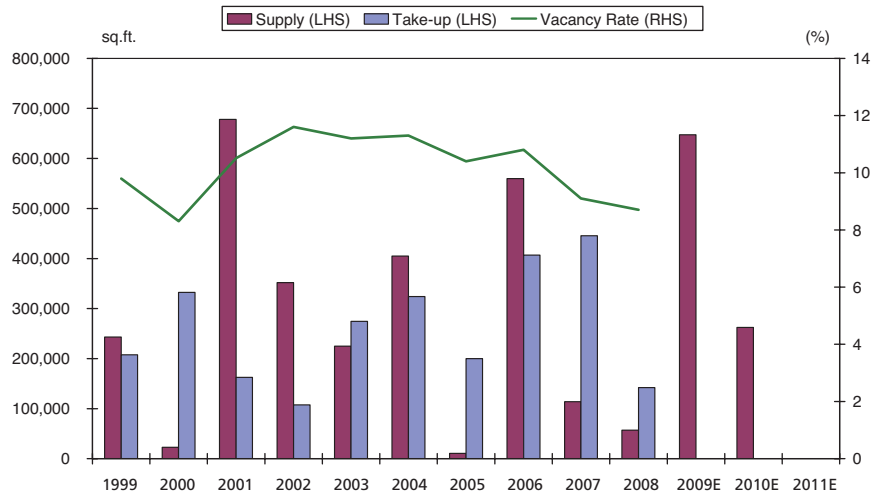
Private Commercial Supply, Take-up and Vacancy Rates¹⁸

According to the Rating and Valuation Department's area definition, both the Hung Hom Station area and West Kowloon (from 2002 onwards) are included in Yau Tsim Mong District. As a major shopping and retail centre of Hong Kong, the Yau Tsim Mong area has continued to see vibrant development throughout the years. Over the past 10 years, major private commercial supply in Yau Tsim Mong was noted in 2001 and 2006, when 678,000 sq.ft. (The Metropolis Mall and Olympian City) and 560,000 (Elements) of retail floorspace were completed respectively, and as a result vacancy rates stood at double-digit levels from

¹⁸ All floor areas quoted in this section are Internal Floor Area as defined by the Rating and Valuation Department

2001 to 2006. Average supply and take-up between 1999 and 2008 amounted to 266,729 sq.ft. and 260,379 sq.ft. per annum respectively, bringing vacancy rates to 8.7 per cent at the end of 2008.

Yau Tsim Mong Private Commercial Supply, Take-up and Vacancy Rate, 1999 — 2011E



Source: Rating and Valuation Department, Savills Research and Consultancy

New commercial supply in the district has been boosted by four projects in Tsimshatsui, including 1881 Heritage, iSquare and K11 which just opened for business in 2009. The One (former Tung Ying Building) is the only major project in the pipeline and is scheduled for completion in 2010. Average supply between 2009 and 2011 will increase to 455,000 sq.ft. per annum.

At the end of 2008, total private commercial stock in Yau Tsim Mong amounted to 21.66 million sq.ft. According to the Census and Statistics Department, in 2008 the total population of Yau Tsim Mong stood at 293,900 persons, resulting in a retail density of 73.7 sq.ft. of private commercial space per head. Up to 2011, total private commercial stock is expected to increase to 22.57 million sq.ft. while the population of Yau Tsim Mong will increase to 318,900¹⁹, per capita retail stock will reduce to 70.8 sq.ft. per person at the end of 2011. We do not anticipate any major imbalances to develop in the supply and demand of retail floorspace from 2009 to 2011.

Future Development

No new residential or commercial developments are scheduled for completion in the immediate neighbourhood of The Metropolis Mall over the next five years. One hotel development is scheduled to come on stream in close proximity to the Mall: a 264-room hotel is under construction at 17 Science Museum Road, Tsimshatsui East, which is expected to be completed in the latter half of 2010.

One residential development is scheduled to come on stream in the immediate vicinity of Hampton Loft: a 663-unit project is to be erected on a site on Hoi Fai Road between The Long Beach and One SilverSea, which is expected to be completed in 2012.

¹⁹ Source: Planning Department

Within the broader Olympic Station area, two large scale residential developments will come on stream. A 852-unit development on Hoi Wang and Hoi Ting Roads is expected to be completed in 2010, while a residential development above Nam Cheong Station, which is expected to accommodate over 3,000 units, is still under planning.

Two large-scale developments nearby will also be developed. Sino's KIL11073 project will comprise six blocks of residential with 442 units and is expected to be completed in 2011. Wheelock and New World Development have just won the tender for the Austin Station Development Site C and Site D, which can be developed into a 1.28 million sq.ft. residential development and is expected to be completed in 2013.

Regarding potential competition, besides the existing Olympian City Phase 1 and Phase 2 and the Long Beach commercial and retail space, two new retail podiums, both attached to upcoming residential developments, are scheduled for completion over the next five years, namely the 146,000-sq.ft. retail podium of the Hoi Wang and Hoi Ting Roads development (to be completed in 2010), as well as the 95,000-sq.ft. retail podium of the Hoi Fai Road development (to be completed in 2012). The other possible completion would be the retail podium of Nam Cheong Station, which will have a gross floor area of around 300,000 sq.ft. with an estimated completion of 2013. While the latest development information of the Austin Station Development Site C and Site D reveals no retail component, there will be an 86,700-sq.ft. commercial podium in the KIL11073 project, but because it is relatively far from Hampton Loft its impact can be regarded as minimal.

Competition Analysis

The Metropolis Mall

There are no competing centres within the immediate neighbourhood of The Metropolis Mall, and thus we can expect The Metropolis Mall to capture most of the patronage and potential spending power of the primary catchment. Nevertheless, there is a large scale shopping area in Hung Hom, the Wonderful Worlds of Whampoa Garden, which is within a 10-minute walk of The Metropolis Mall and can be regarded as major competition in the vicinity.

The retail facilities at the Wonderful Worlds of Whampoa Garden are located below the 88 residential towers which make up the development. The total gross retail area of Whampoa Garden is approximately 1.4 million sq.ft. but shopping and services are dispersed over 12 separate locations at podium level with the retail area being primarily arranged over ground and basement levels. Given the absence of direct access to the MTR, the retail facilities in Whampoa Garden tend to pose little threat to the local catchment of residents, office workers and students of The Metropolis Mall.

<u>Development</u>	<u>GFA (sq.ft.)</u>	<u>Completion</u>
Whampoa Garden	1.4 million	1995

Source: Savills Research & Consultancy

Hampton Loft

The commercial and retail space in The Long Beach is the only competing project within the primary catchment of Hampton Loft, and there is also a competing centre, the 140,000-sq.ft. Olympian City Phase 1, within the secondary catchment area.

The Long Beach was completed in 2004 and is adjacent to Hampton Loft, and thus geographically competes directly with Hampton Loft. Nevertheless, the commercial and retail space is now leased to two large occupiers, namely Bossini Group, which occupies the entire first floor for commercial use, and the Hong Kong Institute of Education, which occupies the entire second floor as its town centre campus. No other retail trades can be observed in the commercial and retail space. With the clear delineation of trade mixes (Hampton Loft has a kindergarten and two service centres as tenants), we do not regard The Long Beach commercial and retail space as a direct threat to Hampton Loft.

As the retail podium of Island Harbourview, Olympian City Phase 1 was completed in 2000 and is the main shopping centre within the Olympic Station area, having direct access to the MTR Olympic Station, Island Harbourview, Bank of China Tower and Harbour Green. Twice the size of Hampton Loft, the centre offers a reasonable variety of trades, with a focus on Beauty & Health Care and Education & Entertainment, and to a certain degree F&B and services.

As the only centre within both the primary and secondary catchments of Hampton Loft with such a comprehensive trade coverage, Olympian City Phase 1 poses some threat to Hampton Loft not only capturing most of the secondary catchment of Hampton Loft, but also to a certain extent attracting residents within the primary catchment of Hampton Loft, in particular from One Silver Sea. The visitor catchment could remain relatively untouched as the kindergarten offering is not represented in the trade and tenant mix of Olympian City Phase 1.

<u>Development</u>	<u>GFA (sq.ft.)</u>	<u>Completion</u>
The Long Beach	217,000	2004
Olympian City Phase 1	200,000	2000

Source: Savills Research & Consultancy

2.4 Kwai Tsing District Overview

The Household Center

The Household Center is situated in the developed urban core of Kwai Chung district in the New Territories. The Centre forms part of the 696-unit Nob Hill residential development which was completed in 2002.

The Household Center comprises a three-storey shopping centre with a total gross rentable area of 91,779 sq.ft. and has parking facilities comprising 43 parking lots in total.

The Center caters for the daily needs of residents living in the private and public residential developments nearby, including residents of Nob Hill and the 13,110 residential units of Mei Foo Sun Chuen, as well as Lai Yan Court, Wah Lai Estate, Lai King Estate, Regency Park, Wonderland Villas and Ching Lai Court. A bus terminal is located below the Nob Hill residential development which is also within walking distance of the Mei Foo MTR Station as well as the West Rail Mei Foo Station, and is thus easily accessible to shoppers using public transportation, taxis and franchised buses.

Tsing Yi Square Property

The Tsing Yi Square Property is located on Tsing Yi Island, northwest of Hong Kong Island. It is the commercial portion of Tsing Yi Garden residential development, which was completed in 1986 and comprises 1,520 residential units above a commercial complex.

The Tsing Yi Square Property comprises 48 shops on the Ground Floor, 29 shops on the 1st Floor with a total gross rentable area of 78,836 sq.ft. and 27 car parking spaces in the basement of Tsing Yi Garden.

The Tsing Yi Square Property is located opposite Tsing Yi Urban Service Complex Building, which consists of a wet and dry market, a library, a sports centre and government offices. It is also near many other public facilities such as Tsing Yi Swimming Pool, Tsing Yi Sports Ground, Tsing Yi Clinic. The Tsing Yi Square Property is situated within walking distance of Tsing Yi MTR Station, which provides convenient access to Hong Kong Island, Kowloon and Hong Kong International Airport. It is also easily accessible via buses, public light buses and taxis.

District Overview

Kwai Tsing is a strategic location for port cargo throughputs and the area is home to all nine of Hong Kong's container terminals. Kwai Tsing district also housed 511,300 residents in 2008, which is projected to decline to 474,700 by mid 2018²⁰. The Kwai Tsing district can be subdivided into the Kwai Chung area and the Tsing Yi area, each housing one of the subject properties.

The Household Center

Being a developed urban area, Kwai Chung comprises a mixture of public and residential housing estates as well as commercial and industrial premises, over four MTR stations (Lai King, Kwai Fong, Kwai Hing and Tai Wo Hau). A total of 16 public rental housing estates are located in the area, 11 of which have their own retail facilities. As the area has already been densely developed, many newer private residential developments originate from redevelopment sites and are scattered, and in terms of scale, are not comparable to their public counterparts. Larger scale developments in the area include Wonderland Villas (1,502 units), New Kwai Fong Gardens (1,264 units) and The Apex (924 units).

While most non-residential developments in Kwai Chung are old industrial buildings, there are a number of newer and higher quality offices and industrial offices, namely Metroplaza (two office towers, total gross floor area of around 1.1 million sq.ft.²¹), Kowloon Commercial Centre Phase 1 (one office tower, total gross floor area of around 563,000 sq.ft.) and Ever Gain Plaza (two industrial office towers, total gross floor area of around 1.1 million sq.ft.). A 600,000-sq.ft. shopping centre is also located underneath the two office towers of Metroplaza, which is also the largest scale shopping centre within the area.

Other than the MTR, Kwai Chung is also well connected to other parts of Hong Kong via a comprehensive road network. While Castle Peak Road and Kwai Chung Road are the two major trunk roads passing through the area, the Tsing Kwai Highway connects the area with Kowloon and Hong Kong Island to the south and with Tsing Yi/Hong Kong International Airport to the west.

²⁰ Source: Census and Statistics Department

²¹ Tower 1 area information sourced from company report while Tower 2 area information estimated by Savills based on information from Buildings Department

Tsing Yi Square Property

Tsing Yi Island is a developed area with most of its residential developments, both public and private, located on the northeastern side, where Container Terminal 9 is located to the southeast and other related industrial and shipping facilities to the southwest and northwest. A total of nine public rental housing estates can be found on the Island, eight of which have their own retail facilities.

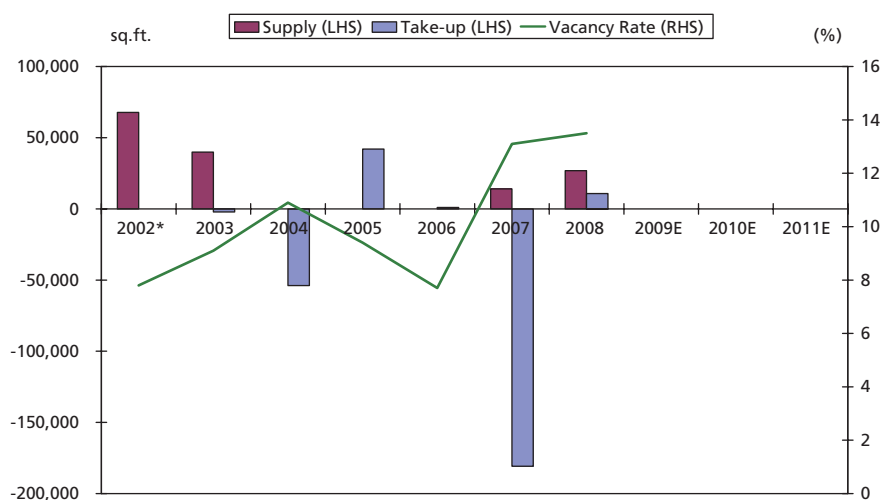
Major private residential developments on Tsing Yi Island include Tierra Verde (3,500 units), which is located on top of Maritime Square, a 500,000-sq.ft. shopping centre, the largest on Tsing Yi Island; Greenfield Garden (3,216 units), Villa Esplanda (2,896 units) and Rambler Crest (1,585 units), which is the latest residential development on the island, completed in 2003.

Besides the MTR and Airport Express, Tsing Yi is connected to other parts of Hong Kong mainly via various bridges, tunnels and road network. While Kwai Tsing Road and Tsuen Tsing Road connect the island to Kwai Chung and Tsuen Wan respectively, the Cheung Tsing Bridge connects Tsing Yi with the Tsing Kwai Highway and through to Kowloon and Hong Kong Island to the south, and the road runs diagonally across the island to connect with both Tsing Ma Bridge and Ting Kau Bridge through to the airport and northwestern New Territories respectively. The recently completed Route 8 also connects the island all the way to Shatin via Stonecutters Bridge.

Private Commercial Supply, Take-up and Vacancy Rates²²

According to the Rating and Valuation Department, supply, take-up and vacancy data for Kwai Tsing District is only available from 2002 onwards²³. No major private commercial supply in Kwai Tsing has been completed over the past six years as the latest major shopping centre, Maritime Square, was completed in 1998. Average supply and take-up between 2003 and 2008 amounted to 13,500 sq.ft. and -30,500 sq.ft. per annum respectively, bringing vacancy rates to 13.5 per cent at the end of 2008. There will be no new retail completions from 2009 to 2011 in Kwai Tsing District.

Kwai Tsing Private Commercial Supply, Take-up and Vacancy Rate, 2002 — 2011E



Source: Rating and Valuation Department, Savills Research and Consultancy

* Take-up data not available

²² All floor areas quoted in this section are Internal Floor Area as defined by the Rating and Valuation Department

²³ Take-up data is only available from 2003

At the end of 2008, total private commercial stock in Kwai Tsing amounted to 3.59 million sq.ft. According to the Census and Statistics Department, in 2008 the total population of Kwai Tsing stood at 511,300 people, resulting in a retail density of 7.0 sq.ft. of private commercial space per head. Up to 2011, total private commercial stock is expected to remain the same while the population of Kwai Tsing will decrease slightly to 506,500²⁴, leaving the per capita retail stock at 7.1 sq.ft. per person at the end of 2011, a similar level to 2008. We do not anticipate any major imbalances to develop in the supply and demand of retail floorspace from 2009 to 2011.

Future Development

The Kwai Tsing District is a developed area and thus sites for new development are scarce. Therefore it comes as no surprise that no private residential or retail developments are scheduled for completion in the foreseeable future. Nevertheless, there are two upcoming commercial projects, Project Interlink in Tsing Yi, which is a modern warehouse developed by Goodman International with a total gross floor area of 1.5 million sq.ft.²⁵ estimated to be completed in 2012. The other is Kowloon Commercial Centre Phase 2 in Kwai Chung which, according to the developer, will have a total gross floor area of 520,000 sq.ft. and is scheduled for completion in 2012/2013 and beyond.

A longer-term development is the proposed redevelopment of the ex-Police Staff Quarters on Kwai Yi Road, Kwai Chung (opposite New Kwai Fong Gardens) into a public rental housing estate with 1,000 units and a planned population of 2,800. The project is still at the public consultation stage and thus has no exact timing of completion.

Competition Analysis

The Household Center

There are three retail facilities within walking distance of the Household Center, namely the retail podium of Lai Chi Kok Bay Garden (LCKB), Ching Lai Commercial Centre and the shopping area of Mei Foo Sun Chuen. The size of the former two (28 retail shops in LCKB and 5,400 sq.ft. lettable area for Ching Lai Commercial Centre) means that they are not comparable to the Household Center in terms of scale and variety of trades.

Mei Foo Sun Chuen, which is an old private residential estate built between 1968 and 1978 with shops on the lower levels, may be more comparable in terms of scale. The retail shops at Mei Foo Sun Chuen tend to be very local, with wet markets, supermarkets, convenience and supplies stores. Most of these retailers are managed by local operators and as a group they serve the day-to-day requirements of the residents of the estate.

Most of the shops are held under separate ownership and therefore there is neither a coordinated trade mix nor a centralised promotion and advertising policy for the shops. In this respect, Mei Foo Sun Chuen poses little threat to The Household Center.

Other competing centres can be found in the area around MTR Lai King Station, which includes Lai Yiu Shopping Centre (28,000 sq.ft. lettable) and Yin Lai Court Shopping Centre (11,000 sq.ft. IFA), as well as the 31,000-sq.ft. retail facility at Wonderland Villas. The relatively smaller size of these centres mean that they pose little threat to The Household

²⁴ Source: Planning Department

²⁵ Building gross floor area from Buildings Department

Center. Larger centres in the vicinity of Kwai Fong, Kwai Hing and Tai Wo Hau MTR stations are too distinct from The Household Center and are therefore not considered to be competition.

<u>Development</u>	<u>GFA (sq.ft.)</u>	<u>Completion</u>
Direct Competing Centre		
Mei Foo Sun Chuen shopping area	N/A	1968 — 1978
Lai Chi Kok Bay Garden retail podium.....	28 shops	1977
Ching Lai Commercial Centre	5,382 (lettable)	1981
Other Competing Centre		
Lai Yiu Shopping Centre	27,986 (lettable)	1977
Yin Lai Court Shopping Centre.....	10,559 (IFA)	1991
Wonderland Villa	31,280	1987

Source: Savills Research & Consultancy

Tsing Yi Square Property

The closest competing shopping centres are Tsing Yi Commercial Complex (32,000 sq.ft. IFA) and the retail podium of Broadview Garden (various retail shops), both of which are within walking distance of the Tsing Yi Square Property. The smaller scale of the two competing malls means that the Tsing Yi Square Property may have advantage in terms of size and variety of trades, and as all these facilities are primarily serving local residents, we may expect the residents of the different estates to visit the retail facilities in the respective estates in which they live most frequently.

A number of shopping centres are also located in the larger Tsing Yi area, but most are either too large (such as Maritime Square) or too small (such as the 4,300-sq.ft. retail space in Cheung On Estate) to be comparable to the Tsing Yi Square Property. The only two centres with floor areas between 10,000 and 100,000 sq.ft., namely Cheung Ching Commercial Complex and Cheung Wang Shopping Centre, are considered too far away from the Tsing Yi Square Property to pose any threat, given the local nature of the Tsing Yi Square Property's catchment.

