



PROSPECTUS DATED 28 JULY 2003

# FORTUNE 置富產業信託 REIT

**Fortune Real Estate Investment Trust**  
(a unit trust constituted on 4 July 2003 under the laws of the Republic of Singapore)

**OFFER FOR SUBSCRIPTION BY  
ARA Asset Management (Singapore) Limited**



Asset Management (Singapore) Limited

(an associated company of Cheung Kong (Holdings) Limited)



長江實業(集團)有限公司  
CHEUNG KONG (HOLDINGS) LIMITED

**143,490,000 Units (subject to the Upsize Option (as defined below))**  
**Offering Price Range: HK\$4.60 to HK\$4.75 per Unit (subject to the Volume Discount (as defined below))**

ARA Asset Management (Singapore) Limited, as manager (the "Manager") of Fortune Real Estate Investment Trust ("Fortune REIT"), is making an offering (the "Offering") of 143,490,000 units representing undivided interests in Fortune REIT ("Units") for subscription at the Offering Price (as defined below) subject to the Volume Discount (if applicable) and the Upsize Option. The Offering consists of (i) an international placement to investors, including institutional and other investors in Singapore (the "Placement Tranche"); and (ii) an offering to the public in Singapore (the "Public Offer"). The minimum size of the Public Offer will be 20,000,000 Units. It is currently expected that the issue price of each Unit (the "Offering Price") will be between HK\$4.60 and HK\$4.75. Investors who successfully subscribe for an aggregate of more than 20,000,000 Units, in a single application, as principal, will receive a discount of 2.0% to the Offering Price (the "Volume Discount"). The Offering is fully underwritten by DBS Bank Ltd ("DBS Bank" or the "Global Co-ordinator"), Citigroup Global Markets Singapore Pte. Ltd. ("Citigroup") and Credit Suisse First Boston (Singapore) Limited ("CSFB"), together with the Global Co-ordinator and Citigroup, the "Underwriters" at the Offering Price. If applications or indications of interest are received for more than 143,490,000 Units, the Global Co-ordinator (subject to the prior agreement of the Manager and the Sponsor) reserves the right to increase, at any time on or prior to the Price Determination Date, the Offering from 143,490,000 Units to up to 190,790,000 Units (the "Upsize Option"). The Upsize Option will be satisfied from the Units to be subscribed by Cheung Kong (Holdings) Limited (the "Sponsor") and will not increase the total number of outstanding Units in Fortune REIT immediately following the listing of Fortune REIT on Singapore Exchange Securities Trading Limited ("SGX-ST").

Separate from the Offering, the Sponsor and Hutchison Whampoa Limited ("HWL" or the "Strategic Investor") have each entered into subscription agreements with the Manager to subscribe for 176,985,000 and 58,995,000 Units respectively at the Offering Price, without Volume Discount, conditional upon the Manager, the Underwriters and the Sponsor entering into the Underwriting Agreement in connection with the Offering (the "Underwriting Agreement") and the Underwriting Agreement not having been terminated pursuant to its terms on or prior to the close of the Application List (as defined herein). The Sponsor has nominated its wholly-owned subsidiary, Focus Eagle Investments Limited, to hold the Units to be subscribed by it and HWL has nominated its wholly-owned subsidiary, Ballston Profits Limited, to hold the Units to be subscribed by it.

Also separate from the Offering, the Cornerstone Investors (as defined herein) have entered into subscription agreements with the Manager to subscribe for an aggregate of 93,530,000 Units, conditional upon the Underwriting Agreement having been entered into and not having been terminated pursuant to its terms on or prior to the close of the Application List, at the Offering Price less the Volume Discount. The Cornerstone Investors have been granted the Volume Discount as each of them has agreed to subscribe for more than 20,000,000 Units.

Fortune REIT was, on 4 July 2003, declared an authorised unit trust scheme under the Trustees Act, Chapter 337 of Singapore, thus qualifying as an investment permitted to be made by trustees and certain other persons with similar investment powers in Singapore.

Prior to the Offering, there has been no market for the Units. The offer of Units under this Prospectus will be by way of an initial public offering in Singapore. Application has been made to the SGX-ST for permission to list on the Main Board of the SGX-ST all the Units in Fortune REIT and all the Units which will be issued to the Manager from time to time in part payment of the Manager's management fees. Such permission will be granted when Fortune REIT has been admitted to the Official List of the SGX-ST (the "Listing Date"). Acceptance of applications for Units will be conditional upon issue of the Units and upon permission being granted to list the Units. In the event that such permission is not granted, application monies will be returned in full, at each investor's own risk, without interest or any share of revenue or other benefit arising therefrom, and without any right or claim against Fortune REIT, the Manager, any of the Underwriters, the Sponsor or Bermuda Trust (Singapore) Limited (as trustee of Fortune REIT) (the "Trustee").

Fortune REIT has received a letter of eligibility from the SGX-ST for the listing and quotation of the Units on the Main Board of the SGX-ST. Fortune REIT's eligibility to list on the Main Board of the SGX-ST does not indicate the merits of the Offering, Fortune REIT, the Manager or the Units. The SGX-ST assumes no responsibility for the correctness of any statements or opinions made or reports contained in this Prospectus. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Offering, Fortune REIT, the Manager or the Units.

The collective investment scheme offered in this Prospectus is an authorised scheme under the Securities and Futures Act, Chapter 289 of Singapore (the "Securities and Futures Act" or "SFA"). A copy of this Prospectus has been lodged with, and registered by, the Monetary Authority of Singapore (the "MAS"). The MAS assumes no responsibility for the contents of this Prospectus. Registration of this Prospectus by the MAS does not imply that the Securities and Futures Act or any other legal or regulatory requirements have been complied with. The MAS has not, in any way, considered the investment merits of the collective investment scheme. The date of registration of this Prospectus with the MAS is 28 July 2003. This Prospectus will expire on 27 July 2004 (12 months after the date of the registration).

This document is important. If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser.

See "Risk Factors" commencing on page 38 for a discussion of certain factors to be considered in connection with an investment in the Units. None of the Manager, the Trustee, the Sponsor or any of the Underwriters guarantees the performance of Fortune REIT, the repayment of capital or the payment of a particular return on the Units.

Investors applying for Units by way of Application Forms or Electronic Applications (both as referred to in Appendix VI of this Prospectus, "Terms, Conditions and Procedures for Application for and Acceptance of the Units in Singapore") in the Public Offer will pay the equivalent in Singapore dollars of the maximum subscription price of HK\$4.75 per Unit (such amount being S\$1.07 based on the fixed exchange rate of HK\$1.00 = S\$0.2253) on application, subject to a refund of the full amount or, as the case may be, the balance of the application monies (in each case without interest or any share of revenue or other benefit arising therefrom), where (i) an application is rejected or accepted in part only, or (ii) if the Offering does not proceed for any reason, or (iii) if the Offering Price is less than the maximum subscription price for each Unit, or (iv) if the investor is eligible for the Volume Discount, in the equivalent in Singapore dollars based on the same fixed exchange rate. The Offering Price of between HK\$4.60 and HK\$4.75 will be determined following a book-building process by agreement between the Global Co-ordinator (on behalf of the Underwriters) and the Manager on a date currently expected to be 6 August 2003 (the "Price Determination Date"), which date is subject to change. Notice of the Offering Price will be published in one or more major Singapore newspapers such as The Straits Times, The Business Times and Lianhe Zaobao not later than two calendar days after the Price Determination Date.

The Global Co-ordinator has been granted an over-allotment option (the "Over-allotment Option") by Focus Eagle Investments Limited, exercisable in full or in part, within 30 days after the Listing Date, to purchase from Focus Eagle Investments Limited up to an aggregate of 21,523,500 Units or, if the Upsize Option is exercised, up to an aggregate of 28,618,500 Units at the Offering Price, solely to cover the over-allotment of Units (if any). The total number of outstanding Units immediately after the completion of the Offering will be 473,000,000 Units. The exercise of the Over-allotment Option will not increase this total number of Units outstanding.

The Units are being offered and sold outside the United States in reliance on Regulation S under the U.S. Securities Act of 1933 (the "Securities Act"). The Units have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States.

Global Co-ordinator, Lead Underwriter and Sole Bookrunner



Co-Managers

**citigroup**

**CREDIT SUISSE** | **FIRST BOSTON**



# Fortune REIT - Forecast Before Hong Kong Tax

**- equivalent to an annualised tax exempt  
See "Profit Forecast and Profit Projection" of this**

*This overview section is qualified in its entirety by, and should be read in conjunction with, the full text of this Prospectus (including but not limited to the sections entitled "Risk Factors" and "Notice To Investors - Forward-Looking Statements"). Words and expressions not defined herein have the same meaning as in the main body of this Prospectus unless the context requires otherwise.*

## **What is Fortune REIT?**

Fortune REIT is a Singapore-based unit trust formed primarily to own and invest in a portfolio of retail shopping malls located in Hong Kong through the ownership of the Property Companies (or other companies whose primary purpose is to hold or own real properties) or directly in properties that Fortune REIT may acquire from time to time.

Fortune REIT aims to produce stable distributions for Unitholders and to achieve long-term growth in the net asset value per Unit of Fortune REIT.

*See "Business and Properties - Overview" of this Prospectus.*

## **Who is the Sponsor?**

### ***Building your investment on a solid foundation***

Fortune REIT is sponsored by Cheung Kong (Holdings) Limited, one of the largest property developers in Hong Kong. Cheung Kong (Holdings) Limited and its subsidiaries (the "Cheung Kong Group") are engaged principally in property development and investment in Hong Kong.

The Cheung Kong Group develops high quality and large-scale properties for sale and investment in the residential, retail, office, hotel and industrial sectors. It also has extensive property leasing, property sales and property management experience and manages a retail commercial portfolio exceeding eight million sq ft in Hong Kong and the PRC. In addition, the Cheung Kong Group has substantial interests and operations in life sciences, information technology and the Internet.

Through its investment in Hutchison Whampoa Limited, the Cheung Kong Group is also involved in port and port-related services, telecommunications, retail and manufacturing, energy and infrastructure businesses.

In Singapore, Mr Li Ka-shing, the Chairman of the Cheung Kong Group, has invested in two significant property developments, namely the Suntec City development and Thomson 800, since the 1980s. In addition, property projects developed by the Cheung Kong Group in Singapore include Costa del Sol and the Cairnhill Crest condominium projects. The Cheung Kong Group also has a 33.3% stake in the One Raffles Quay commercial project in Singapore's New Downtown area.

The combined market capitalisation of the Cheung Kong Group and its listed affiliated companies in Hong Kong amounted to HK\$452 billion as at 15 June 2003. This accounted for approximately 11.5% of the total market capitalisation of the Hong Kong stock market. The Cheung Kong Group and its listed affiliated companies in Hong Kong operate in close to 40 countries and employ over 160,000 staff worldwide.

*See "The Manager and the Sponsor - The Sponsor of Fortune REIT - Cheung Kong (Holdings) Limited" of this Prospectus.*



## What are the Properties in the Fortune REIT portfolio?

*Invest in a portfolio with potential*

Property	Total Gross Rentable Floor Area (sq ft) as at 31 March 2003	Annual Gross Revenue (HK\$ million) as at 31 Dec 2002	Appraised value as at 31 May 2003 (HK\$ million)	Percentage of Total Valuation (%)	Average Occupancy Rate for the three months ended 31 March 2003 (%)	Government Lease Expiry
The Metropolis Mall	332,168	11.2	1,560.0	47.7	53.5*	2047
Ma On Shan Plaza	310,084	97.1	970.0	29.6	94.3	2047
The Household Center	91,779	4.1	243.0	7.4	95.6	2048
Smartland	123,544	26.8	265.0	8.1	95.2	2047
Jubilee Court Shopping Centre	170,616	24.5	237.0	7.2	96.9	2047
<b>TOTAL</b>	<b>1,028,191</b>	<b>163.7</b>	<b>3,275.0</b>	<b>100.0</b>		

\*The Metropolis Mall is a newly completed mall with its first tenancy having commenced on 20 August 2002. See "Business and Properties - The Properties" of this Prospectus.

## Indicative Timetable

An indicative timetable for trading in the Units is set out below for the reference of applicants for the Units:

Date and Time	Event
28 July 2003, 12 noon	Opening date and time for the Public Offer and Placement Tranche
6 August 2003, 8 a.m.	Closing date and time for the Public Offer and Placement Tranche

Trading in the Units on a "ready" basis will commence at 2 p.m. on 12 August 2003 (subject to the SGX-ST being satisfied that all conditions necessary for the commencement of trading in the Units on a "ready" basis have been fulfilled).

See also "Indicative Timetable" of this Prospectus for certain details regarding the Public Offer as well as the Placement Tranche. The Units will, upon their issue, listing and quotation on the SGX-ST, be traded in Hong Kong dollars. The Units will be traded in board lot sizes of 1,000 Units and will be listed in Hong Kong dollars.



## THE METROPOLIS MALL

**No. 6 Metropolis Drive, The Metropolis,  
Kowloon, Hong Kong**

- Located in an established residential and commercial area in south Kowloon
- A new three-level retail shopping mall with parking facilities comprising a total of 179 parking lots
- A part of The Metropolis, a 1.4 million sq ft integrated retail, office, hotel and service apartment development
- Positioned as a retail and entertainment centre for the surrounding developments of over 16,000 apartment units, including The Metropolis Residence, The Royal Peninsula, the Whampoa Garden, the Whampoa Estate and the Hunghom Bay Centre
- Connected to the Hung Hom KCRC station (a mass transportation centre which 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 undersea vehicular tunnel in Hong Kong that links Kowloon with Hong Kong Island), the 12,500-seat Hong Kong Coliseum, a major venue for concerts and events, and the Hong Kong Polytechnic University

Occupancy: Average occupancy rate of 53.5% for the three months ended 31 March 2003 (The Metropolis Mall is a newly completed mall with its first tenancy having commenced on 20 August 2002)

## MA ON SHAN PLAZA

**No. 608 Sai Sha Road, Shatin,  
New Territories, Hong Kong**

- Located in a strategic central location within Ma On Shan, Shatin, New Territories
- Residential catchment includes Ma On Shan, a new town with approximately 194,000 residents
- Part of the 1,102-unit Bayshore Towers residential complex and linked to the adjacent 4,760-unit Sunshine City residential development via two covered footbridges
- Also linked to the 5.5-hectare Ma On Shan Park via a covered footbridge
- A two-level shopping arcade with basement parking facilities comprising 290 parking lots
- The mall is easily accessible by public transportation, taxis and franchised buses and has a high level of accessibility with the public light bus terminal, taxi waiting area and bus station on its ground floor
- Ma On Shan Plaza will be directly connected to the Ma On Shan Rail KCRC station (which is scheduled to be completed by the end of 2004)

Occupancy: Average occupancy rate of 94.3% for the three months ended 31 March 2003





### THE HOUSEHOLD CENTER

No. 8 King Lai Path, Kwai Chung, New Territories, Hong Kong

- Located in a developed urban centre in Kwai Chung, New Territories
- A three-storey shopping centre with 43 parking lots and a bus terminal located below the mall
- Part of the new 696-unit Nob Hill residential development
- Easily accessible to shoppers using public transportation, taxis and franchised buses
- Within walking distance of Mei Foo MTR station (which is along the mass transit railway line serving a number of districts in Kowloon and Hong Kong Island)
- Caters for the daily needs of residents living in the developments nearby, including those of Nob Hill and the 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
- Also strategically located near the planned West Rail Mei Foo interchange station designed to cater for a peak hourly interchange of 25,000 passengers upon expected completion at the end of 2003

Occupancy: Average occupancy rate of 95.6% for the three months ended 31 March 2003

### SMARTLAND

No. 16 Tsuen Wah Street, Tsuen Wan, New Territories, Hong Kong

- Located in the densely populated district of Tsuen Wan, New Territories, opposite the 1,026-room Panda Hotel
- Part of a four-storey shopping podium with 67 parking lots on the basement level
- Situated near the Tai Wo Hau MTR station (a station along the mass transit railway line serving a number of districts in Kowloon and Hong Kong Island), easily accessible to shoppers, residents and tourists by public and private transport
- Features a 32,000 sq ft supermarket and a new identity card issuing immigration office intended to serve the whole of the Tsuen Wan district, which has approximately 275,500 residents

Occupancy: Average occupancy rate of 95.2% for the three months ended 31 March 2003

### JUBILEE COURT SHOPPING CENTRE

Nos. 2-18 Lok King Street, Shatin, New Territories, Hong Kong

- Strategically located opposite the Fo Tan KCRC station, near the Shatin Racecourse and one KCRC station away from The Chinese University of Hong Kong as well as the Shatin town centre
- Comprises a seven-storey commercial centre with 97 parking lots
- A part of the 2,260-unit Jubilee Garden residential development
- The mall is characterised by a number of tenants providing service and educational facilities including an elementary school, a kindergarten, a play group, a Christian centre and an immigration office

Occupancy: Average occupancy rate of 96.9% for the three months ended 31 March 2003



## An Overview of the Hong Kong Retail Property Market

According to a report on the Hong Kong retail property market prepared by FPD Savills (Hong Kong) Limited (see Appendix VII of this Prospectus), retailing was Hong Kong's second largest industry (after the import and export sector) in terms of number of employees in the fourth quarter of 2002, with sales reaching HK\$176.8 billion for the year.

### Fewer Retail Facilities than other Economies

The Manager believes that growth in retail shopping centre stock (in terms of square footage) has generally lagged behind the growing wealth of Hong Kong residents, when comparisons are made with certain other economies in the region such as Singapore and New South Wales, Australia. For further details, see Appendix VII of this Prospectus.

### Growth in Retail Property Stock has not kept pace with Suburban Population Growth

While there has been strong population growth in the New Territories in recent years, retail stock in the New Territories has not grown significantly over the same period. In 2002, per capita retail stock in the New Territories stood at approximately 7.5 sq ft, compared with 24.9 sq ft, 20.3 sq ft and 14.6 sq ft for Hong Kong Island, Kowloon and Hong Kong overall, respectively. Based on supply forecasts prepared by FPD Savills (Hong Kong) Limited, as well as the Hong Kong Government's most recent population projections, this relative under-provision of retail space in the New Territories will not change significantly in the short-term.

### Growth in PRC Tourists' Retail Spending

Growth in tourism in Hong Kong has been primarily driven by an increase in visitors from the PRC in recent years. Visitors from the PRC represented more than 40% of total tourist arrivals in 2002. Visitors from the PRC were also highest among all nationalities in terms of per capita spending, accounting for approximately 40% of total tourism receipts in 2001. As part of its strategy, the Manager aims to attract more PRC tourists to those malls that are strategically located near arrival points for PRC tourists. For further details, see "Strategy" and Appendix VII of this Prospectus.

### Severe Acute Respiratory Syndrome (SARS)-Impact on Hong Kong's Retail Market

While SARS has had a negative impact on certain industries, such as airlines, transportation, restaurants and hotels, some industries have been less affected than others. Overall, the demand for daily necessities from local suburban malls has proven to be less susceptible to the outbreak of SARS. Certain retail trades such as supermarkets, often the anchor tenants of local suburban malls, registered increased sales as more people chose to eat and spend time at home.

### The Hong Kong Retail Property Market Outlook

According to the report prepared by FPD Savills (Hong Kong) Limited, the short term outlook for the retail market in Hong Kong will be affected by a combination of the following positive and negative factors:

POSITIVES	NEGATIVES
<ul style="list-style-type: none"><li>• New infrastructure such as East and West Rail will make travelling to Hong Kong easier for mainland Chinese</li><li>• The end of the war in Iraq and the resultant decline in oil prices</li><li>• Export / re-export growth and its wealth effect</li><li>• Lower interest rates in the United States and the weaker Hong Kong dollar</li><li>• The prospect of an economic recovery in the United States</li><li>• China's accession to the WTO</li></ul>	<ul style="list-style-type: none"><li>• The on-going "War on Terror"</li><li>• The uncertain timing of an economic recovery in the United States</li><li>• Hong Kong Government deficit resulting in increased taxation</li><li>• Impact of SARS</li></ul>

See "The Retail Property Market in Hong Kong" and "Retail Market Overview and Individual Asset Summary Report" in Appendix VII of this Prospectus.

# to Generate a Yield of 7.9% to 8.2%

distribution yield of 6.5% to 6.7%\*,  
Prospectus and the assumptions therein.

\*The forecast and projected yields stated above are for the six-month period ending 31 December 2003 and are calculated based on the maximum and minimum subscription prices of the Offering Price Range. Such yields will vary accordingly for investors who purchase Units in the secondary market at a market price that differs from the maximum and minimum subscription prices of the Offering Price Range.

## Who is the Manager?

### *Expert management*

The Manager, ARA Asset Management (Singapore) Limited, was incorporated in Singapore under the Companies Act on 7 April 2003. It is a wholly-owned subsidiary of ARA Asset Management Limited, a company incorporated in Bermuda, which is in turn 70.0% owned by Mr Lim Hwee Chiang, the Chief Executive Officer of the Manager, and 30.0% indirectly owned by Cheung Kong (Holdings) Limited. See "The Manager and the Sponsor - The Manager of Fortune REIT" of this Prospectus.

## Why invest in Fortune REIT?

### *Fortune REIT aims to offer Unitholders the following benefits:*

- a strategy to provide Unitholders with stable distributions;
- a guaranteed Adjusted Net Property Income of at least HK\$90.0 million per annum for The Metropolis Mall for a period of three years from the Listing Date;
- experienced and professional management;
- exposure to a diversified property portfolio of income-producing retail malls located in densely populated areas in Hong Kong;
- investment in a property portfolio at a discount to its appraised value;
- opportunities for future capital growth through active property and portfolio management and through the acquisition of additional properties that are yield accretive;
- a Manager that is motivated to maximise distributions per Unit through a performance-based management fee structure, measured against the aggregate net property income of each of the Property Companies with certain adjustments (see "Certain Agreements Relating to Fortune REIT - Property Management Agreement");
- substantial alignment of the Sponsor's interests with the interests of Unitholders through a significant investment in Fortune REIT by the Sponsor;
- conservative capital structure; and
- 100.0% distribution of its net Tax-Exempt Income, free of Singapore income tax to Unitholders.

### *The Manager aims to produce attractive total returns to Unitholders by, amongst other things:*

- growing through asset enhancements;
- actively managing Fortune REIT's property portfolio to achieve organic growth;
- acquiring properties that meet the Manager's investment criteria; and
- employing optimal debt and equity financing strategies.

The Manager's principal investment strategy is to invest in real estate in Hong Kong which is income producing and which is used, or substantially used, for retail purposes.

See "Summary - Fortune REIT Overview", "Summary - Key Investment Highlights" and "Strategy" of this Prospectus.

Investing in Fortune REIT involves risks. Prospective investors should read this Prospectus in its entirety and, in particular, the section headed "Risk Factors".

FORTUNE  
置富產業信託 REIT

## NOTICE TO INVESTORS

No person is authorised to give any information or to make any representation not contained in this Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Manager or the Underwriters. Neither the delivery of this Prospectus nor any offer, subscription, sale or transfer made hereunder shall under any circumstances imply that the information herein is correct as of any date subsequent to the date hereof or constitute a representation that there has been no change or development reasonably likely to involve a material adverse change in the affairs, conditions and prospects of Fortune REIT, the Manager or the Units since the date hereof. Where such changes occur and are material or required to be disclosed by law, the SGX-ST and/or any other regulatory or supervisory body or agency, the Manager will make an announcement of the same to the SGX-ST and, if required, issue and lodge a supplementary document or replacement document pursuant to Section 298 of the Securities and Futures Act and take immediate steps to comply with the said Section 298. Investors should take notice of such announcements and documents and upon release of such announcement shall be deemed to have notice of such changes. No representation, warranty or covenant, express or implied, is made by any of the Underwriters, the Sponsor or the Trustee or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers as to the accuracy or completeness of the information contained herein, and nothing contained in this Prospectus is, or shall be relied upon as, a promise, representation or covenant by any of the Underwriters, the Sponsor or the Trustee or their respective affiliates, directors, officers, employees, agents, representatives or advisers.

Neither the Manager, any of the Underwriters, the Sponsor nor the Trustee or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers is making any representation or undertaking to any purchaser or subscriber of Units regarding the legality of an investment by such purchaser or subscriber under appropriate legal, investment or similar laws. In addition, investors in the Units should not construe the contents of this Prospectus as legal, business, financial or tax advice. Investors should be aware that they may be required to bear the financial risks of an investment in the Units for an indefinite period of time. Investors should consult their own professional advisers as to the legal, tax, business, financial and related aspects of an investment in the Units.

Copies of this Prospectus and the Application Forms may be obtained on request, subject to availability, from:

**DBS Bank Ltd**  
6 Shenton Way  
DBS Building Tower One  
Singapore 068809

and from branches of DBS Bank (including POSB) and, where applicable, from members of the Association of Banks in Singapore, members of the SGX-ST and merchant banks in Singapore. A copy of this Prospectus is also available on the SGX-ST website <http://www.sgx.com>.

The distribution of this Prospectus and the offering, subscription, purchase, sale or transfer of the Units in certain jurisdictions may be restricted by law. The Manager, the Trustee, the Sponsor and the Underwriters require persons into whose possession this Prospectus comes to inform themselves about and to observe any such restrictions at their own expense and without liability to the Manager, the Trustee, the Sponsor or any of the Underwriters. This Prospectus does not constitute an offer of, or an invitation to subscribe for or purchase, any of the Units in any jurisdiction in which such offer or invitation would be unlawful. Persons to whom a copy of this Prospectus has been issued shall not circulate to any other person, reproduce or otherwise distribute this Prospectus or any information herein for any purpose whatsoever nor permit or cause the same to occur.

In connection with the Offering, DBS Bank (the “Stabilising Manager”) may over-allot or effect transactions which stabilise or maintain the market price of the Units at levels which might not otherwise prevail in the open market. Such transactions may be effected on the SGX-ST and in other jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulations, including the Securities and Futures Act and any regulations thereunder. Such transactions, if commenced, may be discontinued at any time and shall not be effected after the date falling 30 days from the commencement of trading of the Units on the SGX-ST.

## FORWARD-LOOKING STATEMENTS

Certain statements in this Prospectus constitute “forward-looking statements”. This Prospectus also contains forward-looking financial information in the section titled “Profit Forecast and Profit Projection”. Such forward-looking statements and financial information involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Fortune REIT or the Manager, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements and financial information. Such forward-looking statements and financial information are based on numerous assumptions regarding the Manager’s present and future business strategies and the environment in which Fortune REIT or the Manager will operate in the future. Because these statements and financial information reflect the Manager’s current views concerning future events, these statements and financial information necessarily involve risks, uncertainties and assumptions. Actual future performance could differ materially from these forward-looking statements and financial information.

Among the important factors that could cause Fortune REIT’s or the Manager’s actual results, performance or achievements to differ materially from those in the forward-looking statements and financial information are the condition of, and changes in, the domestic, regional or global economy that result in reduced occupancy or rental rates for Fortune REIT’s properties, changes in government laws and regulations affecting Fortune REIT, competition in the Hong Kong property market, interest rates, relations with service providers, relations with lenders and the quality of tenants and other matters not yet known to the Manager or not currently considered material by the Manager. Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under “Risk Factors”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, “Profit Forecast and Profit Projection”, “The Retail Property Market in Hong Kong” and “Business and Properties”. These forward-looking statements and financial information speak only as of the date of this Prospectus. The Manager expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement or financial information contained herein to reflect any change in the Manager’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based, subject to compliance with all applicable laws and regulations and/or the rules of the SGX-ST.

## CERTAIN DEFINED TERMS AND CONVENTIONS

Fortune REIT will publish its financial statements in Hong Kong dollars. In this Prospectus, references to “HK\$” or “Hong Kong dollars” or “Hong Kong cents” are to the lawful currency of Hong Kong and references to “S\$” or “Singapore dollars” are to the lawful currency of the Republic of Singapore. For the reader’s convenience, except where the exchange rate between the Hong Kong dollar and the Singapore dollar is expressly stated otherwise, certain Hong Kong dollar amounts in this Prospectus have been translated into Singapore dollars based on the exchange rate of HK\$1.00 = S\$0.2261, which was the exchange rate on Bloomberg for Singapore dollars on 31 March 2003. However, such translations should not be construed as representations that Singapore dollar amounts have been, could have been or could be converted into Singapore dollars at that or any other rate (see “Exchange Rates”).

Fortune REIT’s pro forma consolidated profit and loss statements for the years ended 31 December 2000, 2001 and 2002 and the three months ended 31 March 2003, pro forma consolidated cash flow statement for the year ended 31 December 2002 and pro forma consolidated balance sheet as at 31 December 2002 (the “Pro Forma Financial Information”) have been prepared in accordance with generally accepted accounting principles in Singapore (“Singapore GAAP”) on the basis set out in Appendix III.

Capitalised terms used in this Prospectus shall have the meanings set out in the Glossary. In particular, the following terms shall have the following meanings:

- Base Rental Income — consists of rental income due from tenancies but excludes Turnover Rent.
- Charge-out Collections — consists of air conditioning charges, management fees, promotional charges, government rates, government rents, utility charges, cleaning and other charges payable by the tenants and licensees.

- Gross Revenue — consists of Base 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.
- 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, Manager's Performance Fee and other property operating expenses.
- Net Property Income — consists of Gross Revenue less Property Operating Expenses.
- 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.

**Certain historical financial data in this Prospectus, including the above financial terms, is derived from the Pro Forma Financial Information and presented on a pro forma basis (see "Pro Forma Financial Information").**

References to the acquisition of the Property Company Shares by Fortune REIT in this Prospectus shall, where the context so admits, include the acquisition of the Property Company Shares from the Vendor Companies and the Balance of Existing Borrowings applicable to four of the Property Companies and the acquisition of Existing Borrowings applicable to the remaining Property Company.

This Prospectus contains certain information with respect to the business sectors of Fortune REIT's tenants. The Manager has determined the business sectors in which Fortune REIT's tenants are primarily involved based upon the Manager's general understanding of the business activities conducted by such tenants in the premises occupied by them. The Manager's knowledge of the business activities of Fortune REIT's tenants is necessarily limited and such tenants may conduct business activities that are in addition to, or different from, those shown herein.

**The forecast yields and yield growth are calculated based on the minimum and maximum subscription prices of the Offering Price Range. Such yields will vary accordingly for investors who purchase Units in the secondary market at a market price different from the minimum and maximum subscription prices of the Offering Price Range.**

Any discrepancies in the tables included herein between the listed amounts and totals thereof are due to rounding. Where applicable, figures and percentages are rounded to one decimal place. References to Appendices are to the Appendices set out in this Prospectus. All references herein to dates and times shall mean Singapore dates and times unless otherwise specified.

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## SUMMARY

*The following summary is qualified in its entirety, and is subject to the more detailed information and the Pro Forma Financial Information contained or referred to elsewhere in this Prospectus. The meanings of terms not defined in this summary can be found elsewhere in this Prospectus or in the Trust Deed. A copy of the Trust Deed can be inspected at the registered office of the Manager.*

Statements contained in this summary that are not historical facts may be forward-looking statements. Such statements are based on certain assumptions and are subject to certain risks, uncertainties and assumptions which could cause actual results to differ materially from those projected (see “Forward-looking Statements”). Under no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by the Sponsor, the Manager or Fortune REIT or any other person or that these results will be achieved or are likely to be achieved. Investing in the Units of Fortune REIT involves risks. Prospective investors should read this Prospectus in its entirety and, in particular, the section headed “Risk Factors”.