<u>Development</u>	<u>GFA (sq.ft.)</u>	<u>Completion</u>
Direct Competing Centre		
Tsing Yi Commercial Complex.....	32,249 (IFA)	1986
Broadview Garden.....	Shops	1991
Other Competing Centre		
Cheung Ching Commercial Complex	37,674 (lettable)	1977
Cheung Wang Shopping Centre.....	11,485 (IFA)	2001

* Only shopping centres with floor area between 10,000 and 100,000 sq.ft. are included in "Other Competing Centre"

Source: Savills Research & Consultancy

2.5 Tsuen Wan District Overview

Smartland

Smartland is located in the district of Tsuen Wan, New Territories next to the Panda Hotel. It comprises part of the East Asia Gardens development of 336 residential units completed in 1981. The centre is also located near Tai Wo Hau MTR Station and is well connected with other major districts in Kowloon.

Smartland has a gross rentable area of 123,544 sq.ft. with 67 car parking spaces was completed in 1981.

Smartland is situated in a cluster of residential developments including Wealthy Garden, Tsuen Wan Garden and New Haven, while the Panda Hotel next to the subject property comprises 1,026 rooms. Smartland is also in the neighborhood of an industrial cluster near Po Yip Building and Young Ya Industrial Building.

Given the strategic location of Smartland, it is able to attract shoppers of a diverse nature, including residents, workers and tourists.

Lido Garden Property

Lido Garden is located in Sham Tseng, a residential area west of Tsuen Wan New Town and within the larger Tsuen Wan District, and is situated along the waterfront facing the Tsing Ma and Ting Kau Bridges. The Lido Garden Property includes the retail shops on the ground floor of the commercial and residential development of Lido Garden where the residential portion comprises 1,392 units completed in 1989.

Lido Garden Property comprises 12 shops on the ground floor with a total gross rentable area of 9,836 sq.ft.

Lido Garden Property is close to other private residential developments, including Rhine Garden (1,264 units), Bellagio (3,345 units), Sea Crest Villa (2,409 units) and Ocean Pointe (560 units). The subject property is easily accessible by public transportation via buses, minibuses and taxis.

Rhine Garden Property

Rhine Garden is also situated in Sham Tseng near Lido Garden. Rhine Garden Property comprises ground floor retail shops in the podium of Rhine Garden, a commercial and residential development with 1,068 units completed in 1992.

Rhine Garden Property is comprised of 14,604 sq.ft. of gross rentable area and was completed in 1992.

Rhine Garden Property is located opposite Lido Garden Property and it shares a similar connectivity with nearby residential developments as Lido Garden Property. The subject property is also easily accessible by public transportation via buses, minibuses and taxis.

District Overview

Tsuen Wan was the first new town developed in Hong Kong. It covers an area of 6,000 hectares and had a population of 294,400 in 2008, which is forecast to increase to 304,300 in 2018²⁶.

Smartland

Tsuen Wan District is one of the major industrial districts of Hong Kong. The district had a total of 23.8 million sq.ft. of private flatted factory space at the end of 2008, around 25 per cent of the New Territories private flatted factory stock. As industrial activity declines in Hong Kong, Tsuen Wan is undergoing a redevelopment phase where many industrial buildings have been redeveloped into new private residential developments, for example, Chelsea Court, H Cube and Indi Home. Landmark projects in the district have also attracted public attention, for example, Nina Tower Development, a mixed use hotel and commercial project.

A cluster of public rental housing estates was developed in the north of Tsuen Wan during the early stage of the new town development, while major private residential developments were built near Tsuen Wan MTR Station, including Luk Yeung Sun Chuen, Tsuen Fung Centre and Tsuen Wan Garden.

Because of its strategic location on the airport corridor, many hotels have been completed in Tsuen Wan to accommodate tourists. Panda Hotel (1,026 rooms), Royal View Hotel (688 rooms), Dorset Far East Hotel (240 rooms) and L'hotel Nina et Convention Centre (around 1,589 rooms) are the major hotels completed in the district over the years.

Tsuen Wan is one of the major transportation hubs for the western part of the New Territories as well as a gateway to Hong Kong International Airport on Lantau Island. The completion of the MTR West Rail connects Tsuen Wan with other major districts in the New Territories, such as Tuen Mun and Yuen Long, as well as urban areas such as West Kowloon and Tsimshatsui. Meanwhile, the MTR Tsuen Wan Line connects the area with major districts in Kowloon and Hong Kong such as Yau Tsim Mong, Sham Shui Po and Central.

The comprehensive road network of Tsuen Wan also connects the district to various locations. Major trunk roads include Castle Peak Road, Sha Tsui Road and Tsuen Wan Road, while the district is well connected to the airport via the Tsing Ma Bridge and to the northwestern New Territories via Ting Kau Bridge.

Lido Garden Property and Rhine Garden Property

Sham Tseng, a sub district of Tsuen Wan, is situated on the western side of Tsuen Wan. Sham Tseng is a pure residential area comprised of low rise houses and many modern residential apartments have been completed in the area along Castle Peak Road in recent years, such as Rhine Garden (1,264 units), Bellagio (3,345 units), Sea Crest Villa (2,409 units) and Ocean Pointe (560 units).

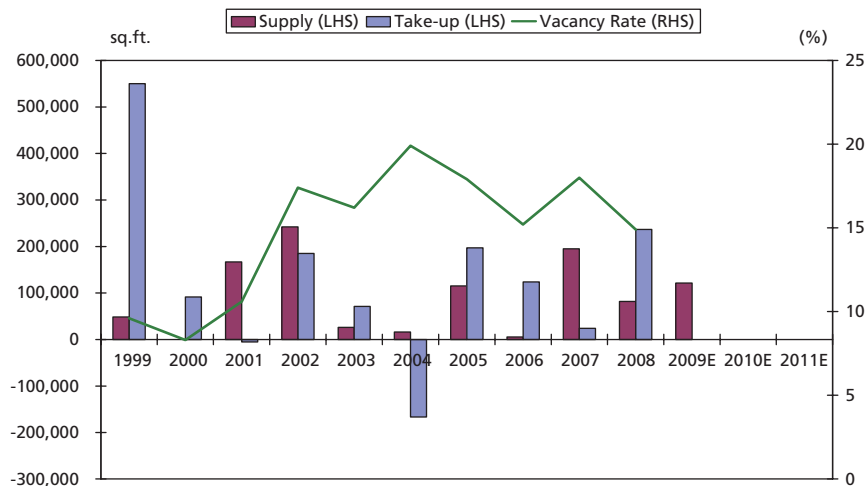
Sham Tseng also houses many famous traditional Chinese restaurants attracting both locals and tourists to the area.

²⁶ Source: Census and Statistics Department

Sham Tseng also has a well established road network with direct linkage to the Hong Kong International Airport through Ting Kau Bridge to Tsing Yi and Tsing Ma Bridge to Lantau Island. Another major road in Sham Tseng is Castle Peak Road which enables Sham Tseng to connect with other major districts in the New Territories, such as Tsuen Wan, Kwai Chung and Tuen Mun.

Private Commercial Supply, Take-up and Vacancy Rates²⁷

Private Commercial Supply, Take-up and Vacancy Rates, 1999 – 2011E



Source: Rating and Valuation Department, Savills Research and Consultancy

According to the Rating and Valuation Department's area definition, Kwai Tsing was included in the Tsuen Wan district before 2002. The strong take up of commercial space in 1999 reflected the delayed take up of Maritime Square in Tsing Yi, which was completed in 1998 during the Asian Financial Crisis.

The negative take up of 166,840 sq.ft. in 2004 was mainly due to the hangover impact of Severe Acute Respiratory Syndrome (SARS) which pushed vacancy up as high as 17 per cent. Annual average supply between 2005 and 2008 amounted to 99,300 sq.ft. per annum, when the 245,000 sq.ft. Citywalk was completed during this period. Average take up amounted to 145,300 sq.ft. per annum over the same period, bringing vacancy rates down to 15 per cent.

The completion of Citywalk phase 2 provided an additional of 121,500 sq.ft. of commercial space to the area in 2009, while there will be no major new supply scheduled for completion in the area over 2010 and 2011.

The proposed development of Tsuen Wan West Station (Tsuen Wan West TW5) is still in the planning stage but preliminary development information from MTRC reveals retail floorspace of 455,000 sq.ft., however, no exact completion date of the development has been confirmed by MTR.

²⁷ All floor areas quoted in this section are Internal Floor Area as defined by the Rating and Valuation Department

At the end of 2008, total private commercial stock in Tsuen Wan amounted to 5.2 million sq.ft. According to the Census and Statistics Department, in 2008 the total population of Tsuen Wan stood at 294,400 people, giving a per capita retail stock of 17.8 sq.ft. per person. Up to 2011, total private commercial stock is expected to increase to 5.4 million sq.ft., while the forecast population in 2011 will increase slightly to 295,900 sq.ft., per capita retail stock will therefore increase slightly to 18.2 sq.ft. per person. We do not anticipate any major imbalances to develop in the supply and demand of retail floorspace from 2009 to 2011.

Future Development

The largest private residential development in the area to come on stream is the potential residential development above Tsuen Wan West Station. The entire Tsuen Wan West Station development will comprise three different phases, namely Tsuen Wan West TW5, Tsuen Wan West TW6 and Tsuen Wan West TW7. Tsuen Wan West TW7 was tendered out to Cheung Kong in September 2008. A total of approximately 5,778 residential units will be provided by the three phases of development.

Infrastructure developments in Tsuen Wan are relatively smaller scale and most of them are improvement works of existing roads. Tsuen Wan Road Improvement Work and Tuen Mun Road Improvement Work are two improvement projects in the area. Others infrastructure development includes the proposed Tsuen Wan footbridge system along Tai Ho Road and Castle Peak Road in Tsuen Wan.

Competition Analysis

Smartland

Panda Place is the shopping arcade on the second floor, ground floor and three basement levels of Panda Hotel and is a direct competitor of Smartland. Panda Place is a modern and stylish shopping mall with a total gross floor area of over 221,000 sq.ft. and is situated just across the street of Smartland.

Panda Place is designed around the theme of food and beverage, lifestyle and entertainment, targeting the middle to upper market of affluent local families and hotel guests, which is somewhat different from Smartland, which is geared more towards local daily necessity shopping, dining, services and education.

Other retail malls in Tsuen Wan are relatively larger malls in terms of size, for example Tsuen Wan Town Square, Citywalk, Luk Yeung Galleria are far from Smartland and hence we do not consider them to be competitors.

<u>Development</u>	<u>Sub-district</u>	<u>GFA (sq.ft.)</u>	<u>Completion</u>
Direct Competing Centre			
Panda Place	Tsuen Wan	221,000	N/A
Other Competing Centre			
Nil			

Source: Savills Research & Consultancy

Lido Garden Property and Rhine Garden Property

Bellagio Mall as part of the Bellagio (3,345 residential units) development in Shum Tseng is considered a direct competitor of Lido Garden Property and Rhine Garden Property.

Bellagio Mall is located at 33 Castle Peak Road and has a total gross floor area of approximately 35,000 sq.ft. and was officially opened in 2007. The scale of the Bellagio Mall is larger than the subject properties, while major tenants provide necessities to Bellagio residents. It is fair to say that while the subject properties may find it difficult to draw Bellagio residents away due to the presence of Bellagio Mall, the primary daily shopping locations of residents of Lido Garden and Rhine Garden would still be the subject properties.

In the neighborhood of Lido Garden Property and Rhine Garden Property is a cluster of food and beverage shops along Castle Peak Road where many traditional Chinese restaurants are located and draw a lot of attention from people coming from other districts. Therefore we do not regard this cluster as a direct threat to Lido Garden Property and Rhine Garden Property.

Other shopping malls including the shopping arcade of Belvedere Garden, Tsuen Wan Plaza, Discovery Park, and Citywalk are further away from Lido Garden and Rhine Garden, while they are all located outside the Shum Tseng area. As a result, we do not regard these malls as direct threats to the subject properties.

<u>Development</u>	<u>Sub-district</u>	<u>GFA (sq.ft.)</u>	<u>Completion</u>
Direct Competing Centre			
Bellagio Mall	Shum Tseng	35,000	2007
Other Competing Centre			
Nil			

*Note: we have only included shopping centres with GFA over 200,000 sq.ft. as "Other Competing Centre"
Source: Savills Research & Consultancy

2.6 Tuen Mun District Analysis

Waldorf Garden Property

Waldorf Garden Property is located in the heart of Tuen Mun District, and is part of the Waldorf Garden residential development, consisting of five residential tower blocks above a commercial podium, which has 1,032 units and was completed in 1982.

Waldorf Garden Property comprises a four-storey commercial/parking/recreational podium with a total gross rentable area of 80,842 sq.ft. and parking facilities comprising 73 parking lots in total. Retail shops are located on Level 3 of the commercial podium, which is connected to the adjacent Tuen Mun Town Plaza, one of the largest shopping malls in the northwest New Territories, via a footbridge.

Waldorf Garden Property is located next to the Tuen Mun Highway, which connects it to different parts of the New Territories, Kowloon and Hong Kong Island via an extensive network of buses, light rail and taxis. In addition, the Tuen Mun MTR station has brought more shopper traffic to Waldorf Garden Property.

District Overview

Tuen Mun was one of Hong Kong's first new towns and the area was developed mainly on reclaimed land of 3,259 hectares. According to the Census and Statistics Department, the population of Tuen Mun amounted to 495,700 in 2008 and is expected to grow to 649,400 upon full development²⁸.

Being a new town development, Tuen Mun comprises a mixture of public and residential housing estates, many with adjacent shopping centres. A total of 12 public rental housing estates are located in the area, 10 of which have their own retail facilities. Tuen Mun also features a number of larger scale residential developments such as Tai Hing Garden (3,647 units), Sun Tuen Mun Centre (around 3,500 units), Tuen Mun Town Plaza (1,968 units) and Chelsea Heights (1,600 units).

Hong Kong's River Trade Terminal was built on reclamation to the southwest of the new town and operates as a transit point for containers and bulk cargo shipped between Hong Kong and the Pearl River Delta ports. The strategic location of Tuen Mun with its close proximity to western Shenzhen also means the area houses an increasing number of warehouse and logistics facilities, with private storage stock increasing from 1.1 million sq.ft. in 1999 to 1.5 million sq.ft. in 2008²⁹, a rise of over 40 per cent over the past 10 years.

The recently opened West Rail has its terminal station in Tuen Mun, and connects the area with West Kowloon as well as Tsimshatsui. The Light Rail System also enhances connectivity of different areas within Tuen Mun as well as with neighbouring districts of Yuen Long and Tin Shui Wai. Tuen Mun Road is both the major trunk road within the area as well as serving as an important connection with outside districts all the way to Tsuen Wan. The recently completed Western Corridor also connects Tuen Mun to Shekou in Shenzhen, enhancing cross-border traffic in the area.

The Government proposes to construct the Tuen Mun — Chek Lap Kok Link, which connects the Tuen Mun Western Bypass at the southern coast of Tuen Mun Area 40 in the north with Hong Kong International Airport and Tung Chung in the south. The construction work will start in 2011 and be completed in 2016.

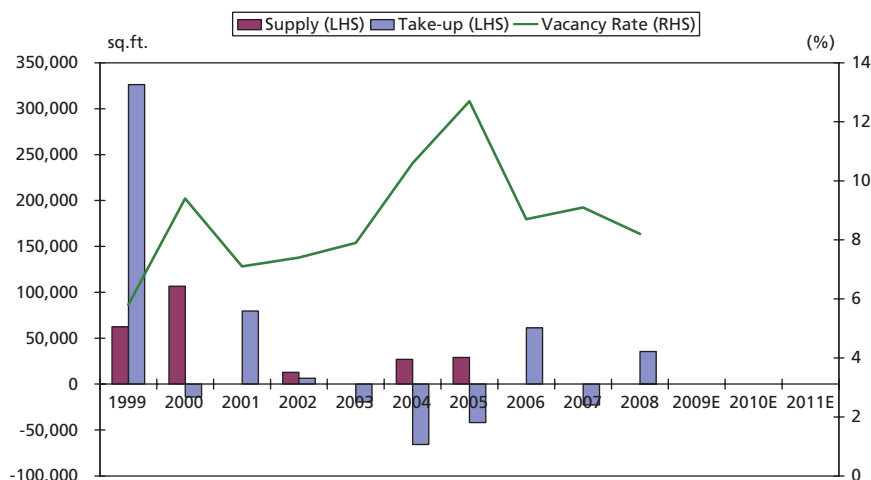
²⁸ Source: Civil Engineering and Development Department

²⁹ Internal floor area, source: Rating and Valuation Department

Private Commercial Supply, Take-up and Vacancy Rates³⁰

Major private commercial supply in Tuen Mun came in 1999 and 2000 when three residential developments, namely Parkland Villas, Nerine Cove and Chelsea Heights, were completed, all with sizable retail podiums. Average supply and take-up between 1999 and 2008 amounted to 24,000 and 35,000 sq.ft. per annum respectively, bringing vacancy rates to 8.2 per cent at the end of 2008. There will be no new retail completions from 2009 to 2011 in Tuen Mun District.

Tuen Mun Private Commercial Supply, Take-up and Vacancy Rate, 1999 — 2011E



Source: Rating and Valuation Department, Savills Research and Consultancy

At the end of 2008, total private commercial stock in Tuen Mun amounted to 4.24 million sq.ft. According to the Census and Statistics Department, in 2008 the total population of Tuen Mun stood at 495,700 people, resulting in a retail density of 8.6 sq.ft. of private commercial space per head. Up to 2011, total private commercial stock is expected to remain the same while the population of Tuen Mun will increase slightly to 500,100³¹, leaving the per capita retail stock at 8.5 sq.ft. per person at the end of 2011, a similar level to 2008. We do not anticipate any major imbalances to develop in the supply and demand of retail floorspace from 2009 to 2011.

Future Development

Tuen Mun West Rail Station property development will have an approximate gross floor area of 1.67 million sq.ft., comprising 1.29 million sq.ft. for residential use, 269,000 sq.ft. for retail purposes and 115,000 sq.ft. for a permanent public transport interchange. It will produce about 1,924 units and the project will be completed by 2012/2013.

The Civil Engineering & Development Department and Planning Department have undertaken a study in Tuen Mun East on Castle Peak Road of 14 sites with proposed development plot ratios of between 0.4 and 2.5, in addition, the building heights are mostly not above 20 storeys. These sites are at the preliminary planning stage and thus no timing of completion is available.

³⁰ All floor areas quoted in this section are Internal Floor Area as defined by the Rating and Valuation Department

³¹ Source: Planning Department

Competition Analysis

Waldorf Garden Property is connected to Tuen Mun Town Plaza, which has a total GFA of over 850,000 sq.ft., and Tuen Mun Town Plaza is also connected to The Trend Plaza (around 200,000 sq.ft.) and K-Point (around 40,000 sq.ft.) and the four centres form a cluster of retail facilities unrivalled in terms of size in any other areas of Tuen Mun. Therefore rather than regarding the other three centres as competitors, we would view them more as synergistic with Waldorf Garden Property serving both daily needs and weekend shopping for residents not only in Waldorf Garden, but also the entire cluster.

There are two smaller retail centres in the nearby On Ting Estate and Yau Oi Estate, both with floor areas of around 80,000 sq.ft. IFA. In terms of size and trade they may be comparable to Waldorf Garden but given the scale and variety of the Tuen Mun Town Plaza cluster it is unlikely that many residents from the cluster would be drawn away by these two centres, and thus they pose little threat to Waldorf Garden Property. Other larger scale centres in Tuen Mun are too distinct from Waldorf Garden Property and are thus not regarded as competition.

<u>Development</u>	<u>GFA (sq.ft.)</u>	<u>Completion</u>
Direct Competing Centre		
Tuen Mun Town Plaza	853,553	1987 — 1992
The Trend Plaza	195,280	1988
K-Point	39,723	1986
Other Competing Centre		
On Ting Commercial Complex	88,103 (IFA)	1980
Yau Oi Commercial Centre	81,333 (IFA)	1980

Source: Savills Research & Consultancy

2.7 Sai Kung — Tseung Kwan O District Overview

Metro Town

Metro Town is located above the MTR Tiu Keng Leng Station in the southwest of Tseung Kwan O, and is the retail podium of the 3,772-unit residential development Metro Town developed by Cheung Kong in two phases, completed in 2006 and 2007 respectively.

The centre comprises the entire shopping centre from the ground floor to levels 2 and 3 as well as 74 parking lots on Level 2 of the four-storey podium and has a gross rentable area of 180,822 sq.ft.

Metro Town is well-connected to adjacent residential developments with direct footbridge linkages on Level 3 to Ocean Shores, a 5,728-unit private residential development, and on level 2 to Kin Ming Estate and Choi Ming Court, a public housing estate and a public housing estate/home ownership scheme (HOS) development with 7,000 and 2,800³²/1,920 residential units respectively. The ground floor of the shopping centre links to the bus terminus connecting the Tiu Keng Leng area with other parts of Tseung Kwan O as well as the main urban area.

District Overview

Tseung Kwan O has been expanding rapidly since the late 1980s. The area housed around 345,000 people in 2006 according to the Population By-census, and the planned population of the area is expected to increase to 450,000 people³³ upon full development.

The development of Tseung Kwan O has been planned along the MTR Tseung Kwan O Line with clusters of public and private developments erected around each of the four existing MTR stations in phases. Therefore, we can generally segregate Tseung Kwan O into four key sub-districts, namely Po Lam, Hang Hau, Tseung Kwan O (Town Centre) and Tiu Keng Leng, where Metro Town is located. The gradual completion of residential and commercial developments in LOHAS Park should shape it into a fifth sub-district in the future. Further to the southeast of LOHAS Park stand the Tseung Kwan O Industrial Estate and Tseung Kwan O TVB City.

Besides public housing estates and community facilities, each sub-district features at least one large-scale development, namely Metro City in Po Lam (6,768 residential units with a 1.4 million sq.ft. shopping centre), East Point City in Hang Hau (2,184 residential units with a 415,000 sq.ft. shopping centre), Park Central in Tseung Kwan O Town Centre (4,542 residential units with a 350,000 sq.ft. shopping centre) and Metro Town as well as Ocean Shores in Tiu Keng Leng.

Other than the MTR, Tseung Kwan O is also well connected to other parts of Hong Kong via a comprehensive road network. The Tseung Kwan O Tunnel connects the area to Kwun Tong as well as other parts of Kowloon and Hong Kong Island, while Hang Hau Road connects the area to Clear Water Bay and Sai Kung.

The proposed construction of Route 6 by 2016 will enhance the road accessibility of Tseung Kwan O. Route 6 is comprised of four sections, two of which will be located in Tseung Kwan O, namely Tsuen Kwan O-Lam Tin Tunnel and The Cross Bay Link.

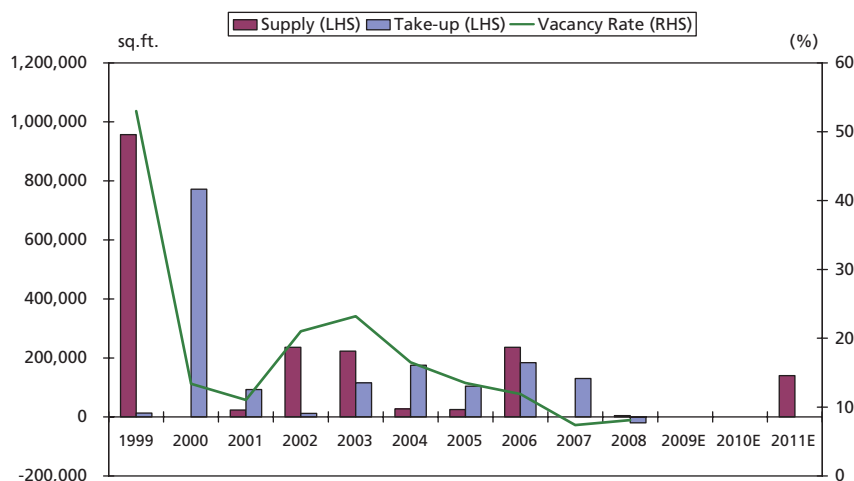
³² Includes flats under Public Rental Housing only

³³ Source: Civil Engineering & Development Department

Private Commercial Supply, Take-up and Vacancy Rates³⁴

According to the Rating and Valuation Department's area definition, Tseung Kwan O is included in Sai Kung District. Over the past 10 years, major private commercial supply in Sai Kung was concentrated in 1999, when 957,000 sq.ft. of retail floorspace was completed (Metro City Phase 2 and Metro City Phase 3), and as a result vacancy rates rose rapidly to 53 per cent in that year. Average supply and take-up between 1999 and 2008 amounted to 173,000 sq.ft. and 158,000 sq.ft. per annum respectively, bringing vacancy rates to 8.1 per cent at the end of 2008.

Sai Kung Private Commercial Supply, Take-up and Vacancy Rate, 1999 — 2011E



Source: Rating and Valuation Department, Savills Research and Consultancy

Up to 2011 only one major retail project will be completed, being the shopping centre of Tseung Kwan O Area 56 (140,000 sq.ft.), which is expected to complete in 2011. The average supply between 2009 and 2011 will decline to 47,000 sq.ft. per annum, 27 per cent of the average from 1999 to 2008.

At the end of 2008, total private commercial stock in Sai Kung amounted to 2.98 million sq.ft. According to the Census and Statistics Department, in 2008 the total population of Sai Kung stood at 414,300 people, resulting in a retail density of 7.2 sq.ft. of private commercial space per head. Up to 2011, total private commercial stock is expected to increase to 3.1 million sq.ft. while the population of Sai Kung will increase to 441,500³⁵, leaving the per capita retail stock at a similar level of 7.1 sq.ft. per person at the end of 2011. We do not anticipate any major imbalances to develop in the supply and demand of retail floorspace from 2009 to 2011.

Future Development

Tseung Kwan O is a vibrant area with a number of new developments and infrastructure projects still underway. The largest private residential development to come on stream is LOHAS Park in the southeast of Tseung Kwan O, representing a total of over 20,000 units to be completed over a span of more than 10 years. Package One, The Capitol,

³⁴ All floor areas quoted in this section are Internal Floor Area as defined by the Rating and Valuation Department

³⁵ Source: Planning Department

developed by Cheung Kong with 2,096 units, was completed in 2008 while Package Two (4,273 units) and Package Three (1,700 units) are scheduled for completion from 2010 to 2012 respectively, and other packages are in the pipeline for tender. Upon full completion, the scale of the residential development is comparable to that of Taikoo Shing, but the retail provision (expected to total between 430,000 and 540,000 sq.ft.) will only be half that of Cityplaza (over 1.1 million sq.ft.), the shopping centre serving the Taikoo Shing area.

Other upcoming private residential developments include Area 56 near Tseung Kwan O MTR Station in the south of Tseung Kwan O (1,150 units to be completed in 2011) and Area 68B in Tseung Kwan O, which was just sold in February 2010 Government land auction, and the site will provide a maximum 880 units with 66,200 sq.ft. commercial area (expect to be completed in 2015). The Area 85 near Tseung Kwan O Industrial Estate in the southeast of Tseung Kwan O (1,842 units to be completed in 2011). Two public housing estates, one in Area 73B to the southwest of Metro Town (1,974 units to be completed in 2010/11) and one in Area 65 near Tseung Kwan O MTR Station (1,850 units to be completed in 2014) will also be constructed. All of these developments are within two MTR stations of Metro Town.

In the long run beyond 2015, the development of Tseung Kwan O will be concentrated in Tseung Kwan O Town Centre South and Tiu Keng Leng. The Government plans to develop a high quality medium-density commercial/residential development in the area and to accommodate a population of about 25,000, with a Civic Node with GIC facilities and various open spaces, including a landscaped corridor and waterfront promenade. While retail provision for this development has not yet been confirmed, the anticipated increase in both residential and working populations could mean additional patronage for Metro Town in the long run.

Competition Analysis

Besides Metro Town, there are two other retail centres in the Tiu Keng Leng area, namely Choi Ming Shopping Centre and Ocean Shores retail podium, which are regarded as the most direct competing centres to Metro Town.

While Choi Ming Shopping Centre comprises some tenants of a comparable standard to Metro Town, the centre's size, overall variety of trades, convenience, layout and shopping experience lends Metro Town an advantage.

The Ocean Shores retail podium is more limited in scale, and the accessibility of the retail podium (only one entrance from Chui Ling Road with all other entrances connecting to the private area within Ocean Shores) also hinders patronage from outside the estate. Therefore we do not regard this retail podium as a direct threat to Metro Town.

Other competing centres in Tseung Kwan O are further away from the MTR Tseung Kwan O Station (all centres have no direct link to the station), and thus they do not pose any direct threat, drawing patronage away from the Tiu Keng Leng area or Metro Town for daily necessity shopping.

<u>Development</u>	<u>Sub-district</u>	<u>GFA (sq.ft.)</u>	<u>Completion</u>
Direct Competing Centre			
Choi Ming Shopping Centre	Tiu Keng Leng	131,000	2001 & 2003
Ocean Shores retail podium	Tiu Keng Leng	32,000	2001 — 2003
Other Competing Centre			
Park Central.	TKO Town Centre	350,000	2002 & 2003
Tseung Kwan O Plaza	TKO Town Centre	315,000	2003
Sheung Tak Shopping Centre	TKO Town Centre	266,000	1998
East Point City	Hang Hau	415,000	1997
Hau Tak Shopping Centre	Hang Hau	318,000	1993
Metro City Phase 2	Po Lam	967,000	1999
Metro City Phase 3	Po Lam	267,000	1999

*Note: we have only included shopping centres with GFA over 200,000 sq.ft. as "Other Competing Centre"
Source: Savills Research & Consultancy

2.8 Islands District Overview

Caribbean Bazaar

Caribbean Bazaar is the retail podium of Caribbean Coast, a 5,336-unit residential development completed in phases from 2002 to 2008. The complex is located on the northern shore of Tung Chung to the north of Tung Chung Town Centre, and is adjacent to another private development, the 3,370-unit Coastal Skyline, developed in phases from 2002 to 2007.

The centre comprises retail premises on Level 1 of a three-storey podium (including B1 and B2) of Caribbean Coast, and has a gross rentable area of 63,018 sq.ft. The main entrance of the subject shopping centre is located on Level 1 adjacent to Man Tung Road together with four side entrances. The main entrance leads to a pedestrian hall where two escalators are provided for vertical access to Level 1.

Further to the west and southwest of Caribbean Coast are the Tung Chung Crescent and Seaview Crescent developments, which comprise 4,374 units, and Citygate, the 500,000-sq.ft. shopping centre, part of which has been transformed into a factory outlet mall.

District Overview

Tung Chung is one of the last batch of new towns developed since the 1990s and is a 10-minute bus ride from Hong Kong International Airport (HKIA). The area housed around 34,000 people in 2006 according to the Population By-census, with the planned population of the area expected to increase to 71,000 persons upon full development.

Tung Chung is on the northern shore of Lantau Island and is close to Hong Kong International Airport (HKIA). The area is also close to other amenities on Lantau Island, namely Disneyland and Ngong Ping 360. Similar to other new towns, the occupation of the area began with the completion of a public housing estate, Fu Tung Estate in 1997, with other private and public developments completed thereafter in phases.

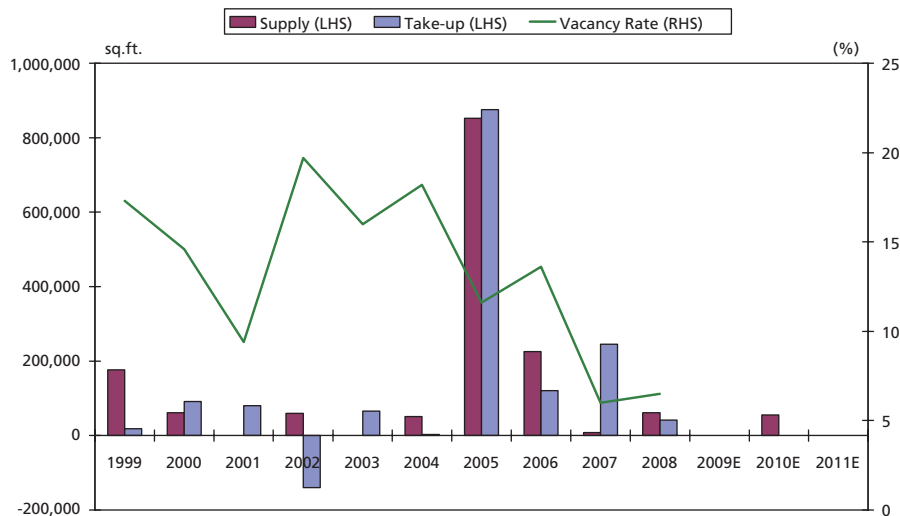
The area has a cluster of private and public developments, with the 1,700-unit Fu Tung Estate and the 2,640-unit Home Ownership Scheme Yu Tung Court immediately next to the MTR Tung Chung Station, and the 12,000-unit Yat Tung Estate further to the southwest. Several schools and government facilities are scattered within the vicinity of Caribbean Bazaar, and the Ngong Ping 360 Cable Car Terminal is also located near the MTR Tung Chung Station.

Tung Chung is mainly connected to other urban areas by the MTR Tung Chung Line as well as a number of bus routes which connect the HKIA with urban areas via Tung Chung.

Private Commercial Supply, Take-up and Vacancy Rates³⁶

According to the Rating and Valuation Department's area definition, Tung Chung is included in the Islands District. Over the past 10 years, major private commercial supply in the Islands District was concentrated at Hong Kong International Airport. The completion of SkyMart (expanded in 2004) and SkyPlaza represented the major supply in 1998 and 2006 respectively, and provided over 807,300 sq.ft. of retail floorspace to the Islands District in total. Citygate was also a major project in the district over the past 10 years. Substantial private commercial supply recorded in 2005 was the AsiaWorld-Expo, a 753,000 sq.ft. (rentable space) world class exhibition and event centre. Average supply and take-up between 1999 and 2008 amounted to 149,000 sq.ft. and 140,000 sq.ft. per annum respectively, bringing vacancy rates to 6.5 per cent at the end of 2008.

Islands District Private Commercial Supply, Take-up and Vacancy Rate, 1999 — 2011E



Source: Rating and Valuation Department, Savills Research and Consultancy

³⁶ All floor areas quoted in this section are Internal Floor Area as defined by the Rating and Valuation Department

Up to 2011 only one major retail project will be completed, the retail facilities of Phase 14 of Discovery Bay, Yi Pak (54,860 sq.ft.), which is positioned to serve the needs of the immediate neighbourhood. The shopping centre is expected to complete in 2010. Average supply between 2009 and 2011 will decline to 18,290 sq.ft. per annum, only a 12 per cent of the average from 1999 to 2008.

At the end of 2008, total private commercial stock in Islands District amounted to 3.13 million sq.ft. According to the Census and Statistics Department, in 2008 the total population of Islands District stood at 148,900 people, resulting in a retail density of 21.0 sq.ft. of private commercial space per head. Up to 2011, total private commercial stock is expected to increase to 3.19 million sq.ft. while the population of Islands will increase to 159,000³⁷, slightly lowering the per capita retail stock to 20.0 sq.ft. per person at the end of 2011. We do not anticipate any major supply and demand imbalances to develop from 2009 to 2011.

Future Development

No new residential developments are scheduled for completion in Tung Chung over the next five years, but there are plans to build a total of 3,600 public housing units on the newly reclaimed land to the north of Caribbean Coast. The exact date of completion is yet to be decided.

Besides residential developments, the Government has also earmarked a 4.9-hectare piece of land south of Fu Tung Estate to develop a public hospital to service the area. Phase 1 of the hospital (1.9 hectares) is scheduled for completion by the end of 2012.

While internal linkages are already comprehensive, two major transport infrastructure projects, namely the Hong Kong-Zhuhai-Macao Bridge (HKZMB) and the Tuen Mun-Chek Lap Kok Link and Tuen Mun Western Bypass (TM-CLK Link), should help to improve the overall accessibility of Tung Chung. The HKZMB will connect Hong Kong with Zhuhai and Macao via a 30-km bridge and is expected to be completed in 2015/16. The connecting point at the Hong Kong side will be in the northeast of the Airport Island. The TM-CLK Link, upon its completion in 2016, will connect Tuen Mun in the north and the HKIA and Tung Chung in the south via a 9-km dual two-lane highway.

Competition Analysis

There are no competing centres within the immediate catchment of Caribbean Bazaar, and thus we can expect Caribbean Bazaar to capture most of the patronage and potential spending power of the residents of its local catchment. Nevertheless, there exist two competing centres, the 500,000-sq.ft. Citygate and the 100,000-sq.ft. (IFA) Fu Tung Estate, within the vicinity of Caribbean Bazaar. Yat Tung Estate also comprises a 200,000-sq.ft. (IFA) shopping centre, but since it is located quite separately from Caribbean Bazaar, this should not be regarded as competition.

³⁷ Source: Planning Department

Citygate, the 500,000-sq.ft. centre of the Tung Chung Crescent development, became popular among both local residents and visitors when the majority of the centre was transformed into a factory outlet in 2006, with most of the tenants serving mid market customers. The centre has become a retail destination which attracts weekend patronage apart from meeting the needs of nearby residents.

Fu Tung Shopping Centre serves as a compliment to Citygate as it provides more basic offerings to local residents. Managed by The Link, the tenant mix of the centre is gradually shifting from purely small local operators to large chain retailers, such as Wellcome, Mannings, Cafe de Coral and Maxim's. The shopping centre was renovated in 2008.

Together with Citygate, the two centres serve most of the basic needs and weekend patronage of the area surrounding the MTR Tung Chung Station where they are located, which makes it difficult for Caribbean Bazaar to lure residents from this area even on an occasional basis. Nevertheless, the 7,000-sq.ft. Park'N Shop in Caribbean Bazaar, the only such superstore in Tung Chung, should still serve to attract customers from the secondary catchment area.

<u>Development</u>	<u>GFA (sq.ft.)</u>	<u>Completion</u>
Citygate	500,000	1999/2000
Fu Tung Shopping Centre	100,000	1997

Source: Savills Research & Consultancy

Limitations on Report

This report contains forward looking statements which state Savills Valuation and Professional Services Limited's (the Consultant) beliefs, expectations, forecasts or predictions for the future. The Consultants stress that all such forecasts and statements other than statements of historical facts outlined in this report should be regarded as an indicative assessment of possibilities rather than absolute certainties. The process of making forecasts involves assumptions about a considerable number of variables which are very sensitive to changing conditions. Variations of any one may significantly affect outcomes and the Consultant draws your attention to this.

The Consultant therefore can give no assurance that the forecasts outlined in this report will be achieved or that such forecasts and forward looking statements will prove to have been correct and you are cautioned not to place undue reliance on such statements. The Consultant undertakes no obligation to publicly update or revise any forward looking statements contained in this report, whether as a result of new information, future events or otherwise, except as required by law and all forward-looking statements contained in this summary report, is qualified by reference to this cautionary statement.

The report is prepared by the Consultant for information only and also for use in the listing document in connection with the proposed dual primary listing of all of Fortune REIT's units in issue on the main board of the Stock Exchange of Hong Kong Limited by way of Introduction. Whilst reasonable care has been exercised in preparing the report, it is subject to change and these particulars do not constitute, nor constitute part of, an offer or contract. Interested parties should not rely on the statements or representations of fact but must satisfy themselves by inspection or otherwise as to the accuracy. No representation, warranty or covenant, express or implied, is given and no undertaking as to accuracy, reasonableness or completeness of the information contained in this report. In producing this report, the Consultant has relied upon external third party information believed by the

Consultant to be reliable and on statistical models to generate the forward looking statements. It should be noted and it is expressly stated that there is no independent verification of any of the external third party documents or information referred to herein. This report is limited to the matters stated in it and no opinion is implied or may be inferred beyond the matters expressly stated herein.

The Consultant believes that the sources of the information are appropriate sources for such information and has taken reasonable care in extracting and reproducing such information. The Consultant has no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading.

Yours sincerely,
Savills Valuation and Professional Services Limited
Simon Smith
Deputy Managing Director
Head of Research & Consultancy

LAWS OF SINGAPORE ON SINGAPORE REAL ESTATE INVESTMENT TRUSTS (“S-REITS”)

The following summarises certain salient provisions of the laws of Singapore applicable to the holders of units in an S-REIT (“**Unitholders**”) as at the date of this Circular.

The summary below is not meant to be comprehensive or exhaustive, is for general guidance only and does not constitute legal advice, nor must it be used as a substitute for, or specific legal advice, on the laws of Singapore in relation to S-REITs. Prospective investors and/or Unitholders should consult their own legal advisers for specific legal advice concerning their legal obligations under the relevant laws.

Overview

An S-REIT is essentially a unit trust scheme constituted by a trust deed (“**Trust Deed**”) executed by an asset manager (“**Manager**”) and a trustee (“**Trustee**”), and is principally regulated by the Securities and Futures Act, Cap 289 of Singapore (“**SFA**”) and the Code on Collective Investment Schemes (“**CIS Code**”) (including the Property Funds Appendix in Appendix 2 to the CIS Code).