### **Fortune REIT Overview**

Fortune REIT is a Singapore-based unit trust with the investment objective of investing in real estate and real estate related assets. Fortune REIT is formed primarily to own and invest in a portfolio of retail shopping malls located in Hong Kong through the ownership of the Property Companies (or other companies whose primary purpose is to hold or own real properties) or directly in properties that Fortune REIT may acquire from time to time. Fortune REIT aims to produce stable distributions for unitholders (“Unitholders”) and to achieve long-term growth in the net asset value per Unit of Fortune REIT.

The Manager aims to produce attractive total returns to Unitholders by, amongst other things: (i) growing through asset enhancements; (ii) actively managing Fortune REIT’s property portfolio to achieve organic growth; (iii) acquiring properties that meet the Manager’s investment criteria; and (iv) employing optimal debt and equity financing strategies. The Manager’s principal investment strategy is to invest in real estate in Hong Kong which is income-producing and which is used, or substantially used, for retail purposes (see “Strategy”).

Through the ownership of the Property Company Shares, Fortune REIT’s property portfolio will, on the Listing Date, consist of the following retail shopping malls located in Hong Kong:

- **The Metropolis Mall**, a shopping mall in an established residential and commercial area in south Kowloon, is a part of The Metropolis, a 1.4 million sq ft integrated retail, office, hotel and service apartment development. It is connected to the Hung Hom KCRC station (a mass transportation centre which 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 undersea vehicular tunnel in Hong Kong that links Kowloon with Hong Kong Island), the 12,500-seat Hong Kong Coliseum, a major venue for concerts and events, and the Hong Kong Polytechnic University. It is positioned as an integrated retail and entertainment centre for the surrounding developments of over 16,000 apartment units, including The Metropolis Residence, The Royal Peninsula, the Whampoa Garden, the Whampoa Estate and the Hunghom Bay Centre.

The Metropolis Mall, a newly completed mall with its first tenancy having commenced on 20 August 2002, is still in the process of marketing some of its units. In order to ensure a stable level of cash flow while the existing vacant units of the mall are being marketed, the Sponsor and HWL will on Completion enter into the Rental Guarantee Deed with Vision Million Limited, the Property Company which owns The Metropolis Mall. Under the Rental Guarantee Deed, the Sponsor and HWL will undertake (on a several basis in equal shares pro-rated to their respective interests in the Vendor Company) for three years starting from the Listing Date, to effect top up payments to Vision Million Limited (i) if the Adjusted Net

Property Income is less than HK\$90,000,000 per annum, to make up the difference between (a) HK\$90,000,000 per annum and (b) the Adjusted Net Property Income for the relevant period and (ii) if the Net Parking Space Income is less than HK\$4,296,000 per annum, to make up the difference between (a) HK\$4,296,000 per annum and (b) the Net Parking Space Income for the relevant period. The Adjusted Net Property Income and the Net Parking Space Income will be certified by the Auditors of Vision Million Limited at the end of each relevant period.

- **Ma On Shan Plaza**, a shopping mall which is part of the 1,102-unit Bayshore Towers residential complex, is situated in a strategic central location within Ma On Shan, Shatin, New Territories. The mall's residential catchment includes Ma On Shan, a new town with approximately 194,000 residents. The mall will be directly connected to the planned Ma On Shan station of KCRC's Ma On Shan Rail which is expected to be completed by the end of 2004.
- **The Household Center**, a new shopping mall (with its first tenancy having commenced on 30 July 2002), is part of the new 696-unit Nob Hill residential development situated in a developed urban centre in the district of Kwai Chung, New Territories. It is located above a bus terminal and is within walking distance of Mei Foo MTR station (which is along the mass transit railway line serving a number of districts in Kowloon and Hong Kong Island).
- **Smartland**, part of a shopping mall located in the densely populated district of Tsuen Wan, New Territories, features a 32,000 sq ft supermarket and a new identity card issuing immigration office (which is intended to serve the whole of the Tsuen Wan district, which has approximately 275,500 residents). It is opposite the 1,026-room Panda Hotel and is near the Tai Wo Hau MTR station (which is situated along a mass transit railway line serving a number of districts in Kowloon and Hong Kong Island).
- **Jubilee Court Shopping Centre**, a shopping mall which is part of the 2,260-unit residential development, Jubilee Garden, in the district of Fo Tan, Shatin, New Territories, is strategically located near the Shatin Racecourse and the Fo Tan KCRC station and is one KCRC station from The Chinese University of Hong Kong and the Shatin town centre. The mall is characterised by a number of tenants providing service and educational facilities including an elementary school, a kindergarten, a play group, a Christian centre and an immigration office.

Together, the Properties comprise approximately 1,028,191 sq ft of principally retail space and 676 parking lots as at 31 March 2003. For the year ended 31 December 2002, the Properties had an aggregate Gross Revenue of HK\$163.7 million. The Household Center and The Metropolis Mall commenced their first tenancies on 30 July 2002 and 20 August 2002, respectively. The Metropolis Mall did not contribute any Gross Revenue in the year ended 31 December 2001 and contributed Gross Revenue of HK\$11.2 million for the year ended 31 December 2002 and HK\$13.4 million for the three months ended 31 March 2003. Gross Revenue of The Household Center was HK\$4.1 million in the year ended 31 December 2002 (extracted from the unaudited management accounts of the company which owned The Household Center prior to its acquisition by Art Full Resources Limited) and HK\$5.4 million for the three months ended 31 March 2003.

The Manager believes that the Properties benefit from their strategic locations in their respective trade areas and their high levels of connectivity with public transportation that generate visitor traffic.

The Properties have a diverse tenant base with over 350 tenants as at 31 March 2003. The 10 largest tenants (in terms of total Base Rental Income) across the portfolio contributed 36.0% of total Base Rental Income from the Properties for the month ended 31 March 2003. In addition, for the same period, no more than 25.3% of total Base Rental Income and licence fees from the Properties was derived from any one retail sub-sector. For the same period, other than Park'N Shop, which accounted for 12.3% of total Base Rental Income from the Properties, no single tenant accounted for more than 5.0% of total Base Rental Income from the Properties.

### **Key Investment Highlights**

The Manager believes that an investment in Fortune REIT will offer Unitholders the following benefits:

- a strategy to provide Unitholders with stable distributions;
- a guaranteed Adjusted Net Property Income of at least HK\$90.0 million per annum for The Metropolis Mall for a period of three years from the Listing Date;
- experienced and professional management;
- exposure to a diversified property portfolio of income-producing retail malls located in densely populated areas in Hong Kong;
- investment in a property portfolio at a discount to its appraised value;
- opportunities for future capital growth through active property and portfolio management and through the acquisition of additional properties that are yield accretive;
- a Manager that is motivated to maximise distributions per Unit through a performance-based management fee structure, measured against the aggregate net property income of each of the Property Companies with certain adjustments (see “Certain Agreements Relating to Fortune REIT — Property Management Agreement”);
- substantial alignment of the Sponsor’s interests with the interests of Unitholders through a significant investment in Fortune REIT by the Sponsor;
- conservative capital structure; and
- 100.0% distribution of its net Tax-Exempt Income, free of Singapore income tax to Unitholders.

### ***Strategy to provide stable distributions***

One of Fortune REIT’s primary objectives will be to provide Unitholders with stable distributions on a semi-annual basis. The Manager has forecasted a distribution of approximately 15.5 Hong Kong cents per Unit in respect of the period from 1 July 2003 to 31 December 2003 but the actual amount distributed will be adjusted based on the actual number of days from the Listing Date to 31 December 2003. This represents an annualised yield of approximately 6.72% based on the minimum subscription price of the Offering Price Range of HK\$4.60 per Unit and represents an annualised yield of 6.51% based on the maximum subscription price of the Offering Price Range of HK\$4.75 per Unit. The Manager expects that the yield will grow to 6.85%, based on the minimum subscription price of the Offering Price Range, and 6.64%, based on the maximum subscription price of the Offering Price Range, for the financial year ending 31 December 2004. **Such yields will vary accordingly for investors who purchase Units in the secondary market at a market price different from the minimum and maximum subscription prices of the Offering Price Range. The profit forecast and profit projection from which this information is extracted are based on various assumptions set out in the “Profit Forecast and Profit Projection” section of this Prospectus. There can be no assurance that the profit forecast and profit projection will be met and the actual yield per Unit may be materially different from the forecast amounts (see “Risk Factors”).**

The Manager believes that Fortune REIT’s diverse tenant and retail sector base will reduce its reliance on any particular retail sector and increases its ability to provide Unitholders with stable income distributions. Furthermore, the Manager believes that the Properties (other than The Metropolis Mall whose first tenancy only commenced on 20 August 2002) benefit from stable occupancy rates. For the three months ended 31 March 2003, the Properties (excluding The Metropolis Mall) had a weighted average occupancy rate of 95.3%. The first tenancy of The Metropolis Mall commenced on 20 August 2002 and for the three months ended 31 March 2003, The Metropolis Mall had a comparatively low average occupancy rate of 53.5%.

***A guaranteed Adjusted Net Property Income of at least HK\$90.0 million per annum for The Metropolis Mall for three years from the Listing Date***

The Metropolis Mall, a newly completed mall with its first tenancy having commenced on 20 August 2002, is still in the process of marketing some of its units. In order to ensure a stable level of cash flow while the existing vacant units of the mall are being marketed, the Sponsor and HWL will on Completion enter into the Rental Guarantee Deed with Vision Million Limited, the Property Company which owns The Metropolis Mall (see “The Manager and the Sponsor — Certain Other Related Party Transactions — Rental Guarantee Deed”).

***Experienced and professional management***

The Manager believes that Unitholders will benefit from the experience of key staff members of the Manager in the Hong Kong property market and the Sponsor’s strengths and experience in property management.

The Manager is staffed by experienced professionals. Key staff members collectively have between them more than 112 years of experience in the real estate industry in North and South East Asia (excluding Japan).

The Manager’s key staff members have in-depth real estate investment, asset management, research and equity securities market experience. Their familiarity with Hong Kong retail assets and property market dynamics is well-complemented by their retail property and equity market experience in other developed economies.

The Cheung Kong Group has extensive experience managing the Properties and other properties that they have acquired or developed. In Hong Kong and the PRC, the Cheung Kong Group has managed in excess of eight million sq ft of retail commercial space.

***Exposure to a diversified property portfolio***

Fortune REIT will provide Unitholders with exposure to a portfolio of retail shopping mall properties located in densely populated areas in Hong Kong. The Properties have a diverse tenant base with over 350 tenants as at 31 March 2003. The 10 largest tenants (in terms of total Base Rental Income) across the portfolio contributed 36.0% of total Base Rental Income for the month ended 31 March 2003. In addition, for the same period, no more than 25.3% of total Base Rental Income and licence fees from the Properties was derived from any one retail sub-sector. For the same period, other than Park’N Shop, which accounted for 12.3% of total Base Rental Income from the Properties, no single tenant accounted for more than 5.0% of total Base Rental Income from the Properties.

***Fortune REIT’s purchase of the Properties through the Property Companies will be at a discount to the Appraised Value***

At the minimum and maximum subscription prices of the Offering Price Range of HK\$4.60 and HK\$4.75 per Unit, respectively, Fortune REIT would be purchasing the Properties through the Property Companies, at discounts to the Appraised Value of the Properties of 6.9% and 5.1%, respectively, based on the aggregate Appraised Value of the Properties of HK\$3,275.0 million (as at 31 May 2003) by Chesterton Petty Ltd, the Independent Valuer (see Appendix IV, “Independent Property Valuation Summary Reports”).

***Opportunities for future growth through active management and acquisitions***

The Manager will seek to increase the net asset value per Unit of Fortune REIT through active management of Fortune REIT’s property portfolio and through acquisitions that meet the Manager’s investment criteria.

In terms of organic growth, the Manager intends to (i) focus on proactive management; (ii) raise and maintain occupancy levels across the Properties; (iii) diligently pursue leasing opportunities; (iv) maximise tenant retention; (v) seek asset enhancements; (vi) introduce step-up provisions in the rental rates for leases during the course of the lease term; (vii) increase rental rates when leases with below market rent expire; (viii) increase the income from Turnover Rent and (ix) minimise property operating expenses in order to maximise returns from Fortune REIT's property portfolio.

***Manager motivated to maximise income distributions***

The management fees payable to the Manager have a performance-based element which is designed to align the interests of the Manager with those of the Unitholders, and which provides the Manager with incentives to both grow revenues and minimise operating costs. Under the Trust Deed, the Manager is entitled to receive a Base Fee of 0.3% per annum of the Property Values and the Manager will receive (from each Property Company) an additional Performance Fee of 3.0% per annum of the net property income of the relevant Property Company with certain adjustments (see "Certain Agreements Relating to Fortune REIT — Property Management Agreement").

Any increase in the said rates or any change in the structure of the Manager's management fees must be approved by a resolution proposed and passed as such by a majority consisting of 75.0% or more of the total number of votes cast for and against such resolution (an "Extraordinary Resolution") at a meeting of Unitholders duly convened under the provisions of the Trust Deed.

***Sponsor's interests substantially aligned with interests of Unitholders***

The Sponsor will subscribe for Units concurrently with the Offering and will hold 37.4% of the Units following the completion of the Offering (or 21.4%, if the Upsize Option and the Over-allotment Option are exercised in full). The Sponsor has agreed to a 180-day lock-up period from and including the Listing Date in respect of the disposal of its Units, subject to certain exceptions (see "Plan of Distribution — Lock-up Arrangements"). The Sponsor has informed the Manager that it intends to be a long-term investor in Fortune REIT beyond the expiry of the lock-up period.

***Conservative capital structure***

Currently, Appendix 2 (the "Property Funds Guidelines") of the Code on Collective Investment Schemes (the "CIS Code") issued by the MAS under the Securities and Futures Act restricts the borrowings of a real estate investment trust to a maximum of 35.0% of its Deposited Property at the time the borrowing is incurred. The Property Funds Guidelines also provide that if (i) all the borrowings of the fund are rated at least A (including any sub-categories or gradations therein) by Fitch Inc., Moody's or Standard & Poor's or (ii) the credit rating of the fund is at least A (including any sub-categories or gradations therein) as rated by Fitch Inc., Moody's or Standard & Poor's, the property fund may borrow more than 35.0% of the fund's Deposited Property. Fortune REIT will have an initial level of indebtedness of 31.0% of its Deposited Property (based on the pro forma consolidated balance sheet as at 31 December 2002) immediately following the completion of the Offering (including the borrowings incurred by the Property Companies). By adopting an initially conservative gearing level, the Manager believes that Fortune REIT will maintain operating flexibility when considering future acquisition opportunities and capital expenditure requirements.

The Manager also intends to adopt an appropriate strategy to manage the risks associated with changes in interest rates on its borrowings.

***100.0% distribution of its net Tax-Exempt Income, free of Singapore income tax to Unitholders***

Fortune REIT's distribution policy is to distribute 100.0% of its Tax-Exempt Income (except dividends paid out of interest income and gains, if any, which are distributable at the discretion of the Manager) after deduction of applicable expenses ("net Tax-Exempt Income") to its Unitholders on a semi-annual basis. Unitholders receiving distributions made by Fortune REIT out of net Tax-Exempt Income will not be assessable to Singapore income tax on the distributions received.

Fortune REIT's distributions may also include discretionary distributions out of its Taxable Income and Non-Taxable Capital Gains including the dividends excluded from the distributions out of Tax-Exempt Income referred to above (if any) (collectively referred to as "Other Income"). The Manager, at its discretion, will direct the Trustee to distribute such Other Income but only if the funds are surplus to the business requirements and needs of Fortune REIT.

Fortune REIT will be making distributions out of its net Tax-Exempt Income, and subject to the discretion of the Manager, all or part of its 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.

Unitholders receiving distributions made out of Taxable Income will be assessable to Singapore income tax on the distributions received at their applicable income tax rates. Tax will be assessed on the regressed amount (i.e. the amount of the distribution received and the proportionate amount of the imputed tax) at the rate of tax applicable to the Unitholders. The imputed tax (i.e. the tax paid by the Trustee and imputed to be the tax paid by the Unitholders) is available as a credit against the Singapore income tax payable by the Unitholders on the regressed amount of the distributions. Where the imputed tax is higher than the tax payable by the Unitholders, the IRAS will refund the excess to the Unitholders. Unitholders are required to declare in their income tax returns the regressed amount of the distributions received.

Unitholders receiving distributions made out of Non-Taxable Capital Gains will not be assessable to Singapore income tax on the distributions received, except where the Unitholders hold the Units as trading assets.

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 (see "Distributions" and "Taxation").

**Valuation**

Chesterton Petty Ltd valued the Properties at HK\$3,275.0 million as at 31 May 2003 (see Appendix IV, "Independent Property Valuation Summary Reports").

The aggregate Acquisition Value of the Properties is HK\$3,050.3 million, based on the minimum subscription price of the Offering Price Range, or HK\$3,106.8 million, based on the maximum subscription price of the Offering Price Range (in each case applying the Volume Discount only in respect of the Cornerstone Units and assuming that the Upsize Option and the Over-allotment Option are exercised in full), representing discounts of 6.9% and 5.1%, respectively, to the aggregate Appraised Value of the Properties as determined by Chesterton Petty Ltd.

The acquisition of the Properties will be undertaken indirectly through the purchase of the Property Company Shares and the purchase of the respective Existing Borrowings (in relation to Quick Switch Limited) and the Balance of Existing Borrowings of the other Property Companies extended by the Vendor Companies to the Property Companies (see "Certain Agreements Relating to Fortune REIT — Description of the Agreements to Acquire the Property Company Shares").

## Summary Property Statistics

The following table sets out certain information with respect to each of the Properties:

### The Metropolis Mall

No. 6 Metropolis Drive  
The Metropolis  
Kowloon  
Hong Kong

#### Location

The Metropolis Mall is located in an established residential and commercial area in south Kowloon.

#### Description

The Metropolis Mall is a new three-level retail shopping mall with parking facilities comprising a total of 179 parking lots. It is part of The Metropolis, a 1.4 million sq ft integrated retail, office, hotel and service apartment development. It is positioned as an integrated retail and entertainment centre for the surrounding developments of over 16,000 apartment units (including The Metropolis Residence, The Royal Peninsula, the Whampoa Garden, the Whampoa Estate and the Hunghom Bay Centre). It is connected to the Hung Hom KCRC station (a mass transportation centre which 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 undersea vehicular tunnel in Hong Kong that links Kowloon with Hong Kong Island), the 12,500-seat Hong Kong Coliseum, a major venue for concerts and events, and the Hong Kong Polytechnic University.

#### Occupancy

An average occupancy rate of 53.5% for the three months ended 31 March 2003

#### Gross Rentable Area

332,168 sq ft as at 31 March 2003

#### Gross Floor Area

344,055 sq ft as at 31 March 2003

#### Government Lease Expiry

30 June 2047

#### Tenant Information

Number of tenants (as at 31 March 2003): 57

**Top five tenants by Base Rental Income (as at 31 March 2003):**

<b>Tenant</b>	<b>Trade sub-sector</b>	<b>Expiry date</b>	<b>Gross Rentable Area</b> (sq ft)	<b>Percentage of total Base Rental Income</b> (%)
Kopitiam <sup>(1)</sup>	Food and Beverage/Food Court	August 2005	31,966	17.3
Choi Fook Seafood Restaurant <sup>(2)</sup>	Food and Beverage/Food Court	August 2008	16,971	13.5
Ryo-zan Paku Japanese Restaurant	Food and Beverage/Food Court	February 2009	7,464	4.4
Country Road	Food and Beverage/Food Court	September 2005	3,272	3.8
Park'N Shop	Supermarket	October 2005	6,376	2.9

**Notes:**

- (1) As at 30 June 2003, this tenant was in arrears of rent. Cheung Kong Property Development Limited, the letting agent responsible for The Metropolis Mall, is in discussion with the tenant to settle such arrears.
- (2) As at 30 June 2003, this tenant was in arrears of rent. The letting agent has agreed to allow payment of the arrears in instalments, the final instalment falling due on 15 April 2004. As at 30 June 2003, the tenant had paid all instalments falling due in a timely manner.

**Acquisition & Valuation**

Acquisition Value: HK\$1,458,700,000 (assuming the minimum Offering Price of HK\$4.60) to HK\$1,464,346,777 (assuming the maximum Offering Price of HK\$4.75), in both cases applying the Volume Discount only in respect of the Cornerstone Units and assuming that the Upsize Option and the Over-allotment Option are exercised in full

Appraised Value: HK\$1,560.0 million

Date of Appraisal: 31 May 2003

## **Ma On Shan Plaza**

No. 608 Sai Sha Road  
Shatin  
New Territories  
Hong Kong

### **Location**

Ma On Shan Plaza is located in a strategic central location within Ma On Shan, Shatin, New Territories. Its residential catchment includes Ma On Shan, a new town with approximately 194,000 residents.

### **Description**

Ma On Shan Plaza comprises part of the 1,102-unit Bayshore Towers residential complex and is linked to the adjacent 4,760-unit Sunshine City residential development via two covered footbridges. It is also linked to the 5.5-hectare Ma On Shan Park via a covered footbridge. Ma On Shan Plaza is a shopping arcade on levels two and three with basement parking facilities comprising 290 parking lots. It is easily accessible by public transportation, taxis and franchised buses and has a high level of accessibility with the public light bus terminal, taxi waiting area and bus station on its ground floor. Ma On Shan Plaza will be directly connected to the Ma On Shan Rail KCRC Station, scheduled to be completed by the end of 2004.

### **Occupancy**

An average occupancy rate of 94.3% for the three months ended 31 March 2003

### **Gross Rentable Area**

310,084 sq ft as at 31 March 2003

### **Gross Floor Area**

319,560 sq ft as at 31 March 2003

### **Government Lease Expiry**

30 June 2047

### **Tenant Information**

Number of tenants (as at 31 March 2003): 137

**Top five tenants by Base Rental Income (as at 31 March 2003):**

<b>Tenant</b>	<b>Trade sub-sector</b>	<b>Expiry date</b>	<b>Gross Rentable Area</b>	<b>Percentage of total Base Rental Income</b>
			(sq ft)	(%)
Park'N Shop	Supermarket	August 2004	56,348	12.6
Maxim's Chinese Restaurant	Food and Beverage/Food Court	August 2005	49,014	12.0
Shanghai Commercial Bank Limited	Banking & Real Estate Services	October 2005	5,863	4.4
Hong Kong Jockey Club	Leisure & Entertainment/Sports & Fitness	April 2003 <sup>(1)</sup>	7,908	3.9
Standard Chartered Bank	Banking & Real Estate Services	August 2005	3,740	3.4

**Note:**

(1) The lease was renewed in April 2003 for a further period of three years ending in April 2006.

**Acquisition & Valuation**

Acquisition Value: HK\$897,000,000 (assuming the minimum Offering Price of HK\$4.60) to HK\$933,704,053 (assuming the maximum Offering Price of HK\$4.75), in both cases applying the Volume Discount only in respect of the Cornerstone Units and assuming that the Upsize Option and the Over-allotment Option are exercised in full

Appraised Value: HK\$970.0 million

Date of Appraisal: 31 May 2003

## **The Household Center**

No. 8 King Lai Path  
Kwai Chung  
New Territories  
Hong Kong

### **Location**

The Household Center is located in a developed urban centre in Kwai Chung, New Territories.

### **Description**

The Household Center is a three-storey shopping centre with 43 parking lots and is part of the new 696-unit Nob Hill residential development. The Household Center is easily accessible to shoppers using public transportation, taxis and franchised buses. It is located above a bus terminal and is within walking distance of Mei Foo MTR station (which is along the mass transit railway line serving a number of districts in Kowloon and Hong Kong Island). It is also strategically located near the planned West Rail Mei Foo interchange station which, is designed to cater for a peak hourly interchange of 25,000 passengers upon its completion, which is expected by the end of 2003.

### **Occupancy**

An average occupancy rate of 95.6% for the three months ended 31 March 2003

### **Gross Rentable Area**

91,779 sq ft as at 31 March 2003

### **Gross Floor Area**

100,599 sq ft as at 31 March 2003

### **Government Lease Expiry**

16 July 2048

### **Tenant Information**

Number of tenants (as at 31 March 2003): 40

**Top five tenants by Base Rental Income (as at 31 March 2003):**

<b>Tenant</b>	<b>Trade sub-sector</b>	<b>Expiry date</b>	<b>Gross Rentable Area</b>	<b>Percentage of total Base Rental Income</b>
			(sq ft)	(%)
Park'N Shop Superstore	Supermarket	July 2005	41,178	31.2
Glorious Seafood Restaurant	Food and Beverage/Food Court	July 2008	13,515	14.0
Think International Kindergarten <sup>(1)</sup>	Service/Education	August 2005	11,941	5.9
Circle K Convenience Stores Limited	Others	August 2005	1,475	4.8
Individual Tenant <sup>(2)(3)</sup>	Food and Beverage/Food Court	August 2005	1,960	4.2

**Notes:**

- (1) As at 30 June 2003, this tenant was in arrears of rent. This tenant has applied for a loan under the Sponsor's HK\$300 million loan guarantee fund to cover such arrears (see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors Affecting Fortune REIT's Results of Operations — Recent Developments").
- (2) In compliance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), the names of tenants who are individuals are not disclosed.
- (3) As at 30 June 2003, this tenant was in arrears of rent. Cheung Kong Property Development Limited, the letting agent responsible for The Household Center, agreed to allow for payment of the arrears in instalments, the final instalment falling due on 25 July 2003. As at 30 June 2003, the tenant had paid all instalments falling due.

**Acquisition & Valuation**

Acquisition Value: HK\$232,900,000

Appraised Value: HK\$243.0 million

Date of Appraisal: 31 May 2003

## **Smartland**

No. 16 Tsuen Wah Street  
Tsuen Wan  
New Territories  
Hong Kong

### **Location**

Smartland is located in the densely populated district of Tsuen Wan, New Territories, opposite the 1,026-room Panda Hotel.

### **Description**

Smartland is part of a four-storey shopping podium with 67 parking lots on the basement level. It is easily accessible to shoppers, residents and tourists by public and private transport and is situated near the Tai Wo Hau MTR station (which is along the mass transit railway line serving a number of districts in Kowloon and Hong Kong Island). Smartland features a 32,000 sq ft supermarket and a new identity card issuing immigration office (which is intended to serve the whole of the Tsuen Wan district, which has approximately 275,500 residents).

### **Occupancy**

An average occupancy rate of 95.2% for the three months ended 31 March 2003

### **Gross Rentable Area**

123,544 sq ft as at 31 March 2003

### **Gross Floor Area**

125,446 sq ft as at 31 March 2003

### **Government Lease Expiry**

30 June 2047

### **Tenant Information**

Number of tenants (as at 31 March 2003): 93

**Top five tenants by Base Rental Income (as at 31 March 2003):**

<b>Tenant</b>	<b>Trade sub-sector</b>	<b>Expiry date</b>	<b>Gross Rentable Area</b> (sq ft)	<b>Percentage of total Base Rental Income</b> (%)
Fook Ho Seafood Hotpot Restaurant <sup>(1)</sup>	Food and Beverage/Food Court	May 2006	22,920	19.1
Park'N Shop	Supermarket	July 2005	32,142	13.4
Tung Ying Fraternity Association Limited	Leisure & Entertainment/Sports & Fitness	June 2003 <sup>(2)</sup>	10,341	7.8
Maxim's Fast Food	Food and Beverage/Food Court	May 2003 <sup>(2)</sup>	4,206	7.4
The Financial Secretary Incorporated	Community Services	October 2005	12,969	7.2

**Notes:**

- (1) As at 30 June 2003, this tenant was in arrears of rent. Cheung Kong Property Development Limited, the letting agent responsible for Smartland, agreed to allow for payment of the arrears for April and May 2003 in instalments, the final instalment falling due on 15 July 2003. As at 30 June 2003, the tenant had paid all scheduled instalments of arrears falling due in a timely manner but was in arrears of rent for the month of June 2003. The letting agent is in discussion with the tenant to settle the arrears for June 2003.
- (2) An offer letter for renewal for a term of three years issued by the tenant to the landlord was accepted by the landlord on 12 June 2003.

**Acquisition & Valuation**

Acquisition Value: HK\$258,300,000

Appraised Value: HK\$265.0 million

Date of Appraisal: 31 May 2003

## **Jubilee Court Shopping Centre**

Nos. 2-18 Lok King Street  
Shatin  
New Territories  
Hong Kong

### **Location**

Jubilee Court Shopping Centre is located near the Fo Tan KCRC station in Fo Tan, Shatin, New Territories.

### **Description**

Jubilee Court Shopping Centre comprises a seven-storey commercial centre with 97 parking lots and is a part of the 2,260-unit Jubilee Garden residential development. It is strategically located near the Fo Tan KCRC station and the Shatin Racecourse and is one KCRC station from The Chinese University of Hong Kong and the Shatin town centre. The mall is characterised by a number of tenants providing service and educational facilities including an elementary school, a kindergarten, a play group, a Christian centre and an immigration office.

### **Occupancy**

An average occupancy rate of 96.9% for the three months ended 31 March 2003

### **Gross Rentable Area**

170,616 sq ft as at 31 March 2003

### **Gross Floor Area**

172,179 sq ft as at 31 March 2003

### **Government Lease Expiry**

30 June 2047

### **Tenant Information**

Number of tenants (as at 31 March 2003): 30

**Top five tenants by Base Rental Income (as at 31 March 2003):**

<b>Tenant</b>	<b>Trade sub-sector</b>	<b>Expiry date</b>	<b>Gross Rentable Area</b>	<b>Percentage of total Base Rental Income</b>
			(sq ft)	(%)
International Christian Schools Limited	Service/Education	August 2004 August 2004	33,303 1,282	24.0
Sha Tin Peace Evangelical Centre Limited <sup>(1)</sup>	Community Services	January 2004	15,717	9.5
Shin Yat Tong Jubilee Kindergarten <sup>(2)</sup>	Service/Education	July 2003 <sup>(2)</sup>	13,566	8.1
Golden Dragon Seafood Restaurant <sup>(3)</sup>	Food & Beverage/ Food Court	June 2006	20,205	7.9
Park'N Shop	Supermarket	August 2004	8,229	7.6

**Notes:**

- (1) As at 30 June 2003, this tenant was in arrears of less than one month's rent.
- (2) This tenant has confirmed that it will not renew the lease upon its expiry. Cheung Kong Property Development Limited, the letting agent responsible for Jubilee Court Shopping Centre, sent a letter dated 27 March 2003 asking the tenant to reinstate the premises to its original condition as at the lease commencement date in preparation for handover by 31 July 2003.
- (3) The bank guarantee for this tenant has been drawn to cover the rent up to 30 June 2003. The tenant has indicated an intention to re-open in July 2003 after temporarily closing in April 2003.