The Manager has the responsibility of managing the assets of the scheme and makes the important management decisions such as investment, divestment, financing and establishing the distribution policy of the S-REIT.

The Trustee holds all the assets of the scheme on trust for the Unitholders and generally, shall exercise all due diligence and vigilance in carrying out its functions and duties, and in safeguarding the rights and interest of Unitholders. The Unitholders are the public stakeholders in an S-REIT who contribute equity to the trust scheme and in return are issued units in the S-REIT (“**Units**”), each of which represents an undivided share in the beneficial interest of the trust scheme.

The Trust Deed

The terms and conditions of the Trust Deed are binding on each Unitholder (and persons claiming through such Unitholder) as if such Unitholder had been a party to the Trust Deed and as if the Trust Deed contains covenants by such Unitholder to observe and be bound by the provisions of the Trust Deed and an authorisation by each Unitholder to do all such things as the Trust Deed may require the Manager and/or the Trustee to do.

The Units and the Unitholders

The rights and interests of the Unitholders are contained in the Trust Deed. Under the Trust Deed, these rights and interests are safeguarded by the Trustee.

Each Unit represents an undivided interest in the S-REIT. A Unitholder has no equitable or proprietary interest in the underlying assets of the S-REIT and is not entitled to the transfer to it of any asset (or any part thereof) or of any real estate, any interest in any asset and real estate-related assets (or any part thereof) of the S-REIT. A Unitholder’s right is limited to the right to require due administration of the S-REIT in accordance with the provisions of the Trust Deed, including, without limitation, by suit against the Trustee or the Manager.

1. REPORTING OBLIGATIONS OF UNITHOLDERS

Obligation of Unitholders to notify Trustee of substantial Unitholding and change in substantial Unitholding

Section 2(1) of the SFA

“Substantial Unitholder”, in relation to a collective investment scheme (in this case the S-REIT), means a participant who has an interest or interests in Units in the scheme representing not less than 5% of the total voting rights of all the participants of the scheme.

Section 82 of the Companies Act, Cap 50 of Singapore (“Companies Act”) read with Section 137B of the SFA

A Substantial Unitholder of an S-REIT is required to notify the Trustee of his interests in the voting rights in the S-REIT within two Business Days after becoming a Substantial Unitholder.

Section 83 and 84 of the Companies Act, read with Section 137B of the SFA

A Substantial Unitholder is required to notify the Trustee of changes in the percentage level of his Unitholding or his ceasing to be a Substantial Unitholder within two Business Days after he is aware of such changes.

The reference to changes in “percentage level” means any changes in a Substantial Unitholder’s interest in the S-REIT which results in his interest, following such change, increasing or decreasing to the next discrete 1% threshold. For example, an increase in interests in the S-REIT from 5.1% to 5.9% need not be notified, but an increase from 5.9% to 6.1% will have to be notified.

Obligation of Unitholders to notify the SGX-ST of substantial Unitholding and change in substantial Unitholding

Section 137A of the SFA

A Substantial Unitholder is also required under section 137A(1) of the SFA to give the above notifications to the SGX-ST at the same time. Any person who fails to comply with section 137A(1) is guilty of an offence under section 137A(2) of the SFA and shall be liable on conviction to a fine not exceeding S\$25,000 and, in the case of a continuing offence, to a further fine of S\$2,500 for every day or part thereof during which the offence continues after conviction.

Consequences of non-compliance

Section 89 of the Companies Act, read with Section 137B of the SFA

A person who fails to comply with the reporting obligations shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$5,000 and in the case of a continuing offence to a further fine of S\$500 for every day during which the offence continues after conviction.

Section 90 of the Companies Act, read with Section 137B of the SFA

Section 90 provides that it is a defence to a prosecution for failing to comply with section 82, 83 or 84 if the defendant proves that his failure was due to his not being aware of a fact or occurrence the existence of which was necessary to constitute the offence and that:

- (a) he was not so aware on the date of the summons; or
- (b) he became so aware less than seven days before the date of the summons.

However, a person shall conclusively be presumed to have been aware of a fact or occurrence at a particular time:

- (i) of which he would, if he had acted with reasonable diligence in the conduct of his affairs, have been aware at that time; or
- (ii) of which an employee or agent of the person, being an employee or agent having duties or acting in relation to his master's or principal's interest or interests in a Unit or Units in the S-REIT concerned, was aware or would, if he had acted with reasonable diligence in the conduct of his master's or principal's affairs, have been aware at that time.

Powers of the court with respect to defaulting Substantial Unitholders***Section 91 of the Companies Act, read with Section 137B of the SFA***

Where a Substantial Unitholder has failed to comply with section 82, 83 or 84, the Court may, on the application of the Minister, whether or not that failure still continues, make one or more of the following orders:

- (a) an order restraining the Substantial Unitholder from disposing of any interest in Units in the S-REIT in which he is or has been a Substantial Unitholder;
- (b) an order restraining a person who is, or is entitled to be registered as, the holder of Units referred to in paragraph (a) (of this provision) from disposing of any interest in those Units;
- (c) an order restraining the exercise of any voting or other rights attached to any Unit in the S-REIT in which the Substantial Unitholder has or has had an interest;
- (d) an order directing the Trustee not to make payment, or to defer making payment, of any sum due from the S-REIT in respect of any Unit in which the Substantial Unitholder has or has had an interest;
- (e) an order directing the sale of all or any of the Units in the S-REIT in which the Substantial Unitholder has or has had an interest;
- (f) an order directing the Trustee not to register the transfer or transmission of specified Units;
- (g) an order that any exercise of the voting or other rights attached to specified Units in the S-REIT in which the Substantial Unitholder has or has had an interest be disregarded;

- (h) for the purpose of securing compliance with any other order made under this section, an order directing the Trustee or any other person to do or refrain from doing a specified act.

Any order made under this section may include such ancillary or consequential provisions as the Court thinks just.

The Court may not make an order other than an order restraining the exercise of voting rights, if it is satisfied:

- (i) that the failure of the Substantial Unitholder to comply was due to his inadvertence or mistake or to his not being aware of a relevant fact or occurrence; and
- (ii) that in all the circumstances, the failure ought to be excused.

Any person who contravenes or fails to comply with an order made under this section that is applicable to him shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$5,000 and, in the case of a continuing offence, to a further fine of S\$500 for every day during which the offence continues after conviction.

Duty not to furnish false statements to securities exchange, futures exchange, designated clearing house and Securities Industry Council ("SIC")

Section 330 of the SFA

Any person who, with intent to deceive, makes or furnishes, or knowingly and willfully authorises or permits the making or furnishing of, any false or misleading statement or report to a securities exchange, futures exchange, designated clearing house or any officers thereof relating to dealing in securities or a collective investment scheme shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$50,000 or to imprisonment for a term not exceeding two years or to both.

Further, any person who, with intent to deceive, makes or furnishes or knowingly and willfully authorises or permits the making or furnishing of, any false or misleading statement or report to the SIC or any of its officers, relating to any matter or thing required by the SIC in the exercise of its functions under the SFA shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$50,000 or to imprisonment for a term not exceeding two years or to both.

Obligation to disclose beneficial interest in the voting rights of the S-REIT

Section 92 of the Companies Act, read with Section 137B of the SFA

Under the Companies Act, the Trustee may by notice in writing require any Unitholder, within such reasonable time as is specified in the notice, to inform the Trustee:

- (a) whether it holds any Units as beneficial owner or as trustee, and if any Unit is held by it as trustee, as far as it can disclose, the person for whom it holds such Unit (either by name or by other particulars sufficient to enable those persons to be identified) and the nature of the interest; and

- (b) whether any of the voting rights carried by any Unit held by it is the subject of an agreement or arrangement under which another person is entitled to control the exercise of those rights and if so, to give particulars of the agreement or arrangement and the parties to it.

Where the Trustee is informed in pursuance of such a notice that any other person has an interest in any of the Units, the Trustee may by notice in writing require that other person, within such reasonable time as is specified in the notice, to inform the Trustee:

- (i) whether it holds that interest as a beneficial owner or as a trustee; and
- (ii) if that interest is held as a trustee, as far as he can disclose, the person for whom he holds such interest (either by name or by other particulars sufficient to enable those persons to be identified) and the nature of the interest.

Consequences of non-compliance

Section 92(6) and (7) of the Companies Act, read with Section 137B of the SFA

Any person who:

- (a) fails to comply with a notice requiring disclosure of information; or
- (b) in purported compliance with such a notice makes any statement which he knows to be false in a material particular or recklessly makes any statement which is false in a material particular,

shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$10,000 or to imprisonment for a term not exceeding two years.

However, a person who fails to comply with a notice requiring disclosure of information shall not be guilty of an offence if he proves that the information in question was already in the possession of the Trustee or that the requirement to give it was for any other reason frivolous or vexatious.

2. PROHIBITED CONDUCT IN RELATION TO TRADING IN THE UNITS OF THE S-REIT

Prohibitions against false trading and market manipulation

Section 197 of the SFA

Section 197(1) prohibits the creation of a false or misleading appearance (i) of active trading in any Units on a securities market, and (ii) with respect to the market for, or the price of, such Units.

Section 197(2) prohibits affecting the prices of Units:

- (a) by way of purchases or sales which do not involve a change in the beneficial ownership of those Units; and
- (b) by means of any fictitious transactions or devices.

However, in relation to offences under section 197(2), it shall be a defence if the person establishes that the purpose or purposes for which he purchased or sold the Units was not, or did not include, the purpose of creating a false or misleading appearance with respect to the market for, or the price of, Units.

Under section 197(3), a person who:

- (i) effects, takes part in, is concerned in or carries out, directly or indirectly, any transaction of purchase or sale of any Units, being a transaction that does not involve any change in the beneficial ownership of the Units;
- (ii) makes or causes to be made an offer to sell any Units at a specified price where he has made or caused to be made or proposes to make or to cause to be made, or knows that a person associated with him has made or caused to be made or proposes to make or to cause to be made, an offer to purchase the same number, or substantially the same number, of Units at a price that is substantially the same as the first-mentioned price; or
- (iii) makes or causes to be made an offer to purchase any Units at a specified price where he has made or caused to be made or proposes to make or to cause to be made, or knows that a person associated with him has made or caused to be made or proposes to make or to cause to be made, an offer to sell the same number, or substantially the same number, of Units at a price that is substantially the same as the first-mentioned price,

shall be deemed to have created a false or misleading appearance of active trading in Units on a securities market unless he establishes that the purpose or purposes for which he did the act was not, or did not include, the purpose of creating a false or misleading appearance of active trading in Units on a securities market.

Section 197(5) provides that a purchase or sale of Units does not involve a change in the beneficial ownership if a person who had an interest in the Units before the purchase or sale, or a person associated with the first-mentioned person in relation to those Units, has an interest in the Units after the purchase or sale.

Prohibition against the statement, or dissemination of false or misleading material information***Section 199 of the SFA***

Section 199 prohibits the making of false or misleading statements. Under this provision, no person shall make a statement, or disseminate information, that is false or misleading in a material particular and is likely:

- (a) to induce other persons to subscribe for Units;
- (b) to induce the sale or purchase of Units by other persons; or
- (c) to have the effect of raising, lowering, maintaining or stabilising the market price of Units,

if, when he makes the statement or disseminates the information:

- (i) he does not care whether the statement or information is true or false; or
- (ii) he knows or ought reasonably to have known that the statement or information is false or misleading in a material particular.

Prohibition against fraudulently inducing persons to deal in Units***Section 200 of the SFA***

Section 200 prohibits persons from inducing or attempt to induce another person to deal in Units:

- (a) by making or publishing any statement, promise or forecast that he knows or ought reasonably to have known to be misleading, false or deceptive;
- (b) by any dishonest concealment of material facts;
- (c) by the reckless making or publishing of any statement, promise or forecast that is misleading, false or deceptive; or
- (d) by recording or storing in, or by means of, any mechanical, electronic or other device information that he knows to be false or misleading in a material particular.

Section 200(2) provides that in any proceedings against a person for a contravention of (d) (of this provision), it is a defence if it is established that, at the time when the defendant so recorded or stored the information, he had no reasonable grounds for expecting that the information would be available to any other person.

Prohibition against employment of manipulative and deceptive devices***Section 201 of the SFA***

Section 201 prohibits persons from:

- (a) employing any device, scheme or artifice to defraud;

- (b) engaging in any act, practice or course of business which operates as a fraud or deception, or is likely to operate as a fraud or deception, upon any person;
- (c) making any statement he knows to be false in a material particular; or
- (d) omitting to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading,

in connection with the subscription, purchase or sale of any Units.

Prohibition against insider trading

Section 218 and 219 of the SFA

Where a person who is connected to the S-REIT possesses information concerning the S-REIT that is not generally available but, if the information were generally available, a reasonable person would expect it to have a material effect on the price or value of Units and the connected person knows or ought reasonably to know that:

- (a) the information is not generally available; and
- (b) if it were generally available, it might have a material effect on the price or value of Units,

the connected person must not (whether as principal or agent):

- (i) subscribe for, purchase or sell, or enter into an agreement to subscribe for, purchase or sell, any Units; or
- (ii) procure another person to subscribe for, purchase or sell, or to enter into an agreement to subscribe for, purchase or sell any Units.

Where trading in the Units is permitted on the securities market of a securities exchange (i.e., the SGX-ST), the connected person must not, directly or indirectly, communicate the information, or cause the information to be communicated, to another person if the connected person knows, or ought reasonably to know, that the other person would or would be likely to:

- (aa) subscribe for, purchase or sell, or enter into an agreement to subscribe for, purchase or sell, any Units; or
- (bb) procure a third person to subscribe for, purchase or sell, or to enter into an agreement to subscribe for, purchase or sell, any Units.

For the purpose of this paragraph, “connected person” includes:

- (I) the Manager;
- (II) its officers¹⁴ and substantial shareholders;
- (III) related corporations of the Manager and its officers;
- (IV) substantial shareholders in a related corporation; and
- (V) a Substantial Unitholder or persons who occupy a position that may reasonably be expected to give him access to information of a kind to which this paragraph applies by virtue of any professional or business relationship existing between himself (or the Manager or a substantial shareholder of the Manager or a corporation of which he is an officer) and the S-REIT or, his being an officer of a Substantial Unitholder or a substantial shareholder of the Manager.

Section 219 provides that a person in possession of inside information and who is not a connected person will be considered an “insider” and will be subjected to the above prohibitions as well.

Section 216 of the SFA

Section 216 provides that a reasonable person would be taken to expect information to have a material effect on the price or value of Units if the information would, or would be likely to, influence persons who commonly invest in Units in deciding whether or not to subscribe for, buy or sell the first-mentioned Units.

Consequences of non-compliance

Section 232 of the SFA

Whenever it appears to the Monetary Authority of Singapore (“MAS”) that any person has contravened any provision in Part XII of the SFA in relation to “Market Conduct”, the MAS may, with the consent of the Public Prosecutor, bring an action in a court against him to seek an order for a civil penalty in respect of that contravention.

If the court is satisfied on a balance of probabilities that the person has contravened a provision in Part XII of the SFA in relation to “Market Conduct” which resulted in his gaining a profit or avoiding a loss, the court may make an order against him for the payment of a civil penalty of a sum:

- (a) not exceeding three times the amount of the profit that the person gained or the amount of the loss that he avoided as a result of the contravention; or
- (b) S\$50,000 if the person is not a corporation, or S\$100,000 if the person is a corporation,

whichever is the greater.

¹⁴ Section 218(6) of the SFA states that the meaning of “officer”, in relation to a corporation, includes (a) a director, secretary or employee of the corporation; (b) a receiver, or receiver and manager, of property of the corporation; (c) a judicial manager of the corporation; (d) a liquidator of the corporation; and (e) a trustee or other person administering a compromise or arrangement made between the corporation and another person.

If the court is satisfied on a balance of probabilities that the person has contravened a provision in Part XII of the SFA in relation to “Market Conduct” which did not result in his gaining a profit or avoiding a loss, the court may make an order against him for the payment of a civil penalty of a sum not less than S\$50,000 and not more than S\$2 million.

Section 204 and 221 of the SFA

Any person who contravenes section 197, 199, 200, 201, 218 or 219 of the SFA is guilty of an offence and shall be liable on conviction to a fine not exceeding S\$250,000 or to imprisonment for a term not exceeding seven years or to both. Section 204 and 221 further provide that no proceedings shall be instituted against a person for the offence after a court has made an order against him for the payment of a civil penalty under section 232, or the person has entered into an agreement with the MAS to pay, with or without admission of liability, a civil penalty under section 232(5) in respect of that contravention.

3. TAKEOVER OBLIGATIONS — OFFENCES AND OBLIGATIONS RELATING TO TAKE-OVERS

Obligations under the Singapore Code on Take-overs and Mergers (the “Take-over Code”) and the consequences of non-compliance

Applicability of the Take-over Code to S-REITs

The recent amendments to the SFA, which came into operation on 29 July 2009, gave effect to the extension of the Take-over Code to S-REITs¹⁵. Parties engaged in take-over or merger transactions involving S-REITs are to comply with the Take-over Code with the provisions of the Take-over Code to be construed accordingly.

Obligations under the Take-over Code

Under the Take-over Code, any person acquiring an interest, either individually or with parties acting in concert, in 30.0% or more of the Units (being voting units in the S-REIT) may be required to extend a take-over offer for the remaining Units in accordance with the Take-over Code. A take-over offer is also required to be made, except with the consent of the SIC, if a person holding between 30.0% and 50.0% inclusive of the Units, either individually or in concert, acquires an additional 1.0% of the Units in any six-month period under the Singapore Take-over Code. The Manager is required to make an announcement to Unitholders upon receipt of notice of the mandatory take-over offer from the offeror.

¹⁵ See section 2(r) of the Securities and Futures (Amendment) Act 2009 which amends the definition of “take-over offers” in section 2(1) of the SFA which came into operation on 29 July 2009. The definition of “take-over offers” has been amended to include in the case of a collective investment scheme constituted as a unit trust and authorised under section 286, that invests primarily in real estate and real estate-related assets specified by the MAS in the Code on Collective Investment Schemes, and all or any of the units in which are listed for quotation on a securities exchange: (A) some or all of the units, or some or all of the units of a particular class, in the scheme made to all unitholders of the scheme, or where the person already holds units in the scheme, made to all other unitholders of the scheme; or (B) all of the remaining units in the scheme made to all other unitholders of the scheme as a result of the person acquiring or consolidating effective control of that scheme within the meaning of the Take-over Code.

“Parties acting in concert” comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), cooperate, through the acquisition by any of them of Units in an S-REIT, to obtain or consolidate effective control of that S-REIT. Certain persons are presumed (unless the presumption is rebutted) to be acting in concert with each other under the Take-over Code. They are as follows:

- (a) a company and its related companies, the associated companies of any of the company and its related companies, companies whose associated companies include any of these companies and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing for the purchase of voting rights;
- (b) a company and its directors (including their close relatives, related trusts and companies controlled by any of the directors, their close relatives and related trusts);
- (c) a company and its pension funds and employee share schemes;
- (d) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis;
- (e) a financial or other professional adviser and its clients in respect of Units held by the adviser and persons controlling, controlled by or under the same control as the adviser and all the funds managed by the adviser on a discretionary basis, where the Unitholdings of the adviser and any of those funds in the client total 10.0% or more of the client’s equity share capital;
- (f) directors of a company (including their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for the company may be imminent;
- (g) partners; and
- (h) an individual and his close relatives, related trusts, any person who is accustomed to act in accordance with his instructions and companies controlled by the individual, his close relatives, his related trusts or any person who is accustomed to act in accordance with his instructions and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing for the purchase of voting rights.

Announcements to be made by the Offeror

In the event that one of the abovementioned trigger-points is reached, the Take-over Code requires the person or corporation, or any of its concert parties who will be making the take-over offer for the S-REIT (the “Offeror”) to make a public offer announcement stating the terms of the offer and its identity, despatch an offer document (the offer document) to all the Unitholders of the S-REIT not earlier than 14 days and not later than 21 days from the date of the offer announcement and lodge the offer document with the SIC. The offer document must contain, among others, particulars of the terms of the take-over offer and the offer must be kept open for at least 28 days after the date on which the offer document was posted.

The Offeror may vary the offer by offering more for the Units or by extending the period in which the offer remains open. If a variation is proposed, the Offeror is required to give a written notice to the S-REIT and its unitholders, stating the modifications made to the matters set out in the offer document. The revised offer must be kept open for at least another 14 days. Where the consideration is varied, Unitholders who agree to sell before the variation are also entitled to receive the increased consideration.

The Offer

A mandatory offer must be in cash or be accompanied by a cash alternative at not less than the highest price paid by the offeror or any person acting in concert with it for voting rights of the offeree company during the offer period and within six months prior to its commencement. Under General Principle 3 of the Take-over Code, an Offeror must treat all Unitholders equally. A fundamental requirement is that Unitholders in the S-REIT subject to the takeover offer must be given sufficient information, advice and time to consider and decide on the offer.

Consequences of non-compliance

The Take-over Code is non-statutory in that it does not have the force of law. Therefore, as provided in section 139(8) of the SFA, a failure of any party concerned in a take-over offer or a matter connected therewith to observe any of the provisions of the Take-over Code shall not of itself render that party liable to criminal proceedings. However, any such failure may, in any proceedings whether civil or criminal, be relied upon by any party to the proceedings as tending to establish or to negate any liability which is in question in the proceedings

Section 139(10) and 139(11) of the SFA further provides that where the SIC has reason to believe that any party concerned in a take-over offer or a matter connected therewith, or any person advising on a take-over offer or a matter connected therewith, is in breach of the provisions of the Take-over Code or is otherwise believed to have committed acts of misconduct in relation to such take-over offer or matter, the SIC shall have power to enquire into the suspected breach or misconduct. The SIC may summon any person to give evidence on oath or affirmation, which it is thereby authorised to administer, or produce any document or material necessary for the purpose of the enquiry.

1. INFORMATION REGARDING THE LEASEHOLD TITLE TO THE PROPERTIES

1.1 City One Shatin Property

City One Shatin Property is held from the Government for the residue of the term of 99 years less the last three days thereof commencing from 1 July 1898 (the said term is extended until 30 June 2047 by virtue of Section 6 of the New Territories Leases (Extension) Ordinance 1988) under a Government Lease of Sha Tin Town Lot No. 1 deemed to have been issued under and by virtue of Section 14(3) of the Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong) upon compliance with the conditions precedent contained in certain Agreement and Conditions of Sale deposited and registered in the Land Registry as New Grant No. 11064, which was dated 30 October 1975 and made between Paramatta Investment Company Limited and the Deputy Secretary for the New Territories for and on behalf of the Governor of Hong Kong as varied and modified by three Modification Letters respectively registered in the Land Registry by Memorial No. ST180771, ST184534 and ST334013 and a No-objection letter registered in the Land Registry by Memorial No. ST400998 (such compliance being evidenced by a Certificate of Compliance dated 31 July 1990 and registered in the Land Registry by Memorial No. ST571878).

Under Special Condition 5(a) of the Government Lease, Paramatta Investment Company Limited ("**Paramatta**"), the grantee of the Government Lease, to the intent that this obligation shall be binding upon it personally during the whole of the lease term as well as on its successors and assigns, shall at its own proper costs and charges including such costs and charges recoverable under the Deed of Mutual Covenant in respect of the development erected on Sha Tin Town Lot No. 1 throughout the lease term (notwithstanding that it has assigned, mortgaged, underlet, parted with the possession of or otherwise disposed of such Lot or some interest therein) well and sufficiently manage, repair, uphold, support, maintain, pave, purge, scour, cleanse, empty, amend and keep such Lot and all buildings and structures erected or to be erected thereon and all walls, banks, cuttings, hedges, ditches, rails, lights, pavements, privies, sinks, drains, channels, watercourses, roads, paths, gardens, lawns and recreational and other facilities thereunto belonging and which shall in any-wise belong or appertain to the Lot in, by and with all and all manner of needful and necessary reparations, cleansings and amendments whatsoever the whole to be done to the satisfaction of the Secretary for the New Territories.

In respect of the two non-domestic units on the ground floor of Block 17 and Block 23 of the residential towers of City One Shatin (the "**two units**"), in 1981, Paramatta entered into sale and purchase agreements ("**Paramatta SPAs**") to sell, among other things, the two units to King Hong Development Company Limited ("**King Hong**"). King Hong paid the purchase price in full to Paramatta upon signing of the Paramatta SPAs, but the parties did not enter into an assignment of the two units. In 1990, when Paramatta sold the two units to a Property Company — Maxon Investment Limited, which is the predecessor in title to another Property Company — Million Nice Development Limited, King Hong was not a party to assign its title to, or to confirm the assignment of, the two units. Therefore, Million Nice Development Limited holds the legal title to the two units as a bare trustee on behalf of King Hong, and King Hong retains the beneficial title to the two units. Legally, Fortune REIT may be required by King Hong, as the beneficial owner of the two units, to assign the ownership of such units to King Hong and to account to King Hong all income arising from the letting of the two units since their acquisition by Fortune REIT. Based on information currently available to the Manager, it understands that King Hong has been dissolved since November 2005. At the time when Fortune REIT acquired City One Shatin Property in 2005, the vendor has given an indemnity in favour of Maxon Investment Limited and Million Nice Development Limited against, among other things, all losses and liabilities that any of those

Property Companies suffers or incurs directly or indirectly upon account of or in respect of or arising under the Paramatta SPAs. The value contribution by the two units to Fortune REIT has been negligible.

In respect of the roof (referred to in this paragraph as the “**roof**”) of Ngan Shing Commercial Centre (Commercial Block A) (referred to in this paragraph as the “**building**”), it is unclear from the Sub-Deed of Mutual Covenant of the building whether the roof forms part of City One Shatin Property, in which case Fortune REIT has title to it, or it forms part of the common areas of the building, in which case Fortune REIT has no title to it. The roof generates no income and has no commercial value.

1.2 Ma On Shan Plaza

Ma On Shan Plaza is held from the Government for the residue of the term of years from 6 December 1991 until 30 June 2047 under a Government Lease of Sha Tin Town Lot No. 382 deemed to have been issued under and by virtue of Section 14(3) of the Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong) upon compliance with the conditions precedent contained in certain Agreement and Conditions of Grant deposited and registered in the Land Registry as New Grant No. 12378, which was dated 6 December 1991 and made between Poko Shine Limited, as grantee and the District Lands Officer, Sha Tin for and on behalf of the then Governor of Hong Kong as varied and modified by three Modification Letters respectively registered in the Land Registry by Memorial Nos. ST731682, ST769520 and ST890100 (such compliance being evidenced by a Certificate of Compliance dated 10 October 1996 and registered in the Land Registry by Memorial No. ST904760).

Under Special Condition 20 of the Government Lease: (i) Poko Shine Limited (excluding its assigns) has a personal obligation to manage and maintain two single storey footbridges constructed by Poko Shine Limited under the terms of the Government Lease (referred to in this paragraph as the “**footbridges**”) in good and substantial repair and condition in all respects to the satisfaction of the Director of Lands; and (ii) Poko Shine Limited has to indemnify the Government (its officers, agents, contractors and workmen or other authorised personnel) from and against all liability and actions, proceedings, costs, claims and expenses, loss and damages etc arising out of, inter alia, the repair and maintenance of the footbridges.

Special Condition 33(viii) of the Government Lease further provides that Poko Shine Limited shall not assign or otherwise dispose of or part with possession of, except as a whole, the undivided shares allocated to the parts of the Podium at Level 2 and Level 3 of the commercial development comprised in Ma On Shan Plaza (referred to in this paragraph as the “**commercial areas**”) except that it may underlet the commercial areas or part(s) thereof for non-renewable terms of not more than 10 years at a time (or for renewable terms where the aggregate of the original term and the term so renewed does not exceed 10 years).

1.3 Metro Town

Metro Town is held from the Government for the residue of the term of 50 years commencing on 11 February 2003 and expiring on 10 February 2053 created by a Government Lease deemed to have been issued pursuant to the Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong) upon compliance of all the conditions precedent contained in an Agreement and Conditions of Grant registered in the Land

Registry as New Grant No.SK9700 as varied or modified by a Modification Letter registered in the Land Registry by Memorial No.SK626197 (such compliance being evidenced by a Certificate of Compliance dated 16 April 2008 and registered in the Land Registry by Memorial No. 08042202080013).

Adjacent to and outside the lot where Metro Town is located, there is a footbridge (referred to in this paragraph as the “**footbridge**”), which can be used by the general public. Under the Government Lease of Metro Town, it is a condition that the grantee (i.e., MTR Corporation Limited) shall erect and maintain the footbridge, which was erected by MTR Corporation Limited pursuant to the Government Lease at a location outside the lot on which Metro Town stands, and therefore, the footbridge is not part of Metro Town to which MTR Corporation Limited had title. However, the footbridge is included in the definition of the Commercial Development under the Deed of Mutual Covenant of Metro Town. When Fortune REIT, through Mega Gain Resources Limited, acquired Metro Town from MTR Corporation Limited, the footbridge was assigned to Mega Gain Resources Limited as part of the Commercial Development. As the owner of the Commercial Development, Fortune REIT is obliged to maintain the footbridge. Under the relevant assignment of the Commercial Development, Mega Gain Resources Limited covenanted with MTR Corporation Limited to manage, repair and maintain the footbridge and any replacement or substitution thereof in good and substantial repair and condition, and that if Metro Town ceases to be held by one single owner, the footbridge shall become or form part of the common areas of Metro Town and each of the co-owners of Metro Town shall then contribute to the expenses for the management, repair and maintenance of the footbridge. The footbridge generates no income and has no commercial value.

1.4 The Metropolis Mall

The Metropolis Mall is held from the Government for the residue of the term of years from 14 February 1997 until 30 June 2047 under a Government Lease of Kowloon Inland Lot No. 11077 deemed to have been issued under and by virtue of Section 14(4) of the Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong) upon compliance with the conditions precedent contained in an Agreement and Conditions of Grant and registered in the Land Registry as Conditions of Grant No. 12444, which was dated 14 February 1997 and made between Kowloon-Canton Railway Corporation and the District Lands Officer, Kowloon West for and on behalf of the then Governor of Hong Kong as varied and modified by a Modification Letter registered in the Land Registry by Memorial No. UB8310766 and a No-objection Letter registered in the Land Registry by Memorial No. UB8393595 and a Modification Letter registered in the Land Registry by Memorial No. UB8909679 (such compliance being evidenced by a Certificate of Compliance dated 22 April 2003 and registered in the Land Registry by Memorial No. UB8919038).

1.5 Waldorf Garden Property

Waldorf Garden Property is held from the Government for the residue of the term of 99 years less the last three days thereof commencing from 1 July 1898 (the said term is extended until 30 June 2047 by virtue of Section 6 of the New Territories Leases (Extension) Ordinance 1988) under a Government Lease of Tuen Mun Town Lot No.194 deemed to have been issued under and by virtue of Section 14(3) of the Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong) upon compliance with the conditions precedent contained in certain Agreement and Conditions of Sale deposited and registered in the Land Registry as New Grant No. 2344, which was dated 22 January 1980 and made between Waldorf Realty Limited, as grantee and the Deputy Secretary for the New

Territories for and on behalf of the Governor of Hong Kong (such compliance being evidenced by a Certificate of Compliance dated 5 January 1983 and registered in the Land Registry by Memorial No.TM253542).

- (a) Under Special Condition 24(b)(v) of the Government Lease, Waldorf Realty Limited is not allowed to assign, mortgage or underlet (save as provided in (b) below) or otherwise dispose of or part with possession of any of the undivided shares allocated to the communal areas and the whole of the retail shops at Level 3 (collectively, the "**retail shops**") save with the prior written consent of the Registrar General (Land Officer). Despite the foregoing, Waldorf Realty Limited may assign the whole of the said undivided shares (but not a part thereof) to an incorporated company whose principal business is that of estate management and whose identity shall have received the prior written approval of the Registrar General (Land Officer) provided that such consent, if given, shall be subject to such conditions (if any) as the Registrar General (Land Officer) shall in his absolute discretion stipulate, including the provision by Waldorf Realty Limited or the proposed assignee of a bank bond in favour of the Government in such sum, issued by such bank, in such form and upon such terms as the Registrar General (Land Officer) may approve or require for securing the performance by Waldorf Realty Limited of its obligations under Special Condition 25 of the Government Lease. However, the above restriction applies only to disposal of the retail shops by Waldorf Realty Limited. It does not restrict disposal by Fortune REIT of Waldorf Realty Limited itself, and indirectly all the assets of Waldorf Realty Limited including the retail shops.
- (b) Pursuant to Special Condition 24(b) of the Government Lease, Waldorf Realty Limited is entitled to underlet the retail shops a rack rent without premium for a term not exceeding seven years without a right of renewal, such underletting and the form of underlease in each case to have received the prior written consent of the Registrar General (Land Officer) who may impose such conditions (including the payment of a fee) in any such consent as he thinks fit.
- (c) Under Special Condition 25(a) of the Government Lease, Waldorf Realty Limited or the said management company, to the intent that this obligation shall be binding upon it personally during the whole of the lease term as well as on its successors and assigns, shall in accordance with the Deed of Mutual Covenant in respect of the development erected on Tuen Mun Town Lot No.194 with regard to costs and charges, throughout the term of the lease (notwithstanding that it has assigned, mortgaged, underlet, parted with the possession of or otherwise disposed of such Lot or some interest therein) well and sufficiently manage, insure, decorate, repair, uphold, support, maintain, pave, purge, scour, cleanse, empty, amend, cultivate and keep such Lot and all buildings and structures erected and all walls, banks, cuttings, hedges, ditches, rails, lights, pavements, privies, sinks, drains, pipes, wires, cables, conduits, ventilation, air conditioning and humidification apparatus, electrical and gas installations, telephone equipment, refuse collection, treatment and disposal plant, watering and fertilization systems, channels, watercourses, roads, paths, gardens, lawns, open spaces, landscaped areas, parking, loading, unloading, manoeuvring and service areas, recreational and other facilities thereunto belonging to the lot, by and with all needful and necessary reparations, cleansings, cultivation and amendments to be done to the satisfaction of the Secretary for the New Territories.

- (d) By an undertaking dated 23 March 1983 and registered in the Land Registry by Memorial No.TM225172, Waldorf Realty Limited has undertaken:
- (i) not to erect or maintain any structure or erection whatsoever within the northern and southern open arcades or common passage ways at Level 1 (street level) of the development known as Waldorf Garden which would in any way impede the free flow of public pedestrian traffic thereon throughout the term of years granted; and
 - (ii) to construct and maintain on the external paved area a pedestrian pavement of not less than three metres in width which shall be kept free from any obstruction at all times throughout the term to the satisfaction of the District Lands Officer, Tuen Mun (failing which, the Government may carry out such obligation at the costs of Waldorf Realty Limited).

Waldorf Garden Property comprises, among other things, a bicycle parking area on Level 1 of Waldorf Garden (the "**bicycle parking area**"). Fortune REIT owns the bicycle parking area through a Property Company — Waldorf Realty Limited. In 1983, Waldorf Realty Limited entered into a sale and purchase agreement dated 7 June 1983 (as supplemented by a supplemental agreement dated 1 July 1987) (collectively, the "**Waldorf Bicycle Parking Area SPA**") to sell, among other things, the bicycle parking area to Panhard Limited. Panhard Limited has paid the purchase price in full to Waldorf Realty Limited, but the parties did not enter into an assignment of the bicycle parking area. The bicycle parking area is therefore subject to the Waldorf Bicycle Parking Area SPA, and Waldorf Realty Limited has to assign the bicycle parking area to Panhard Limited upon request. The bicycle parking area generates no income and has no commercial value.

1.6 Caribbean Bazaar

Caribbean Bazaar is held from the Government for the residue of the term of 50 years and five days commencing on 26 June 1997 and expiring on 30 June 2047 created by an Agreement and Conditions of Grant deposited and registered at the Land Registry as Conditions of Grant No.8102 as varied or modified by three Modification Letters respectively registered in the Land Registry by Memorial Nos.IS275045, IS280575 and IS313213.

Pursuant to the conditions of the Government Lease, Caribbean Bazaar being the commercial development of Caribbean Coast should not be assigned or otherwise disposed of except as a whole. Therefore, the grantee, MTR Corporation Limited, is restricted from entering into any agreement or assign any part of the lot on which the Caribbean Bazaar stands without the consent from the Director of Lands of the Lands Department of the Government. The consent to assign in respect of the 117 commercial car parking spaces was issued on 21 May 2008. The consent to assign in respect of the commercial development, kindergarten and the wet market (forming part of the Caribbean Bazaar) was issued on 14 October 2009.

Further, a waiver letter registered in the Land Registry by Memorial No.06032901870139 has been granted by the Lands Department to MTR Corporation Limited so as to permit the operation of the wet market (forming part of Caribbean Bazaar) in the form of a supermarket (the "**Waiver Letter**"). The waiver is for a term of three years from 16 February 2006 to 15 February 2009 subject to payment of an annual waiver fee to the Government and a deposit as security for the due performance and observance of the

terms of the Waiver Letter for the first three years of the term and thereafter the term will be quarterly at a revised waiver fee payable quarterly and subject to payment of a revised deposit. The revised waiver fee is HK\$49,500 per quarter starting from 16 February 2009 but the deposit remains unchanged. The Waiver Letter may be terminated by either party giving to the other party not less than three calendar months' prior notice in writing. The Waiver Letter is now in subsistence.

The wet market is now being let to A.S. Watson Group (HK) Limited for the operation of a supermarket for the term from 1 February 2006 to 31 January 2012 at a monthly basic rent plus a turnover rent calculated with reference to a fixed percentage of the tenant's monthly sales turnover (the "**Wet Market Lease**"). The Wet Market Lease provides that the subsistence and the continuation of the Wet Market Lease are subject to the subsistence and continuation of the Waiver Letter. The Wet Market Lease is connected with the lease of the adjoining premises ("**Connected Lease**") such that the Connected Lease will automatically terminate upon the termination of the Wet Market Lease.

The Lands Department of Hong Kong has advised that upon transfer of ownership of Caribbean Bazaar, the Waiver Letter would be terminated and a new waiver letter would, subject to the approval of the Government, be issued to Genuine Joy Limited as new owner with the commencement date of the new waiver to tie in with the termination of the Waiver Letter. MTR Corporation Limited has, with the consent of Genuine Joy Limited, served notice of termination to terminate the Waiver Letter with effect from 15 February 2010 and Genuine Joy Limited is in the course of applying for a new waiver letter. Two demand notes in the sum of HK\$198,000.00 being the up-front money and the sum of HK\$30,500.00 being the administrative fee have been issued by the Lands Department of Hong Kong and Genuine Joy Limited has settled the payment on 19 January 2010. The termination of the Waiver Letter and the re-issuance of a new waiver letter are now being processed. The term of the new waiver, the waiver fee and the deposit (equivalent to six months' waiver fee) are yet to be determined. Although there is no commitment from the Government that a new waiver will be issued, based on information currently available to the Manager, the understanding is that the wet market can be operated as a supermarket during the interim period, pending issuance of the new waiver and that such new waiver, if and when issued, will take effect from the termination of the Waiver Letter.

1.7 Smartland

Smartland is held from the Government for the residue of the term of 99 years less the last three days thereof commencing from 1 July 1898 (the said term is extended until 30 June 2047 by virtue of Section 6 of the New Territories Leases (Extension) Ordinance 1988) under a Government Lease of Tsuen Wan Town Lot No. 247 deemed to have been issued under and by virtue of Section 14(3) of the Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong) upon compliance with the conditions precedent contained in certain Agreement and Conditions of Exchange deposited and registered in the Land Registry as New Grant No. 5591, which was dated 19 May 1978 and made between East Asia Textiles Limited and the Town Manager and District Officer Tsuen Wan for and on behalf of the then Governor of Hong Kong as varied and modified by a Waiver Letter registered in the Land Registry by Memorial No. TW293049 and two Supplemental Waiver Letters respectively registered in the Land Registry by Memorial Nos. TW369681 and TW507909; a further Waiver Letter registered in the Land Registry by Memorial No. TW959559; and a Temporary Waiver Letter registered in the Land Registry by Memorial No. TW1334047 (such compliance being evidenced by a Certificate of Compliance dated 16 February 1987 and registered in the Land Registry by Memorial No. TW1207119).