**Acquisition & Valuation**

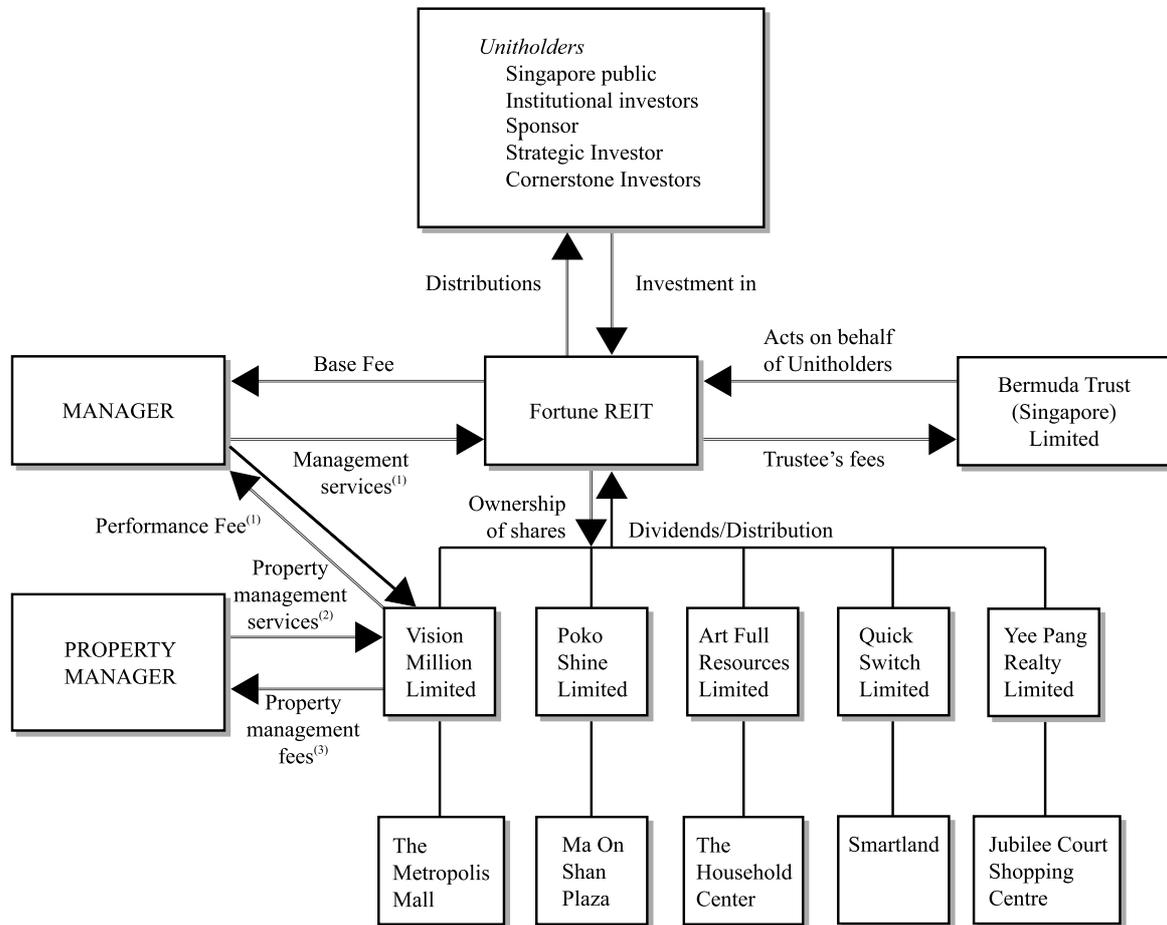
Acquisition Value: HK\$203,400,000 (assuming the minimum Offering Price of HK\$4.60) to HK\$217,516,943 (assuming the maximum Offering Price of HK\$4.75), in both cases applying the Volume Discount only in respect of the Cornerstone Units and assuming that the Upsize Option and the Over-allotment Option are exercised in full

Appraised Value: HK\$237.0 million

Date of Appraisal: 31 May 2003

## Structure of Fortune REIT

The following diagram indicates the relationships between Fortune REIT, the Manager, the Property Manager (as defined below), the Trustee and the initial Unitholders:



**Notes:**

- (1) The Manager will provide management services to Fortune REIT and will, in return, receive the Base Fee from Fortune REIT and the Performance Fee. The Performance Fee will be payable by each Property Company to the Manager.
- (2) Property management services will be provided to each Property Company by the Property Manager.
- (3) Property management fees will be payable by each Property Company.

Fortune REIT is regulated by the Securities and Futures Act as well as the CIS Code (including the Property Funds Guidelines, see Appendix VIII, “Property Funds Guidelines”). The Property Funds Guidelines impose certain restrictions on real estate investment trusts in Singapore, including a restriction on the types of investments real estate investment trusts in Singapore may hold, a general limit on their level of borrowing to a maximum of 35.0% of their Deposited Property at the time the borrowing is incurred and certain restrictions with respect to “interested party transactions” (as defined in the Property Funds Guidelines).

Fortune REIT's manager is ARA Asset Management (Singapore) Limited, which is responsible for Fortune REIT's investment and financing strategies, asset acquisition and disposition policies and overall management of real estate and real estate related assets. Fortune REIT's property manager is Goodwell-Fortune Property Services Limited (the "Property Manager"), which will provide property management, lease management and marketing services for the properties of Fortune REIT.

#### **ARA Asset Management (Singapore) Limited**

The Manager was incorporated in Singapore under the Companies Act, Chapter 50 of Singapore (the "Companies Act") on 7 April 2003. It is a wholly-owned subsidiary of ARA Asset Management Limited, a company incorporated in Bermuda, which is in turn 70.0% owned by Mr Lim Hwee Chiang, the Chief Executive Officer of the Manager, and 30.0% indirectly owned by the Sponsor. The Manager has a paid-up capital of S\$1.0 million and its registered office is located at 7 Temasek Boulevard, #12-03, Suntec City Tower 1, Singapore 038987.

Generally, the Manager will provide the following management services to Fortune REIT:

- *Investment strategy.* Formulate Fortune REIT's investment strategy, including determining the location, sub-sector type and other characteristics of Fortune REIT's property portfolio.
- *Acquisitions and sales.* Make recommendations to the Trustee on the acquisition or sale of properties.
- *Planning and reporting.* Make periodic property plans, including budgets and reports, relating to the performance of Fortune REIT's properties.
- *Financing.* Provide advisory services regarding plans for equity and debt financing for Fortune REIT's property acquisitions, distribution payments, expense payments and property maintenance payments.
- *Administrative and advisory services.* Perform the day-to-day administrative services as Fortune REIT's representative, including providing administrative services relating to meetings of Unitholders when such meetings are convened.
- *Investor relations.* Respond to Unitholders' enquiries.
- *Compliance management.* Make all regulatory filings on behalf of Fortune REIT, and ensure that Fortune REIT is in compliance with the applicable provisions of the SFA and all other relevant legislation, the listing rules of the SGX-ST, the CIS Code (including the Property Funds Guidelines), the Trust Deed, the Tax Ruling and all relevant contracts.
- *Accounting records.* Keep books and prepare or cause to be prepared accounts and annual reports.

(see "The Manager and the Sponsor — The Manager of Fortune REIT")

#### **Bermuda Trust (Singapore) Limited**

The Trustee, Bermuda Trust (Singapore) Limited, is a company incorporated in Singapore and registered as a trust company under the Trust Companies Act, Chapter 336 of Singapore. The Trustee has a place of business in Singapore at 20 Raffles Place, #13-01/05, Ocean Towers, Singapore 048620. The Trustee's powers and duties include: (i) acting as trustee of Fortune REIT; (ii) holding the Property Company Shares for the benefit of the Unitholders; and (iii) exercising all the powers of a trustee and the powers accompanying ownership of the Property Company Shares (see "The Formation and Structure of Fortune REIT — The Trustee").

### **Goodwell-Fortune Property Services Limited**

The Property Manager, Goodwell-Fortune Property Services Limited, is a wholly-owned subsidiary of Goodwell Property and is an indirect wholly-owned subsidiary of the Sponsor. The Property Manager was incorporated in Hong Kong on 28 March 2003. As at 31 March 2003, Goodwell Property managed over two million sq ft of retail and commercial space, over 18.1 million sq ft of residential space and over four million sq ft of industrial space. Goodwell Property was granted ISO 9001: 2000 (All Properties) certification in December 2002.

The Manager, the Trustee and the Property Manager have entered into the Property Management Agreement under which the Property Manager will provide the following services for properties of Fortune REIT located in Hong Kong, subject to the overall management of the Manager:

- *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.
- *Lease management services.* These include administration of rental collection, management of rental arrears, initiating lease renewals and negotiation of terms.
- *Marketing services.* These include providing marketing and marketing co-ordination services.

(see "Certain Agreements Relating to Fortune REIT — Property Management Agreement")

### **Manager's Strategy for Delivering Stable Distributions and Net Asset Growth to Unitholders**

The Manager's key objectives will be to deliver stable distributions to Fortune REIT's Unitholders and to achieve long-term growth in the net asset value per Unit of Fortune REIT. The Manager intends to accomplish these objectives by ensuring Fortune REIT continues to own a range of quality shopping malls with balanced exposure to any particular sub-sector, building or tenant. The Manager believes that such diversification will provide income stability.

The implementation of the Manager's strategy can be broadly categorised as follows:

***Asset Enhancement Growth Strategy.*** The Manager believes that opportunities exist to increase yields and returns from the Properties through a combination of addition and/or optimisation of retail space at the Properties. In evaluating asset enhancement opportunities, the Manager will focus on the following criteria:

- *Re-balance tenant mix and space re-configuration.* The Manager will constantly review tenant mix and, if practicable, re-configure rentable space to optimise rental income. Ongoing consumer research available to the Manager provides it with access to information on market trends and allows the Manager to tailor the tenant mix to the needs of the trade areas. The Manager will review retail space requirements with major tenants and will aim to re-configure retail space to meet the on-going retail requirements of the major tenants.
- *Diversify tenant base.* The Manager will seek to further diversify its tenant base to balance Fortune REIT's portfolio exposure to certain retail sectors that are more susceptible to general economic cycles.
- *Create higher value retail rentable area.* The Manager also seeks to increase or enhance existing retail space by optimising space planning. This includes re-locating tenants paying lower rent on lower floors to alternative spaces to make way for other potential tenants willing to pay a higher rent for premium spaces on the lower floors with good exposure to shopping traffic; or re-locating major tenants to enhance the positioning of other satellite spaces. This tenant re-mix strategy will be tied to lease expiries. If a large space is vacated, this space may be

sub-divided into smaller spaces and used as a “holding” area for smaller existing tenants to re-locate in the short term while carrying out the re-mix exercise. This strategy effectively redistributes and enhances rental values.

- *Create more retail rentable area.* To the extent possible and permitted by the relevant Government leases, applicable building laws and regulations, the Manager will convert excess parking space or atrium space into retail space.
- *Expansion by maximising unutilised plots.* To the extent possible, where there is any unutilised plot ratio, consideration will be given to whether it is possible to capitalise the value of the unutilised plot ratio by the creation of additional retail space.
- *Raise the profile and visibility of the Properties.* The Manager will, through focused advertising and promotion, help to raise the profile of the Properties with a view to enhancing the value of the assets.
- *Capitalise on the growing number of PRC tourists.* Over the medium term, the Manager aims to capitalise on the growing number of PRC tourists visiting Hong Kong. In particular, the Manager intends to attract more PRC tourists to The Metropolis Mall, as it is strategically located adjacent to the Hung Hom KCRC station, the arrival point for a large number of PRC tourists. To capitalise on the proximity to the Hung Hom KCRC station, the Manager intends to develop a trade mix at The Metropolis Mall that appeals to PRC tourists including jewellery, cosmetics, gifts, watches, dry foods, photographic equipment and fashion.

A cost-and-benefit analysis will be conducted by the Manager from time to time to evaluate the options and the Manager shall consider implementing such schemes to the extent that they will be yield-enhancing.

***Organic Growth Strategy.*** The Manager’s strategy for organic growth from the Properties will be to actively manage the portfolio in order to develop strong tenant relationships through the provision of proactive property-related services. Through such active portfolio management, the Manager will seek to maintain high tenant retention levels, which minimises vacancy levels and the associated interruptions in rental income, as well as the costs associated with marketing and leasing space to new tenants.

The Properties (excluding The Metropolis Mall and The Household Center) experienced average tenant lease renewal rates of 48.9% (in terms of the total number of leases expiring) and 63.9% (in terms of total Gross Rentable Area covered by the expiring leases) for the three months ended 31 March 2003. As the first tenancy of The Metropolis Mall and The Household Center commenced on 20 August 2002 and 30 July 2002, respectively, and the majority of the tenancies of The Metropolis Mall and The Household Center takes the form of a two-year or three-year lease, none of their leases expired as at 31 March 2003. The Manager will endeavour to lease-out existing vacant space and also to replace or renew expiring leases to maximise Net Property Income.

The Manager intends to control operating expenses through the implementation of cost control management systems as currently used by the Sponsor such as the re-tendering of third party contracts, the reduction of manpower costs and the introduction of energy-saving devices to reduce utility costs. The Manager will also consider opportunities for asset enhancements when appropriate and as permitted by the Property Funds Guidelines, the relevant Government leases, the relevant Deeds of Mutual Covenant and the relevant authorities.

***Acquisition Growth Strategy.*** The Manager will seek to capitalise on opportunities in the Hong Kong retail shopping mall sector through property acquisitions that provide attractive cash flows and yields, together with the potential for net asset growth.

In evaluating acquisition opportunities, the Manager will focus on the following investment criteria:

- *Yield thresholds.* The Manager will seek to acquire properties with yields that are estimated to be above Fortune REIT's cost of capital and which are expected to maintain or enhance returns to the Unitholders.
- *Occupancy and tenant characteristics.* The Manager will seek to acquire properties with strong existing, or with the potential for higher, rental and tenant retention rates relative to competing properties in their respective markets. In addition, tenant credit quality will be evaluated in order to estimate delinquency probability. Rental rate and occupancy trends will also be evaluated prior to the acquisition of new properties.
- *Location.* The Manager will assess properties for convenient access to major roads, public transportation and proximity to highly populated areas.
- *Value-adding opportunities.* The Manager may also seek to acquire properties where there is potential to increase occupancy rates and improve value through active property management.
- *Building and facilities specifications.* The Manager will examine specifications such as compliance with building and zoning codes, as well as the size and age of the buildings. The potential to add value through selective renovation or other enhancements will also be assessed.
- *Engineering, environmental and land survey reports.* The Manager will rely on reports submitted by a range of experts that cover such matters as: (i) building deterioration; (ii) maintenance, repairs and capital expenditure requirements; (iii) environmental issues; and (iv) compliance with building regulations. These reports will be used to assess building conditions and expected levels of capital expenditure in the short- to medium-term.

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.

**Financing Strategy.** The Manager aims to optimise its capital structure and cost of capital of the Property Companies within the Property Funds Guidelines for borrowing and intends to use a combination of debt and equity to fund future acquisitions and property enhancements.

Upon Completion, the Property Companies will have borrowings (other than indebtedness owed to Fortune REIT) of HK\$990.0 million, or 31.0% of the Deposited Property based on the pro forma consolidated balance sheet as at 31 December 2002. This indebtedness will be financed by the Facility (as defined herein) which permits loans of up to HK\$1,100.0 million (equivalent to 34.4% of the Deposited Property based on the pro forma consolidated balance sheet as at 31 December 2002) (see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources" for further details).

The Property Companies' excess borrowing capacity will be available to meet future capital requirements relating to capital expenditures associated with the enhancement of the Properties. The Manager also intends to adopt a hedging strategy to manage the risks associated with changes in interest rates relating to its borrowings. In addition to its debt strategy, the Manager intends to capitalise on opportunities to raise additional equity capital for Fortune REIT through the issue of additional Units, if Fortune REIT has an appropriate use for such proceeds.

### Certain Fees and Charges

The following is a summary of the amounts of certain fees and charges payable by the Unitholders in connection with the subscription of the Units (so long as the Units are listed):

	<b>Payable by the Unitholders directly</b>	<b>Amount payable</b>
(a)	Subscription Fee or preliminary charge	N.A. (Units are listed)
(b)	Realisation Fee	N.A. (Units are listed)
(c)	Switching Fee	N.A. (Units are listed)
(d)	Any other Fee	Clearing fee for trading of Units on the SGX-ST at the rate of 0.05% of the transaction value, subject to a maximum of HK\$860 per transaction

The following is a summary of certain fees and charges payable by Fortune REIT in connection with the establishment and on-going management of Fortune REIT:

	<b>Payable by Fortune REIT</b>	<b>Amount payable</b>
(a)	Management Fee (Base Fee)	Currently 0.3% per annum of Property Values (maximum 0.3% per annum of Property Values)
(b)	Trustee's Fee	Currently 0.03% per annum of Property Values, subject to a minimum of HK\$50,000 per month (maximum 0.25% per annum of Property Values)  Fortune REIT will also pay to the Trustee a one-time inception fee of S\$25,000
(c)	Performance Fee (payable to the Manager by each Property Company)	3.0% per annum of the net property income of the relevant Property Company with certain adjustments  (see "Certain Agreements Relating to Fortune REIT — Property Management Agreement")

	<b>Payable by Fortune REIT</b>	<b>Amount payable</b>
(d)	Any other substantial fee or charge (i.e. 0.1% or more of Fortune REIT's asset value) <sup>(1)</sup>	
	(i) Property management and lease management fee (payable to the Property Manager by each Property Company)	3.0% per annum of Gross Property Revenue
	(ii) Acquisition fee <sup>(2)</sup> (payable to the Manager)	Up to 1.0% of the acquisition price of property acquired (but no acquisition fee is payable for the acquisition of the Property Company Shares)
	(iii) Divestment fee <sup>(2)</sup> (payable to the Manager)	Up to 0.5% of the sale price of property divested
	(iv) Commission <sup>(3)</sup> (payable to the Property Manager by each Property Company)	<p>(1) one month's base rent for securing a tenancy of three years or more</p> <p>(2) one-half month's base rent for securing a tenancy of less than three years</p> <p>(3) one-half month's base rent for securing a renewal of tenancy irrespective of duration of the renewal term</p> <p>(4) 10.0% 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 member of the Cheung Kong Group)</p>

**Notes:**

- (1) In addition to the fees mentioned below, Fortune REIT would also be paying an underwriting and selling commission to the Underwriters (see "The Offering — Commission Payable by Fortune REIT to the Underwriters") and arrangement fee in connection with the Facility (see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Indebtedness").
- (2) 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 Fortune REIT or, if relevant, the entity whose primary purpose is to hold or own real estate (see "The Manager and the Sponsor — Manager's Fees").
- (3) If the tenancy, renewal of tenancy or licence is secured by a third party agent appointed by the relevant Property Company or (if the Property is owned directly by Fortune REIT) the Trustee, upon recommendation of the Manager, the Property Manager will not be entitled to any commission for such tenancy or licence.

## The Offering

Fortune REIT	<p>Fortune Real Estate Investment Trust.</p> <p>Fortune REIT is a real estate investment trust established in Singapore as a standalone unit trust fund constituted by the Trust Deed.</p>
The Manager	ARA Asset Management (Singapore) Limited.
The Trustee	Bermuda Trust (Singapore) Limited.
The Sponsor	Cheung Kong (Holdings) Limited.
The Offering	143,490,000 Units consisting of the Placement Tranche and the Public Offer (subject to the Upsize Option).
The Upsize Option	If applications or indications of interest are received for more than 143,490,000 Units, the Global Co-ordinator (subject to the agreement of the Manager and the Sponsor) reserves the right to increase, at any time on or prior to the Price Determination Date, the Offering from 143,490,000 Units to up to 190,790,000 Units. The Upsize Option will be satisfied from the Units to be subscribed by the Sponsor (see “The Offering — Subscription by the Sponsor and the Strategic Investor”) and will not increase the total number of outstanding Units in Fortune REIT immediately following the listing of Fortune REIT on the SGX-ST.
The Placement Tranche	Units offered by way of an international placement to investors, including institutional and other investors in Singapore. The Units are being offered and sold outside the United States in reliance on Regulation S under the Securities Act. The Units have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States.
The Public Offer	<p>Units offered by way of a public offer in Singapore. A minimum of 20,000,000 Units will be offered under the Public Offer (the “Offer Units”).</p> <p>The Units may be reallocated between the Placement Tranche and the Public Offer in the event of excess applications in one and a deficit of applications in the other.</p>
Offering Price Range	HK\$4.60 to HK\$4.75 per Unit.
Subscription by the Sponsor and the Strategic Investor	Separate from the Offering, the Sponsor and HWL have each entered into a subscription agreement with the Manager to subscribe for 176,985,000 and 58,995,000 Units respectively at the Offering Price, without any Volume Discount, conditional upon the Manager, the Underwriters and the Sponsor entering into the Underwriting Agreement in connection with the Offering and the Underwriting Agreement not having been terminated pursuant to its terms on or prior to the close of the Application List. The Sponsor has nominated its wholly-owned subsidiary, Focus Eagle Investments Limited, to hold the Units to be subscribed by it and HWL has nominated its wholly-owned subsidiary, Ballston Profits Limited, to hold the Units to be subscribed by it.

Subscription by Cornerstone Investors

Also, separate from the Offering, the Cornerstone Investors have entered into subscription agreements with the Manager to subscribe for an aggregate of 93,530,000 Units, conditional upon the Underwriting Agreement having been entered into and not having been terminated pursuant to its terms on or prior to the close of the Application List, at the Offering Price less the Volume Discount. The Cornerstone Investors have been granted the Volume Discount as each of them has agreed to subscribe for more than 20,000,000 Units.

Volume Discount

Investors who successfully subscribe for an aggregate of more than 20,000,000 Units, in a single application, as principal, will receive the Volume Discount of 2.0% to the Offering Price. The Manager is offering the Volume Discount in order to encourage larger subscriptions.

Subscription

Investors applying for Units by way of Application Forms or Electronic Applications (both as referred to in Appendix VI “Terms, Conditions and Procedures for Application for and Acceptance of the Units in Singapore”) in the Public Offer will pay the equivalent in Singapore dollars of the maximum subscription price of HK\$4.75 per Unit (such amount being S\$1.07 based on the fixed exchange rate of HK\$1.00 = S\$0.2253) on application, subject to a refund of the full amount or, as the case may be, the balance of the application monies (in each case, without interest or any share of revenue or other benefit arising therefrom) where: (i) an application is rejected or accepted in part only; or (ii) the Offering does not proceed for any reason; or (iii) the Offering Price is less than the maximum subscription price for each Unit; or (iv) the investor is eligible for the Volume Discount, in the equivalent in Singapore dollars based on the same fixed exchange rate as described above. For the purpose of illustration, an investor who applies for 1,000 Units by way of an Application Form or an Electronic Application in the Public Offer will have to pay S\$1.07 (being the Singapore dollar equivalent of HK\$4.75 based on the fixed exchange rate of HK\$1.00 = S\$0.2253), which is subject to a refund of the full amount or the balance of the application monies (without interest or any share of revenue or other benefit arising therefrom) in Singapore dollars, as the case may be, upon the occurrence of any of the foregoing events.

The Offering Price of between HK\$4.60 and HK\$4.75 will be determined following a book-building process by agreement between the Global Co-ordinator (on behalf of the Underwriters) and the Manager on the Price Determination Date, which is expected to be 6 August 2003 and is subject to change. Failing such agreement on the Price Determination Date, the Offering Price will be HK\$4.60 (the minimum subscription price of the Offering Price Range). Among the factors that will be taken into account in determining the Offering Price are the demand for the Units under the Offering and the prevailing conditions in the securities markets. Notice of the Offering Price will be published in one or more major Singapore newspapers such as *The Straits Times*, *The Business Times* and *Lianhe Zaobao* not later than two calendar days after the Price Determination Date.

	<p>The minimum initial subscription is for 1,000 Units. An applicant may subscribe for a larger number of Units in integral multiples of 1,000 Units.</p> <p>Investors in Singapore must follow the application procedures set out in Appendix VI, “Terms, Conditions and Procedures for Application for and Acceptance of the Units in Singapore”. Subscriptions under the Public Offer must be paid for in Singapore dollars. No fees are payable by applicants for the Units, save for an administration fee of S\$1.00 for each application made through automated teller machines (“ATMs”) and the Internet bank websites of certain participating banks.</p>
Over-allotment Option	<p>The Global Co-ordinator has been granted the Over-allotment Option by Focus Eagle Investments Limited exercisable in full or in part, on one occasion only, within 30 days after the Listing Date, to purchase up to an aggregate of 21,523,500 Units or, if the Upsize Option is exercised, up to an aggregate of 28,618,500 Units at the Offering Price, solely to cover over-allotment of Units (if any). The total number of outstanding Units immediately after the close of the Offering will be 473,000,000 Units. The exercise of the Over-allotment Option will not increase this total number of outstanding Units. The total number of Units subject to the Over-allotment Option will constitute 15.0% of the total number of Units under the Offering (including the Units to be issued pursuant to the Upsize Option, if exercised).</p>
Lock-ups	<p>Focus Eagle Investments Limited, the Sponsor, HWL, Ballston Profits Limited and the Manager have each entered into certain lock-up arrangements with the Underwriters for a period of 180 days from and including the Listing Date, subject to certain exceptions (see “Plan of Distribution — Lock-up Arrangements”).</p>
Capitalisation	<p>HK\$3,119.0 million, based on the maximum subscription price of the Offering Price Range (HK\$4.75 per Unit) (see “Capitalisation”).</p>
Use of Proceeds	<p>See “Use of Proceeds” and “Certain Agreements Relating to Fortune REIT — Description of the Agreements to Acquire the Property Company Shares”.</p>
Listing and Trading	<p>Prior to the Offering, there has been no market for the Units. Application has been made to the SGX-ST for permission to list on the Main Board of the SGX-ST all the Units in Fortune REIT and all the Units which will be issued to the Manager from time to time in part payment of the Manager’s management fees (see “The Manager and the Sponsor — Manager’s Fees”). Such permission will be granted when Fortune REIT has been admitted to the Official List of the SGX-ST.</p> <p>The Units will, upon their issue, listing and quotation on the SGX-ST, be traded in Hong Kong dollars on the SGX-ST under the book-entry (scripless) settlement system of The Central Depository (Pte) Limited (“CDP”). The Units will be traded in board lot sizes of 1,000 Units.</p>

Stabilisation

In connection with the Offering, the Stabilising Manager may over-allot or effect transactions which stabilise or maintain the market price of the Units at levels which might not otherwise prevail in the open market. Such transactions may be effected on the SGX-ST and in other jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulations, including the SFA, and any regulations thereunder. Such transactions, if commenced, may be discontinued at any time and shall not be effected after the date falling 30 days from the commencement of trading of the Units on the SGX-ST.

No Redemption by Unitholders

**Unitholders have no right to request the Manager to redeem their Units while the Units are listed. It is intended that Unitholders may only deal in their listed Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.**

Unitholders' Meetings

The Trustee or the Manager may (and the Manager shall at the request in writing of not less than 50 Unitholders or one-tenth in number of the Unitholders, whichever is the lesser) at any time convene a meeting of Unitholders in accordance with the provisions of the Trust Deed.

Distributions

Distributions will be declared in Hong Kong dollars. All Units will be held directly through CDP and Unitholders will receive their distributions in the Singapore dollar equivalent of the Hong Kong dollar distribution declared, unless Unitholders elect to receive the distributions in Hong Kong dollars by submitting a "Distribution 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 and to the cost of exchange. Neither the 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 dollars into Singapore dollars. Save for approved depository agents (acting as nominees of their customers), each Unitholder may 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.

See "Risk Factors" and "Distributions" for a discussion of factors that may adversely affect the ability of Fortune REIT to make distributions to Unitholders.

## Tax Considerations

Unitholders receiving distributions made by Fortune REIT out of Tax-Exempt Income will not be assessable to Singapore income tax on the distributions received.

Unitholders receiving distributions made out of Taxable Income will be assessable to Singapore income tax on the distributions received at their applicable income tax rates. Tax will be assessed on the regrossed amount (i.e. the amount of the distribution received and the proportionate amount of the imputed tax) at the rate of tax applicable to the Unitholders. The imputed tax (i.e. the tax paid by the Trustee and imputed to be the tax paid by the Unitholders) is available as a credit against the Singapore income tax payable by the Unitholders on the regrossed amount of the distributions. Where the imputed tax is higher than the tax payable by the Unitholders, the IRAS will refund the excess to the Unitholders. Unitholders are required to declare in their income tax returns the regrossed amount of the distributions received.

Unitholders receiving distributions made out of Non-Taxable Capital Gains will not be assessable to Singapore income tax on the distributions received, except where the Unitholders hold the Units as trading assets.

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.

(see “Taxation” for further information on the Singapore income tax consequences of the purchase, ownership and disposition of the Units.)

## Termination of Fortune REIT

Fortune REIT is of indeterminate duration but may be terminated: (i) by the Trustee in such circumstances as set out under the Trust Deed; or (ii) by the Manager in such circumstances as set out under the Trust Deed. For example, the Manager may terminate Fortune REIT if, at any time, it is de-listed from the SGX-ST (see “The Formation and Structure of Fortune REIT — Termination of Fortune REIT”).

## Governing Law

The Trust Deed, pursuant to which Fortune REIT is constituted, is governed by Singapore law.

Commission Payable by Fortune REIT to the Underwriters

The Manager has agreed to pay the Underwriters on behalf of Fortune REIT as compensation for its services in connection with the offering of Units under the Offering an underwriting and selling commission of HK\$43.8 million based on the maximum subscription price of the Offering Price Range of HK\$4.75 per Unit and assuming the Upsize Option and Over-allotment Option are exercised in full. The underwriting and selling commission is not reduced by any Volume Discount granted by the Manager. The underwriting and selling commission will not apply to the Sponsor's Units except to the extent that those Units are subsequently resold pursuant to the Over-allotment Option and to the extent that they are sold pursuant to the Upsize Option (see "Plan of Distribution"). The Manager is not entitled to receive any part of such commission from the Underwriters.

**Risk Factors**

**Prospective investors should carefully consider certain risks connected with an investment in the Units, as discussed under "Risk Factors".**

### Indicative Timetable

An indicative timetable for trading in the Units is set out below for the reference of applicants for the Units:

<b>Date and time</b>	<b>Event</b>
28 July 2003, 12 noon	Opening date and time for the Public Offer and Placement Tranche.
6 August 2003, 8 a.m.	Closing date and time for the Public Offer and the Placement Tranche.
6 August 2003	Price Determination Date.
6 August 2003	Balloting of applications, if necessary. Commence returning or refunding of application monies to unsuccessful or partially successful applicants and commence returning or refunding of application monies to successful applicants for the amount paid in excess of the Offering Price or if the applicant is eligible for the Volume Discount, the excess monies arising from such Volume Discount, if necessary.
12 August 2003, at or before noon	Completion of the acquisition of the Property Company Shares.
12 August 2003, 2 p.m.	Commence trading on a “ready” basis.
15 August 2003	Settlement date for all trades done on a “ready” basis on 12 August 2003.

The above timetable is indicative only and is subject to change. It assumes: (i) that the closing of the application list for the Public Offer (the “Application List”) is 6 August 2003; (ii) that the date of admission of Fortune REIT to the Official List of the SGX-ST is 12 August 2003; (iii) compliance with the SGX-ST’s unitholding spread requirement; and (iv) the Units will be issued and fully paid up prior to 2 p.m. on 12 August 2003. All dates and times referred to above are Singapore dates and times.

Trading in the Units on a “ready” basis will commence at 2 p.m. on 12 August 2003 (subject to the SGX-ST being satisfied that all conditions necessary for the commencement of trading in the Units on a “ready” basis have been fulfilled), as the completion of the acquisition of the Property Company Shares is expected to take place at or before noon on 12 August 2003 (see “Certain Agreements Relating to Fortune REIT — Description of the Agreements to Acquire the Property Company Shares”). If the acquisition of the Property Company Shares is not completed by noon on 12 August 2003, the Offering will not proceed and the application monies will be returned in full (without interest or any share of revenue or other benefit arising therefrom and at each applicant’s own risk and without any right or claim against Fortune REIT, the Manager, any of the Underwriters, the Sponsor or the Trustee). It is expected that such monies will be returned within three Market Days (a “Market Day” being a day on which the SGX-ST is open for trading in securities) but in any event not later than 14 Market Days after the closing date for the Public Offer and the Placement Tranche. In addition, in the event that the Offering Price is less than the maximum subscription price for each Unit, the balance of the application monies will be returned in the same manner as described above.

In the event of any early or extended closure of the Application List, the shortening or extension of the time period during which the Offering is open or the exercise of the Upsize Option, the Manager will publicly announce the same:

- (1) through a MASNET announcement to be posted on the Internet at the SGX-ST website <http://www.sgx.com>; and
- (2) in one or more major Singapore newspapers such as *The Straits Times*, *The Business Times* and *Lianhe Zaobao*.

Investors should consult the SGX-ST announcement on the “ready” listing date on the Internet (at the SGX-ST website), INTV or the newspapers, or check with their brokers on the date on which trading on a “ready” basis will commence.

The Manager will provide details of and the results of the Public Offer through MASNET or in one or more major Singapore newspapers such as *The Straits Times*, *The Business Times* and *Lianhe Zaobao*.

The Manager reserves the right to reject or accept, in whole or in part, or to scale down or ballot any application for Units, without assigning any reason therefor, and no enquiry and/or correspondence on the decision of the Manager will be entertained. In deciding the basis of allotment, due consideration will be given to the desirability of allotting the Units to a reasonable number of applicants with a view to establishing an adequate market for the Units.

Where an application is rejected or accepted in part only or if the Offering does not proceed for any reason, or if the Offering Price is less than the maximum subscription price for each Unit or if the applicant is eligible for the Volume Discount, the full amount or the balance of the application monies, as the case may be, will be refunded (without interest or any share of revenue or other benefit arising therefrom) to the applicant, at its own risk and without any right or claim against Fortune REIT, the Manager, any of the Underwriters, the Sponsor or the Trustee. In respect of an application for Offer Units under the Public Offer, any such refund will be made in the equivalent in Singapore dollars based on the exchange rate of HK\$1.00 = S\$0.2253.

The return of unsuccessful applications using printed Application Forms by ordinary post, together with the full amount of the application monies (without interest or any share of revenue or other benefit arising therefrom) is expected to be completed within 14 Market Days after the closing date for the Public Offer and the Placement Tranche, or such shorter period as the SGX-ST may require. For unsuccessful Electronic Applications, it is expected that the full amount of the application monies will be refunded (without interest or any share of revenue or other benefit arising therefrom) by automatically crediting to the applicants’ accounts with their Participating Banks or, as in the case of applications for Internet Placement Units (as defined in Appendix VI, “Terms, Conditions and Procedures for Application for and Acceptance of the Units in Singapore”) through the website of DBS-TD Waterhouse (Singapore) Pte Ltd (“DBS-TDW”), by ordinary post or other means as DBS-TDW may agree with the unsuccessful applicants, at their own risk, within 14 Market Days after the closing date for the Public Offer and the Placement Tranche, or such shorter period as the SGX-ST may require, provided that the remittance in respect of such applications which has been presented for payment or other processes has been honoured and the application monies received in the designated unit issue account.

In respect of successful or partially successful applications using printed Application Forms, the balance of the application monies, if any, (including the excess monies arising from the difference between the Offering Price and (i) the maximum subscription price or (ii) (in the case of an application for Placement Units) the subscription price specified by the investor in the Application Form (being a price within the Offering Price Range) should the Offering Price be lower than the maximum subscription price or such specified price (as the case may be) and/or, if the applicant is eligible for any Volume Discount, the excess monies arising from such Volume Discount) is expected to be refunded (without interest or any share of revenue or other benefit arising therefrom) to applicants by ordinary post at their own risk, within 14 Market Days after the closing date for the Public Offer and the Placement Tranche, provided that the remittance accompanying such application which has been presented for payment or other processes has been honoured and the application monies received in the designated unit issue account.

In respect of successful or partially successful applications using Electronic Applications, the balance of the application monies, if any, (including the excess monies arising from the difference between the Offering Price and the maximum subscription price should the Offering Price be lower than the maximum subscription price and, if the applicant is eligible for any Volume Discount, the excess monies arising from such Volume Discount) is expected to be refunded (without interest or any share of revenue or other benefit arising therefrom) through the crediting of the relevant amount to the applicants' accounts with their Participating Banks (in the case of ATM Electronic Applications and Internet Electronic Applications), or by ordinary post at their own risk or such other means as DBS-TDW may agree (in the case of Internet Placement Applications), within 14 Market Days after the closing date for the Public Offer and the Placement Tranche, provided that the remittance accompanying such application which has been presented for payment or other processes has been honoured and the application monies received in the designated unit issue account.

## PRO FORMA FINANCIAL INFORMATION

*The following tables present the pro forma consolidated profit and loss statements for Fortune REIT for each of the years ended 31 December 2000, 2001 and 2002 and for the three months ended 31 March 2003 (collectively referred to as the "Relevant Period"), the pro forma consolidated cash flow statement for the year ended 31 December 2002 and pro forma consolidated balance sheet as at 31 December 2002. Such pro forma financial information should be read in conjunction with the related notes thereto.*

*Fortune REIT's independent accountants, Deloitte & Touche, Singapore and Deloitte Touche Tohmatsu, Hong Kong have reported on the pro forma financial information and their report is included in Appendix III in this Prospectus. The pro forma financial information of Fortune REIT has been prepared on the basis set out in Appendix III.*

*The pro forma financial information has been compiled:*

- (a) based on the audited financial statements of Poko Shine Limited, Quick Switch Limited and Yee Pang Realty Limited for the financial years ended 31 December 2000 and 2001;*
- (b) based on the audited financial statements of the Property Companies and the unaudited management accounts of the company which owned The Household Center prior to the sale of The Household Center to Art Full Resources Limited for the financial year ended 31 December 2002;*
- (c) based on the unaudited management accounts of the Property Companies for the three months ended 31 March 2003;*
- (d) by grouping income, expenses, assets and liabilities (of the same nature) as disclosed in the audited financial statements and unaudited management accounts of the Property Companies for the Relevant Period, into categories in order to present condensed and consistent financial information amongst the Property Companies; and*
- (e) incorporating those adjustments that are necessary to reflect the operating results, cash flows and financial position of Fortune REIT under the terms set out in this Prospectus.*

*The pro forma consolidated profit and loss statements show the results of Fortune REIT for the Relevant Period as if it had purchased the Property Companies on 1 January 2000 or on the date of incorporation of the Property Companies, whichever is the later, and assuming that The Household Center had been acquired by Art Full Resources Limited on the date the Property commenced to generate rental income, at Fortune REIT's respective acquisition costs which are determined by reference to the current value of each of the Properties (which were valued by Chesterton Petty Ltd, the Independent Valuer, on 31 May 2003).*

*The pro forma consolidated cash flow statement shows the cash flows of Fortune REIT for the year ended 31 December 2002, assuming it had purchased the Property Companies on 1 January 2000 or on the date of incorporation of the Property Companies, whichever is the later, and assuming that The Household Center had been acquired by Art Full Resources Limited on the date the Property commenced to generate rental income.*

*The pro forma consolidated balance sheet of Fortune REIT as at 31 December 2002 reflects the financial position of Fortune REIT as if it had purchased the Property Companies on 31 December 2002 under the terms set out in this Prospectus.*

*The objective of the pro forma financial information is to show what the financial results, cash flows and financial position might have been had Fortune REIT existed at an earlier date. However, the pro forma financial information of Fortune REIT is not necessarily indicative of the results and cash flows of the operations or the financial position that would have been attained had Fortune REIT actually existed earlier.*

## Pro Forma Consolidated Profit and Loss Statements

	Year ended 31 December				Three months ended 31 March	
	2000	2001	2002 <sup>(3)</sup>	2002	2003	2003
	(HK\$)	(HK\$)	(HK\$)	(\$)	(HK\$)	(\$)
Gross Revenue . . . . .	146,920,800	147,974,290	163,724,124	37,018,024	55,811,694	12,619,024
Property Operating Expenses . . . . .	(64,501,583)	(59,187,165)	(68,539,624)	(15,496,809)	(23,557,311)	(5,326,308)
<b>Net Property Income</b> . . . . .	<u>82,419,217</u>	<u>88,787,125</u>	<u>95,184,500</u>	<u>21,521,215</u>	<u>32,254,383</u>	<u>7,292,716</u>
Amortisation of negative goodwill . . . . .	900,000	900,000	2,000,000	452,200	800,000	180,880
Manager's Base Fee <sup>(1)</sup> . . . . .	(4,416,000)	(4,416,000)	(5,378,250)	(1,216,022)	(2,456,250)	(555,358)
Trust expenses <sup>(1) (2)</sup> . . . . .	(2,441,600)	(2,441,600)	(2,537,825)	(573,802)	(745,625)	(168,586)
Finance costs <sup>(1)</sup> . . . . .	(17,355,000)	(14,685,000)	(20,977,500)	(4,743,013)	(7,425,000)	(1,678,793)
<b>Non property expenses</b> . . . . .	<u>(24,212,600)</u>	<u>(21,542,600)</u>	<u>(28,893,575)</u>	<u>(6,532,837)</u>	<u>(10,626,875)</u>	<u>(2,402,737)</u>
<b>Profit before taxation</b> . . . . .	<u>59,106,617</u>	<u>68,144,525</u>	<u>68,290,925</u>	<u>15,440,578</u>	<u>22,427,508</u>	<u>5,070,859</u>

## Pro Forma Consolidated Cash Flow Statement

	Year ended 31 December	
	2002 (HK\$)	2002 (S\$)
<b>Operating activities</b>		
Profit before taxation . . . . .	68,290,925	15,440,578
Adjustments for:		
Manager's Base Fees . . . . .	5,378,250	1,216,022
Amortisation of negative goodwill . . . . .	(2,000,000)	(452,200)
Finance costs . . . . .	20,977,500	4,743,013
<b>Operating profit before changes in working capital . . . . .</b>	<b>92,646,675</b>	<b>20,947,413</b>
Changes in working capital		
Trade and other receivables . . . . .	(5,280,784)	(1,193,985)
Trade and other payables . . . . .	15,986,068	3,614,450
Increase in working capital . . . . .	10,705,284	2,420,465
Cash generated from operation . . . . .	103,351,959	23,367,878
Tax paid . . . . .	(5,514,350)	(1,246,795)
<b>Cash flows from operating activities . . . . .</b>	<b>97,837,609</b>	<b>22,121,083</b>
<b>Cash flows from investing activities</b>		
Purchase of investment property . . . . .	(1,697,512,577)	(383,807,594)
<b>Financing activities</b>		
Proceeds from issue of new Units (net of issue costs) . . . . .	1,177,268,448	266,180,396
Distribution to Unitholders . . . . .	(47,613,472)	(10,765,406)
Proceeds from borrowings . . . . .	545,000,000	123,224,500
Finance costs paid . . . . .	(20,977,500)	(4,743,012)
<b>Cash flows from financing activities . . . . .</b>	<b>1,653,677,476</b>	<b>373,896,478</b>
<b>Net increase in cash and cash equivalents . . . . .</b>	<b>54,002,508</b>	<b>12,209,967</b>
<b>Cash and cash equivalents at the beginning of the year . . . . .</b>	<b>2,519,924</b>	<b>569,755</b>
<b>Cash and cash equivalents at the end of the year . . . . .</b>	<b>56,522,432</b>	<b>12,779,722</b>

## Pro Forma Consolidated Balance Sheet

	As at 31 December <sup>(4)</sup>	
	2002 (HK\$)	2002 (S\$)
<b>Current assets</b>		
Cash . . . . .	56,522,432	12,779,722
Trade and other receivables <sup>(5)</sup> . . . . .	9,974,749	2,255,291
Deferred tax assets . . . . .	975,943	220,661
<b>Total current assets</b> . . . . .	<b>67,473,124</b>	<b>15,255,674</b>
<b>Non-current assets</b>		
Investment properties <sup>(6)</sup> . . . . .	3,275,000,000	740,477,500
Negative goodwill . . . . .	(144,018,788)	(32,562,648)
<b>Total non-current assets</b> . . . . .	<b>3,130,981,212</b>	<b>707,914,852</b>
<b>Total assets</b> . . . . .	<b>3,198,454,336</b>	<b>723,170,526</b>
<b>Current liabilities</b>		
Trade and other payables <sup>(7)</sup> . . . . .	(54,113,766)	(12,235,122)
Provision for taxation . . . . .	(2,264,467)	(511,996)
<b>Total current liabilities</b> . . . . .	<b>(56,378,233)</b>	<b>(12,747,118)</b>
<b>Non-current liabilities</b>		
Borrowings . . . . .	(990,000,000)	(223,839,000)
Deferred tax liabilities . . . . .	(23,057,988)	(5,213,412)
<b>Total non-current liabilities</b> . . . . .	<b>(1,013,057,988)</b>	<b>(229,052,412)</b>
<b>Total liabilities</b> . . . . .	<b>(1,069,436,221)</b>	<b>(241,799,530)</b>
<b>Net assets</b> . . . . .	<b>2,129,018,115</b>	<b>481,370,996</b>
<b>Unitholders' equity</b>		
Issued equity <sup>(8)</sup> . . . . .	2,237,864,650	505,981,197
Unit Issue costs . . . . .	(108,846,535)	(24,610,201)
<b>Total Unitholders' equity</b> . . . . .	<b>2,129,018,115</b>	<b>481,370,996</b>
<b>Borrowings/total assets (percentage)</b> . . . . .	<b>31.0</b>	<b>31.0</b>
<b>Number of Units on issue</b> . . . . .	<b>473,000,000</b>	<b>473,000,000</b>
<b>Net tangible asset value per Unit<sup>(9)</sup></b> . . . . .	<b>4.81</b>	<b>1.09</b>

### Notes:

- (1) Manager's Base Fees and Trustee's fees are calculated from the beginning of the year or the month during which the Properties commenced to receive rental income, whichever is the later, to the end of the year. Finance costs are calculated from the beginning of the year or the date of acquisition of the Properties, whichever is the later, and assuming that The Household Center had been acquired by Art Full Resources Limited on the date on which the Property commenced to receive rental income, to the end of the year.

- (2) Trust expenses include recurring operating expenses such as Trustee's fees, annual listing fees, registrar fees, accounting fees, audit and tax advisor's fees, costs associated with the preparation and distribution of reports to Unitholders and other miscellaneous expenses.
- (3) The pro forma financial information for 2002 includes (a) actual operating results for the period from 1 October 2002 to 31 December 2002 of The Household Center based on the unaudited management accounts of the company which owned The Household Center prior to the acquisition of The Household Center by Art Full Resources Limited and (b) the rental income of The Metropolis Mall commencing on 1 November 2002.
- (4) Had a pro forma consolidated balance sheet of Fortune REIT as at 31 March 2003 been prepared based on the same assumptions used in preparing the pro forma consolidated balance sheet as at 31 December 2002, the financial position of Fortune REIT would not differ materially from that shown as at 31 December 2002.
- (5) Trade and other receivables comprise rental receivables, miscellaneous receivables, utility and other deposits.
- (6) Investment properties are stated at valuation based on an independent professional valuation carried out by Chesterton Petty Ltd, the Independent Valuer, on 31 May 2003.
- (7) Trade and other payables comprise tenants' and security deposits, rentals received in advance, creditors and accruals.
- (8) Assuming the Units are issued at HK\$4.75 (the maximum subscription price of the Offering Price Range) and assuming that the Upsize Option and Over-allotment Option are exercised in full and the Volume Discount is granted only in respect of the Cornerstone Units.
- (9) Net tangible asset represents net assets excluding negative goodwill.

## RISK FACTORS

*Prospective investors should consider carefully, together with all other information contained in this Prospectus, the factors described below before deciding to invest in the Units.*

This Prospectus also contains forward-looking statements (including a profit forecast and profit projection) that involve risks, uncertainties and assumptions. The actual results of Fortune REIT could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by Fortune REIT as described below and elsewhere in this Prospectus.

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 fall or rise. Investors should note that they may not get back their original investment.

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

### **Risks Relating to Fortune REIT's Operations**

*Fortune REIT will operate principally through the Property Companies and its ability to make distributions to Unitholders is dependent on the financial position of the Property Companies.*

Fortune REIT will operate principally through the Property Companies and will rely on dividend payments and other distributions from the Property Companies for its income and cash flows. In addition, substantially all of the assets of Fortune REIT will consist of its shareholdings in, and the shareholders' loans advanced by it to, the Property Companies. In order to meet its payment obligations and to pay distributions to Unitholders, Fortune REIT will rely on the receipt of dividends or advances from the Property Companies. The ability of the Property Companies to make such payments may be restricted by, among other things, the Property Companies' 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 Agreement) to which they are, or may become, a party. In particular, if the Property Companies fail to make payments due under the Facility Agreement or any other event of default under the Facility Agreement is outstanding, the Property Companies are prohibited under the Facility Agreement 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. 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:

- operating losses incurred by the Property Companies in any financial year;
- 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 realised losses which would adversely affect the level of realised profits from which the relevant Property Company may distribute dividends;
- 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
- insufficient cash flows received by the Property Companies from the Properties.

The occurrence of these or other factors that affect the ability of the Property Companies to pay dividends or other distributions to Fortune REIT would adversely affect the level of distributions paid to Unitholders (see also "Distributions — Factors Affecting Distributions").

***Outbreak of SARS in Asia and elsewhere may adversely affect Fortune REIT's operations.***

The recent outbreak of severe acute respiratory syndrome ("SARS") that has affected several countries in Asia and elsewhere, including Hong Kong, the PRC, Singapore, Taiwan and Vietnam, may have a material adverse effect on Fortune REIT's financial condition and operations. Although the long-term effect of SARS cannot currently be predicted, it has had an adverse effect on the economies of those countries in which it is or was most prevalent, although the extent of its impact is not yet clear. Fortune REIT's operations in Hong Kong may be further affected by a number of SARS-related factors, including, but not limited to, a decline in demand for retail goods, a reduction in the number of visitors to the Properties, a decline in revenue of tenants of the Properties, increased costs of cleaning and maintaining the public facilities in the Properties and increased promotional activities at the Properties. The outbreak of SARS has resulted in the deterioration of the financial position of some tenants and affected their ability to pay rent. If the number of cases of SARS rises, or if SARS spreads to other areas or re-emerges in areas previously thought to be under control, the relative impact of these factors on the operations of the Properties could be magnified and the financial condition of Fortune REIT could be materially and adversely affected (see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors affecting Fortune REIT's Results of Operations — Recent Developments").

***The Manager is an associate of the Sponsor. There are potential conflicts of interest between Fortune REIT, the Manager and the Sponsor.***

The Sponsor will subscribe for 37.4% of the Units upon completion of the Offering (21.4% if the Upsize Option and the Over-allotment Option are exercised in full) through its wholly-owned subsidiary, Focus Eagle Investments Limited. The Sponsor, its subsidiaries and associates (including the parent company of the Manager) are engaged in, and/or may engage in, amongst other things, investment in, and the development and management of, retail shopping malls in Hong Kong and elsewhere and portfolio management. In addition, certain members of the board of directors of the Manager are representatives of the Sponsor and the Property Manager is a subsidiary of the Sponsor. HWL also owns and operates Park'N Shop, the largest tenant of Fortune REIT's portfolio. The Sponsor and the parent company of the Manager have entered into financial transactions and may continue to do so in the future. As a result, the strategy and activities of Fortune REIT may be influenced by the overall interests of the Sponsor. There can be no assurance that conflicts of interest will not arise between Fortune REIT and the Sponsor in the future, including in relation to the acquisition of properties as well as competition for tenants within the Hong Kong market (see "The Manager and the Sponsor — Related Party Transactions").

***Conflicts related to the acquisition of properties from the Sponsor.***

The Properties to be acquired by Fortune REIT through the acquisition of the Property Company Shares consist of properties owned indirectly by the Sponsor and its related companies. The Manager has obtained appraisal reports dated 7 July 2003 from Chesterton Petty Ltd, the Independent Valuer, on each of the Properties to be acquired, summaries of which are included elsewhere in this Prospectus. In addition, the Manager may, on behalf of Fortune REIT, acquire other assets from the Sponsor or parties related to the Sponsor in the future. In such cases, the Manager intends to continue to obtain appraisals from independent parties and comply with all other requirements applicable to such transactions under the Property Funds Guidelines and the Listing Manual. However, there can be no assurance that the terms of acquisition of the Properties or properties acquired in the future from the Sponsor or parties related to the Sponsor, the negotiations with respect to the properties acquired, the Acquisition Value of the Properties or properties and other terms and conditions relating to the purchase of the Properties or properties (in particular with respect to the representations, warranties and/or indemnities agreed) will not be adverse to Fortune REIT or will reflect an arm's length acquisition of the properties by Fortune REIT.

***Competition relating to property acquisitions and tenants.***

The Sponsor, its subsidiaries and associates are engaged in investment in, and the development and management of, retail shopping mall properties in Hong Kong and elsewhere. As a result, there may be circumstances where Fortune REIT competes directly with the Sponsor (or its subsidiaries or associates) and other property companies in Hong Kong for property acquisitions and acquisitions of property-related investments. Furthermore, the Sponsor may in the future invest in other real estate investment

trusts which may compete directly with Fortune REIT. There can be no assurance that the interests of Fortune REIT will not conflict with or be subordinated to those of the Sponsor in such circumstances.

In addition, the Manager has retained Goodwell-Fortune Property Services Limited (an indirect wholly-owned subsidiary of the Sponsor) as the Property Manager to assist it in the management of the properties held by Fortune REIT in Hong Kong, including services in respect of the renewal of tenancies and the finding of new or replacement tenants for such properties. The Property Manager and its associates will also continue to provide similar services to the Sponsor in respect of properties which remain in the Sponsor's property portfolio. There can be no assurance that the Property Manager or its associates will not favour properties the Sponsor has retained in its own property portfolio over those owned by Fortune REIT when providing such services to Fortune REIT, which could lead to lower occupancy rates and/or lower rental income for the Property Companies and could adversely affect distributions to Unitholders. See "Distributions".

***Fortune REIT and the Property Companies face risks associated with debt financing and Fortune REIT may have a higher level of gearing than other types of unit trusts.***

Upon Completion, Fortune REIT, through the Property Companies, is expected to have borrowings (other than indebtedness owed to Fortune REIT) of HK\$990.0 million, or 31.0% of Fortune REIT's Deposited Property based on the pro forma consolidated balance sheet as at 31 December 2002, under the Facility Agreement. None of such indebtedness will be secured by the Properties or any other assets of the Property Companies or Fortune REIT. Fortune REIT and the Property Companies together may, from time to time, require additional debt financing to achieve the Manager's investment strategies.

The Property Fund Guidelines generally allow Fortune REIT to have borrowings of up to a maximum of 35.0% of its Deposited Property at the time the borrowing is incurred. Fortune REIT's level of borrowing, which will constitute 31.0% of its Deposited Property upon Completion (based on the pro forma consolidated balance sheet as at 31 December 2002), will represent a higher level of gearing compared to other types of unit trusts, such as non-specialised collective investment schemes which invest in equities and/or fixed income instruments. As a portion of Fortune REIT's borrowings will be on a floating rate basis, an increase in interest rates may have an adverse impact on Fortune REIT's interest expenses, results of operations and financial condition.

Fortune REIT and the Property Companies will be subject to risks associated with debt financing, including the risk that their cash flow will be insufficient to meet required payments of principal and interest under such financing at expected levels and to make distributions. If the Property Companies fail to make payments due under the Facility Agreement or any other event of default under the Facility Agreement is outstanding, the Property Companies are prohibited under the Facility Agreement from declaring and making dividend payments to Fortune REIT (see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Indebtedness"). Fortune REIT and the Property Companies will also be subject to the risk that they may not be able to refinance their existing borrowings or that the terms of such refinancing will not be as favourable as the terms of their existing borrowings. In addition, Fortune REIT and the Property Companies may be subject to certain covenants in connection with any future borrowings that may limit or otherwise adversely affect their operations and the ability of Fortune REIT to make distributions to Unitholders. Such covenants may restrict Fortune REIT's or the Property Companies' ability to acquire properties or undertake other capital expenditures or may require them to set aside funds for maintenance or repayment of security deposits. In addition, there is the risk of adverse movements in short-term interest rates for Fortune REIT's and the Property Companies' borrowings that are pegged to floating rates.

If principal payments due at maturity cannot be refinanced, extended or paid with proceeds of other capital transactions such as new equity capital, Fortune REIT will not be able to pay distributions at expected levels or to repay all maturing debt. 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 would adversely affect Fortune REIT's cash flow and the amount of distributions it could make to Unitholders.

If a property is mortgaged to secure payment of indebtedness and Fortune REIT or the relevant Property Company is unable to meet interest or principal payments, that property could be foreclosed by the

lender or the lender could require a forced sale of the mortgaged property with a consequent loss of income and asset value to Fortune REIT.

***Both Fortune REIT and the Manager, as new entities, do not have established operating histories for investors to consider in making an investment decision.***

Fortune REIT was established on 4 July 2003 and the Manager was incorporated on 7 April 2003. While the Sponsor has been managing the Properties previously through various subsidiaries, the Property Company Shares will only be acquired by Fortune REIT on the date of commencement of trading of the Units on the SGX-ST. As such, neither Fortune REIT nor the Manager have operating histories by which their past performance may be judged. This will make it more difficult for investors to assess their likely future performance. There can be no assurance that Fortune REIT will be able to generate sufficient revenue from operations to make distributions to Unitholders or that such distributions will be in line with those set out in “Profit Forecast and Profit Projection”.

***The Metropolis Mall and The Household Center have limited operating histories.***

The Metropolis Mall and The Household Center together accounted for 33.8% of the total Gross Revenue of the Properties for the three months ended 31 March 2003 and 41.2% of the total Gross Rentable Area of the Properties as at 31 March 2003. The Metropolis Mall and The Household Center have limited operating histories with their first tenancies having commenced on 20 August 2002 and 30 July 2002, respectively. In the case of The Metropolis Mall, for the three months ended 31 March 2003, its average occupancy level was 53.5% while The Household Center had an average occupancy level of 95.6% for the three months ended 31 March 2003. Given their limited operating histories, there is no assurance that The Metropolis Mall and The Household Center will be able to retain their existing tenants or attract prospective tenants to lease retail space at their shopping malls in order to achieve high occupancy levels. In addition, Fortune REIT may incur significant marketing and promotional expenses to further raise the profiles of these two new shopping malls, particularly The Metropolis Mall.

***The Manager may not be able to implement its investment strategy.***

The Manager’s investment strategy includes growing Fortune REIT’s portfolio of retail shopping malls in Hong Kong and providing 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 in a desired time frame. Fortune REIT will rely on external sources of funding to expand its portfolio, which may not be available on favourable terms or at all. Even if Fortune REIT were able to complete additional property investments successfully, there can be no assurance that Fortune REIT will achieve its intended return on such investments. Since the amount of debt Fortune REIT can incur to finance acquisitions is limited, such acquisitions will be dependent on Fortune REIT’s ability to raise equity capital which may result in a dilution of Unitholders’ holdings. Potential vendors may also view the necessity of raising 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 and private investment funds. There can be no assurance that Fortune REIT will be able to compete effectively against such entities.

***Fortune REIT depends on certain key personnel, and the loss of any key personnel may adversely affect its operations.***

Fortune REIT’s success depends, in part, upon the continued service and performance of members of the Manager’s senior management team and certain key senior personnel, particularly Mr Lim Hwee Chiang, the Manager’s Chief Executive Officer. These key personnel may leave the Manager in the future or compete with it and Fortune REIT. The loss of any of these individuals, or of one or more of the Manager’s other key employees, could have a material adverse effect on Fortune REIT’s results of operations and financial condition.

## **Risks Relating to the Properties**

There are specific risks in relation to the Properties (see also “Certain Agreements Relating to Fortune REIT — Description of the Agreements to Acquire the Property Company Shares” for more information about the specific risks).

***Fortune REIT’s Properties are located in Hong Kong, which exposes Fortune REIT to economic and real estate market conditions in Hong Kong (including increased competition in the real estate market).***

The Properties to be acquired by Fortune REIT are all situated in Hong Kong, which exposes Fortune REIT to the risk of a prolonged downturn in economic and real estate market conditions in Hong Kong. The value of the Properties may also be adversely affected by a number of local real estate market conditions, such as oversupply, the performance of other competing commercial properties or reduced demand for retail space. As a result, Fortune REIT’s Gross Revenue and results of operations depend, to a large extent, on the performance of the Hong Kong economy. On a seasonally adjusted quarter-to-quarter comparison, GDP declined by 0.3% in real terms in the first quarter of 2003 (according to the Hong Kong Census and Statistics Department). Due to the effect that economic conditions in Hong Kong will have on Fortune REIT’s business and operations, further economic decline in Hong Kong could adversely affect Fortune REIT’s results of operations and future growth.

In addition, the capital value of retail properties in Hong Kong has been subject to decline in recent years. Between 1997 and 2002, the value of retail properties in Hong Kong (including the Properties) has declined. There can be no assurance that the capital value of the Properties will not decline even further. Any such decline in the capital value of the Properties may adversely affect the Property Companies’ ability to make dividend distributions and hence affect Fortune REIT’s results of operations and the amount of distributions it is able to make to Unitholders.

There are numerous retail shopping malls in Hong Kong that compete with the Properties in attracting tenants, including properties owned by the Sponsor (see “— Risks Relating to Fortune REIT’s Operations”). If, after the Offering, competing properties of a similar type are built in the areas where the Properties are located or similar properties in their vicinities are substantially upgraded and refurbished, the value and net operating income of the Properties and the Property Companies, respectively, could be reduced.

***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 initial Acquisition Value of such property.***

Fortune REIT will use the net proceeds of the Offering to complete its purchase of the Property Company Shares on the day of commencement of trading of the Units on the SGX-ST, which is expected to be 12 August 2003. The consideration paid by Fortune REIT is based on the Acquisition Values of the Properties which represents a certain level of discount to the Appraised Values of the Properties as determined by Chesterton Petty Ltd, the Independent Valuer (see Appendix IV, “Independent Property Valuation Summary Reports”).