1.8 Tsing Yi Square Property

Tsing Yi Square Property is held from the Government for the residue of the term of 99 years less the last three days thereof commencing from 1 July 1898 (the said term is extended until 30 June 2047 by virtue of Section 6 of the New Territories Leases (Extension) Ordinance 1988) under a Government Lease of Tsing Yi Town Lot No. 101 deemed to have been issued under and by virtue of Section 14(3) of the Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong) upon compliance with the conditions precedent contained in certain Agreement and Conditions of Exchange deposited and registered in the Land Registry as New Grant No.6229, which was dated 18 May 1984 and made between Tsing-Yi Realty Limited and the District Lands Officer, Tsuen Wan on behalf of the Governor of Hong Kong as varied and modified by a Modification Letter registered in the Land Registry by Memorial No. TW376662 (such compliance being evidenced by a Certificate of Compliance dated 12 December 1986 and registered in the Land Registry by Memorial No.TW415958).

1.9 Jubilee Court Shopping Centre

Jubilee Court Shopping Centre is held from the Government for the residue of the term of 99 years less the last three days thereof commencing from 1 July 1898 (the said term is extended until 30 June 2047 by virtue of Section 6 of the New Territories Leases (Extension) Ordinance 1988) under a Government Lease of Sha Tin Town Lot No. 87 deemed to have been issued under and by virtue of Section 14(3) of the Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong) upon compliance with the conditions precedent contained in certain Agreement and Conditions of Sale deposited and registered in the Land Registry as New Grant No. 11326, which was dated 29 August 1979 and made between Yee Pang Realty Limited, as grantee and the Secretary for the New Territories, for and on behalf of the Governor of Hong Kong as varied and modified by a Modification Letter registered in the Land Registry by Memorial No. ST283925 (such compliance being evidenced by a Certificate of Compliance dated 25 June 1986 and registered in the Land Registry by Memorial No. ST333663).

Under Special Condition 15(a) of the Government Lease, Yee Pang Realty Limited has a personal obligation, with regard to costs and charges and in accordance with the Deed of Mutual Covenant in respect of the development erected on Sha Tin Town Lot No. 87 and known as Jubilee Garden of which Jubilee Court Shopping Centre forms part, to repair, manage and maintain all buildings and structures upon Sha Tin Town Lot No. 87 (including the concrete platform upon which the development now stands) notwithstanding that it has assigned, mortgaged, underlet, parted with possession of or otherwise disposed of the said Sha Tin Town Lot No. 87 or any interest therein.

The Government Lease also contains certain restrictions against disposal by Yee Pang Realty Limited of the non-residential or non-hotel portion of Sha Tin Town Lot No. 87, and of the Reserved Portion of Jubilee Court Shopping Centre, which Reserved Portion comprises:

- (i) parking spaces for taxis and/or hire cars (as provided in accordance with Special Condition 19(b) of the Government Lease);

- (ii) loading and unloading spaces for goods vehicles to service the wet market, the Residential Development (as defined in the Deed of Mutual Covenant) and the Commercial Development (as defined in the Deed of Mutual Covenant) forming part of Jubilee Court Shopping Centre (as provided in accordance with Special Condition 20 of the Government Lease);
- (iii) the mechanical lifting equipment or escalators (as provided in accordance with Special Condition 24 of the Government Lease);
- (iv) the swimming pool complex (as provided in accordance with Special Condition 49 of the Government Lease);
- (v) the wet market (as provided in accordance with Special Condition 50 of the Government Lease);
- (vi) social service, educational, recreational and amenity facilities (as provided in accordance with Special Condition 51 of the Government Lease) including but not limited to tennis courts, children's play areas, kindergarten, nursery or child care centre, youth centre, community activity rooms and a private doctor clinic;
- (vii) landscaped areas (as provided in accordance with Special Conditions 52 and 53 of the Government Lease);
- (viii) roads and footpaths;
- (ix) entrance halls, passageways and lifts (other than those serving exclusively a residential tower block, the residential duplex apartments or the Commercial Development of which Jubilee Court Shopping Centre forms part);
- (x) open spaces in the said development (except the Railway Area (as defined in the Deed of Mutual Covenant)); and
- (xi) those areas reserved for public access in accordance with Special Condition 25 of the Government Lease.

In respect of the non-residential or non-hotel portion of Sha Tin Town Lot No. 87 (referred to in this paragraph as the "relevant portion"), Yee Pang Realty Limited has to obtain a bank bond in favour of the Government to secure the performance by Yee Pang Realty Limited of its said obligations under the said Special Condition 15(a) prior to any assignment, mortgage, underletting (except at a rack rent without a premium) or parting with possession of any part or all of the relevant portion. Such bank bond is required to be in an amount of not less than HK\$15 million (or such sum as may be increased by the Director of Lands) from a bank acceptable to the Government and in a form previously agreed with the Director of Lands. This condition applies only to disposal of the relevant portion by Yee Pang Realty Limited. It does not apply to disposal by Fortune REIT of Yee Pang Realty Limited itself, and indirectly all the assets of Yee Pang Realty Limited including the relevant portion.

In respect of the Reserved Portion:

- (a) Yee Pang Realty Limited is not allowed to assign (except to another estate management company being an incorporated company approved by the Director of Lands whose principal business is that of estate management and is a wholly-owned and controlled subsidiary of Yee Pang Realty Limited), mortgage or charge, underlet or otherwise dispose of the undivided shares allocated to the Reserved Portion (save as provided in (b) below) to the intent that ownership, possession and management of the Reserved Portion shall remain in the hands of Yee Pang Realty Limited or the said approved estate management company. However, the above restriction applies only to disposal of the Reserved Portion by Yee Pang Realty Limited. It does not restrict disposal by Fortune REIT of Yee Pang Realty Limited itself, and indirectly all the assets of Yee Pang Realty Limited including the Reserved Portion.
- (b) Yee Pang Realty Limited is entitled to grant licences or underlet such parts of the Reserved Portion as are described in (iv), (v) and (vi) above in accordance with Special Condition 14(d)(iii) and (iv) (i.e., in the case of market stalls comprised in the wet market, for a licence period of not more than one year at a time, and in the case of other relevant part(s) of the Reserved Portion, for non-renewable terms of not more than five years or for terms exceeding five years with the prior consent of the Director of Lands), and be entitled to the licence fees or rents thereof. Special Condition 14(d) also requires that the relevant licence or tenancy agreement be in a form previously approved by the Director of Lands. Certain licences and tenancies entered into prior to 2007, all of which have now expired, were not in full compliance with such requirements. Yee Pang Realty Limited has applied to the Director of Lands for waiver, and administrative fees were paid. The Director of Lands is now processing the application. The Director of Lands may require Yee Pang Realty Limited to pay, among other fees and charges, penalty as a condition for granting the waiver.

1.10 The Household Center

The Household Center is held from the Government for the residue of the term of 50 years from 17 July 1998 to 16 July 2048 under a Government Lease of Kwai Chung Town Lot No. 474 deemed to have been issued under and by virtue of Section 14(3) of the Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong) upon compliance with the conditions precedent contained in certain Agreement and Conditions of Exchange registered in the Land Registry as New Grant No. 7071, which was dated 17 July 1998 and made between Central More Limited and the Chief Estate Surveyor, Land Supply and Redevelopment on behalf of the Government (such compliance being evidenced by a Certificate of Compliance dated 16 September 2002 and registered in the Land Registry by Memorial No. TW1480331).

1.11 Centre de Laguna Property

Centre de Laguna Property is held from the Government for the residue of the term of years commencing from 31 October 1989 and expiring on 30 June 2047 under a Government Lease of New Kowloon Inland Lot No.6100 deemed to have been issued under and by virtue of Section 14(3) of the Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong) upon compliance with the conditions precedent contained in certain Agreement and Conditions of Exchange deposited and registered in the Land Registry as

Conditions of Exchange No.12071, which was dated 31 October 1989 and made between Kin On Development Company Limited and the Assistant Registrar General on behalf of the Governor of Hong Kong (such compliance being evidenced by a Certificate of Compliance dated 10 November 1992 and registered in the Land Registry by Memorial No.UB5497562).

1.12 Hampton Loft

Hampton Loft is held from the Government for the residue of the term of 50 years commencing on 13 December 1999 and expiring on 12 December 2049 created by a Government Lease deemed to have been issued pursuant to the Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong) upon compliance of all the conditions precedent contained in certain Agreement and Conditions of Sale registered in the Land Registry as Conditions of Sale No.12554 as varied or modified by two several Consent Letters respectively registered in the Land Registry by Memorial Nos.UB8626559 and UB8746937 (such compliance being evidenced by a Certificate of Compliance dated 22nd November 2003 and registered in the Land Registry by Memorial No.UB9070908).

1.13 Lido Garden Property

Lido Garden Property is held from Government for the residue of the further terms of 24 years less the last three days thereof commencing from 1 July 1973 (which term is extended until 30 June 2047 by virtue of Section 6 of the New Territories Leases (Extension) Ordinance 1988) under a Government Lease of Tsuen Wan Marine Lot No.4 deemed to have been granted under and by virtue of the New Territories (Renewable Government Lease) Ordinance (Chapter 152 of Laws of Hong Kong) upon the expiration of the original term of 75 years created by an Agreement and Conditions of Sale deposited and registered in the Land Registry as Conditions of Sale No.2309, which was dated 13 January 1927 and made between Jehangir Hormusjee Ruttonjee and the Director of Public Works on behalf of the Governor of Hong Kong, and the extension granted thereto by virtue of a letter dated 21 January 1930 from the Director of Public Works to Jehangir Hormusjee Ruttonjee.

1.14 Rhine Garden Property

Rhine Garden Property is held from the Government for the residue of the term of years commencing from 1 September 1990 and expiring on 30 June 2047 under a Government Lease of Lot No. 261 in Demarcation District 390 deemed to have been issued under and by virtue of Section 14(3) of the Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong) upon compliance with the conditions precedent contained in certain Agreement and Conditions of Exchange deposited and registered in the Land Registry as New Grant No.6771, which was dated 1 September 1990 and made between Penkilan Limited and the District Lands Officer, Tsuen Wan for and on behalf of the Governor of Hong Kong as varied and modified by a Modification Letter registered in the Land Registry by Memorial No.TW787947 (such compliance being evidenced by a Certificate of Compliance dated 29 February 2000 and registered in the Land Registry by Memorial No.TW1337513).

2. INFORMATION REGARDING THE DEEDS OF MUTUAL COVENANT TO THE PROPERTIES

2.1 Details of the Deeds of Mutual Covenant to the Properties

2.1.1 Each of the Properties is subject to the deed of mutual covenant and other documents (“DMC”) referred to in column B of Table 1 below. The DMC, in relation to the property referred to in column A of Table 1 below (“Property”) is to make provision for the maintenance and management of the development (the “Development”) erected on the land (the “Land”) both referred to in column C of Table 1 below and the common areas and facilities of the Development and to define and regulate the rights, interests and obligations of the owners in respect of the Land and the Development and to provide for a due proportion of the relevant expenses to be borne by the owners.

As the DMC binds all owners of undivided shares of and in the Land and the Development, the party in column E of Table 1 below (the “Owner”), either as a party to the DMC or as the owner of the Property, is bound by the DMC. The manager (“DMC Manager”) referred to in column D of Table 1 below is the manager appointed under the DMC and has a general power of management in relation to the Development in accordance with the provisions of the DMC. Its scope of responsibilities under the DMC include, inter alia, the general responsibilities referred to in section 14.1.2 of this document.

Table 1

	<u>Property (column A)</u>	<u>DMC (column B)</u>	<u>Development and Land (column C)</u>	<u>Manager (column D)</u>	<u>Owner (column E)</u>
1.	City One Shatin Property	The deed of mutual covenant, dated 11 August 1981, was made between Paramatta Investment Company Limited (as registered owner), Lai Shan Shan and Yun Ling Tai (as purchaser) and Paramatta Estate Management Limited (as manager) and registered in the Land Registry by Memorial No. ST204466.	“City One Shatin” erected on Shatin Tin Town Lot No. 1	Paramatta Estate Management Limited	Million Nice Development Limited
2.	Ma On Shan Plaza	The deed of mutual covenant, dated 18 May 1995, was made between Poko Shine Limited (as registered owner), Cheng Sze Mui (as first purchaser) and Bayshore Property Management Limited (as manager) and registered in the Land Registry by Memorial No. ST814744.	“Bayshore Towers” erected on Sha Tin Town Lot No. 382	Bayshore Property Management Limited	Poko Shine Limited

APPENDIX 5

SUMMARY OF GOVERNMENT LEASES, DEEDS OF MUTUAL COVENANT AND PROPERTY COMPANY STRUCTURE

Property (column A)	DMC (column B)	Development and Land (column C)	Manager (column D)	Owner (column E)
3. Metro Town	The deed of mutual covenant and management agreement dated 24 November 2006, was made between MTR Corporation Limited (as registered owner), Hung Hing Sing and Hui Wai Yee Wendy (as first assignee) and MTR Corporation Limited (as manager) and registered in the Land Registry by Memorial No. 061206007400.	"Metro Town" erected on Tseung Kwan O Town Lot No. 73	MTR Corporation Limited	Mega Gain Resources Limited
4. The Metropolis Mall	The deed of mutual covenant and management agreement, dated 20 June 2002, was made between Kowloon-Canton Railway Corporation (as first owner), Harbour Plaza Metropolis Limited (as first assignee) and The Metropolis Management Company Limited (as manager) and registered in the Land Registry by Memorial No.UB8732820 and re-registered by Memorial No.UB8873810	"The Metropolis" erected on Kowloon Inland Lot No. 11077	The Metropolis Management Company Limited	Vision Million Limited
5. Waldorf Garden Property	The deed of mutual covenant and management agreement, dated 2 April 1983, was made between Waldorf Realty Limited (as registered owner), Fung Ching Yee (as first purchaser), Waldorf Realty Limited (as manager) and Hang Seng Bank Limited (as mortgagee) and registered in the Land Registry by Memorial No. TM224894 (as supplemented by a deed of supplement dated 21 August 1992, made by Waldorf Realty Limited and registered in the Land Registry by Memorial No. TM562348, which deed of supplement sets out the undivided shares allocated to the shops on Level 3 of the "Waldorf Garden" owned by Waldorf Realty Limited).	"Waldorf Garden" erected on Tuen Mun Town Lot No. 194	Waldorf Realty Limited	Waldorf Realty Limited

APPENDIX 5

SUMMARY OF GOVERNMENT LEASES, DEEDS OF MUTUAL COVENANT AND PROPERTY COMPANY STRUCTURE

Property (column A)	DMC (column B)	Development and Land (column C)	Manager (column D)	Owner (column E)
6. Caribbean Bazaar	The deed of mutual covenant and management agreement dated 7 April 2003, was made between MTR Corporation Limited (as registered owner), Cheung Yan Yiu and Lam Hoi Sze Cherry (as purchaser) and MTR Corporation Limited (as managers) and registered in the Land Registry by Memorial No. IS314912.	"Caribbean Coast" erected on Tung Chung Town Lot No. 5	MTR Corporation Limited	Genuine Joy Limited
7. Smartland	The deed of mutual covenant, dated 5 September 1981, was made between East Asia Textiles Limited (as first owner), The Hongkong and Shanghai Banking Corporation (as mortgagee), Chui Cheung Kit (as second owner) and International Property Management Limited (as manager) and registered in the Land Registry by Memorial No. TW232377.	"East Asia Gardens" erected on Tsuen Wan Town Lot No. 247	International Property Management Limited	Quick Switch Limited
8. Tsing Yi Square Property	The deed of mutual covenant and the management agreement, both dated 2 January 1987, were both made between Tsing-Yi Realty Limited (as developer), Yip Leung Po Kum (as unit owner), Citybase Property Management Limited (as manager) and respectively registered in the Land Registry by Memorial Nos. TW418061 and TW418062.	"Tsing Yi Garden" erected on Tsing Yi Town Lot No.101	Citybase Property Management Limited	Team Challenge Limited
9. Jubilee Court Shopping Centre	The deed of mutual covenant, dated 27 December 1985, was made between Yee Pang Realty Limited (as registered owner), Woo Wai Fung (as first purchaser) and Yee Pang Realty Limited (as manager) and registered in the Land Registry by Memorial No. ST314896.	"Jubilee Garden" erected on Sha Tin Town Lot No. 87	Yee Pang Realty Limited	Yee Pang Realty Limited

APPENDIX 5

SUMMARY OF GOVERNMENT LEASES, DEEDS OF MUTUAL COVENANT AND PROPERTY COMPANY STRUCTURE

Property (column A)	DMC (column B)	Development and Land (column C)	Manager (column D)	Owner (column E)
10. The Household Center	The deed of mutual covenant incorporating management agreement, dated 23 July 2002, was made between Central More Limited (as registered owner), The Financial Secretary Incorporated (as first assignee) and Citybase Property Management Limited (as manager) and registered in the Land Registry by Memorial No. TW1473301.	"Nob Hill" erected on Kwai Chung Town Lot No. 474	Citybase Property Management Limited	Art Full Resources Limited
11. Centre de Laguna Property	The deed of mutual covenant, dated 2 June 1992, was made between Kin On Development Company Limited (as registered owner), Fu Jih and Man Chwan Ying (as purchaser) and Laguna City Property Management Limited (as manager) and registered in the Land Registry by Memorial No. UB5318582.	"Blocks 32 to 38 of Laguna City" erected on New Kowloon Inland Lot No. 6100	Laguna City Property Management Limited	Ace Courage Limited
12. Hampton Loft	The deed of mutual covenant incorporating management agreement dated 9 December 2003, was made between Global Coin Limited (as registered owner), Chiu Kwai Foon and Yeung Chung Nam Chester (as first purchaser) and Goodwell Property Management Limited (as manager) and registered in the Land Registry by Memorial No. UB9088404.	"Hampton Place" erected on Kowloon Inland Lot No. 11107	Goodwell Property Management Limited	Full Belief Limited

Property (column A)	DMC (column B)	Development and Land (column C)	Manager (column D)	Owner (column E)
13. Lido Garden Property	The deed of mutual covenant, dated 15 April 1989, was made between Li Ka Shing Foundation Limited (as registered owner), Oriental Mountain Development Limited (as equitable owner), Lau Yuet Ngor (as first purchaser) and Citybase Property Management Limited (as manager) and registered in the Land Registry by Memorial No. UB4067684 and re-registered by Memorial No. UB4153041. The management agreement, dated 30 December 1992, was made between Citybase Property Management Limited (as manager) and The Owners' Committee of Lido Garden (as owners' committee) and registered in the Land Registry by Memorial No. UB5529576.	"Lido Garden" erected on Tsun (or Tsuen) Wan Marine Lot No. 4	Citybase Property Management Limited	Partner Now Limited
14. Rhine Garden Property	The deed of mutual covenant and management agreement, dated 4 May 1993, was made between Penkilan Limited (as registered owner), Leung Lit Kui (as first purchaser) and Goodwell Property Management Limited (as manager) and registered in the Land Registry by Memorial No. TW888736.	"Rhine Garden" erected on Lot No. 261 in Demarcation District No. 390	Goodwell Property Management Limited	Proven Effort Limited

2.1.2 Various portions of City One Shatin Property are subject to the sub-deeds of mutual covenant ("**Sub-DMC**") referred to in column B of Table 2 below. The Sub-DMC, in relation to the portions of City One Shatin Property referred to in column A of Table 2 below ("**Relevant Portion of City One Shatin Property**") is to make provision for the maintenance and management of the portions of the development known as "City One Shatin" (the "**Relevant Portion of City One Shatin Development**") erected on certain portions of Sha Tin Tow Lot No.1 (the "**Relevant Portion of City One Shatin Land**") both referred to in column C of Table 2 below and the common areas and facilities of the Relevant Portion of City One Shatin Development and to define and regulate the rights, interests and obligations of the owners in respect of the Relevant Portion of City One Shatin Land and the Relevant Portion of City One Shatin Development and to provide for a due proportion of the relevant expenses to be borne by the owners.

As the Sub-DMC binds all owners of undivided shares of and in the Relevant Portion of City One Shatin Land and the Relevant Portion of City One Shatin Development, Million Nice Development Limited, as the owner of the Relevant Portion of City One Shatin Property, is bound by the DMC. Paramatta Estate Management Limited (“**Sub-DMC Manager**”) is the manager appointed under the Sub-DMC.