The appraisals were conducted in accordance with instructions issued by the Manager. The instructions emphasised the use of the discounted cash flow analysis (the “DCF Method”) as well as conventional valuation methods in evaluating assets for real estate investment trusts. The DCF Method is based on assumed cash flows from a particular property over a certain time horizon and after deducting all relevant outgoings, a discount rate is applied to determine the net present value of this income stream. Many assumptions are made under the DCF Method, such as that the property will be sold at the end of the holding period.

In addition to the DCF Method, the Independent Valuer used the investment method and the direct comparison method (see Appendix IV, “Independent Property Valuation Summary Reports”). Although the appraisers conducted research before finalising their assumptions, there can be no assurance that these assumptions are accurate measures of the market and, thus, the values of the Properties may be evaluated inaccurately.

In addition, property valuations generally (including the appraisals conducted by Chesterton Petty Ltd, the Independent Valuer), which could affect the price of the Units, may include or have included a

subjective determination of certain factors relating to the Properties such as their relative market positions, their financial and competitive strengths and their physical condition.

The appraisal value of any of Fortune REIT's Properties is 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 its purchase price.

***Fortune REIT's purchase of the Property Company Shares may be subject to risks associated with the acquisition of new properties and shares in property holding companies.***

While the Manager believes that reasonable due diligence investigations have been conducted with respect to the Property Company Shares and the Properties prior to acquisition of the Property Company Shares, there can be no assurance that the Property Company Shares or the Properties will not have certain defects or deficiencies other than those disclosed in this Prospectus. In addition, some of the Properties may be in breach of laws and administrative regulations including those in relation to real estate which the Manager's due diligence did not uncover or may not comply with certain regulatory requirements. As a result, Fortune REIT may incur additional financial or other obligations in relation to such defects or deficiencies.

In particular, the representations, warranties and indemnities granted in favour of Fortune REIT by the Sponsor and other parties (see "Certain Agreements Relating to Fortune REIT — Description of the Agreements to Acquire the Property Company Shares") are subject to limitations as to their scope and as to the amount and timing of claims which can be made thereunder. There can be no assurance that Fortune REIT will be entitled to be reimbursed under such representations, warranties and indemnities for all losses or liabilities suffered or incurred by it as a result of its purchase of the Property Company Shares.

***The loss of key tenants and licensees (including tenants and licensees that are associated with the Sponsor) or a downturn in the business of its tenants and licensees could have an adverse effect on Fortune REIT's financial condition and results of operations.***

Fortune REIT's financial condition and results of operations and ability to make distributions may be adversely affected by the bankruptcy, insolvency or downturn in the business of its key tenants and licensees (including tenants and licensees that are associated with the Sponsor), including the decision by any of such tenants or licensees not to renew their leases or licences or to terminate their leases or licences before they expire (in cases where a key tenant has termination rights exercisable by written notice) or to terminate their licences (in the case of key licensees).

As at 31 March 2003, 24.5% of the total Gross Rentable Area of the Properties was occupied by companies which are associated companies of the Sponsor and up to 25.2% of the total Base Rental Income and licence fees of the Properties were derived from such companies. As at 31 March 2003, the largest tenant, Park'N Shop (a supermarket chain wholly-owned by HWL, an associated company of the Sponsor) accounted for 12.3% of the total Base Rental Income of the Properties. The Manager expects that Fortune REIT will continue to be dependent upon companies associated with the Sponsor for a significant portion of its Gross Revenue. If these or other key tenants and licensees do not renew their leases at expiry, or if they terminate their licences or reduce their leased/licensed space in the Properties, this could adversely affect the Gross Revenue of Fortune REIT (see "The Manager and the Sponsor — Related Party Transactions").

***Fortune REIT relies on the Sponsor and other parties for a guarantee of rental income in respect of the operation of The Metropolis Mall and for indemnities in respect of certain aspects of the operation of the Properties.***

For the three months ended 31 March 2003, the average occupancy rate for The Metropolis Mall was 53.5%. To ensure a stable level of cash flow for The Metropolis Mall while the existing vacant units of the mall are being marketed, the Sponsor and HWL will, pursuant to the Rental Guarantee Deed, undertake (on a several basis in equal shares pro-rated to their respective interests in the Vendor Company) for three years starting from the Listing Date, to effect top up payments to Vision Million Limited (i) if the Adjusted Net Property Income is less than HK\$90,000,000 per annum, to make up the

difference between (a) HK\$90,000,000 per annum and (b) the Adjusted Net Property Income for the relevant period and (ii) if the Net Parking Space Income is less than HK\$4,296,000 per annum, to make up the difference between (a) HK\$4,296,000 per annum and (b) the Net Parking Space Income for the relevant period. The Adjusted Net Property Income and the Net Parking Space Income will be certified by the Auditors of Vision Million Limited at the end of each relevant period (see “Business and Properties — The Metropolis Mall”). The Sponsor will also provide certain indemnities to Poko Shine Limited as owner of Ma On Shan Plaza in respect of its obligations under the relevant Government lease.

In addition, the Sponsor and Li Ka-Shing Unity Trustee Company Limited (as trustee of The Li Ka-Shing Unity Trust), assuming several obligations in the proportions of 94.0% and 6.0%, respectively, will provide (i) certain indemnities to Yee Pang Realty Limited as the owner of Jubilee Court Shopping Centre in respect of its obligations under the relevant Government lease and its obligations as manager under the relevant Deed of Mutual Covenant and (ii) a put option in favour of the Trustee over all of the shares in Yee Pang Realty Limited exercisable in certain limited circumstances (see “The Manager and the Sponsor — Related Party Transactions”).

Furthermore, in connection with the Sale and Purchase Agreements, certain tax indemnities will be provided by the relevant Vendor Company and guaranteed (i) by the Sponsor in relation to Poko Shine Limited, Quick Switch Limited and Art Full Resources Limited and (ii) by the Sponsor and HWL (on a several basis in equal shares pro-rated to their respective interests in the Vendor Company) in relation to Vision Million Limited. In relation to Yee Pang Realty Limited where Beautiland Company Limited and Cheuk Kin Investment Company Limited (being the Vendor Companies in relation to Yee Pang Realty Limited) will assume several obligations in proportion to their shareholdings in Yee Pang Realty Limited, being 40.0% and 60.0% respectively, the Sponsor will guarantee the performance by Cheuk Kin Investment Company Limited, and the Sponsor and Li Ka-Shing Unity Trustee Company Limited (as trustee of The Li Ka-Shing Unity Trust) assuming several obligations in proportion to their shareholdings in Beautiland Company Limited (being 85.0% and 15.0% respectively) will guarantee the performance by Beautiland Company Limited of its obligations.

Any failure by the Sponsor or the other parties to perform their respective obligations under the Rental Guarantee Deed or any of the indemnities under the Sale and Purchase Agreements or the Deeds of Tax Covenant relating to the purchase of the Property Company Shares (see “Certain Agreements Relating to Fortune REIT — Description of the Agreements to Acquire the Property Company Shares”) or under any of the other arrangements referred to above may adversely affect Fortune REIT’s cash flow and the amount of distributions it is able to make to Unitholders.

***Most of the Properties’ leases are for periods of up to three years, which exposes the Properties 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 the leases expire each year. This high concentration of renewal rates exposes Fortune REIT to certain risks, including the risk that vacancies following non-renewal of leases may lead to reduced occupancy levels which will in turn reduce Fortune REIT’s Gross Revenue (see “Business and Properties — Expiries and Renewals”). If a large number of tenants do not renew their leases in the same year with a high concentration of lease expiries, this would have a material adverse effect on the relevant Property and could affect Fortune REIT’s total Gross Revenue.

***Fortune REIT will hold, through the Property Company Shares, the Properties on long-term Government leases and these leases contain certain provisions that may have an adverse effect on the financial condition and results of operations of Fortune REIT.***

The Government leases granted in respect of Jubilee Court Shopping Centre and Ma On Shan Plaza impose certain obligations on the Property Companies holding these respective Properties. The Government lease granted in respect of Jubilee Court Shopping Centre contains certain obligations and restrictions including the following:

- Yee Pang Realty Limited has an obligation (the “Maintenance Obligation”) to pay for the repair, management, and maintenance of all buildings and structures erected on the lot comprising the

development known as “Jubilee Garden” (of which Jubilee Court Shopping Centre constitutes a part) notwithstanding that Yee Pang Realty Limited may have assigned, mortgaged, underlet, parted with possession of or otherwise disposed of part or all of the lot or any interest therein;

- that part of Jubilee Court Shopping Centre which comprises the “Reserved Portion” (as defined in the relevant Government lease and the relevant Deed of Mutual Covenant) must be held by Yee Pang Realty Limited or another estate management company (being an incorporated company approved by the Director of Lands, whose principal business is that of estate management and which is a wholly-owned and controlled subsidiary of Yee Pang Realty Limited); and
- a bank bond (of a sum not less than HK\$15 million or such other sum as may be increased by the Director of Lands) in favour of the Government of Hong Kong to secure the performance of the Maintenance Obligation must be provided by Yee Pang Realty Limited upon a disposal of any part or parts of Jubilee Court Shopping Centre. A disposal includes assigning, mortgaging, underletting (other than at a rack rent and without any premium) and parting with possession of part or all of Jubilee Court Shopping Centre.

In addition, the Government lease granted in respect of Ma On Shan Plaza imposes certain obligations on Poko Shine Limited including the obligations:

- to manage and maintain two single-storey covered footbridges (the “Maintenance of Footbridges Obligation”) constructed by Poko Shine Limited in good and substantial repair and condition in all respects to the satisfaction of the Director of Lands;
- to indemnify the Government of Hong Kong, its officers, agents, contractors and workmen or other authorised personnel in respect of the Maintenance of Footbridges Obligation; and
- not to 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 (as defined in the relevant Deed of Mutual Covenant) comprised in Ma On Shan Plaza (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).

These restrictions and obligations imposed by the relevant Government leases on the relevant Property Companies may have an adverse effect on Fortune REIT’s operation and its ability to dispose of the relevant Properties or the shares in the relevant Property Companies (see “Certain Agreements Relating to Fortune REIT — Information Regarding the Leasehold Title to the Properties”).

#### **Risks Relating to Investing in Real Estate**

*The Gross Revenue earned from, and the value of, the Properties held through the Property Companies may be adversely affected by a number of factors.*

The Gross Revenue earned from, and the value of, Fortune REIT’s Properties held through the Property Companies may be adversely affected by a number of factors, including:

- vacancies following expiry or termination of leases or licences that lead to reduced occupancy rates which reduce Fortune REIT’s or the Property Companies’ gross revenue and their ability to recover certain operating costs through Charge-out Collections;
- the Manager’s ability to collect rent or licence fees from tenants and licensees on a timely basis or at all;
- the amount and extent to which Fortune REIT is required to grant rental rebates to tenants, due to market pressure;
- tenants seeking the protection of bankruptcy laws which could result in delays in receipt of rent payments, inability to collect rentals at all or delays in the termination of the tenant’s lease, or which could hinder or delay the sale of a Property or the re-letting of the space in question;
- the amount of rent payable by tenants and the terms on which lease renewals and new leases are agreed being less favourable than current leases;

- the local and international economic climate and real estate market conditions (such as oversupply of, or reduced demand for, retail space, the Hong Kong Government's release of land for retail development, changes in market rental rates and operating expenses for Fortune REIT's Properties);
- the Manager's ability to provide adequate management and maintenance or to purchase adequate insurance;
- competition for tenants from other similar properties which may affect rental levels or occupancy levels at Fortune REIT's Properties; and
- 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 to ensure compliance. Rights related to the relevant Properties may also be restricted by legislative actions, such as revisions to the building standards laws or the town planning laws, or the enactment of new laws related to condemnation and redevelopment.

***Fortune REIT will be more reliant on some of the Properties for a substantial portion of Gross Revenue and a decline in the contribution such Properties make to Gross Revenue will adversely affect Fortune REIT.***

Fortune REIT will initially be dependent on Ma On Shan Plaza for a substantial portion of its revenue. For the three months ended 31 March 2003, Ma On Shan Plaza accounted for 42.3% of Fortune REIT's Gross Revenue. Fortune REIT may continue to be dependent on Ma On Shan Plaza for a significant portion of its Gross Revenue going forward although the Manager expects the proportionate contribution to Gross Revenue by The Metropolis Mall to be equally substantial over time.

Various factors, such as physical damage resulting from fire or other causes, may cause a significant disruption to the business and operations of Ma On Shan Plaza or The Metropolis Mall. In the event such significant disruption to the business and operations occurs at either Property, that Property's contributions to Fortune REIT's Gross Revenue would be reduced and this would have a greater effect on Fortune REIT's financial condition and results of operations than similar occurrences at the other Properties.

***Properties held by Fortune REIT through the Property Companies may be subject to increases in operating and other expenses.***

Fortune REIT's ability to make distributions to Unitholders could be adversely affected if operating and other expenses increase without a corresponding increase in revenues or tenant reimbursements of operating and other costs.

Factors which could increase operating and other costs include:

- increases in annual rents payable to the Hong Kong Government under the Government leases and management fees payable to the manager under the relevant Deeds of Mutual Covenant for the Properties held by Fortune REIT (through the Property Companies);
- increases in payroll expenses and energy costs;
- increases in property taxes and other statutory charges;
- changes in statutory laws, regulations or government policies which increase the cost of compliance with such laws, regulations or policies;
- increases in sub-contracted service costs;
- increases in the rate of inflation;
- increases in insurance premiums; and
- defects affecting the Properties which need to be rectified, leading to unforeseen capital expenditure.

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

Fortune REIT invests primarily in real estate which entails a higher level of risk than a portfolio which has a diverse range of investments. Real estate investments, particularly investments in high value properties such as those in which Fortune REIT intends to invest, are relatively illiquid. Such illiquidity may affect Fortune REIT's ability to vary its investment portfolio or liquidate part of its assets in response to changes in economic, real estate market or other conditions. For instance, Fortune REIT may be unable to liquidate its assets on short notice or may be forced to give a substantial reduction in the price that may otherwise be sought for such assets, to ensure a quick sale. Moreover, Fortune REIT and the Property Companies may face difficulties in securing timely and commercially favourable financing in asset-based lending transactions secured by real estate due to the illiquid nature of real estate assets. These factors 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 distributions to Unitholders.

***Fortune REIT's Properties or part thereof may be acquired compulsorily.***

The Hong Kong Government has the power to compulsorily acquire any land in Hong Kong (including the Properties) pursuant to the provisions of applicable legislation including the Lands Resumption Ordinance (Chapter 124), Roads (Works, Use and Compensation) Ordinance (Chapter 370), Railways Ordinance (Chapter 519), Land Acquisition (Possessory Title) Ordinance (Chapter 130), Land Drainage Ordinance (Chapter 446), Urban Renewal Authority Ordinance (Chapter 563) and the Mass Transit Railway (Land Resumption and Related Provisions) Ordinance (Chapter 276).

In the event of any compulsory acquisition of property in Hong Kong, the amount of compensation to be awarded is based on the open market value of a property and is assessed on the basis prescribed in the respective Ordinances. The level of such compensation may be less than the market price of the Properties which may be received upon sale of the Properties in the open market. In addition, the amount of compensation may be less than the consideration paid by Fortune REIT in respect of the Properties.

***Fortune REIT may suffer material losses in excess of insurance proceeds.***

Fortune REIT's properties could suffer physical damage caused by fire or other causes and Fortune REIT or the Property Companies may suffer public liability claims, resulting in losses (including loss of rent) which may not be fully compensated by insurance proceeds. In addition, certain types of risks (such as war risk, terrorist acts and losses caused by the outbreak of contagious diseases) may be uninsurable or the cost of insurance may be prohibitive when compared to the risk. Should an uninsured loss or a loss in excess of insured limits occur, Fortune REIT could be required to pay compensation and/or lose capital invested in the affected property as well as anticipated future revenue from that property. Fortune REIT would also remain liable for any debt or other financial obligation related to that property. No assurance can be given that material losses in excess of insurance proceeds will not occur in the future.

**Risks Relating to an Investment in the Units**

***A default by a Cornerstone Investor on its obligation to subscribe for the Cornerstone Units may adversely affect the Offering.***

The Cornerstone Investors have agreed to subscribe for an aggregate of 93,530,000 Units, which will constitute 19.8% of the total number of outstanding Units immediately after the close of the Offering. As the Units to be subscribed by the Cornerstone Investors will not be underwritten, and as payment for those Units is not expected until after the close of the Application List, any failure or default by the Cornerstone Investors to subscribe and pay for the Units under their respective subscription agreements may result in Fortune REIT having insufficient funds with which to purchase the Properties from the Vendor Companies. Under such circumstances, the Underwriters would have the right not to complete the Offering.

***Hong Kong profits tax rate may fall below 15.0% which would have a material adverse effect on the tax position of Fortune REIT.***

Fortune REIT has obtained a Tax Ruling from the MOF confirming that its dividend income received from the Property Companies that is paid out of income which is subject to Hong Kong profits tax of at least 15.0% is exempt from Singapore income tax. However, should the profits tax rate in Hong Kong fall below 15.0% in the future, such dividend income will no longer be tax-exempt when received or deemed received in Singapore, but will instead be subject to Singapore income tax at the prevailing corporate income tax rate, which is currently 22.0%. There can be no assurance that rates of taxation in Hong Kong will not change in a manner that may adversely affect the Tax Ruling or Fortune REIT's tax position.

***Hong Kong profits tax rate may rise above 17.5% which could have a material adverse effect on Fortune REIT's income.***

Fortune REIT will primarily rely on dividend payments from the Property Companies for its income. Should the profits tax rate in Hong Kong rise above the current rate of 17.5% in the future, the level of after-tax profit or surplus of each of the Property Companies available for distribution (by way of dividend payment) to Fortune REIT could be reduced substantially. There can be no assurance that the profits tax rate in Hong Kong will not change in a manner which may adversely affect Fortune REIT's income.

***Fortune REIT may be unable to comply with the terms of the Tax Ruling or the Tax Ruling may be revoked or amended.***

The Tax Ruling issued by the MOF is premised on Fortune REIT being a tax resident of Singapore on the basis that the Trustee and the Manager are present in Singapore. A change in the tax residence status of Fortune REIT as a result of the Trustee or the Manager not being present in Singapore is a breach of the terms of the Tax Ruling. Consequently, in such event, the tax exemption would no longer be applicable and Fortune REIT would be subject to Singapore income tax on all income accrued in or derived from Singapore including income received in Singapore from outside Singapore at the prevailing corporate income tax rate in Singapore which is currently 22.0%.

The Tax Ruling, either in part or in whole, may be revoked or its terms may be reviewed and amended by the MOF at any time. If the Tax Ruling is revoked or if the terms and conditions attached to the Tax Ruling are amended and cannot be complied with, Fortune REIT may be subject to Singapore income tax on its dividend income receivable from the Property Companies that are paid out of income which is already subject to Hong Kong profits tax. In such event, tax will be assessed on and collected from the Trustee. In these circumstances, 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.

***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 a creditor of the relevant Property Company). The Property Companies are expected to incur indebtedness in connection with the operation of the Properties and may in the future incur unsecured or secured obligations directly. Secured creditors of the Property Companies would have prior rights of claim over the secured assets and all creditors of the Property Companies would rank ahead of the claims of Fortune REIT. In addition, as a condition precedent to the drawdown of the Facility, a subordination deed is required to be entered into between the Trustee, as trustee of Fortune REIT, the Property Companies, as borrowers and DBS Bank, as agent and trustee for the Finance Parties (as defined in the Facility Agreement), whereby the liabilities of the Property Companies to Fortune REIT will be subordinated to the liabilities of the Property Companies to the Finance Parties (see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Indebtedness" for further details of the Facility Agreement).

***Distributions to Unitholders will be subject to cash flow.***

The net operating profit earned from real estate investments depends on, amongst other factors, the amount of rental income received, and the level of property, operating and other expenses incurred. If properties held by Fortune REIT directly or indirectly do not generate sufficient net operating profit, Fortune REIT's income, cash flow and ability to make distributions will be adversely affected. In addition, if the Property Companies have insufficient cash flows or distributable profits or surplus, or the Property Companies do not make the expected level of distributions, in any financial year, this will adversely affect Fortune REIT's income, cash flow and ability to pay or maintain distributions to Unitholders.

No assurance can be given as to Fortune REIT's ability to pay or maintain distributions. Neither is there an assurance that the level of distributions will increase over time, that there will be contractual increases in rent under the leases of the Properties or that the receipt of rental income in connection with expansion of the Properties or future acquisitions of properties will increase Fortune REIT's cash flow available for distribution to Unitholders.

***The forward-looking information in this Prospectus may prove inaccurate.***

This Prospectus contains forward-looking statements regarding, among other things, forecast and projected distribution levels for the period from the issue date of the Units until 31 December 2004. These forward-looking statements 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 (see "Profit Forecast and Profit Projection — Assumptions"). In addition, Fortune REIT's revenue is dependent on a number of factors including the receipt of dividends and distributions from the Property Companies and rent from the Properties held through the Property Companies, which may decrease for a number of reasons including the lowering of occupancy and rental rates, insolvency or delay in rent payment by tenants. This may adversely affect Fortune REIT's ability to achieve the forecast and projected distributions as some or all events and circumstances assumed may not occur as expected, or events and circumstances may arise which are not currently anticipated. Actual results may be materially different from the forecast and projection. While the Manager currently expects to meet the forecast and projected distribution levels, no assurance can be given that the assumptions will be realised and the actual distributions will be as forecast and projected.

***Accounting standards in Hong Kong and Singapore are subject to change.***

Accounting standards in Singapore and Hong Kong are subject to change as accounting standards in both countries are further aligned with International Accounting Standards. As a result, the financial statements of Fortune REIT and the Property Companies may be affected by the introduction of such revised accounting standards. The extent and timing of these changes in accounting standards are currently unknown and subject to confirmation by the relevant authorities. The Manager has not quantified the effects of these proposed changes and there can be no assurance that these changes will not have a significant impact on the presentation of Fortune REIT's financial statements or on Fortune REIT's results of operations. In addition, such changes may adversely affect the ability of Fortune REIT to make distributions to Unitholders.

***The amount Fortune REIT may borrow is limited, which may affect the operations of Fortune REIT.***

Under the Property Funds Guidelines, Fortune REIT is generally permitted to borrow only up to 35.0% of its Deposited Property at the time the borrowing is incurred. A decline in Deposited Property may affect Fortune REIT's ability to make further borrowings.

Adverse business consequences of this limitation on borrowings may include:

- (i) an inability to fund capital expenditure requirements in relation to Fortune REIT's existing portfolio or in relation to the acquisition by Fortune REIT of further properties to expand its portfolio; and
- (ii) cash flow shortages (including with respect to distributions) which Fortune REIT might otherwise be able to resolve by borrowing funds.

***Market and economic conditions may affect the market price and demand for the Units.***

Movements in domestic and international securities markets, economic conditions, foreign exchange rates and interest rates may affect the market price and demand for the Units. In particular, an increase in market interest rates may have an adverse impact on the market price of the Units if the annual yield on the price paid for the Units gives investors a lower return than other investments.

***Foreign Unitholders may not be permitted to participate in future rights issues by Fortune REIT.***

The Trust Deed provides that in relation to any rights issue, the Manager may, in its absolute discretion, elect not to extend an offer of Units under a rights issue to those Unitholders whose addresses, as registered with CDP, are outside Singapore. The rights or entitlements to the Units to which such Unitholders would have been entitled will be offered for sale and sold in such manner, at such price and on such other terms and conditions as are approved by the Trustee under the Trust Deed. The proceeds of any such sale if successful will be paid to the Unitholders whose rights or entitlements have been so sold.

***The Manager is not obliged to redeem Units.***

Unitholders have no right to request the Manager to redeem their Units while the Units are listed on the SGX-ST. It is intended that Unitholders may only deal in their listed Units through trading on the SGX-ST.

***The sale or possible sale of a substantial number of Units by the Sponsor and the Strategic Investor (following the lapse of their lock-up arrangements or pursuant to applicable waivers) and/or the Cornerstone Investors in the public market following the Offering could adversely affect the price of the Units.***

Following the Offering, assuming the Upsize Option and Over-allotment Option are not exercised, Fortune REIT will have 473,000,000 Units outstanding, of which 143,490,000 Units, or 30.3%, will be held by investors participating in the Offering, 176,985,000 Units, or 37.4%, will be held by the Sponsor, 58,995,000 Units, or 12.5%, will be held by the Strategic Investor and an aggregate of 93,530,000 Units, or 19.8%, will be held by the Cornerstone Investors. The Units will be tradable on the Main Board of the SGX-ST. If the Sponsor and the Strategic Investor (following the lapse of their lock-up arrangements or pursuant to applicable waivers) and/or the Cornerstone Investors sell or are perceived as intending to sell a substantial amount of Units, or if a secondary offering of the Units is undertaken in connection with an additional listing on another securities exchange, the market price for the Units could be adversely affected (see “Plan of Distribution — Lock-up Arrangements” and “Ownership of the Units”). The Cornerstone Investors are not subject to any lock-up arrangements in respect of their aggregate holding of 93,530,000 Units.

***The Units have never been publicly traded and the Offering may not result in an active or liquid market for the Units. In addition, the real estate investment trust market in Singapore is relatively new.***

Prior to the Offering, there has been no public market for the Units and an active public market for the Units may not develop or be sustained after the Offering. The Manager has received an eligibility letter from the SGX-ST to have the Units listed and quoted on the Main Board of the SGX-ST. Listing and quotation does not, however, guarantee that a trading market for the Units will develop or, if a market does develop, the liquidity of that market for the Units.

It may be difficult to assess Fortune REIT’s performance against either domestic or international benchmarks. As real estate investment trusts are relatively new investment products in Singapore, there are presently no official or directly comparable benchmarks against which Fortune REIT’s performance is or will be measured. It is also unknown whether an active market for real estate investment trusts in Singapore will develop.

Although it is currently intended that the Units will remain listed on the SGX-ST, there is no guarantee of the continued listing of the Units. Fortune REIT may not continue to satisfy the listing requirements for real estate investment trusts.

***Exchange rate fluctuations may adversely affect the value of the Units and any distributions payable to the Unitholders.***

The Units will be quoted in Hong Kong dollars on the SGX-ST. Distributions will be declared in Hong Kong dollars. However, unless Unitholders elect to receive the distributions in Hong Kong dollars prior to each distribution date, such distributions will be paid in the Singapore dollar equivalent of the Hong Kong dollar distribution declared. The value of the proceeds which a Unitholder receives upon the sale of the Units in Singapore and the value of the distributions received by a Unitholder may be adversely affected by fluctuations in the exchange rate between the Hong Kong dollar and the Singapore dollar. See “Distributions” and “Exchange Rates”. Investors who subscribe for the Units under the Public Offer in Singapore dollars may be exposed to the risk of foreign exchange fluctuations when they subsequently sell the Units which are quoted in Hong Kong dollars.

***The net asset value of the Units may be diluted if further issues are priced below the current net asset value.***

The Trust Deed contemplates that new issues of Units may occur, the offering price for which may be above, at or below the then current net asset value of Fortune REIT. Where new Units including Units issued to the Manager in part payment of its management fees are issued at less than net asset value, the net asset value of existing Units may be diluted.

***The rights of Unitholders are not identical to, and in some cases less protective than, the rights of shareholders under Singapore laws.***

The rights of Unitholders are not identical to those granted to holders of shares in companies incorporated in Singapore.

For example, the Singapore Code on Takeovers and Mergers and the provisions of Sections 138 to 140 of the SFA do not apply to acquisitions of Units. As such, a person may acquire any number of Units without being required to make a general offer to acquire the Units held by other Unitholders. In such an event, there is a risk that Unitholders may not benefit from a possible premium price over the then prevailing market price of the Units.

***There will be a delay in the initial trading of the Units.***

It is expected that all the Units will be admitted to the Official List of the SGX-ST after the Manager complies with the listing requirements of the SGX-ST. It is expected, however, that trading in the Units on the SGX-ST on a “ready” basis will not begin until four Market Days after the closing date for applications for the Units, thereby making an investment in the Units illiquid before that date.

***Fortune REIT’s strategy of investing in real estate may entail a higher level of risk compared to other types of unit trusts that have a more diverse range of investments.***

Fortune REIT is formed primarily to own and invest in a portfolio of retail shopping malls in Hong Kong. This investment strategy may entail a higher level of risk compared to other types of unit trusts that have a more diverse range of investments. A concentration of investments in a portfolio of retail shopping malls in Hong Kong may cause Fortune REIT to be susceptible to a downturn in the property market in Hong Kong, particularly with respect to a decline in the rental rates for retail shopping malls in Hong Kong and a decline in the capital value of the Properties. A decline in the rental rates for retail shopping malls in Hong Kong and/or a decline in the capital value of the Properties will have an adverse impact on distributions to Unitholders and on the results of operations and financial condition of Fortune REIT.

***The price of the Units may decline after the Offering.***

The Offering Price of the Units is determined by agreement between the Manager and the Global Co-ordinator (on behalf of the Underwriters) and may not be indicative of the market price for the Units after the completion of the Offering.

The price of the Units after the Offering may trade at prices significantly below the Offering Price. The price of the Units will depend on many factors, including:

- the perceived prospects of Fortune REIT's business and investments and the Hong Kong commercial real estate market;
- differences between Fortune REIT's actual financial and operating results and those expected by investors and analysts;
- changes in analysts' recommendations or projections;
- changes in general economic or market conditions;
- the market value of Fortune REIT's assets;
- the perceived attractiveness of the Units against those of other equity securities, including those not in the real estate sector;
- the balance of buyers and sellers of the Units;
- the future size and liquidity of the Hong Kong and Singapore real estate investment trust markets;
- any future changes to the regulatory system, including the tax system, both generally and specifically in relation to Hong Kong and Singapore real estate investment trusts;
- any inability on Fortune REIT's part to implement successfully its investment and growth strategies;
- foreign exchange rates; and
- broad market fluctuations, including weakness of the equity market and increases in interest rates.

For these reasons, among others, Units may trade at prices that are higher or lower than the net asset value per Unit. To the extent that Fortune REIT retains operating cash flow for investment purposes, working capital reserves or other purposes, these retained funds, while increasing the value of its underlying assets, may not correspondingly increase the market price of the Units. Any failure on Fortune REIT's part to meet market expectations with regard to future earnings and cash distributions may adversely affect the market price for the Units.

In addition, the Units are not capital-safe products and there is no guarantee that Unitholders can regain the amount invested. If Fortune REIT is terminated or liquidated, it is possible that investors may lose all or a part of their investment in the Units.

***Corporate disclosure, accounting and governance standards in Singapore may differ from those in other countries.***

There may be less publicly available information about Singapore real estate investment trusts and public companies, such as Fortune REIT and the Manager, respectively, than is regularly made available by real estate investment trusts or public companies in other jurisdictions. In addition, Fortune REIT's pro forma financial information has been, and financial information reported in the future will be, prepared in accordance with Singapore GAAP, which differs in certain significant respects from generally accepted accounting principles in other jurisdictions. Also, corporate governance standards in Singapore may differ from those in other jurisdictions.

***The Manager may change Fortune REIT's investment policies***

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 intention to restrict investments to 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 assets, including any real estate, real estate-related assets as well as listed and unlisted securities 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.

## USE OF PROCEEDS

The total proceeds to Fortune REIT from the Offering, combined with the proceeds from the subscription by the Sponsor, the Strategic Investor and the Cornerstone Investors are estimated to be HK\$2,237.9 million, based on the maximum subscription price of the Offering Price Range (HK\$4.75 per Unit), the application of the Volume Discount only in respect of the Cornerstone Units and assuming that the Upsize Option and the Over-allotment Option are exercised in full. Any Volume Discount will reduce the amount per Unit which Fortune REIT will receive.

The following table, for the purposes of illustration, sets out the intended application of the total proceeds from the Offering and the subscription by the Sponsor, the Strategic Investor and the Cornerstone Investors as described above.

	<b>Application of proceeds</b>
	<i>(HK\$ '000)</i>
Acquisition of the Property Company Shares and certain of the Existing Borrowings <sup>(1)</sup> . . . . .	2,116,767.8
Acquisition costs <sup>(2)</sup> . . . . .	3,400.0
Issue costs . . . . .	108,846.5
Working capital . . . . .	8,850.3
<b>Total</b> . . . . .	2,237,864.7

**Notes:**

- (1) These consist of the Balance of Existing Borrowings applicable to four of the Property Companies and the Existing Borrowings applicable to the remaining Property Company, which are all interest-free loans extended by the Vendor Companies to the respective Property Companies and are payable on demand.
- (2) Acquisition costs include professional fees, stamp duty and other costs incurred in the acquisition of the Property Company Shares.

Based on the table above, the cost of establishing Fortune REIT will be HK\$2,237.9 million, comprising the aggregate price for the acquisition of the Property Company Shares, the amounts paid in respect of the acquisition of the Balance of Existing Borrowings applicable to four of the Property Companies and the Existing Borrowings applicable to the remaining Property Company, the acquisition costs, the estimated issue costs of HK\$108.8 million, and HK\$8.9 million set aside for initial working capital.

Simultaneously with Completion, four of the Property Companies will draw down, under the Facility, an aggregate of HK\$990.0 million of loans for the purpose of discharging a corresponding amount of the Existing Borrowings then owed by such companies.

The Manager believes that the working capital of HK\$8.9 million together with the undrawn Facility available to all the Property Companies at Completion will be sufficient for Fortune REIT's requirements over the next 12 months following the close of the Offering.

## OWNERSHIP OF THE UNITS

Upon completion of the Offering, the principal Unitholders of Fortune REIT and their Unitholdings will be as set out in the table below:

	Units Owned After Offering but Before the exercise of Over-allotment and Upsize Option <sup>(1)</sup>		Units Owned After Offering and After the exercise of Over-allotment and Upsize Option <sup>(2)</sup>	
	('000,000)	(%)	('000,000)	(%)
Sponsor:				
Cheung Kong (Holdings) Limited <sup>(3)</sup> . . . . .	177.0	37.4	101.1	21.4
Other pre-Offering investors:				
Hutchison Whampoa Limited <sup>(4)</sup> . . . . .	59.0	12.5	59.0	12.5
Capital Research and Management Company (Hong Kong Branch) <sup>(5)</sup> . . . . .	23.3	4.9	23.3	4.9
Société Générale Bank & Trust (Luxembourg) <sup>(5)</sup> . . . . .	23.3	4.9	23.3	4.9
DBS Bank Ltd <sup>(5)</sup> . . . . .	47.0	9.9	47.0	9.9
Public and institutional investors. . . . .	143.5	30.3	219.4	46.4
	473.0	100.0	473.0	100.0

**Notes:**

- (1) Assuming that the Over-allotment Option and the Upsize Option are not exercised.
- (2) Assuming that the Over-allotment Option and the Upsize Option are exercised in full.
- (3) The interest of Cheung Kong (Holdings) Limited will be held through its wholly-owned subsidiary, Focus Eagle Investments Limited.
- (4) Hutchison Whampoa Limited, an associated company of the Sponsor, is subscribing for these Units as a strategic investor. The interest of Hutchison Whampoa Limited will be held through its wholly-owned subsidiary, Ballston Profits Limited.
- (5) Capital Research and Management Company (Hong Kong Branch), Société Générale Bank & Trust (Luxembourg) and DBS Bank Ltd (as principal), are subscribing for their respective Units as Cornerstone Investors.

The Sponsor's, the Strategic Investor's and the Cornerstone Investors' subscription of the Units above is conditional upon the execution by the Manager, the Underwriters and the Sponsor of the Underwriting Agreement and the Underwriting Agreement not having been terminated pursuant to the terms thereof on or prior to the close of the Application List (see "Plan of Distribution").

Under the Trust Deed, the Manager may, subject to certain conditions and restrictions, extend a discount to the Issue Price (as defined in the Trust Deed) per Unit to any applicant in an offering of Units (see "The Formation and Structure of Fortune REIT — Issue of Units" for further details). Pursuant to this, the Cornerstone Investors have been granted the Volume Discount in respect of their subscriptions for the Cornerstone Units. Save as aforesaid, none of the Sponsor, the Strategic Investor or the Cornerstone Investors have been granted any special rights under the Trust Deed which are distinct from the rights enjoyed by any other Unitholder under the Trust Deed.

The Manager may consider pursuing opportunities to attain an additional listing of the Units of Fortune REIT on another securities exchange such as The Stock Exchange of Hong Kong Limited, should such opportunities arise, and subject to obtaining any necessary regulatory and other approvals, waivers or consents. Each of the Sponsor and HWL has informed the Manager that in such event (in the Sponsor's case, provided any applicable moratorium has lapsed) it may consider an offering of Units held by them with a view to expanding Fortune REIT's investor base and enhancing trading liquidity by reaching, amongst others, investors who are not in a position to participate in the proposed initial public offering in Singapore. Further, the Global Co-ordinator has also informed the Manager that, for the six months from the Listing Date, it will hold at least 4.9% of the total equity of Fortune REIT and to the extent that there is an additional listing of Fortune REIT on another securities exchange which involves an offering of Units within that six month period, it will make available at least 4.9% of the total equity of Fortune REIT for sale in the offering, subject to the then prevailing market conditions and relevant regulatory approvals. In the event that a secondary offering of the Units does not occur within six months from the Listing Date, DBS Bank has informed the Manager that it will review its position in relation to its holding of Units, including whether or not to sell the Units and, in the event of such sale, the mode of sale and the number of Units to be offered for sale.

### **Cornerstone Investors and Strategic Investor**

Each of the Cornerstone Investors (as set out below) and the Strategic Investor has entered into a subscription agreement with the Manager to subscribe for Units, conditional upon the Manager, the Underwriters and the Sponsor entering into the Underwriting Agreement and the Underwriting Agreement not having been terminated pursuant to its terms on or prior to the close of the Application List:

The Cornerstone Investors are Capital Research and Management Company (Hong Kong Branch), Société Générale Bank & Trust (Luxembourg) and DBS Bank, and the Strategic Investor is HWL.

In the event that one or more of the Cornerstone Investors fails to subscribe and pay for its portion of the Cornerstone Units, the Manager and/or the Underwriters reserve the right to procure alternative investors or to terminate the Underwriting Agreement.

HWL (49.9% owned by the Sponsor) is one of the largest companies listed on the Main Board of The Stock Exchange of Hong Kong Limited and is a multinational conglomerate with businesses spanning close to 40 countries. HWL operates and invests in five core businesses: (i) ports and related services; (ii) telecommunications; (iii) property and hotels; (iv) retail and manufacturing; and (v) energy and infrastructure.

Capital Research and Management Company (“Capital Research”), founded in 1931, is the investment adviser to The American Funds Group, a family of mutual funds and variable annuities. Capital Research manages mutual funds and provides investment services for corporations, banks, trust companies and retirement plans.

Société Générale Bank & Trust (Luxembourg) is a universal bank established in Luxembourg in 1893. It is a wholly-owned subsidiary of Société Générale, a major French international banking group rated Aa3 (Moody’s) and AA- (Standard & Poor’s). Société Générale Bank & Trust (Luxembourg) provides a variety of banking, investments and related services for a diverse client base. In the corporate area, it provides services such as cash management, capital markets, management and administration of investment funds, clearing custody and services to issuers. For private clients, it provides services in relation to investment advice and financial services, discretionary asset management, tax planning, and investment funds through its wholly-owned subsidiary.

DBS Bank is the largest bank in Singapore measured by assets, with dominant positions in consumer banking, treasury and markets, securities brokerage, Singapore dollar loans, deposits, and equity and debt fund raising. With the receipt of executive and legislative approval for the merger of its wholly-owned Dao Heng Bank and DBS Kwong On Bank operations in Hong Kong, DBS Bank is now the fourth largest banking group in Hong Kong. Beyond its anchor markets of Singapore and Hong Kong, DBS Bank serves corporate, institutional and retail customers through its operations in Thailand, the Philippines and Indonesia.

### **Subscription by the Directors**

The directors of the Manager may subscribe for Units under the Public Offer and/or the Placement Tranche. Save for the Manager’s internal policy which prohibits the directors of the Manager from dealing in the Units at certain times (see “The Manager and the Sponsor — Corporate Governance of the Manager” for further details), there is no restriction on the directors disposing of or transferring all or any part of their Unitholdings.

## DISTRIBUTIONS

### Distribution Policy

Fortune REIT's distribution policy is to distribute 100.0% of its Tax-Exempt Income (except dividends paid out of interest income and gains, if any, which are distributable at the discretion of the Manager) after deduction of applicable expenses ("net Tax-Exempt Income"). Tax-Exempt Income consists of dividends receivable in Singapore from the Property Companies which are paid out of income subject to Hong Kong Profits Tax at a rate of not less than 15.0%. Distributions will be declared in Hong Kong dollars. Unitholders whose Units are held directly through CDP will receive their distributions in the Singapore dollar equivalent of the Hong Kong dollar distribution declared, unless Unitholders elect to receive the distributions in Hong Kong dollars by submitting a "Distribution 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 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 dollars into Singapore dollars. 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.

Fortune REIT's distribution policy is to distribute 100.0% of its net Tax-Exempt Income on a semi-annual basis to Unitholders, except for the first distribution, which will be paid for the period from the date of issue of Units to 31 December 2003 and will be paid by the Manager within 60 days from 31 December 2003. Under the Trust Deed, the Manager is required to pay distributions within 60 days of the end of each distribution period.

Fortune REIT's distributions may also include its Taxable Income and Non-Taxable Capital Gains including the dividends excluded from the distributions out of Tax-Exempt Income referred to above (if any) (collectively referred to as "Other Income"). The Manager will, at its discretion, direct the Trustee to distribute such Other Income, but only if 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 subject to the discretion of the Manager, all or part of its 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.

Unitholders receiving distributions made by Fortune REIT out of Tax-Exempt Income will not be assessable to Singapore income tax on the distributions received.

Unitholders receiving distributions made out of Fortune REIT's Taxable Income will be assessable to Singapore income tax on the distributions received at their applicable income tax rates. Tax will be assessed on the regressed amount (i.e. the amount of the distribution received and the proportionate amount of the imputed tax) at the rate of tax applicable to the Unitholders. The imputed tax (i.e. the tax paid by the Trustee and imputed to be the tax paid by the Unitholders) is available as a credit against the Singapore income tax payable by the Unitholders on the regressed amount of the distributions. Where the imputed tax is higher than the tax payable by the Unitholders, the IRAS will refund the excess to the Unitholders. Unitholders are required to declare in their income tax returns the regressed amount of the distributions received.

Unitholders receiving distributions made out of Non-Taxable Capital Gains will not be assessable to Singapore income tax on the distributions received, except where the Unitholders hold the Units as trading assets.

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 (see "Taxation" for further information on the Singapore income tax consequences of the purchase, ownership and disposition of the Units).

## **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 Agreement) to which they are, or may become, a party. In particular, if the Property Companies fail to make payments due under the Facility Agreement or any other event of default under the Facility Agreement is outstanding, the Property Companies are prohibited under the Facility Agreement 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 “Risk Factors — Fortune REIT will operate principally through the Property Companies and its ability to make distributions to the Unitholders is dependent on the financial position of the Property Companies”).

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:

- operating losses incurred by the Property Companies in any financial year;
- 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 realised losses which would adversely affect the level of realised profits from which the relevant Property Company may distribute dividends;
- 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
- insufficient cash flows received by the Property Companies from the Properties.

In particular, the ability of any of the Property Companies to distribute dividends may be affected by a revaluation loss arising from a revaluation of the Property held by the relevant Property Company. Each Property Company will be required to revalue its property assets on an annual basis. Any revaluation loss may have an impact on the level of dividends which the Property Company is able to pay to Fortune REIT. In such event, as part of its distribution strategy, the Manager will consider increasing the level of distributable reserves of the relevant Property Company by procuring that Fortune REIT cancels an appropriate amount of the debt owed to it by the relevant Property Company. The relevant Property Company may incur a liability to Hong Kong profits tax on an amount equal to the whole or part of any debt so cancelled; the quantum of the tax liability (if any) will depend on various factors, including whether and, if so, what amount of the debt cancelled was used by the relevant Property Company to finance capital expenditure. Following the cancellation of any debt owed to it by a Property Company, the amount of debt cancelled will no longer be due to Fortune REIT. In addition, the Manager may only be able to increase distributable reserves of the relevant Property Company in this manner to the extent that there are loans outstanding to Fortune REIT from the relevant Property Company.

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 (see “Risk Factors”).

## EXCHANGE RATES

The following table sets forth the average, high, low and period-end exchange rates between Hong Kong dollars and Singapore dollars (in Hong Kong dollars per Singapore dollar) for the periods indicated. No representation is made that the Hong Kong dollar amounts actually represent such Singapore dollar amounts or could have been or could be converted into Singapore dollars at the rate indicated, at any other rate or at all.

	Hong Kong dollars/Singapore dollars			
	<u>Average</u>	<u>High</u>	<u>Low</u>	<u>Period End</u>
1999. . . . .	4.5963	4.6957	4.4769	4.6679
2000. . . . .	4.5188	4.7200	4.4216	4.4998
2001. . . . .	4.3535	4.5196	4.1978	4.2287
2002. . . . .	4.3576	4.5176	4.2039	4.4968
2003 (through 23 July 2003)	4.4629	4.5393	4.3756	4.4279

Source: Bloomberg

As at the date of this Prospectus, no exchange control restrictions exist in Singapore.

## CAPITALISATION

The following table sets forth the pro forma capitalisation of Fortune REIT as at 1 July 2003 and after application of the total proceeds from the Offering and the subscription of an aggregate of 253,591,500 Units by the Sponsor, the Strategic Investor and the Cornerstone Investors using an assumed issue price of HK\$4.75 per Unit (the maximum subscription price of the Offering Price Range), and assuming that the Volume Discount is granted only in respect of the Cornerstone Units. In addition, it is assumed that the Upsize Option and the Over-allotment Option are exercised in full. The information in this table should be read in conjunction with “Use of Proceeds” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this Prospectus.

	<b>As at 1 July 2003</b>	
	<i>(HK\$ '000)</i>	<i>(S\$ '000)</i>
Long-term unsecured debt . . . . .	990,000.0	223,839.0
Unitholders’ equity . . . . .	2,129,018.1	481,371.0
<b>Total capitalisation</b> . . . . .	<b>3,119,018.1</b>	<b>705,210.0</b>

## PRO FORMA FINANCIAL INFORMATION

*The following tables present the pro forma consolidated profit and loss statements for Fortune REIT for each of the years ended 31 December 2000, 2001 and 2002 and for the three months ended 31 March 2003 (collectively referred to as the "Relevant Period"), the pro forma consolidated cash flow statement for the year ended 31 December 2002 and pro forma consolidated balance sheet as at 31 December 2002. Such pro forma financial information should be read in conjunction with the related notes thereto.*

*Fortune REIT's independent accountants, Deloitte & Touche, Singapore and Deloitte Touche Tohmatsu, Hong Kong have reported on the pro forma financial information and their report is included in Appendix III in this Prospectus. The pro forma financial information of Fortune REIT has been prepared on the basis set out in Appendix III.*

*The pro forma financial information has been compiled:*

- (a) based on the audited financial statements of Poko Shine Limited, Quick Switch Limited and Yee Pang Realty Limited for the financial years ended 31 December 2000 and 2001;*
- (b) based on the audited financial statements of the Property Companies and the unaudited management accounts of the company which owned The Household Center prior to the sale of The Household Center to Art Full Resources Limited for the financial year ended 31 December 2002;*
- (c) based on the unaudited management accounts of the Property Companies for the three months ended 31 March 2003;*
- (d) by grouping income, expenses, assets and liabilities (of the same nature) as disclosed in the audited financial statements and unaudited management accounts of the Property Companies for the Relevant Period, into categories in order to present condensed and consistent financial information amongst the Property Companies; and*
- (e) incorporating those adjustments that are necessary to reflect the operating results, cash flows and financial position of Fortune REIT under the terms set out in this Prospectus.*

*The pro forma consolidated profit and loss statements show the results of Fortune REIT for the Relevant Period as if it had purchased the Property Companies on 1 January 2000 or on the date of incorporation of the Property Companies, whichever is the later, and assuming that The Household Center had been acquired by Art Full Resources Limited on the date the Property commenced to generate rental income, at Fortune REIT's respective acquisition costs which are determined by reference to the current value of each of the Properties (which were valued by Chesterton Petty Ltd, the Independent Valuer, on 31 May 2003).*

*The pro forma consolidated cash flow statement shows the cash flows of Fortune REIT for the year ended 31 December 2002, assuming it had purchased the Property Companies on 1 January 2000 or on the date of incorporation of the Property Companies, whichever is the later, and assuming that The Household Center had been acquired by Art Full Resources Limited on the date the Property commenced to generate rental income.*

*The pro forma consolidated balance sheet of Fortune REIT as at 31 December 2002 reflects the financial position of Fortune REIT as if it had purchased the Property Companies on 31 December 2002 under the terms set out in this Prospectus.*

*The objective of the pro forma financial information is to show what the financial results, cash flows and financial position might have been had Fortune REIT existed at an earlier date. However, the pro forma financial information of Fortune REIT is not necessarily indicative of the results and cash flows of the operations or the financial position that would have been attained had Fortune REIT actually existed earlier.*

## Pro Forma Consolidated Profit and Loss Statements

	Year ended 31 December				Three months ended 31 March	
	2000	2001	2002 <sup>(3)</sup>	2002	2003	2003
	(HK\$)	(HK\$)	(HK\$)	(S\$)	(HK\$)	(S\$)
Gross Revenue . . . . .	146,920,800	147,974,290	163,724,124	37,018,024	55,811,694	12,619,024
Property Operating Expenses . . . . .	(64,501,583)	(59,187,165)	(68,539,624)	(15,496,809)	(23,557,311)	(5,326,308)
<b>Net Property Income</b> . . . . .	<b>82,419,217</b>	<b>88,787,125</b>	<b>95,184,500</b>	<b>21,521,215</b>	<b>32,254,383</b>	<b>7,292,716</b>
Amortisation of negative goodwill . . .	900,000	900,000	2,000,000	452,200	800,000	180,880
Manager's Base Fee <sup>(1)</sup> . . . . .	(4,416,000)	(4,416,000)	(5,378,250)	(1,216,022)	(2,456,250)	(555,358)
Trust expenses <sup>(1) (2)</sup> . . . . .	(2,441,600)	(2,441,600)	(2,537,825)	(573,802)	(745,625)	(168,586)
Finance costs <sup>(1)</sup> . . . . .	(17,355,000)	(14,685,000)	(20,977,500)	(4,743,013)	(7,425,000)	(1,678,793)
<b>Non property expenses</b> . . . . .	<b>(24,212,600)</b>	<b>(21,542,600)</b>	<b>(28,893,575)</b>	<b>(6,532,837)</b>	<b>(10,626,875)</b>	<b>(2,402,737)</b>
<b>Profit before taxation</b> . . . . .	<b>59,106,617</b>	<b>68,144,525</b>	<b>68,290,925</b>	<b>15,440,578</b>	<b>22,427,508</b>	<b>5,070,859</b>

## Pro Forma Consolidated Cash Flow Statement

	Year ended 31 December	
	2002	2002
	(HK\$)	(S\$)
<b>Operating activities</b>		
Profit before taxation . . . . .	68,290,925	15,440,578
Adjustments for:		
Manager's Base Fees . . . . .	5,378,250	1,216,022
Amortisation of negative goodwill. . . . .	(2,000,000)	(452,200)
Finance costs . . . . .	20,977,500	4,743,013
<b>Operating profit before changes in working capital. . . . .</b>	<b>92,646,675</b>	<b>20,947,413</b>
Changes in working capital		
Trade and other receivables. . . . .	(5,280,784)	(1,193,985)
Trade and other payables . . . . .	15,986,068	3,614,450
Increase in working capital . . . . .	10,705,284	2,420,465
Cash generated from operation . . . . .	103,351,959	23,367,878
Tax paid . . . . .	(5,514,350)	(1,246,795)
<b>Cash flows from operating activities . . . . .</b>	<b>97,837,609</b>	<b>22,121,083</b>
<b>Cash flows from investing activities</b>		
Purchase of investment property . . . . .	(1,697,512,577)	(383,807,594)
<b>Financing activities</b>		
Proceeds from issue of new Units (net of issue costs) . . . . .	1,177,268,448	266,180,396
Distribution to Unitholders. . . . .	(47,613,472)	(10,765,406)
Proceeds from borrowings . . . . .	545,000,000	123,224,500
Finance costs paid . . . . .	(20,977,500)	(4,743,012)
<b>Cash flows from financing activities . . . . .</b>	<b>1,653,677,476</b>	<b>373,896,478</b>
<b>Net increase in cash and cash equivalents . . . . .</b>	<b>54,002,508</b>	<b>12,209,967</b>
<b>Cash and cash equivalents at the beginning of the year . . . . .</b>	<b>2,519,924</b>	<b>569,755</b>
<b>Cash and cash equivalents at the end of the year. . . . .</b>	<b>56,522,432</b>	<b>12,779,722</b>

## Pro Forma Consolidated Balance Sheet

	As at 31 December <sup>(4)</sup>	
	2002 (HK\$)	2002 (S\$)
<b>Current assets</b>		
Cash . . . . .	56,522,432	12,779,722
Trade and other receivables <sup>(5)</sup> . . . . .	9,974,749	2,255,291
Deferred tax assets . . . . .	975,943	220,661
<b>Total current assets</b> . . . . .	<u>67,473,124</u>	<u>15,255,674</u>
<b>Non-current assets</b>		
Investment properties <sup>(6)</sup> . . . . .	3,275,000,000	740,477,500
Negative goodwill . . . . .	(144,018,788)	(32,562,648)
<b>Total non-current assets</b> . . . . .	<u>3,130,981,212</u>	<u>707,914,852</u>
<b>Total assets</b> . . . . .	<u>3,198,454,336</u>	<u>723,170,526</u>
<b>Current liabilities</b>		
Trade and other payables <sup>(7)</sup> . . . . .	(54,113,766)	(12,235,122)
Provision for taxation . . . . .	(2,264,467)	(511,996)
<b>Total current liabilities</b> . . . . .	<u>(56,378,233)</u>	<u>(12,747,118)</u>
<b>Non-current liabilities</b>		
Borrowings . . . . .	(990,000,000)	(223,839,000)
Deferred tax liabilities . . . . .	(23,057,988)	(5,213,412)
<b>Total non-current liabilities</b> . . . . .	<u>(1,013,057,988)</u>	<u>(229,052,412)</u>
<b>Total liabilities</b> . . . . .	<u>(1,069,436,221)</u>	<u>(241,799,530)</u>
<b>Net assets</b> . . . . .	<u>2,129,018,115</u>	<u>481,370,996</u>
<b>Unitholders' equity</b>		
Issued equity <sup>(8)</sup> . . . . .	2,237,864,650	505,981,197
Unit Issue costs . . . . .	(108,846,535)	(24,610,201)
<b>Total Unitholders' equity</b> . . . . .	<u>2,129,018,115</u>	<u>481,370,996</u>
<b>Borrowings/total assets (percentage)</b> . . . . .	31.0	31.0
<b>Number of Units on issue</b> . . . . .	473,000,000	473,000,000
<b>Net tangible asset value per Unit<sup>(9)</sup></b> . . . . .	4.81	1.09

### Notes:

- (1) Manager's Base Fees and Trustee's fees are calculated from the beginning of the year or the month during which the Properties commenced to receive rental income, whichever is the later, to the end of the year. Finance costs are calculated from the beginning of the year or the date of acquisition of the Properties, whichever is the later, and assuming that The Household Center had been acquired by Art Full Resources Limited on the date on which the Property commenced to receive rental income, to the end of the year.

- (2) Trust expenses include recurring operating expenses such as Trustee's fees, annual listing fees, registrar fees, accounting fees, audit and tax advisor's fees, costs associated with the preparation and distribution of reports to Unitholders and other miscellaneous expenses.
- (3) The pro forma financial information for 2002 includes (a) actual operating results for the period from 1 October 2002 to 31 December 2002 of The Household Center based on the unaudited management accounts of the company which owned The Household Center prior to the acquisition of The Household Center by Art Full Resources Limited and (b) the rental income of The Metropolis Mall commencing on 1 November 2002.
- (4) Had a pro forma consolidated balance sheet of Fortune REIT as at 31 March 2003 been prepared based on the same assumptions used in preparing the pro forma consolidated balance sheet as at 31 December 2002, the financial position of Fortune REIT would not differ materially from that shown as at 31 December 2002.
- (5) Trade and other receivables comprise rental receivables, miscellaneous receivables, utility and other deposits.
- (6) Investment properties are stated at valuation based on an independent professional valuation carried out by Chesterton Petty Ltd, the Independent Valuer, on 31 May 2003.
- (7) Trade and other payables comprise tenants' and security deposits, rentals received in advance, creditors and accruals.
- (8) Assuming the Units are issued at HK\$4.75 (the maximum subscription price of the Offering Price Range) and assuming that the Upsize Option and Over-allotment Option are exercised in full and the Volume Discount is granted only in respect of the Cornerstone Units.
- (9) Net tangible asset represents net assets excluding negative goodwill.

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

*The following discussion should be read in conjunction with the pro forma financial information and notes thereto included elsewhere in this Prospectus. Statements contained in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" that are not historical facts may be forward-looking statements. Such statements are subject to certain risks, uncertainties and assumptions which could cause actual results to differ materially from those forecast and projected. Under no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by the Manager, the Underwriters or any other person. Investors are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof.*

*Fortune REIT's independent accountants, Deloitte & Touche, Singapore and Deloitte Touche Tohmatsu, Hong Kong have reported on the pro forma financial information and their report is included in Appendix III in this Prospectus. The pro forma financial information of Fortune REIT has been prepared on the basis set out in Appendix III.*

*The pro forma financial information has been compiled:*

- (a) based on the audited financial statements of Poko Shine Limited, Quick Switch Limited and Yee Pang Realty Limited for the financial years ended 31 December 2000 and 2001;*
- (b) based on the audited financial statements of the Property Companies and the unaudited management accounts of the company which owned The Household Center prior to the sale of The Household Center to Art Full Resources Limited for the financial year ended 31 December 2002;*
- (c) based on the unaudited management accounts of the Property Companies for the three months ended 31 March 2003;*
- (d) by grouping income, expenses, assets and liabilities (of the same nature) as disclosed in the audited financial statements and unaudited management accounts of the Property Companies for the Relevant Period, into categories in order to present condensed and consistent financial information amongst the Property Companies; and*
- (e) incorporating those adjustments that are necessary to reflect the operating results, cash flows and financial position of Fortune REIT under the terms set out in this Prospectus.*

*The pro forma consolidated profit and loss statements show the results of Fortune REIT for the Relevant Period as if it had purchased the Property Companies on 1 January 2000 or on the date of incorporation of the Property Companies, whichever is the later, and assuming that The Household Center had been acquired by Art Full Resources Limited on the date the Property commenced to generate rental income, at Fortune REIT's respective acquisition costs which are determined by reference to the current value of each of the Properties (which were valued by Chesterton Petty Ltd, the Independent Valuer, on 31 May 2003).*

*The pro forma consolidated cash flow statement shows the cash flows of Fortune REIT for the year ended 31 December 2002, assuming it had purchased the Property Companies on 1 January 2000 or on the date of incorporation of the Property Companies, whichever is the later, and assuming that The Household Center had been acquired by Art Full Resources Limited on the date the Property commenced to generate rental income.*

*The pro forma consolidated balance sheet of Fortune REIT as at 31 December 2002 reflects the financial position of Fortune REIT as if it had purchased the Property Companies on 31 December 2002 under the terms set out in this Prospectus.*

*The objective of the pro forma financial information is to show what the financial results, cash flows and financial position might have been had Fortune REIT existed at an earlier date. However, the pro forma financial information of Fortune REIT is not necessarily indicative of the results and cash flows of the operations or the financial position that would have been attained had Fortune REIT actually existed earlier.*

## General Background

Fortune REIT is a real estate investment trust established in Singapore as a unit trust fund pursuant to the Trust Deed. As Fortune REIT will only acquire the Property Companies on the date of commencement of trading of the Units on the SGX-ST, which is expected to be 12 August 2003, Fortune REIT has no historical operating results and financial information on which investors may base an investment decision. Fortune REIT's first financial period will be from the date of its establishment to 31 December 2003.

Fortune REIT was established with the objective of producing stable distributions for Unitholders and to achieve long-term growth in net asset value per Unit. The Manager aims to produce stable total returns to Unitholders by, amongst other things: (i) growing through asset enhancements; (ii) actively managing Fortune REIT's property portfolio to achieve organic growth; (iii) acquiring properties that meet the Manager's investment criteria; and (iv) employing optimal debt and equity financing strategies. The Manager's principal investment strategy is to invest in real estate in Hong Kong which is income-producing and which is used, or substantially used, for retail purposes (see "Strategy").

## The Properties

Through the ownership of the Property Company Shares, Fortune REIT's property portfolio will, on the Listing Date, consist of the following retail shopping malls located in Hong Kong:

- ***The Metropolis Mall***, a shopping mall in an established residential and commercial area in south Kowloon, is a part of The Metropolis, a 1.4 million sq ft integrated retail, office, hotel and service apartment development. It is connected to the Hung Hom KCRC station (a mass transportation centre which 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 undersea vehicular tunnel in Hong Kong that links Kowloon with Hong Kong Island), the 12,500-seat Hong Kong Coliseum, a major venue for concerts and events, and the Hong Kong Polytechnic University. It is positioned as an integrated retail and entertainment centre for the surrounding developments of over 16,000 apartment units, including The Metropolis Residence, The Royal Peninsula, the Whampoa Garden, the Whampoa Estate and the Hunghom Bay Centre.

The Metropolis Mall, a newly completed mall with its first tenancy having commenced on 20 August 2002, is still in the process of marketing some of its units. In order to ensure a stable level of cash flow while the existing vacant units of the mall are being marketed, the Sponsor and HWL will on Completion enter into the Rental Guarantee Deed with Vision Million Limited, the Property Company which owns The Metropolis Mall. Under the Rental Guarantee Deed, the Sponsor and HWL will undertake (on a several basis in equal shares pro-rated to their respective interests in the Vendor Company) for three years starting from the Listing Date, to effect top up payments to Vision Million Limited (i) if the Adjusted Net Property Income is less than HK\$90,000,000 per annum, to make up the difference between (a) HK\$90,000,000 per annum and (b) the Adjusted Net Property Income for the relevant period and (ii) if the Net Parking Space Income is less than HK\$4,296,000 per annum, to make up the difference between (a) HK\$4,296,000 per annum and (b) the Net Parking Space Income for the relevant period. The Adjusted Net Property Income and the Net Parking Space Income will be certified by the Auditors of Vision Million Limited at the end of each relevant period.