In addition to the responsibilities under the DMC for City One Shatin, i.e., item 1 of the above Table 1, the Sub-DMC Manager in respect of the Commercial Block A, Commercial Block B and Blocks 34, 35 and 36 of City One Shatin shall have, inter alia, the following additional responsibilities under the Sub-DMC in respect of such Commercial Block A, Commercial Block B and Blocks 34, 35 and 36, i.e., items 1, 2 and 3 of the Table 2 below:

- (a) operation and maintenance of the air-conditioning system to the shops of such Commercial Block A and Commercial Block B;
- (b) maintenance of additional security to the shops of such Commercial Block A and Commercial Block B and certain non-residential units of Blocks 34, 35 and 36; and
- (c) arrangement for disposing of trade refuse; and
- (d) maintenance of orderly parking of cars in the car park of such Commercial Block A, Commercial Block B and Blocks 34, 35 and 36.

Table 2

Relevant Portion of City One Shatin Property (column A)	Sub-DMC (column B)	Relevant Portion of City One Shatin Development and Relevant Portion of City One Shatin Land (column C)
1. portions of Commercial Block A	The sub-deed of mutual covenant, dated 27 October 1983, was made between Paramatta Investment Company Limited (as registered owner), Chan Wai Lun Jason and Chan Ping Lam (as purchaser) and Paramatta Estate Management Limited (as manager) and registered in the Land Registry by Memorial No. ST242163.	Commercial Block A erected on a portion of The Remaining Portion of Section A of Sha Tin Town Lot No. 1

Relevant Portion of City One Shatin Property (column A)	Sub-DMC (column B)	Relevant Portion of City One Shatin Development and Relevant Portion of City One Shatin Land (column C)
2. portions of Commercial Block B	The sub-deed of mutual covenant, dated 13 September 2006, was made between Paramatta Investment Company Limited (as first owner), Million Nice Development Limited (as second owner) and Paramatta Estate Management Limited (as manager) and registered in the Land Registry by Memorial No. 06092201380155.	Commercial Block B erected on a portion of Section C of Sha Tin Town Lot No. 1
3. portions of the Blocks 34, 35 and 36	The sub-deed of mutual covenant, dated 15 January 1988, was made between Paramatta Investment Company Limited (as registered owner), Shum Hon Wai and Shum Chiu Kam Yin (as purchaser) and Paramatta Estate Management Limited (as manager) and registered in the Land Registry by Memorial No. ST415608.	Blocks 34, 35 and 36 erected on Section L of Sha Tin Town Lot No. 1
4. Shops A and B on the ground floor of Block 1	The sub-deed of mutual covenant, dated 15 September 1981, was made between Paramatta Investment Company Limited (as registered owner), Tang Hung Fuk Stigwood and Yu Oi (as purchaser) and Paramatta Estate Management Limited (as manager) and registered in the Land Registry by Memorial No. ST204711.	Block 1 erected on a portion of The Remaining Portion of Section A of Sha Tin Town Lot No. 1
5. Shops A and B and the nursery on the ground floor of Block 3	The sub-deed of mutual covenant, dated 15 September 1981, was made between Paramatta Investment Company Limited (as registered owner), Lam Kam Yin (as purchaser) and Paramatta Estate Management Limited (as manager) and registered in the Land Registry by Memorial No. ST204715.	Block 3 erected on a portion of The Remaining Portion of Section A of Sha Tin Town Lot No. 1

Relevant Portion of City One Shatin Property (column A)	Sub-DMC (column B)	Relevant Portion of City One Shatin Development and Relevant Portion of City One Shatin Land (column C)
6. Shops A and B and the nursery on the ground floor of Block 7	The sub-deed of mutual covenant, dated 5 October 1981, was made between Paramatta Investment Company Limited (as registered owner), Cheung Yuen Kwan (as purchaser) and Paramatta Estate Management Limited (as manager) and registered in the Land Registry by Memorial No. ST204602.	Block 7 erected on a portion of The Remaining Portion of Section A of Sha Tin Town Lot No. 1
7. kindergarten on the ground floor of Block 10	The sub-deed of mutual covenant, dated 15 September 1981, was made between Paramatta Investment Company Limited (as registered owner), Chen Yuan Yao (as purchaser) and Paramatta Estate Management Limited (as manager) and registered in the Land Registry by Memorial No. ST204717.	Block 10 erected on a portion of The Remaining Portion of Section A of Sha Tin Town Lot No. 1
8. Shops A and B on the ground floor of Block 11	The sub-deed of mutual covenant, dated 5 September 1981, was made between Paramatta Investment Company Limited (as registered owner), Leung Moon Lam (as purchaser) and Paramatta Estate Management Limited (as manager) and registered in the Land Registry by Memorial No. ST204719.	Block 11 erected on a portion of The Remaining Portion of Section A of Sha Tin Town Lot No. 1
9. Shops A and B on the ground floor of Block 12	The sub-deed of mutual covenant, dated 6 November 1981, was made between Paramatta Investment Company Limited (as registered owner), Chow Hou Sam and Chow Hui Wai Kee (as purchaser) and Paramatta Estate Management Limited (as manager) and registered in the Land Registry by Memorial No. ST206090.	Block 12 erected on a portion of The Remaining Portion of Section A of Sha Tin Town Lot No. 1

Relevant Portion of City One Shatin Property (column A)	Sub-DMC (column B)	Relevant Portion of City One Shatin Development and Relevant Portion of City One Shatin Land (column C)
10. Shops A and B on the ground floor of Block 16	The sub-deed of mutual covenant, dated 16 June 1982, was made between Paramatta Investment Company Limited (as registered owner), Chan Lau Mei (as purchaser) and Paramatta Estate Management Limited (as manager) and registered in the Land Registry by Memorial No. ST214664.	Block 16 erected on a portion of Section B of Sha Tin Town Lot No. 1
11. non-domestic unit on the ground floor of Block 17	The sub-deed of mutual covenant, dated 16 August 1982, was made between Paramatta Investment Company Limited (as registered owner), Chan Kit Foon Janny (as purchaser) and Paramatta Estate Management Limited (as manager) and registered in the Land Registry by Memorial No. ST216756.	Block 17 erected on a portion of Section B of Sha Tin Town Lot No. 1
12. Shops A and B on the ground floor of Block 18	The sub-deed of mutual covenant, dated 18 June 1982, was made between Paramatta Investment Company Limited (as registered owner), Chee Yuk-Har (as purchaser) and Paramatta Estate Management Limited (as manager) and registered in the Land Registry by Memorial No. ST214640.	Block 18 erected on a portion of Section B of Sha Tin Town Lot No. 1
13. Shops A and B on the ground floor of Block 22	The sub-deed of mutual covenant, dated 30 June 1982, was made between Paramatta Investment Company Limited (as registered owner), Jeremy R.J. Esland and Diana Esland (as purchaser) and Paramatta Estate Management Limited (as manager) and registered in the Land Registry by Memorial No. ST214828 and re-registered by Memorial No. ST463456.	Block 22 erected on a portion of Section B of Sha Tin Town Lot No. 1

Relevant Portion of City One Shatin Property (column A)	Sub-DMC (column B)	Relevant Portion of City One Shatin Development and Relevant Portion of City One Shatin Land (column C)
14. non-domestic unit on the ground floor of Block 23	The sub-deed of mutual covenant, dated 8 June 1982, was made between Paramatta Investment Company Limited (as registered owner), Ho Wai-Ha (as purchaser) and Paramatta Estate Management Limited (as manager) and registered in the Land Registry by Memorial No. ST289050.	Block 23 erected on a portion of Section B of Sha Tin Town Lot No. 1
15. non-domestic unit on the ground floor of Block 32	The sub-deed of mutual covenant, dated 17 September 1983, was made between Paramatta Investment Company Limited (as registered owner), Lau Chi Ming and To Kwan Ying (as purchaser) and Paramatta Estate Management Limited (as manager) and registered in the Land Registry by Memorial No. ST240945.	Block 32 erected on a portion of Section C of Sha Tin Town Lot No. 1

2.1.3 The car park of Caribbean Bazaar is also subject to a sub-deed of mutual covenant and management agreement dated 30 September 2008, made between MTR Corporation Limited (as registered owner), Yeung Kit Man (as purchaser) and MTR Corporation Limited (as managers) and registered in the Land Registry by Memorial No. 08101301000024.

The purpose of such sub-deed of mutual covenant and management agreement is to make provision for the maintenance and management of Phase IV of Caribbean Coast, of which the car park of Caribbean Bazaar forms part, and the common areas and facilities of Phase IV of Caribbean Coast and to define and regulate the rights, interests and obligations of the owners in respect of Phase IV of Caribbean Coast and to provide for a due proportion of the relevant expenses to be borne by the owners.

As the sub-deed of mutual covenant and management agreement binds all owners of undivided shares of and in Phase IV of Caribbean Coast, Genuine Joy Limited, as the owner of certain car parking spaces of Phase IV of Caribbean Coast, is bound by the sub-deed of mutual covenant and management agreement, although not a party to it.

2.1.4 Lido Garden Property is also subject to a deed poll dated 12 February 1990, made between Li Ka Shing Foundation Limited (as registered owner) and Oriental Mountain Development Limited (as equitable owner) and registered in the Land Registry by Memorial No. UB4333575. The deed poll repartitioned the shops on the Ground Floor of "Lido Garden", being Lido Garden Property, and reallocated undivided shares of "Lido Garden" to such shops.

2.1.5 A part of Rhine Garden Property, i.e., Shop H3 on the ground floor of “Rhine Garden”, is also subject to and with the benefit of a deed poll dated 28 November 1996, made by Penkilan Limited and registered in the Land Registry by Memorial No. TW1099015, and a second sub-deed of mutual covenant dated 27 January 1997, made between Penkilan Limited (as registered owner), The Financial Secretary Incorporated (as first purchaser) and Goodwell Property Management Limited (as manager) and registered in the Land Registry by Memorial No. TW1114017 in respect of the division of Shop H on the ground floor of “Rhine Garden” into three portions namely H1, H2 and H3.

2.2 Details of undivided shares ownership and allocation in respect of the Properties

2.2.1 Details of the undivided shares ownership and allocation in respect of the Properties are set out in Table 3 below:

Table 3

Property (column A)	Descriptions (column B)	Undivided Shares Ownership and Allocation (column C)
1. City One Shatin Property	<p>City One Shatin Property comprises:</p> <p>(a) the following portions of Ngan Shing Commercial Centre (Commercial Block A):</p> <p>(i) shops and spaces on the ground floor;</p> <p>(ii) shops, offices and spaces on the fourth floor;</p> <p>(iii) the roof; and</p> <p>(iv) 314 car parking spaces on the first floor;</p> <p>(b) the following portions of City One Plaza (Commercial Block B):</p> <p>(i) shops and offices on the ground and first floors;</p> <p>(ii) restaurant on portion of the roof, roof garden, centre garden and kiosks thereof; and</p> <p>(iii) 343 car parking spaces on the second and third floors;</p> <p>(c) the wet market and kindergarten on the ground floor, and a car parking space on the first floor, of the residential tower blocks 34-36; and</p> <p>(d) various single shops and non-domestic units dispersed throughout the development on the ground floor of 12 individual residential tower blocks,</p>	<p>City One Shatin Property represents 60,491/1,500,000 undivided shares (i.e., approximately 4.03%) of the development (comprising over 50 commercial/residential blocks) of which City One Shatin Property forms part. Out of such 60,491/1,500,000 undivided shares:</p> <ul style="list-style-type: none"> • 16,200/1,500,000 undivided shares are allocated to the shops and spaces on the ground floor, shops, offices and spaces on the fourth floor, and the roof, all of Ngan Shing Commercial Centre and as particularised in column B, which represent 100% of the undivided shares allocated to the commercial/retail portion of Ngan Shing Commercial Centre under the relevant sub-DMC; • 38,483/1,500,000 undivided shares are allocated to the shops and offices on the ground and first floors, and restaurant on portion of the roof, roof garden, centre garden and kiosks thereof, all of City One Plaza and as particularised in column B, which represent 100% of the undivided shares allocated to the commercial/retail portion of City One Plaza under the relevant sub-DMC; • 5,150/1,500,000 undivided shares are allocated to the wet market and kindergarten on the ground floor of the residential tower blocks 34-36, and various single shops and non-domestic units on the ground floor of 12 individual residential tower blocks, all as particularised in column B, which represent 100% of the undivided shares allocated to the commercial/retail portion of such residential tower blocks under the relevant sub-DMCs;

Property (column A)	Descriptions (column B)	Undivided Shares Ownership and Allocation (column C)
	all of the development of which City One Shatin Property forms part.	<ul style="list-style-type: none"> ● 1/1,500,000 undivided share is allocated to a car parking space on the first floor of the residential tower blocks 34-36 as particularised in column B, which represents 0.66% of the undivided shares allocated to the "Car Port" of such residential tower blocks under the relevant sub-DMC; ● 314/1,500,000 undivided shares are allocated to the car parking spaces on the first floor of Ngan Shing Commercial Centre as particularised in column B, which represent approximately 30.88% of the undivided shares allocated to all car parking spaces of Ngan Shing Commercial Centre under the relevant sub-DMC; and ● 343/1,500,000 undivided shares are allocated to the car parking spaces on the second and third floors of City One Plaza as particularised in column B, which represent approximately 51.12% of the undivided shares allocated to all car parking spaces of City One Plaza under the relevant sub-DMC.
2. Ma On Shan Plaza	<p>Ma On Shan Plaza comprises:</p> <p>(a) commercial development comprising:</p> <ul style="list-style-type: none"> (i) level 2 of the podium; (ii) level 3 of the podium; (iii) atrium at level 2 of the podium; (iv) external wall of the podium; and (v) lift lobby, lift shafts, staircases, air-conditioning plant rooms, other ancillary areas and plant rooms exclusive to the commercial development on basement level, ground level, levels 1, 2 and 3 and podium deck of the podium; and <p>(b) 290 car parking spaces at the basement floor,</p> <p>all of the development of which Ma On Shan Plaza forms part.</p>	<p>Ma On Shan Plaza represents 41,899/94,970 undivided shares (i.e., approximately 44.12%) of the development of which Ma On Shan Plaza forms part. Out of such 41,899/94,970 undivided shares:</p> <ul style="list-style-type: none"> ● 39,869/94,970 undivided shares are allocated to the commercial development as particularised in column B, which represent 100% of the undivided shares allocated to the "Commercial Development" of the development under the relevant DMC; and ● 2,030/94,970 undivided shares are allocated to the car parking spaces as particularised in column B, which represent approximately 56.75% of the undivided shares allocated to the "Garage" of the development under the relevant DMC.
3. Metro Town	<p>Metro Town comprises the commercial development on the ground level, level 1, level 2, level 3 and level 5, a footbridge and the whole commercial car park (with 74 commercial car parking spaces) on level 2 of the development of which Metro Town forms part.</p>	<p>Metro Town represents 21,343/543,502 undivided shares (i.e., approximately 3.93%) of the development of which Metro Town forms part. Out of such 21,343/543,502 undivided shares:</p> <ul style="list-style-type: none"> ● 20,377/543,502 undivided shares are allocated to the commercial development as particularised in column B, which represent 100% of the undivided shares allocated to the "Commercial Development" of the development under the relevant DMC; and ● 966/543,502 undivided shares are allocated to the commercial car park as particularised in column B, which represent 100% of the undivided shares allocated to the "Commercial Car Park" of the development under the relevant DMC.

Property (column A)	Descriptions (column B)	Undivided Shares Ownership and Allocation (column C)
4. The Metropolis Mall	<p>The Metropolis Mall comprises:</p> <p>(a) commercial accommodation (excluding certain premises at level 8) being such parts of the development constructed for use as shops or other general commercial purposes (excluding office or hotel purposes), including the external walls pertaining thereto, the building management unit, the gondola and the gondola tracks running along the external walls pertaining thereto; and</p> <p>(b) 141 car parking spaces and 38 public coach parking spaces at level 5,</p> <p>all of the development of which the Metropolis Mall forms part.</p>	<p>The Metropolis Mall represents 35,191/247,769 undivided shares (i.e., approximately 14.20%) of the development of which the Metropolis Mall forms part. Out of such 35,191/247,769 undivided shares:</p> <ul style="list-style-type: none"> 31,990/247,769 undivided shares are allocated to the commercial development as particularised in column B, which represent approximately 94.88% of the undivided shares allocated to the "Commercial Development" of the development under the relevant DMC; and 3,201/247,769 undivided shares are allocated to the parking spaces as particularised in column B, which represent approximately 48.74% of the undivided shares allocated to the "Car Parking Areas" of the development under the relevant DMC.
5. Waldorf Garden Property	<p>Waldorf Garden Property comprises:</p> <p>(a) 27 shops on level 3;</p> <p>(b) two car parking spaces and four lorry parking spaces on level 1;</p> <p>(c) 67 car parking spaces on level 2;</p> <p>(d) bicycle parking area on level 1; and</p> <p>(e) bicycle parking area on level 2,</p> <p>all of the development of which Waldorf Garden Property forms part.</p>	<p>Waldorf Garden Property represents 1,122/10,100 undivided shares (i.e., approximately 11.11%) of the development of which Waldorf Garden Property forms part. Out of such 1,122/10,100 undivided shares:</p> <ul style="list-style-type: none"> 1,036/10,100 undivided shares are allocated to the shops as particularised in column B, which represent approximately 48.37% of the undivided shares allocated to the "Commercial Development" of the development under the relevant DMC; and 86/10,100 undivided shares are allocated to the car parking spaces, lorry parking spaces and bicycle parking areas all as particularised in column A, which represent approximately 39.27% of the undivided shares allocated to the "Car Parks" of the development under the relevant DMC.
6. Caribbean Bazaar	<p>Caribbean Bazaar comprises:</p> <p>(a) the commercial development;</p> <p>(b) a kindergarten;</p> <p>(c) a wet market; and</p> <p>(d) 117 commercial car parking spaces in Phase VI car park,</p> <p>all of the development of which Caribbean Bazaar forms part.</p>	<p>Caribbean Bazaar represents 7,255/428,830 undivided shares (i.e., approximately 1.69%) of the development of which Caribbean Bazaar forms part. Out of such 7,255/428,830 undivided shares:</p> <ul style="list-style-type: none"> 4,668/428,830 undivided shares are allocated to the commercial development as particularised in column B, which represent 100% of the undivided shares allocated to the "Commercial Development" of the development under the relevant DMC; 678/428,830 undivided shares are allocated to the kindergarten as particularised in column B, which represent 100% of the undivided shares allocated to the "Kindergarten" of the development under the relevant DMC; 508/428,830 undivided shares are allocated to the wet market as particularised in column B, which represent 100% of the undivided shares allocated to the "Wet Market" of the development under the relevant DMC; and

Property (column A)	Descriptions (column B)	Undivided Shares Ownership and Allocation (column C)
7. Smartland	Smartland comprises portions of the podium comprising the basement (comprising 67 car parking spaces), portions of the ground floor, portions of the first floor, the second floor, the reserved podium roof and most of the external walls of the development of which Smartland forms part.	<ul style="list-style-type: none"> 1,401/428,830 undivided shares are allocated to the commercial car parking spaces as particularised in column B, which represent approximately 14.11% of the undivided shares allocated to the "Phase VI Car parking Spaces" of the development under the relevant sub-DMC. <p>Smartland represents 4,121/8,400 undivided shares (i.e., approximately 49.06%) of the development of which Smartland forms part.</p>
8. Tsing Yi Square Property	<p>Tsing Yi Square Property comprises:</p> <p>(a) 48 shops on the ground floor;</p> <p>(b) 29 shops on the first floor; and</p> <p>(c) 27 car parking spaces on the basement,</p> <p>all of the development of which Tsing Yi Square Property forms part.</p>	<p>Tsing Yi Square Property represents 15,918/219,420 undivided shares (i.e., approximately 7.25%) of development of which Tsing Yi Square Property forms part. Out of such 15,918/219,420 undivided shares:</p> <ul style="list-style-type: none"> 15,378/219,420 undivided shares are allocated to the shops as particularised in column B, which represent approximately 70.54% of the undivided shares allocated to all shops of the development under the relevant DMC; and 540/219,420 undivided shares are allocated to the car parking spaces as particularised in column B, which represent approximately 7.65% of the undivided shares allocated to all car parking spaces of the development under the relevant DMC.
9. Jubilee Court Shopping Centre	<p>Jubilee Court Shopping Centre comprises:</p> <p>(a) the commercial development;</p> <p>(b) the "Reserve Shares";</p> <p>(c) the reserved portion, including:</p> <p>(i) certain parking spaces for taxis and/or hire cars;</p> <p>(ii) certain loading and unloading spaces for goods vehicles to service the wet market, the residential development and the commercial development;</p> <p>(iii) certain mechanical lifting equipment or escalators;</p> <p>(iv) the swimming pool complex;</p> <p>(v) the wet market;</p> <p>(vi) certain social service, educational, recreational and amenity facilities including tennis courts, children's play areas, kindergarten, nursery or child care centre, youth centre, community activity rooms and a private doctor clinic;</p>	<p>Jubilee Court Shopping Centre represents 658,784/2,000,000 undivided shares (i.e., approximately 32.94%) of the development of which Jubilee Court Shopping Centre forms part. Out of such 658,784/2,000,000 undivided shares:</p> <ul style="list-style-type: none"> 268,000/2,000,000 undivided shares are allocated to the commercial development as particularised in column B, which represent 100% of the undivided shares allocated to the "Commercial Development" of the development under the relevant DMC; 166,584/2,000,000 undivided shares represent 100% of the "Reserved Shares" of the development under the relevant DMC; and 224,200/2,000,000 undivided shares are allocated to the reserved portion as particularised in column B, which represent 100% of the undivided shares allocated to the "Reserved Portion" of the development under the relevant DMC.