- ***Ma On Shan Plaza***, a shopping mall which is part of the 1,102-unit Bayshore Towers residential complex, is situated in a strategic central location within Ma On Shan, Shatin, New Territories. The mall's residential catchment includes Ma On Shan, a new town with approximately 194,000 residents. The mall will be directly connected to the planned Ma On Shan station of KCRC's Ma On Shan Rail which is expected to be completed by the end of 2004.
- ***The Household Center***, a new shopping mall (with its first tenancy having commenced on 30 July 2002), is part of the new 696-unit Nob Hill residential development situated in a developed urban centre in the district of Kwai Chung, New Territories. It is located above a bus terminal and is within walking distance of Mei Foo MTR station (which is situated along a mass transit railway line serving a number of districts in Kowloon and Hong Kong Island).

- **Smartland**, part of a shopping mall located in the densely populated district of Tsuen Wan, New Territories, features a 32,000 sq ft supermarket and a new identity card issuing immigration office (which is intended to serve the whole of the Tsuen Wan district, which has approximately 275,500 residents). The mall is opposite the 1,026-room Panda Hotel and is near the Tai Wo Hau MTR station (which is situated along a mass transit railway line serving a number of districts in Kowloon and Hong Kong Island).
- **Jubilee Court Shopping Centre**, a shopping mall which is part of the 2,260-unit residential development, Jubilee Garden, in the district of Fo Tan, Shatin, New Territories, is strategically located near the Shatin Racecourse and the Fo Tan KCRC station and is one KCRC station from The Chinese University of Hong Kong and the Shatin town centre. It is characterised by a number of tenants providing service and educational facilities including an elementary school, a kindergarten, a play group, a Christian centre and an immigration office.

Together, the Properties comprise approximately 1,028,191 sq ft of principally retail space and 676 parking lots as at 31 March 2003. For the year ended 31 December 2002, the Properties had an aggregate Gross Revenue of HK\$163.7 million. The Household Center and The Metropolis Mall commenced their first tenancies on 30 July 2002 and 20 August 2002, respectively. The Metropolis Mall did not contribute any Gross Revenue in the year ended 31 December 2001 and contributed Gross Revenue of HK\$11.2 million for the year ended 31 December 2002 and HK\$13.4 million for the three months ended 31 March 2003. Gross Revenue of The Household Center was HK\$4.1 million for the year ended 31 December 2002 (extracted from the unaudited management accounts of the company which owned The Household Center prior to its acquisition by Art Full Resources Limited) and HK\$5.4 million for the three months ended 31 March 2003.

The Properties have a diverse tenant base with over 350 tenants as at 31 March 2003. The 10 largest tenants (in terms of total Base Rental Income) across the portfolio contributed approximately 36.0% of total Base Rental Income from the Properties for the month ended 31 March 2003. In addition, for the same period, no more than 25.3% of total Base Rental Income and licence fees from the Properties was derived from any one retail sub-sector. For the same period, other than Park'N Shop, which accounted for 12.3% of total Base Rental Income from the Properties, no single tenant accounted for more than 5.0% of total Base Rental Income from the Properties.

For the periods under review, Ma On Shan Plaza was the largest contributor to Fortune REIT's Gross Revenue, accounting for 65.9%, 65.9%, 59.4% and 42.3% for the years ended 31 December 2000, 2001 and 2002, and for the three months ended 31 March 2003, respectively. The Metropolis Mall accounted for 6.8% and 24.1% of Fortune REIT's Gross Revenue for the year ended 31 December 2002 and the three months ended 31 March 2003, respectively. The increasing contribution from The Metropolis Mall reflects the increase in the Gross Rentable Area leased out at The Metropolis Mall.

#### **Acquisition of Property Company Shares**

On 7 July 2003, the Trustee, as trustee for Fortune REIT, entered into the Sale and Purchase Agreements with the Vendor Companies relating to the sale of the Property Company Shares by the Vendor Companies to the Trustee (see "Certain Agreements Relating to Fortune REIT — Description of the Agreements to Acquire the Property Company Shares"). It is intended that the sale and purchase of the Property Company Shares will be completed on the date of commencement of trading of the Units on the SGX-ST. The aggregate Acquisition Value of the Properties is HK\$3,050.3 million, based on the minimum subscription price of the Offering Price Range, or HK\$3,106.8 million, based on the maximum subscription price of the Offering Price Range (in each case applying the Volume Discount only in respect of the Cornerstone Units and assuming that the Upsize Option and the Over-allotment Option are exercised in full), representing a discount of 6.9% and 5.1%, respectively, to the aggregate Appraised Values of the Properties of HK\$3,275.0 million as at 31 May 2003 as determined by Chesterton Petty Ltd, the Independent Valuer (see Appendix IV, "Independent Property Valuation Summary Reports").

The purchase consideration for each Property Company is based on the Acquisition Value of the Property owned by that Property Company, after adjustment (on bases agreed between the Trustee and the Vendor Companies) for the net current assets/current liabilities of that Property Company on Completion, and, in the case of each of Poko Shine Limited, Yee Pang Realty Limited, Art Full Resources Limited and Vision Million Limited, after deduction of the Completion Loan Amount for that Property Company. Any deferred tax liabilities or assets of a Property Company will not be taken into account in the computation of the purchase consideration. It is intended that the conditions under the Sale and Purchase Agreements will be satisfied on the date of commencement of trading of the Units on the SGX-ST and that the sale and purchase of the Property Company Shares will be completed on the same date (see “Certain Agreements Relating to Fortune REIT — Description of the Agreements to Acquire the Property Company Shares” and Appendix IV, “Independent Property Valuation Summary Reports”).

### Factors Affecting Fortune REIT’s Results of Operations

The retail shopping mall sector in Hong Kong is affected by, amongst other things, the demand for, and the supply of, space in the retail shopping mall market which are, in turn, affected by economic conditions in Hong Kong in general.

### Recent Developments

The recent outbreak of SARS in Hong Kong has had an adverse impact on the overall level of retail sales in Hong Kong. According to the Hong Kong Census and Statistics Department, retail sales in Hong Kong declined 6.1% in March 2003 compared to March 2002 and declined by 15.2% in April 2003 compared to April 2002. The impact of SARS on retail sales in Hong Kong varied according to the retail sub-sector.

The following table provides a comparison of retail sales for the months of March and April 2003, compared to the months of March and April 2002 according to the specified retail sub-sector:

Hong Kong retail sales in March and April 2003 (% change)	Change over March 2002 (%)	Change over April 2002 (%)
Electrical goods and photographic equipment . . . . .	-2.6	-15.7
Miscellaneous consumer durables. . . . .	-5.2	-16.3
Supermarkets. . . . .	+2.3	+8.6
Miscellaneous consumer goods. . . . .	-1.2	-8.3
Food, alcoholic drinks and tobacco . . . . .	-3.4	-6.9
Motor vehicles and parts . . . . .	-5.9	-26.3
Furniture and fixtures . . . . .	-12.6	-9.0
Commodities in department stores . . . . .	-13.3	-21.3
Wearing apparel . . . . .	-16.5	-33.0
Jewellery, watches, clocks, valuable gifts . . . . .	-7.5	-42.3
Fuels . . . . .	-10.7	-12.2
Footwear and clothing accessories . . . . .	-24.2	-28.9
<b>Total retail sales . . . . .</b>	<b>-6.1</b>	<b>-15.2</b>

Source: Hong Kong Census and Statistics Department

While the outbreak of SARS had an adverse impact on the number of visitors to the Properties, the Manager believes that the Properties, as malls located adjacent to residential areas, were less affected than malls located in commercial areas. The Properties have a relatively high proportion of tenants in the necessity shopping sectors (such as supermarkets) and community services sectors, which were less affected by the outbreak of SARS. Furthermore, as Turnover Rent comprised only 0.2% of Fortune REIT's overall Gross Revenue for the three months ended 31 March 2003, the Manager believes that any short term decline in the turnover of tenants of the Properties has a limited impact on the overall Gross Revenue of Fortune REIT. In addition, following 31 March 2003, in order to promote a greater number of visitors to the Properties, the Property Companies increased the level of promotional activities at the Properties.

In addition, the Manager believes that occupancy rates at the Properties have not been adversely affected by the outbreak of SARS. The weighted average occupancy rates for the Properties as a whole for the five months ended 31 May 2003 was 82.4% compared to 81.8% for the three months ended 31 March 2003 (the occupancy rate for The Metropolis Mall improved to 57.5% as at 31 May 2003 from an average occupancy rate of 53.5% for the three months ended 31 March 2003). Further, a majority of the leases at Ma On Shan Plaza, Smartland and Jubilee Court Shopping Centre which expired during the period commencing 1 April 2003 and ending on 31 May 2003 was renewed at the current passing rent or at a higher rent.

However, certain tenants were affected by the outbreak of SARS and, as a consequence, fell into arrears of rent during the outbreak. As at 30 June 2003, 53 tenants of the Properties were in arrears of rent in an aggregate amount of HK\$3.98 million, and 13 of such tenants have arranged for payment of the arrears of rent in instalments in an aggregate amount of HK\$1.26 million. A majority of the 53 tenants in arrears have provided a security deposit equal to three months' base rent. Cheung Kong Property Development Limited, the letting agent on behalf of the Property Companies, is in discussions with the other tenants in arrears in order to expedite payment of the arrears.

In order to assist tenants who may be affected by the outbreak of SARS, the Sponsor announced in April 2003 that it would establish a HK\$300 million loan guarantee fund to guarantee loans undertaken by tenants of its portfolio of retail shopping mall properties (including the Properties). Retail tenants at the Properties may apply from May 2003 to July 2003 for a guarantee in respect of loans for rental payment. The Sponsor will provide a guarantee of an amount up to 30.0% of the tenants' monthly rental expenses for a period of up to three months between May 2003 to July 2003. In addition, the Sponsor will pay for the loan application fees and interest expenses for the first six months from May 2003 and the applicants will repay such loans in six equal instalments commencing on the seventh month at an interest rate equal to the Hong Kong prime lending rate less 1.0%. As at 31 May 2003, seven tenants at the Properties had applied for guarantees under this scheme. The guarantees will not be assumed by Fortune REIT on Completion. In addition, in the case of Ma On Shan Plaza and Smartland, the Sponsor, as agent of the relevant Property Companies, introduced a deferred payment scheme for the benefit of the tenants of these two malls pursuant to which, for a period of three months from April 2003 to June 2003 (in the case of Ma On Shan Plaza) and from May 2003 to July 2003 (in the case of Smartland), the due date for payment of the monthly rental for each of these three months was deferred to the thirtieth day of each month.

There can be no assurance that the Properties will not be adversely affected by the outbreak of SARS. A further outbreak of SARS or a deterioration of the financial position of tenants caused by SARS may adversely affect the results of operations of Fortune REIT (see "Risk Factors — Outbreak of SARS in Asia and elsewhere may adversely affect Fortune REIT's operations").

### **Gross Revenue**

Fortune REIT's Gross Revenue comprises Base Rental Income, Charge-out Collections and other income earned from the Properties including licence fees, Turnover Rent, car park revenues and other revenues. During the past three financial years, more than 60.0% of Fortune REIT's Gross Revenue has been derived from its Base Rental Income from the Properties.

Fortune REIT's Gross Revenue is significantly affected by a number of factors including primarily:

- rental rates for the Properties;
- occupancy and renewal rates;

- the age and condition of the Properties;
- the development of residential areas and transportation links in the vicinity of the Properties; and
- general macroeconomic and supply/demand trends affecting the real estate market, particularly the retail shopping mall market, in Hong Kong.

Rental rates, occupancy and tenant lease renewal rates are significantly affected by levels of competition for the Properties (see “Business and Properties — Competition”). The Manager believes that the rate of inflation does not have a material impact on Gross Revenue or the financial position of Fortune REIT.

The following table sets out details of Fortune REIT’s Gross Revenue for the years ended 31 December 2000, 2001 and 2002 and the three months ended 31 March 2003:

	Year ended 31 December				Three months ended 31 March	
	2000	2001	2002		2003	
	(HK\$)	(HK\$)	(HK\$)	(S\$)	(HK\$)	(S\$)
<b>Gross Revenue<sup>(1)</sup></b>						
Base Rental Income . . . . .	93,480,425	93,200,973	103,854,882	23,481,589	35,420,879	8,008,661
Charge-out Collections . . . . .	36,476,639	38,148,613	44,937,961	10,160,473	15,811,799	3,575,048
Other income . . . . .	16,963,736	16,624,704	14,931,281	3,375,962	4,579,016	1,035,315
<b>Total . . . . .</b>	<b>146,920,800</b>	<b>147,974,290</b>	<b>163,724,124</b>	<b>37,018,024</b>	<b>55,811,694</b>	<b>12,619,024</b>

**Note:**

(1) The financial information in this table reflects the contribution of The Household Center commencing on 1 October 2002 and the contribution of The Metropolis Mall commencing on 1 November 2002.

**Base Rental Income.** Base Rental Income is derived from the total amount payable by all tenants pursuant to current lease agreements. Rents paid under Fortune REIT’s tenancy agreements are typically fixed for a period of two to three years with rental rates generally fixed in advance for the tenure of the lease period.

Factors taken into account in determining the rental rates for a lease include the effect of competing properties, assumed tenant retention rates on lease expiry, likely market conditions, inflation rates and tenant demand levels. See “The Retail Property Market in Hong Kong” for a discussion of other factors that may affect rental rates in Hong Kong.

Rental income receivable by Fortune REIT under operating leases is recognised on a straight-line basis over the term of the lease (including any rent-free periods and other lease incentives).

**Charge-out Collections.** Charge-out Collections consist of expenses related to the operation of the Properties that are payable by most tenants and certain licensees and these expenses include air conditioning charges, management fees, promotional charges, government rents, utility charges, cleaning charges and government rates.

**Other income.** Other income includes licence fees, Turnover Rent and car park revenues earned from the Properties. Car park revenues comprise income earned from the operation of the parking facilities.

**Property Operating Expenses**

Fortune REIT’s Property Operating Expenses consist primarily of (i) property management fees, (ii) the Manager’s Performance Fees, and (iii) other property operating expenses.

Property Operating Expenses may be significantly affected by a number of factors including primarily:

- changes in expenses such as utility charges which increase in the summer months as a result of increased air-conditioning expenses incurred by the Property Companies;
- the level of promotional activities undertaken by the Property Companies;

- building management expenses under the relevant Deed of Mutual Covenant;
- the age and condition of the buildings;
- fee arrangements with the Manager and the Property Manager; and
- increases in the annual rent payable to the Government lessor under the Government leases for the Properties.

The following table sets out details of Fortune REIT's Property Operating Expenses for the years ended 31 December 2000, 2001 and 2002 and the three months ended 31 March 2003:

	Year ended 31 December				Three months ended 31 March	
	2000	2001	2002	2003		
	(HK\$)	(HK\$)	(HK\$)	(S\$)	(HK\$)	(S\$)
<b>Property Operating Expenses<sup>(1)</sup></b>						
Property management fees . . . . .	2,953,996	2,959,852	3,196,270	722,677	1,083,311	244,937
Manager's Performance Fee . . . . .	2,549,048	2,745,994	3,061,540	692,214	997,558	225,548
Other property operating expenses . . . . .	58,998,539	53,481,319	62,281,814	14,081,918	21,476,442	4,855,823
<b>Total . . . . .</b>	<b>64,501,583</b>	<b>59,187,165</b>	<b>68,539,624</b>	<b>15,496,809</b>	<b>23,557,311</b>	<b>5,326,308</b>

**Note:**

(1) The financial information in this table reflects the contribution of The Household Center commencing on 1 October 2002 and the contribution of The Metropolis Mall commencing on 1 November 2002.

**Property management fees.** Under the Property Management Agreement, the Property Manager is entitled to receive from each Property Company (in relation to the management of the Property owned by that Property Company) a fee of 3.0% per annum of the Gross Property Revenue of the relevant Property for the property management services and lease management services, to be paid by the Property Company to the Property Manager for each financial year (see "Certain Agreements Relating to Fortune REIT — Property Management Agreement").

**Manager's Performance Fee.** Under the Trust Deed, the Manager will receive a performance fee from each Property Company (other than Vision Million Limited) of 3.0% per annum of the Gross Revenue less Adjusted Property Operating Expenses of the Property owned by that Property Company. In the case of Vision Million Limited, it will pay to the Manager a performance fee of 3.0% per annum of the Adjusted Gross Revenue (which includes the Rental Top Up Amounts, if any) less Adjusted Property Operating Expenses of The Metropolis Mall. For a detailed description of the Manager's fees (see "Certain Agreements Relating to Fortune REIT — Property Management Agreement").

**Other property operating expenses.** Other property operating expenses include expenses associated with the operation of the Properties and the Property Companies, including expenses such as utility charges, commissions for the lease of units in the Properties, insurance premiums, audit and valuation fees, management fees payable under the relevant Deeds of Mutual Covenant, advertising, promotional expenses, car park operations and doubtful or bad debts, repairs and maintenance (see Appendix III — "Independent Accountants' Report on the Pro Forma Financial Information" and the notes thereto). Utility charges, which form a significant component of other property expenses of the Property Companies, generally increase in the summer months between April and September, as a result of increased air-conditioning expenses. Promotional expenses vary depending on the level of promotional activities undertaken by the Property Companies. Typically, such promotional activities are timed to coincide with holidays and festivals in Hong Kong. The Property Companies have undertaken increased levels of promotional activities, and incurred additional promotional expenses, following 31 March 2003 in order to promote the Properties following the SARS outbreak.

## Non Property Expenses

Fortune REIT's non property expenses consist primarily of: (i) the Manager's base fee; (ii) trust expenses; and (iii) interest expenses.

The following table sets out details of Fortune REIT's non property expenses for each of the years ended 31 December 2000, 2001 and 2002 and the three months ended 31 March 2003:

	Year ended 31 December				Three months ended 31 March	
	2000	2001	2002		2003	
	(HK\$)	(HK\$)	(HK\$)	(\$)	(HK\$)	(\$)
<b>Non Property Expenses<sup>(1)</sup></b>						
Manager's Base Fee <sup>(2)</sup> . . . . .	4,416,000	4,416,000	5,378,250	1,216,022	2,456,250	555,358
Trust expenses <sup>(2)</sup> . . . . .	2,441,600	2,441,600	2,537,825	573,802	745,625	168,586
Finance costs <sup>(2)</sup> . . . . .	17,355,000	14,685,000	20,977,500	4,743,013	7,425,000	1,678,793
<b>Total</b> . . . . .	<b>24,212,600</b>	<b>21,542,600</b>	<b>28,893,575</b>	<b>6,532,837</b>	<b>10,626,875</b>	<b>2,402,737</b>

### Notes:

- (1) The financial information in this table reflects the contribution of The Household Center commencing on 1 October 2002 and the contribution of The Metropolis Mall commencing on 1 November 2002.
- (2) Manager's Base Fee and Trustee's fees are calculated from the beginning of the year or the month during which the Properties commenced to receive rental income, whichever is the later, to the end of the year. Finance costs are calculated from the beginning of the year or the date of acquisition of the Properties, whichever is the later, and assuming that The Household Center had been acquired by Art Full Resources Limited on the date the property commenced to receive rental income, to the end of the year.

**Manager's Base Fee.** Under the Trust Deed, the Manager will receive an annual base fee from Fortune REIT comprising 0.3% per annum of the Property Values (see "The Formation and Structure of Fortune REIT").

**Trust expenses.** Trust expenses include recurring operating expenses in respect of the Trust such as Trustee's fees, annual listing fees, registrar fees, accounting fees, audit and tax adviser's fees, costs associated with the preparation and distribution of reports to Unitholders and other miscellaneous expenses. The Trustee's fees are 0.03% per annum of the Property Values and are accrued daily and paid monthly in arrears in accordance with the Trust Deed (see "The Formation and Structure of Fortune REIT — The Trustee" for details).

**Interest expenses.** The Property Companies will have in place an unsecured five year Facility of HK\$1,100.0 million comprising a HK\$900.0 million term loan facility and a HK\$200.0 million revolving loan facility. The Facility will be initially drawn to HK\$990.0 million by four of the Property Companies with the term loan facility fully drawn on Completion, to be used to discharge a corresponding amount of such Property Companies' Existing Borrowings.

**Taxation.** Net rental income received by the Property Companies from the Properties is assessable to Hong Kong profits tax at the prevailing tax rate, which is currently 17.5%. Net rental income for these purposes is arrived at after deducting from the gross rental income (i) all expenses necessarily incurred in earning the rental income and (ii) any applicable tax allowances (see "Taxation").

## Gross Revenue Trends

Rental rates for the Properties are generally fixed in advance for the tenure of the lease period and are subject to review and renegotiation on renewal of the lease. The majority of the lease agreements for the Properties do not provide for rent reviews during the period of the lease. The Manager believes that the Properties' rental rates are generally reflective of current market rents in Hong Kong.

The tables below set out information on the Gross Rentable Area, Gross Revenue, Gross Revenue per square foot and Net Property Income derived from each of the Properties as at and for the years ended 31 December 2000, 2001 and 2002 and three months ended 31 March 2003, respectively:

Property	Gross Rentable Area as at 31 December			Gross Revenue for year ended 31 December			Gross Revenue per sq ft for year ended 31 December			Net Property Income for year ended 31 December		
	2000	2001	2002	2000	2001	2002	2000	2001	2002	2000	2001	2002
	(sq ft)			(HK\$ million)			(HK\$)			(HK\$ million)		
The Metropolis Mall . . . . .	N/A	N/A	332,168	—	—	11.2	—	—	33.6	—	—	(3.8)
Ma On Shan Plaza . . . . .	310,084	310,084	310,084	96.8	97.5	97.1	312.2	314.3	313.4	61.8	60.9	64.4
The Household Center . . . . .	N/A	N/A	91,779	—	—	4.1	—	—	44.4	—	—	1.9
Smartland . . . . .	123,544	123,544	123,544	29.9	27.8	26.8	242.3	225.1	216.7	12.6	16.3	17.8
Jubilee Court Shopping Centre	170,616	170,616	170,616	20.2	22.7	24.5	118.2	133.1	143.8	8.0	11.6	14.9
<b>Total</b> . . . . .	<b>604,244</b>	<b>604,244</b>	<b>1,028,191</b>	<b>146.9</b>	<b>148.0</b>	<b>163.7</b>				<b>82.4</b>	<b>88.8</b>	<b>95.2</b>

The financial information in the above table reflects the contribution of The Household Center commencing on 1 October 2002 and the contribution of The Metropolis Mall commencing on 1 November 2002 and is based on the audited financial statements of the Property Companies for the periods specified and the unaudited management accounts of the company which owned The Household Center prior to the sale of The Household Center to Art Full Resources Limited for the financial year ended 31 December 2002, after pro forma adjustments as set out in Appendix III “Independent Accountants’ Report on the Pro Forma Financial Information” and is expressed to the nearest hundred thousand.

Property	Gross Rentable Area as at 31 March	Gross Revenue for three months ended 31 March	Gross Revenue per sq ft for three months ended 31 March	Net Property Income for three months ended 31 March
	2003	2003	2003	2003
	(sq ft)	(HK\$ million)	(HK\$)	(HK\$ million)
The Metropolis Mall	332,168	13.4	40.4	3.3
Ma On Shan Plaza . . . . .	310,084	23.6	76.2	16.3
The Household Center . . . . .	91,779	5.4	59.1	4.1
Smartland . . . . .	123,544	6.9	56.2	4.4
Jubilee Court Shopping Centre . . . . .	170,616	6.4	37.4	4.2
<b>Total</b> . . . . .	<b>1,028,191</b>	<b>55.8</b>		<b>32.3</b>

The financial information in the above table is based on unaudited management accounts of the Property Companies for the three months ended 31 March 2003, after pro forma adjustments as set out in Appendix III “Independent Accountants’ Report on the Pro Forma Financial Information” and is expressed to the nearest hundred thousand.

## Occupancy Trends

For the three months ended 31 March 2003, the Properties (excluding The Metropolis Mall) had a weighted average occupancy rate of 95.3%. The average occupancy rate for The Metropolis Mall was 53.5% for the three months ended 31 March 2003.

For the three years ended 31 December 2002, the Properties (excluding The Metropolis Mall and The Household Center) had average occupancy rates of 91.3% (Ma On Shan Plaza), 91.0% (Smartland) and 81.0% (Jubilee Court Shopping Centre), respectively.

The table below sets out information on the average occupancy of the Properties for the years ended 31 December 2000, 2001 and 2002 and for the three months ended 31 March 2003:

Property	Average Occupancy Rate <sup>(1)</sup>			
	For the 12 months ended 31 December 2000	For the 12 months ended 31 December 2001	For the 12 months ended 31 December 2002	For the three months ended 31 March 2003
	(%)	(%)	(%)	(%)
The Metropolis Mall <sup>(2)</sup> . . . . .	—	—	—	53.5
Ma On Shan Plaza. . . . .	85.0	92.0	97.0	94.3
The Household Center <sup>(3)</sup> . . . . .	—	—	—	95.6
Smartland. . . . .	94.0	91.0	88.0 <sup>(4)</sup>	95.2
Jubilee Court Shopping Centre . . . . .	69.0	82.0	92.0	96.9
<b>Weighted average<sup>(5)</sup> . . . . .</b>	<b>82.3</b>	<b>89.0</b>	<b>93.7</b>	<b>81.8</b>

### Notes:

- (1) The average occupancy rate for each Property over the relevant period is derived by dividing the sum of the occupancy rates as at the end of each month during the relevant period for the relevant Property by the number of months in the relevant period.
- (2) The first tenancy of The Metropolis Mall commenced on 20 August 2002.
- (3) The first tenancy of The Household Center commenced on 30 July 2002.
- (4) Smartland's average occupancy rate of 88.0% for the year ended 31 December 2002 reflected a six-month vacant period between April 2002 and October 2002 in respect of a Gross Rentable Area of approximately 10,000 sq ft due to the termination of a lease and vacation of the premises by a tenant in April 2002.
- (5) The weighted average occupancy rate is derived by dividing the sum of the average occupied areas of each of the Properties shown in the relevant column by the total Gross Rentable Area of all the Properties shown in that column. The average occupied area of a Property is derived by multiplying the average occupancy rate of that Property by the Gross Rentable Area of that Property.

For the year ended 31 December 2002, Ma On Shan Plaza had an average occupancy rate of 97.0% (94.3% for the three months ended 31 March 2003). The Manager believes that the occupancy rate of Ma On Shan Plaza will benefit from the completion of the Ma On Shan station on the KCRC's Ma On Shan Rail, which is expected to be completed by the end of 2004 and which will be directly connected to Ma On Shan Plaza. The occupancy rate for Ma On Shan Plaza was 91.4% as at 31 May 2003. This decline in the occupancy rate from the level of 31 March 2003 reflects a temporary reconfiguration of space at Ma On Shan Plaza in anticipation of a higher rental from the reconfigured units.

Jubilee Court Shopping Centre had an average occupancy rate of 92.0% for the year ended 31 December 2002 (96.9% for the three months ended 31 March 2003). The occupancy rate for Jubilee Court Shopping Centre was 97.9% as at 31 May 2003. The Manager believes that forthcoming lease expiries are evenly distributed with the majority due for renewal between 2003 and 2004. Many of the major tenants of Jubilee Court Shopping Centre have an option to renew their leases at the expiry of the respective leases.

Smartland had an average occupancy rate of 88.0% for the year ended 31 December 2002 (95.2% for the three months ended 31 March 2003). The decline in Smartland's occupancy rate for the year ended 31 December 2002 reflected a six-month vacant period between April 2002 and October 2002 in respect of a Gross Rentable Area of approximately 10,000 sq ft due to the termination of a lease and vacation of the premises by a tenant in April 2002. The occupancy rate for Smartland was 94.8% as at 31 May 2003.

The Household Center had an average occupancy rate of 95.6% for the three months ended 31 March 2003, of which 73.1% was accounted for by the top 10 tenants (in terms of total Base Rental Income). The occupancy rate for The Household Center was 96.6% as at 31 May 2003.

The Metropolis Mall had an average occupancy rate of 53.5% for the three months ended 31 March 2003. The Metropolis Mall is situated adjacent to the Hung Hom KCRC station which provides a wide catchment area for The Metropolis Mall. The role of Hung Hom KCRC station as a transportation hub will be further enhanced with the completion of the East Rail Extension to Tsimshatsui East, the proposed Shatin to Central Link and the Kowloon Southern Link projects. The Manager expects The Metropolis Mall to benefit from these projects.

### **Singapore Taxation**

The Tax Ruling issued by the MOF 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 22.0%. 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.

### **Results of Operations for the Three Months Ended 31 March 2003**

#### **Gross Revenue**

Fortune REIT's Gross Revenue for the three months ended 31 March 2003 was HK\$55.8 million and comprised principally Base Rental Income, which contributed HK\$35.4 million, or 63.5%, of Gross Revenue for that period. Ma On Shan Plaza accounted for HK\$15.1 million, or 42.6%, of total Base Rental Income and The Metropolis Mall accounted for HK\$7.7 million, or 21.7%, of total Base Rental Income for the three months ended 31 March 2003.

Charge-out Collections and Other income for the three months ended 31 March 2003 amounted to HK\$15.8 million, or 28.3%, of total Gross Revenue and HK\$4.6 million, or 8.2%, of total Gross Revenue, respectively.

#### **Property Operating Expenses**

Property Operating Expenses for the three months ended 31 March 2003 totalled HK\$23.6 million. Property Operating Expenses incurred by Ma On Shan Plaza accounted for HK\$7.4 million, or 31.2%, of total Property Operating Expenses and Property Operating Expenses incurred by The Metropolis Mall accounted for HK\$10.1 million, or 42.9%, of the total Property Operating Expenses. These expenses principally comprised property management fees, the Manager's performance fees, and other property operating expenses.

**Property management fees.** Property management fees totalled HK\$1.1 million, or 4.6%, of total Property Operating Expenses for the three months ended 31 March 2003.

**Manager's Performance Fee.** Manager's Performance Fee totalled HK\$1.0 million, or 4.2%, of total Property Operating Expenses for the three months ended 31 March 2003.

**Other Property Operating Expenses.** Other Property Operating Expenses, totalled HK\$21.5 million, or 91.2%, of total Property Operating Expenses for the three months ended 31 March 2003. These expenses principally comprised building management expenses of HK\$10.3 million, government rates and government rents of HK\$5.5 million and other operating expenses of HK\$5.7 million (including HK\$2.8 million relating to The Metropolis Mall, which largely consisted of expenses associated with on-going promotional and advertising activities in respect of this mall).

### **Net Property Income**

Fortune REIT's Net Property Income amounted to HK\$32.3 million for the three months ended 31 March 2003.

### **Non Property Expenses**

**Manager's Base Fee.** Manager's Base Fee amounted to HK\$2.5 million, or 23.1%, of non property expenses for the three months ended 31 March 2003.