APPENDIX 5

SUMMARY OF GOVERNMENT LEASES, DEEDS OF MUTUAL COVENANT AND PROPERTY COMPANY STRUCTURE

Property (column A)	Descriptions (column B)	Undivided Shares Ownership and Allocation (column C)
	<p>(vii) certain landscaped areas;</p> <p>(viii) certain roads and footpaths;</p> <p>(ix) entrance halls, passageways and lifts (other than those serving exclusively a residential tower or the commercial development);</p> <p>(x) certain open spaces in the development; and</p> <p>(xi) those areas reserved for public access in accordance with the Government Lease; and</p> <p>(d) 97 parking spaces on podium level 1,</p> <p>all of the development of which Jubilee Court Shopping Centre forms part.</p>	
<p>10. The Household Center</p>	<p>The Household Center comprises:</p> <p>(a) certain commercial units on the ground floor, mezzanine floor, first floor and second floor;</p> <p>(b) 43 commercial car parking spaces on the mezzanine floor; and</p> <p>(c) external walls of the six-storey podium comprising ground floor, mezzanine floor, first floor, second floor, third floor and fifth floor,</p> <p>all of the development of which the Household Center forms part.</p>	<p>The Household Center represents 9,915/58,556 undivided shares (i.e., approximately 16.93%) of the development of which the Household Center forms part. Out of such 9,915/58,556 undivided shares:</p> <ul style="list-style-type: none"> • 9,346/58,556 undivided shares are allocated to the commercial units as particularised in column B, which represent 100% of the undivided shares allocated to the "Commercial Development" of the development under the relevant DMC; • 559/58,556 undivided shares are allocated to the commercial car parking spaces as particularised in column B, which represent approximately 21.38% of the undivided shares allocated to the "Car Park" of the development under the relevant DMC; and • 10/58,556 undivided shares are allocated to the external walls as particularised in column B, which represent 100% of the undivided shares allocated to the "External Walls" of the development under the relevant DMC.
<p>11. Centre de Laguna Property</p>	<p>Centre de Laguna Property comprises the commercial area and/or three cinemas on the ground floor of the commercial development known as "Centre de Laguna", and the kindergarten of Blocks 32 to 38 of the development of which Centre de Laguna Property forms part.</p>	<p>Centre de Laguna Property represents 335/11,965 undivided shares (i.e., approximately 2.80%) of the development of which Centre de Laguna Property forms part. Out of such 335/11,965 undivided shares:</p> <ul style="list-style-type: none"> • 225/11,965 undivided shares are allocated to the commercial area and/or three cinemas as particularised in column B, which represent approximately 53.32% of the undivided shares allocated to the "Commercial Development" of the development under the relevant DMC; and • 110/11,965 undivided shares are allocated to the kindergarten as particularised in column B, which represent 100% of the undivided shares allocated to the "Kindergarten" of the development under the relevant DMC.

Property (column A)	Descriptions (column B)	Undivided Shares Ownership and Allocation (column C)
12. Hampton Loft	Hampton Loft comprises the commercial units on levels 5 and 6, and 35 commercial car parking spaces on the first floor of the development of which Hampton Loft forms part.	<p>Hampton Loft represents 7,396/65,503 undivided shares (i.e., approximately 11.29%) of the development of which Hampton Loft forms part. Out of such 7,396/65,503 undivided shares:</p> <ul style="list-style-type: none"> • 6,941/65,503 undivided shares are allocated to the commercial units as particularised in column B, which represent 100% of the undivided shares allocated to the "Commercial Development" of the development under the relevant DMC; and • 455/65,503 undivided shares are allocated to the commercial car parking spaces as particularised in column B, which represent approximately 13.51% of the undivided shares allocated to the "Garage" of the development under the relevant DMC.
13. Lido Garden Property	Lido Garden Property comprises 10 shops on the ground floor of the development of which Lido Garden Property forms part.	Lido Garden Property represents 1,370/81,042 undivided shares (i.e., approximately 1.69%) of the development of which Lido Garden Property forms part. Such 1,370/81,042 undivided shares represent 100% of the undivided shares allocated to the "Commercial Development" of the development under the relevant DMC.
14. Rhine Garden Property	<p>Rhine Garden Property comprises:</p> <p>(a) a restaurant on the ground floor and its AHU room on podium level 1; and</p> <p>(b) three shops on the ground floor,</p> <p>all of the development of which Rhine Garden Property forms part.</p>	Rhine Garden Property represents 2,484/185,000 undivided shares (i.e., approximately 1.34%) of the development of which Rhine Garden Property forms part. Such 2,484/185,000 undivided shares represent approximately 28.72% of the undivided shares allocated to the "Commercial Development" of the development under the relevant DMC.

2.2.2 Waldorf Garden Property

Waldorf Garden Property mainly comprises various shops and parking spaces of the development known as "Waldorf Garden". Waldorf Garden Property is wholly-owned by Fortune REIT. As shown in Table 3 above, in respect of its retail portion, Waldorf Garden Property represents almost 50%, or approximately 48.37%, of the undivided shares allocated to the "Commercial Development" of the development under the relevant DMC; and in respect of its car park portion, it represents approximately 39.27% of the undivided shares allocated to the "Car Parks" of the development under the relevant DMC.

Although Fortune REIT has less than 50% interest in the development of which Waldorf Garden Property (including its retail and car park portions) forms part, Fortune REIT (through its relevant Property Company which is the grantee under the Government Lease) is required by way of a Special Condition of the Government Lease to manage and maintain all the buildings of the development, despite any subsequent assignment of any of its interest in such buildings. Fortune REIT therefore has control over the estate management issues of these buildings, subject only to owners' resolutions.

Based on information available to the Manager as at the Latest Practicable Date and to the best of its knowledge and belief, having an almost 50% interest in the "Commercial Development" of which Waldorf Garden Property (excluding its car park portion) forms part, the Manager should be the single largest owner of such "Commercial Development". Further, Fortune REIT has been able to: (a) exercise full operational control, and has been independently operating Waldorf Garden Property (including its retail and car park portions) ever since it acquired the Property; (b) independently carry out asset enhancement

work to Waldorf Garden Property (including its retail and car park portions); and (c) exercise all rights as owner over Waldorf Garden Property, e.g., to sell, mortgage, occupy, and lease out the units or car parks comprised in the Property without reference to or interference from other owners. On the basis of the above, the Manager is of the view that it should be able to exercise control over the estate management and strategic development of Waldorf Garden Property.

2.2.3 Smartland

Smartland comprises various portions of the development known as "East Asia Gardens". Smartland is owned by Fortune REIT. As shown in Table 3 above, Smartland represents almost 50%, or approximately 49.06%, of the undivided shares of the development.

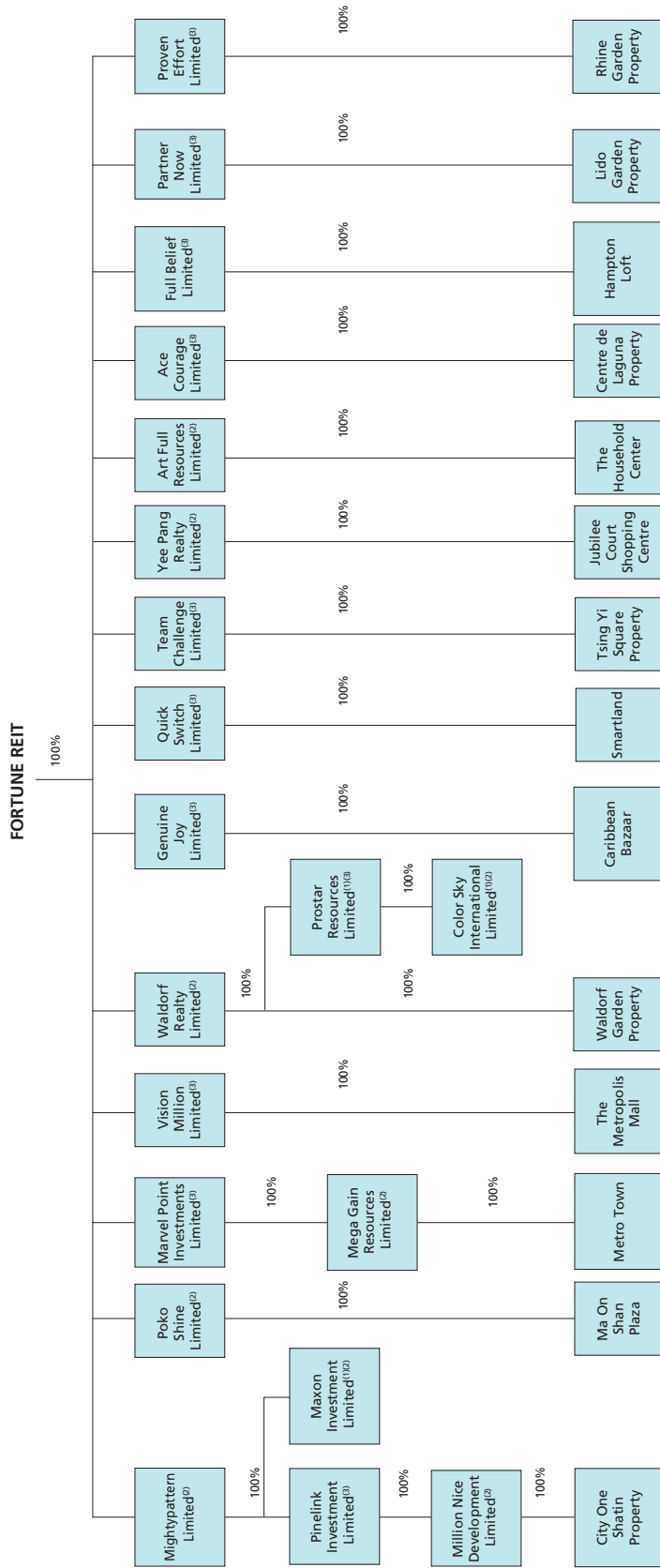
Although Fortune REIT has less than 50% interest in the development of which Smartland forms part, based on information available to the Manager as at the Latest Practicable Date and to the best of its knowledge and belief, having an almost 50% interest in that development, the Manager should be the single largest owner of such development. Further, Fortune REIT has been able to exercise full operational control, and has been independently operating Smartland ever since it acquired the Property. In particular, Fortune REIT owns the entire second floor and the car parking spaces on the basement floor. The day-to-day management and operation of Smartland is completely separate from the other parts of the development of which it forms part, and is free from interference, control or restriction from other parties. Fortune REIT has also been able to independently carry out asset enhancement work to Smartland, and has been able to exercise all rights as owner over Smartland, e.g., to sell, mortgage, occupy, and lease out the units comprised in the Property without reference to or interference from other owners. On the basis of the above, the Manager is of the view that it should be able to exercise control over the estate management and strategic development of Smartland.

2.2.4 Miscellaneous properties

Save as disclosed, as shown in Table 3 above, Fortune REIT holds minority undivided ownership interests in the various units of Rhine Garden Property, and in the various car parking spaces of: (a) Ngan Shing Commercial Centre (Commercial Block B) and the residential tower blocks 34-36, both of "City One Shatin" of which City One Shatin Property forms part; (b) the Metropolis Mall; (c) Caribbean Bazaar; (d) Tsing Yi Square Property; (e) the Household Center; and (f) Hampton Loft (collectively referred to in this section 2.2.4 as the "Subject Properties").

The Subject Properties are all wholly-owned by Fortune REIT. Although Fortune REIT does not have over 50% interest in the relevant developments, or the relevant portion(s) of the developments, of which the Subject Properties form part, Fortune REIT has been able to: (a) exercise full operational control, and has been independently operating the Subject Properties ever since it acquired such properties; (b) independently carry out asset enhancement work to the Subject Properties; and (c) exercise all rights as owner over the Subject Properties, e.g., to sell, mortgage, occupy, and lease out such properties without reference to or interference from other owners. As at 31 December 2009, the value attributable to all the Subject Properties was negligible, representing, in aggregate, less than 2% of the aggregate valuation of Fortune REIT's portfolio of Properties.

3. PROPERTY COMPANY STRUCTURE



Note (1): Currently, these companies are in the process of being liquidated.

Note (2): Incorporated in Hong Kong

Note (3): Incorporated in British Virgin Islands

A. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection free of charge at the registered office of the Manager in Hong Kong at Units 5508-10, 55th Floor, The Center, 99 Queen's Road Central, Hong Kong during normal business hours up to the Listing Date:

- (a) the Trust Deed;
- (b) the Property Management Agreement;
- (c) the Accountants' Report, the text of which is set out in Appendix 1 ("Accountants' Report") to this document;
- (d) the Property Valuation Report in respect of the Properties, the text of which is set out in Appendix 2 ("Property Valuation Report") to this document;
- (e) the Hong Kong Retail Market Overview And District Analysis, the text of which is set out in Appendix 3 ("Hong Kong Retail Market Overview And District Analysis") to this document;
- (f) the building survey reports dated 7 July 2003, prepared by Vigers Building Consultancy Limited in respect of The Metropolis Mall, Ma On Shan Plaza, The Household Center, Smartland and Jubilee Court Shopping Centre;
- (g) the building survey reports dated 10 May 2005, prepared by Vigers Building Consultancy Limited in respect of City One Shatin Property, Waldorf Garden Property, Tsing Yi Square Property, Centre de Laguna Property, Lido Garden Property and Rhine Garden Property;
- (h) the building survey reports dated 17 August 2009, prepared by Vigers Building Consultancy Limited in respect of Metro Town, Caribbean Bazaar and Hampton Loft;
- (i) the written consents referred to in section 21 ("Experts") of this document;
- (j) the interest rate swap agreements of Fortune REIT referred to in section 16.5 ("Material and Other Agreements relating to Fortune REIT – Interest Rate Swap Agreements") of this document, or written memoranda of such agreements;
- (k) the 2009 Credit Agreement referred to in section 16.4.4 ("Material and Other Agreements relating to Fortune REIT – The 2009 Facility – Events of Default") of this document;
- (l) the agreements referred to in sections 16.6 ("Material and Other Agreements relating to Fortune REIT – 2009 Sale and Purchase Agreements") and 16.7 ("Material and Other Agreements relating to Fortune REIT – 2009 Underwriting Agreement") of this document; and
- (m) Fortune REIT's unitholders' circular dated 24 August 2009 in respect of, amongst other things, the acquisitions of Metro Town, Caribbean Bazaar and Hampton Loft.

After the date stated above, the Manager will ensure that documents will be made available for inspection or copying (as the case may be) at the registered office of the Manager in Hong Kong as required under and in accordance with paragraph 5.2(f) of the REIT Code.

In relation to the relevant Singapore rules and regulations:

- (a) the SGX-ST Listing Manual can be found at www.sgx.com;
- (b) the Property Funds Appendix, the Singapore Code on Take-Over and Mergers and the Code of Corporate Governance 2005 can be found at www.mas.gov.sg; and
- (c) the relevant Singapore statutes including the Securities and Futures Act, Cap 289 of Singapore and the Companies Act, Cap 50 of Singapore can be found at <http://statutes.agc.gov.sg>.

B. QUALIFICATION OF EXPERTS

The qualifications of the experts who have given opinions in this document are as follows:

- (a) DBS Asia Capital Limited Licensed under the SFO for type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) as defined under the SFO
- (b) J.P. Morgan Securities (Asia Pacific) Limited Licensed under the SFO for type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance), and type 7 (providing automated trading services) as defined under the SFO.
- (c) Deloitte Touche Tohmatsu Certified Public Accountants
- (d) Savills Valuation and Professional Services Limited Independent property valuer and independent property market consultant

C. MISCELLANEOUS

Save as disclosed in this document, as at the Latest Practicable Date:

- (a) none of the Directors nor any of the parties listed in section B of this Appendix was interested in Fortune REIT's promotion, or in any assets which have, within the two years immediately preceding the Latest Practicable Date, been acquired or disposed of by, or leased to, Fortune REIT, or are proposed to be acquired or disposed of by, or leased to, Fortune REIT or any of the companies controlled by it;
- (b) none of the Directors nor any of the parties listed in section B of this Appendix was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to Fortune REIT's business;

- (c) none of the parties listed in section B of this Appendix:
 - (i) was interested legally or beneficially in any of the Units or any shares in any of the companies controlled by Fortune REIT; or
 - (ii) had any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for Fortune REIT's securities;
- (d) other than in respect of the rights issue by Fortune REIT in October 2009, no amount or securities or benefit had been paid or allotted or given by Fortune REIT within the two years preceding the Latest Practicable Date to any of Fortune REIT's promoters nor was any such securities or amount or benefit intended to be paid or allotted or given;
- (e) none of the Directors or their respective associates had any interest (except, for the avoidance of doubt, as director(s) or officer(s)) in the top five tenants in respect of the Properties on a portfolio basis taken as a whole, in terms of Gross Rental Income;
- (f) there were no outstanding loans or guarantees granted or provided by Fortune REIT or any of the companies controlled by it to, or for the benefit of, any of the Directors;
- (g) within the two years immediately preceding the Latest Practicable Date, Fortune REIT had not issued nor agreed to issue any Units fully or partly paid either for cash or for a consideration other than cash;
- (h) no outstanding Units of Fortune REIT was under option or agreed conditionally or unconditionally to be put under option;
- (i) Fortune REIT had not issued nor agreed to issue any founder units, management units or deferred units;
- (j) other than on the SGX-ST, none of the Unit capital has been listed or dealt with in any other stock exchange nor was any listing or permission to deal being or proposed to be sought;
- (k) Fortune REIT had no outstanding convertible debt securities;
- (l) other than: (i) fees or other payments paid to certain parties in respect of the rights issue by Fortune REIT in October 2009; and (ii) interest paid pursuant to the 2005 Facility and the 2009 Facility, within the two years immediately preceding the Latest Practicable Date, no commission, discount, brokerage or other special item had been granted or paid to any Director, proposed Director, promoter, any of the parties listed in section B of this Appendix nor any other person in connection with the issue or sale of any Units or loan capital of Fortune REIT or any of the companies controlled by it;
- (m) there were no arrangements in existence under which future dividends are to be waived or agreed to be waived;

- (n) there had been no interruption in the business of the Property Companies which may have or have had a significant effect on the financial position of the Property Companies, taken as a whole, in the last 12 months;
- (o) none of the Directors or executive officers of the Manager named in section 12.6 (“The Manager — Executive Officers”) was related to any other Director or executive officer of the Manager, except as disclosed in that section;
- (p) none of the Directors or executive officers of the Manager named in section 12.6 (“The Manager – Executive Officers”) of this document held any other directorship in any issuer the securities of which are listed on a stock exchange; and
- (q) there were no other material contracts entered into by the Trustee or the Manager, other than contracts entered into in Fortune REIT’s ordinary course of business, within the two years immediately preceding the date of this document.

D. COSTS ASSOCIATED WITH THE INTRODUCTION

The cost of the Introduction is estimated to be approximately HK\$30.0 million.

E. LITIGATION

As at the Latest Practicable Date, there were no actual or threatened claims or litigation against the Manager, Fortune REIT and any of the Property Companies which would materially affect the financial position of Fortune REIT.



FORTUNE
置富產業信託 **REIT**

Fortune Real Estate Investment Trust
Managed by ARA Asset Management (Fortune) Limited