**Trust expenses.** Trust expenses amounted to HK\$0.7 million, or 7.0%, of non property expenses for the three months ended 31 March 2003.

**Interest expenses.** Interest expenses amounted to HK\$7.4 million, or 69.9%, of non property expenses for the three months ended 31 March 2003 reflecting the outstanding borrowings of certain of the Property Companies.

### **Net Profit**

Fortune REIT recorded a net profit of HK\$18.6 million for the three months ended 31 March 2003.

## **Results of Operations for the Three Years Ended 31 December 2000, 2001 And 2002**

### **Gross Revenue**

Fortune REIT's Gross Revenue for the year ended 31 December 2002 was HK\$163.7 million, which represented an increase of HK\$16.8 million, or 11.4%, from Gross Revenue of HK\$146.9 million for the year ended 31 December 2000. Gross Revenue for the year ended 31 December 2001 was HK\$148.0 million.

The growth in Gross Revenue over this period was largely due to increased contributions from Jubilee Court Shopping Centre as well as contributions from The Household Center and The Metropolis Mall commencing on 1 October 2002 and 1 November 2002, respectively.

Increased Gross Revenue from Jubilee Court Shopping Centre during this period reflected higher occupancy rates arising from a re-positioning of the Jubilee Court Shopping Centre, which in turn resulted in increased Base Rental Income and Charge-out Collections. The Metropolis Mall and The Household Center did not contribute any Gross Revenue in the year ended 31 December 2000 and 2001, but contributed Gross Revenue of HK\$11.2 million and HK\$4.1 million for the year ended 31 December 2002, respectively. These factors offset a decline in Gross Revenue contributed by Smartland, which decreased from HK\$29.9 million in the year ended 31 December 2000 to HK\$26.8 million in the year ended 31 December 2002 primarily as a result of the decline in Smartland's average occupancy rate from 94.0% for the year ended 31 December 2000 to 88.0% for the year ended 31 December 2002 which reflected a six-month vacant period between April 2002 to October 2002 in respect of a Gross Rentable Area of approximately 10,000 sq ft due to the termination of a lease and vacation of the premises by a tenant in April 2002.

## **Property Operating Expenses**

Fortune REIT's Property Operating Expenses for the year ended 31 December 2002 amounted to HK\$68.5 million, which represented an increase of HK\$4.0 million, or 6.3%, from Property Operating Expenses of HK\$64.5 million for the year ended 31 December 2000 due to the commencement of operations of The Metropolis Mall and The Household Center. The increase in Fortune REIT's Property Operating Expenses in 2002 was attributable to The Metropolis Mall and The Household Center. For the year ended 31 December 2002, Property Operating Expenses in respect of The Metropolis Mall and The Household Center were HK\$15.0 million and HK\$2.2 million, respectively. These reflected the commencement of operations of these malls during the year ended 31 December 2002.

This increase in Property Operating Expenses was offset by (i) a decrease of HK\$8.1 million in building management fees and air-conditioning charges (in respect of Ma On Shan Plaza, Smartland and Jubilee Court Shopping Centre) for the year ended 31 December 2002 and (ii) a decrease of HK\$2.7 million in advertising and promotional expenses in respect of Ma On Shan Plaza, Smartland and Jubilee Court Shopping Centre for the year ended 31 December 2002.

Property Operating Expenses for the year ended 31 December 2001 were HK\$59.2 million, which represented a decrease of 8.2% compared to Property Operating Expenses for the year ended 31 December 2000. This decrease was principally due to higher expenses in 2000 which included the replacement cost of the air-conditioning system for Smartland which amounted to HK\$5.1 million.

**Property management fees.** Fortune REIT incurred property management fees of HK\$3.2 million for the year ended 31 December 2002, which represented an increase of HK\$0.2 million, or 8.2%, over property management fees of HK\$3.0 million for the year ended 31 December 2000. Property management fees for the year ended 31 December 2001 were HK\$3.0 million. As the property management fees fluctuate with the amount of the Base Rental Income generated by the Properties, the increase over the three-year period reflects the additional Base Rental Income generated by the inclusion of the two shopping malls, The Metropolis Mall and The Household Center in 2002.

**Manager's Performance Fee.** Fortune REIT incurred Manager's Performance Fee of HK\$3.1 million for the year ended 31 December 2002, which represented an increase of HK\$0.6 million, or 20.1%, over Manager's Performance Fees of HK\$2.5 million for the year ended 31 December 2000. Manager's Performance Fees for the year ended 31 December 2001 were HK\$2.7 million. As the Manager's Performance Fees fluctuate with the value of the Adjusted Net Property Income generated by the Properties, the increase over the three-year period reflects the increased Adjusted Net Property Income generated by Smartland, Jubilee Court Shopping Centre and Ma On Shan Plaza as well as the inclusion of The Household Center in Fortune REIT's property portfolio in 2002. The increase in the Manager's Performance Fee was not directly proportionate to the increase in total net property income for the period under review primarily due to a net property loss of HK\$3.8 million for the year ended 31 December 2002 in respect of The Metropolis Mall. The Manager's Performance Fee is calculated by reference to the net property income of each Property Company (excluding the Manager's Performance Fee). Where a Property Company incurs a net loss, the Manager's Performance Fee paid by that Property Company to the Manager is nil and such loss does not affect the Manager's Performance Fee payable by the other Property Companies.

**Other Property Operating Expenses.** Fortune REIT incurred other property operating expenses of HK\$62.3 million for the year ended 31 December 2002, which represented an increase of HK\$3.3 million, or 5.6%, over other property operating expenses of HK\$59.0 million for the year ended 31 December 2000. This increase was principally due to higher building management expenses, government rates and government rents and promotional activities, each in connection with the commencement of operations at The Household Center and The Metropolis Mall. Other property operating expenses for the year ended 31 December 2001 were HK\$53.5 million, which represented a decrease of 9.4% compared to other property operating expenses for the year ended 31 December 2000. The decrease was principally due to higher expenses in 2000 resulting from the replacement cost of the air-conditioning system for Smartland which amounted to HK\$5.1 million.

## **Net Property Income**

Fortune REIT had Net Property Income of HK\$95.2 million for the year ended 31 December 2002, which represented an increase of HK\$12.8 million, or 15.5%, over the Net Property Income of HK\$82.4 million for the year ended 31 December 2000. Net Property Income for the year ended 31 December 2001 was HK\$88.8 million.

## **Non Property Expenses**

**Manager's Base Fee.** Fortune REIT incurred a Manager's Base Fee of HK\$5.4 million for the year ended 31 December 2002, which was an increase of HK\$1.0 million, or 21.8%, over the Manager's Base Fees for each of the two years ended 31 December 2000 and 2001, which were HK\$4.4 million for each year. The Manager's Base Fee is calculated on the basis of the Property Values and the increase in the Manager's Base Fee over this period was due to the addition of The Metropolis Mall and The Household Center to the portfolio of Fortune REIT in 2002.

**Trust expenses.** Trust expenses include recurring Trust expenses such as Trustee's fees, annual listing fees, registrar fees, accounting fees, audit and tax adviser's fees, costs associated with the preparation and distribution of reports to Unitholders and other miscellaneous expenses. Fortune REIT incurred trust expenses of HK\$2.5 million for the year ended 31 December 2002, which was an increase of HK\$0.1 million, or 3.9%, over the trust expenses for each of the two years ended 31 December 2000 and 2001, which were HK\$2.4 million for each year. This increase reflected the addition of The Metropolis Mall and The Household Center to Fortune REIT's property portfolio in 2002 (as the Trustee's fee is calculated on the basis of the Property Values).

**Interest Expenses.** Interest expenses of HK\$21.0 million were incurred for the year ended 31 December 2002, which represented an increase of HK\$3.6 million, or 20.9%, over the interest expenses of HK\$17.4 million incurred in the year ended 31 December 2000. The principal reason for the increase was the increased funding required by the addition of The Metropolis Mall and The Household Center to Fortune REIT's property portfolio in 2002. Interest expenses for the year ended 31 December 2001 were HK\$14.7 million, which represented a decrease of HK\$2.7 million, or 15.4%, from interest expenses of HK\$17.4 million for the year ended 31 December 2000.

Interest expenses are determined based on Fortune REIT's finance structure. Based on Fortune REIT's assumed mix of fixed rate and floating rate borrowings, the effective interest rates for the year ended 31 December 2000 and the year ended 31 December 2001 were 3.9% and 3.3%, respectively. As a result of this decrease in interest rates, interest expenses for the year ended 31 December 2001 decreased by HK\$2.7 million compared to the interest expenses for the year ended 31 December 2000.

## **Net Profit**

Fortune REIT had net profit of HK\$57.0 million for the year ended 31 December 2002, which represented an increase of HK\$7.9 million, or 16.0%, over the net profit of HK\$49.1 million in 2000. The net profit for the year ended 31 December 2001 was HK\$56.7 million.

## **Liquidity and Capital Resources**

The principal sources of funding for the original acquisition or development and any subsequent expansion and renovation of the Properties have historically been from internally generated funds, equity injections and shareholder loans, as well as third party borrowings.

Net cash from the operation of the Properties through the Property Companies will be Fortune REIT's primary source of liquidity to fund distributions, debt servicing, repair and maintenance and other recurring operating and capital costs. Where appropriate, Fortune REIT may also seek to issue further Units, particularly in relation to any proposal to acquire further properties.

The Manager anticipates that Fortune REIT's primary uses of cash will be to fund day-to-day operations, maintenance and other property related costs, as well as capital expenditure. Under the Property Funds Guidelines, Fortune REIT is generally only permitted to borrow up to 35.0% of its Deposited Property, which may lead to cash flow shortages (see "Risk Factors — Risks Relating to an Investment in the Units — The amount Fortune REIT may borrow is limited, which may affect the operations of Fortune REIT").

The Manager will seek, wherever possible, to treat costs related to the maintenance of the Properties as deductible expenses for taxation purposes. On occasion, the Manager expects to undertake capital expenditures on certain of the Properties which will deplete cash resources and may not be deductible for taxation purposes. In such circumstances, the Manager will only seek to incur such capital expenditures that will enhance the relevant Property to improve the yield of the Property either by improving rental rates or occupancy rates or otherwise increasing the Gross Rentable Area of the relevant Property. Such enhancements should both increase the cash flows from the relevant Property and increase the value of the Property which may allow the Manager further flexibility to borrow in accordance with the Property Funds Guidelines.

### **Indebtedness**

The principal banker of Fortune REIT (including the Property Companies) is DBS Bank. The Property Companies have in place an omnibus unsecured facility (the "Facility") of HK\$1,100.0 million from DBS Bank, as original bank, comprising a term loan facility and a revolving credit facility, each for a term of five years. The Property Companies will be jointly and severally liable for amounts due under the Facility.

Each loan made under the Facility will bear interest at HIBOR plus a margin. The margin is 0.60% per annum during the first three years and 0.65% per annum thereafter. The Manager currently expects to fix the interest rate for the term loan facility using interest rate swaps of varying tenures which may result in approximately 80.0% of the drawn facility being on a fixed interest rate basis. An arrangement fee of 0.75% of the total facility commitment is payable on the date of the first drawdown under the Facility. A commitment fee of 0.25% per annum on the unused portion of the revolving credit facility is payable quarterly in arrears commencing on 7 July 2003, the date of the Facility Agreement. An annual agency fee of HK\$80,000 is also payable by the Property Companies; the first payment of such fee is payable on the date of the first drawdown under the Facility and each subsequent payment is payable on each anniversary thereof.

Pursuant to the terms of a letter dated 7 July 2003 issued by DBS Bank and accepted by the Property Companies, DBS Bank may syndicate the Facility. In arranging the syndication of the Facility, if DBS Bank determines in good faith that any change to the structure, terms or conditions (other than pricing) of the Facility is necessary or desirable to ensure successful syndication within three months from 7 July 2003, the date of the Facility Agreement, DBS Bank may propose such changes (subject to the consent of the Property Companies) and each of the Property Companies agrees that it will consider such proposed changes in good faith with a view to agreeing them to ensure that the syndication is successful and will promptly execute any amendment or supplement to the Facility Agreement or any other document.

The Facility Agreement has a number of negative covenants and financial covenants requiring, among other things, (i) an undertaking to ensure that the Properties remain unencumbered (save for limited permitted encumbrances); (ii) that the aggregate of the Property Companies' EBITDA (being earnings before interest, tax, depreciation and amortisation expenses) is, for each financial half-year, not less than three times the aggregate of the interest expense of all the Property Companies; and (iii) that the aggregate financial indebtedness of the Property Companies (excluding the subordinated indebtedness owing to the Fortune REIT and inter-borrower loans made by one Property Company to another) on the last day of any financial half-year shall not exceed 50.0% of the aggregate value of the Properties (determined in accordance with the most recent valuation report). If the Property Companies fail to make payments due under the Facility Agreement or any other event of default under the Facility Agreement is outstanding, the Property Companies are prohibited under the Facility Agreement from declaring and making dividend payments to Fortune REIT.



also carried out at Jubilee Court Shopping Centre at an aggregate cost of HK\$10.6 million. Ma On Shan Plaza was renovated in 1998 and 1999. Renovation works were carried out on sections of levels 2 and 3 of Ma On Shan Plaza and in March 1999, refurbishment works were carried out on the food court of Ma On Shan Plaza. These renovation works cost a total of HK\$11.5 million.

The works carried out at these Properties generally involved the erection of external and internal signages, renovation of the flooring and refurbishment of the exterior and interior areas of the buildings.

The Manager plans to expand and renovate Ma On Shan Plaza in early 2005 to capitalise on the completion of the Ma On Shan station of the KCRC's Ma On Shan Rail, which is expected to be completed by the end of 2004. The amount relating to such expansion and renovation is forecast to be HK\$8.2 million in 2005. For further details, see "Business and Properties — Asset Enhancements" and "— Financing for Asset Enhancement".

It is the Manager's expectation that Fortune REIT will continue to have access to the capital resources necessary to expand and develop its business. Fortune REIT may seek to obtain such funds through bank financing, other debt financing or additional offerings of Units.

In addition, the Manager expects that due to the provision for deferred tax liabilities (expected to be HK\$6.2 million and HK\$10.0 million for the six months ending 31 December 2003 and the year ending 31 December 2004, respectively) which will generally be payable when the Properties are sold, the accounting profits that are available for distribution to Fortune REIT will be less than the net cash surplus generated from operations of the Properties. As a result, there will be funds retained by the Property Companies that will not be paid as dividends to Fortune REIT. Such retained funds can be used for, among other things, funding capital expenditures of the Property Companies.

#### **Accounting Policies**

For a discussion of the principal accounting policies of Fortune REIT, see "Independent Accountants' Report on the Pro Forma Financial Information" in Appendix III.

## PROFIT FORECAST AND PROFIT PROJECTION

*Statements contained in this Profit Forecast and Profit Projection section that are not historical facts may be forward-looking statements. Such statements are based on the assumptions set forth in this section and are subject to 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 with respect to the accuracy of the underlying assumptions by the Manager, the Underwriters or any other person, nor that these results will be achieved or are likely to be achieved. See “Forward-looking Statements” and “Risk Factors”.*

### Financial Performance Of Fortune REIT

The following table sets forth Fortune REIT’s forecast consolidated net profit for the six months ending 31 December 2003 and the projected consolidated net profit for the year ending 31 December 2004. The financial year end of Fortune REIT is 31 December. The first accounting period will be for the period from 1 July 2003 to 31 December 2003. **The forecast results will be different to the extent the actual date of issue of the Units is other than 1 July 2003.** The profit forecast and profit projection are based on the assumptions set out below and have been reviewed by Deloitte & Touche Corporate Finance Pte Ltd and the computations checked by Deloitte & Touche and Deloitte Touche Tohmatsu. The profit forecast and profit projection should be read together with the reports set out in Appendix I “Expert’s Report on the Profit Forecast and Profit Projection” and Appendix II “Independent Accountants’ Report on the Profit Forecast and Profit Projection” as well as the assumptions and the sensitivity analysis set out below.

### Forecast Consolidated Profit And Loss Statements

	Six months ending 31 December 2003	Year ending 31 December 2004
	(HK\$'000)	(HK\$'000)
<b>Gross Revenue</b>		
Base Rental Income . . . . .	100,016.9	191,746.4
Charge-out Collections . . . . .	32,953.0	80,964.7
Other Income . . . . .	15,729.7	32,084.3
<i>Total Gross Revenue</i> . . . . .	<b>148,699.6</b>	<b>304,795.4</b>
<b>Property Operating Expenses</b>		
Property management fees . . . . .	2,291.3	5,516.5
Operating Expenses. . . . .	39,348.3	81,550.4
<i>Total Property Operating Expenses (before Manager’s Performance Fee)</i> . . . . .	<b>41,639.6</b>	<b>87,066.9</b>
<b>Net Property Income (before Manager’s Performance Fee)</b> . . . . .	<b>107,060.1</b>	<b>217,728.5</b>
Manager’s Performance Fee . . . . .	3,211.8	6,531.9
<b>Net Property Income</b> . . . . .	<b>103,848.3</b>	<b>211,196.6</b>
Interest Expenses . . . . .	13,914.1	26,924.6
Net Profit before Tax. . . . .	89,934.2	184,272.0
Current Tax . . . . .	9,503.4	22,261.7
Deferred Tax. . . . .	6,235.1	9,985.9
Hong Kong Taxation. . . . .	15,738.5	32,247.6
<b>Net Profit of Property Companies</b> . . . . .	<b>74,195.7</b>	<b>152,024.4</b>
Manager’s Base Fee . . . . .	4,916.7	9,837.0
Non-Tax Deductible Trust Expenses . . . . .	621.8	1,267.3
Tax Deductible Trust Expenses . . . . .	929.5	1,971.5
Total Trust Expenses . . . . .	6,468.0	13,075.7
<b>Net Profit of Trust</b> . . . . .	<b>67,727.6</b>	<b>138,948.7</b>

	<b>Six months ending 31 December 2003</b>		<b>Year ending 31 December 2004</b>	
	<i>(HK\$'000)</i>		<i>(HK\$'000)</i>	
<b>Available for Distribution</b>				
<b>Net Profit of Trust</b> . . . . .	<b>67,727.6</b>		<b>138,948.7</b>	
Add: Fees paid to Manager in new Units. . . . .	4,916.7		9,837.0	
Add: Non-Tax Deductible Trust Expenses <sup>(1)</sup> . . . . .	621.8		1,267.3	
<b>Available for Distribution</b>	<b>73,266.2<sup>(2)</sup></b>		<b>150,053.0</b>	
<b>Issue Price<sup>(3)</sup></b> . . . . .	<b>HK\$4.60</b>	<b>HK\$4.75</b>	<b>HK\$4.60</b>	<b>HK\$4.75</b>
Number of Units in Issue ('000) . . . . .	474,068.8	474,035.1	476,207.3	476,106.0
Yield before Hong Kong Taxation <sup>(4)</sup> . . . . .	8.16%	7.91%	8.32%	8.06%
<b>Distribution per Unit (cents)</b> . . . . .	<b>15.5<sup>(2)</sup></b>		<b>31.5</b>	
<b>Tax-exempt distribution yield (annualised) (%)</b> . . . . .	<b>6.72%</b>		<b>6.85%</b>	

**Notes:**

- (1) This is a discretionary item. The Manager expects that Fortune REIT will have sufficient cash to include this amount as part of the distributions for the period ending 31 December 2003 and the year ending 31 December 2004 (as applicable).
- (2) Amount based on the assumption that the Units are issued on 1 July 2003 and are eligible for distributions from operations from 1 July 2003 to 31 December 2003. Since the Units will be issued at a later date, investors will only be entitled to distributions arising from operations from the date of issue of the Units to 31 December 2003.
- (3) Assuming an Offering Price Range of S\$4.60 and S\$4.75 per Unit, being the minimum and maximum of the Offering Price Range, respectively.
- (4) This amount is shown solely to illustrate the yield before the impact of Hong Kong taxes on the Property Companies. This does not imply that investors will be eligible for any dividend tax credits.

**None of Fortune REIT, the Manager, the Trustee, the Sponsor or any of the Underwriters guarantees the performance of Fortune REIT, the repayment of capital or the payment of any dividends, or any particular return on the Units. The forecast and projected yields stated in the table above are calculated based on the maximum and minimum subscription prices of the Offering Price Range. Such yields will vary accordingly for investors who purchase Units in the secondary market at a market price that differs from the maximum and minimum subscription prices of the Offering Price Range.**

**Revenue and Income Contribution of Individual Properties**

The forecast and projected contribution of each Property in Fortune REIT's initial portfolio to Gross Revenue is as follows:

<b>Property</b>	<b>Contribution to Gross Revenue for the six months ending 31 December 2003</b>		<b>Contribution to Gross Revenue for the year ending 31 December 2004</b>	
	<i>(HK\$'000)</i>	<i>(%)</i>	<i>(HK\$'000)</i>	<i>(%)</i>
The Metropolis Mall. . . . .	63,157.3 <sup>(1)</sup>	42.5	128,372.1 <sup>(1)</sup>	42.1
Ma On Shan Plaza . . . . .	47,968.1	32.3	98,966.4	32.5
The Household Center . . . . .	11,541.8	7.7	23,571.2	7.7
Smartland. . . . .	13,343.2	9.0	28,475.4	9.4
Jubilee Court Shopping Centre . . . . .	12,689.2	8.5	25,410.3	8.3
<b>Gross Revenue</b> . . . . .	<b>148,699.6</b>	<b>100.0</b>	<b>304,795.4</b>	<b>100.0</b>

**Note:**

- (1) Includes HK\$32.8 million and HK\$26.7 million assumed to be payable by the Sponsor and HWL under the Rental Guarantee Deed (the Property Income Top Up Payment) for the six months ending 31 December 2003 and the year ending 31 December 2004, respectively.

The forecast and projected contribution of each of the Properties in Fortune REIT's initial portfolio to Net Property Income is as follows:

Property	Contribution to Net Property Income (before Manager's Performance Fees) for the six months ending 31 December 2003		Contribution to Net Property Income (before Manager's Performance Fees) for the year ending 31 December 2004	
	(HK\$'000)	(%)	(HK\$'000)	(%)
The Metropolis Mall . . . . .	47,250.0	44.2	94,590.0	43.4
Ma On Shan Plaza . . . . .	34,431.4	32.1	70,808.4	32.5
The Household Center . . . . .	8,562.6	8.0	17,450.2	8.0
Smartland . . . . .	8,740.0	8.1	19,073.2	8.8
Jubilee Court Shopping Centre . . . . .	8,076.0	7.6	15,806.7	7.3
<b>Net Property Income . . . . .</b>	<b>107,060.1</b>	<b>100.0</b>	<b>217,728.5</b>	<b>100.0</b>

### Assumptions

The Manager has prepared the profit forecast for the six months ending 31 December 2003 and the profit projection for the year ending 31 December 2004 based on an Offering Price of HK\$4.60, the minimum subscription price of the Offering Price Range, and an Offering Price of HK\$4.75, the maximum subscription price of the Offering Price Range, assuming that the Upsize Option and the Over-allotment Option are exercised in full, and the Volume Discount is granted only in respect of the Cornerstone Units. The Manager considers the assumptions listed below to be appropriate and reasonable as at the date of this Prospectus. However, investors should consider these assumptions as well as the profit forecast and profit projection and make their own assessment of the future performance of Fortune REIT.

#### (I) Gross Revenue

Gross Revenue is the aggregate of Base 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. A summary of the assumptions which have been used in calculating Gross Revenue is set out below:

##### (a) Base Rental Income

Base Rental Income is rental income due from tenancies but excludes Turnover Rent. Rents paid under Fortune REIT's lease agreements are generally fixed for a period of three years which is the usual market practice in Hong Kong.

The forecast Base Rental Income is based on the contracted rents (excluding Turnover Rent) payable under current lease agreements and the Manager's expectations for any changes on renewals or expiry of leases and the potential for any loss of rent between lease expiry and lease renewal and early termination of leases. Factors taken into account in assessing the expected rental income include the estimated effect of competing properties, assumed tenant retention rates on lease expiry, likely market conditions, inflation levels and tenant demand levels (see "— Renewal Rate" and "— Occupancy Rate" below).

The Manager has used the following process to forecast and project the Base Rental Income for the applicable period.

The Manager has assessed the market rent for each shop unit in each of the Properties as at 31 March 2003. The market rent is the rent which the Manager believes could be achieved if each lease was renegotiated as at 31 March 2003 and is estimated with reference to net rents payable pursuant to comparable leases for tenancies that have been recently negotiated and the effect of competing retail shopping malls, likely market conditions, inflation levels and tenant demand levels. If a tenancy expires in the six months ending 31 December 2003 and the year ending 31 December 2004, the base rent payable under the new lease or renewed lease is assumed to be the market rent as at 31 March 2003 adjusted by the forecast growth rates stated in paragraph (g) below.

For The Metropolis Mall, the Manager has taken into account the Property Income Top Up Payment payable by the Sponsor and HWL to Vision Million Limited (the Property Company that owns The Metropolis Mall) under the Rental Guarantee Deed. Under the Rental Guarantee Deed, the Sponsor and HWL will undertake (on a several basis in equal shares pro-rated to their respective interests in the Vendor Company) for the three years starting from the Listing Date, to effect top up payments to Vision Million Limited if the Adjusted Net Property Income of The Metropolis Mall is less than HK\$90,000,000 per annum, to make up the difference between (a) HK\$90,000,000 per annum and (b) the Adjusted Net Property Income for the relevant period. The Manager anticipates that out of the forecast Base Rental Income of HK\$100.0 million for the period ending 31 December 2003 and the projected Base Rental Income of HK\$191.7 million for the year ending 31 December 2004, the Property Income Top Up Payment will contribute approximately HK\$32.8 million and HK\$26.7 million, respectively.

Since The Metropolis Mall is a newly completed mall with its first tenancy having commenced on 20 August 2002 and is still in the process of marketing its units, the Rental Guarantee Deed will provide a stable level of cash flow while the existing vacant units of the mall are being marketed.

The percentage of forecast and projected Base Rental Income attributable to existing leases and the Rental Guarantee Deed (each as defined below) as at 31 March 2003 is as follows:

	<u>Six months ending 31 December 2003</u>	<u>Year ending 31 December 2004</u>
Percentage of Base Rental Income attributable to existing leases and Rental Guarantee Deed . . . . .	92.1%	76.7%

The Manager believes that the impact of the outbreak of SARS in Hong Kong on the Base Rental Income of the property portfolio will be neutral over the period covered for the following reasons:

- A majority of the leases in Ma On Shan Plaza, Smartland and Jubilee Court Shopping Centre that expired during the period commencing 1 April 2003 and ending 31 May 2003 was renewed at the rent stipulated in such expired leases or at a higher rent.
- Approximately 38.6% of Base Rental Income and licence fees are derived from tenants in retail trades that cater to necessity shopping (such as supermarkets) and community services which are more resilient than other retail sub-sectors that trade in luxury goods and high value consumables.
- In addition, Hong Kong has been removed from the World Health Organisation's list of SARS-affected areas. Based on the assumption that the worst of the SARS outbreak is over, the impact of SARS for the forecast period is believed to be neutral.

**(b) Charge-out Collections**

Fortune REIT's leases generally provide that certain expenses related to the operation of the Properties are payable by most tenants and some licensees. These expenses include air conditioning charges, management fees, promotional charges, government rates, government rents, utility charges, cleaning and other charges.

The Manager has used the Charge-out Collections payable by tenants under the leases as at 31 March 2003 as the basis for the forecast. If a lease expires in the six months ending 31 December 2003 or the year ending 31 December 2004, the Manager has assumed that the Charge-out Collections payable by the tenant under the new lease (or renewed lease) for air conditioning expenses, management expenses and promotional expenses will be the same as the amount payable under the existing tenancy, adjusted by the forecast growth rates stated in paragraph (g) below.

**(c) Other Income**

Other income includes licence fees, Turnover Rent and car park revenues accruing or resulting from the operation of the Properties.

Licence fees comprise income derived from the licensing of space for show flats, advertisement space and casual leasing.

Certain tenants have provisions in their leases pursuant to which they are required to pay the higher of either their base rent or a fixed percentage of their monthly sales turnover. Turnover Rent is forecast to contribute approximately 0.1% of Gross Revenue for the six months ending 31 December 2003 and the year ending 31 December 2004, respectively. Turnover Rent contributed 0.2% of Gross Revenue for the three months ended 31 March 2003.

Car park revenues include income accruing from or resulting from the operation of the parking facilities in the Properties. For The Metropolis Mall, the Manager has taken into account the Licence Fee Top Up Payment payable by the Sponsor and HWL to Vision Million Limited (the Property Company that owns The Metropolis Mall) under the Rental Guarantee Deed. Under the Rental Guarantee Deed, the Sponsor and HWL will undertake (on a several basis in equal shares pro-rated to their respective interests in the Vendor Company) for three years starting from the Listing Date, to effect top up payments to Vision Million Limited if the Net Parking Space Income of The Metropolis Mall is less than HK\$4,296,000 per annum to make up the difference between (a) HK\$4,296,000 per annum and (b) the Net Parking Space Income for the relevant period. The Manager has forecast and projected that no Licence Fee Top Up Payment will be payable for the six months ending 31 December 2003 and the year ending 31 December 2004, respectively.

The assessment of other income is based on existing lease and licence agreements, current income collections and the Manager's assessment of the Properties and is adjusted by the projected growth rates stated in paragraph (g) below.

No interest income is assumed to be earned on Fortune REIT's cash and short-dated investments.

**(d) Renewal Rate**

Fortune REIT's leases generally allow new tenants to enjoy rent-free periods ranging from two weeks to one month during which the tenants will not pay any base rent or Turnover Rent. In preparing this Profit Forecast and Profit Projection, it has been assumed that leases representing an average of 60.0% of Base Rental Income and Charge-out Collections expiring in any one year will be renewed and will not have the benefit of any rent-free period. It has been assumed that the remaining leases representing an average of 40.0% of Base Rental Income and Charge-out Collections expiring in any one year will have the benefit of a two-week rent-free period during which base rent and Turnover Rent will not be payable by the tenants. Charge-out Collections are usually payable by tenants during the rent-free period.

The Manager believes that these assumptions are reasonable on the basis that an average of 66.6% (by Gross Rentable Area) of leases has been renewed at the Properties for the years ended 31 December 2000, 31 December 2001 and 31 December 2002, and for the three months ended 31 March 2003.

**(e) Vacancy Allowance**

For leases representing an average of 40.0% of Base Rental Income and Charge-out Collections expiring in any one period and not renewed, a two-week vacancy period is assumed to come into effect before the commencement of the two-week rent-free period, after taking into account historical vacancy periods and the assumptions used by Chesterton Petty Ltd, the Independent Valuer, in preparing its valuation of the Properties.

**(f) Occupancy Rate**

The forecast occupancy rates for the Properties are as follows:

Forecast and Projected Occupancy <sup>(1)</sup>	Six months ending 31 December 2003	Year ending 31 December 2004
	(%)	(%)
The Metropolis Mall <sup>(2)(3)</sup> . . . . .	55.5	95.3
Ma On Shan Plaza . . . . .	94.2	97.2
The Household Center . . . . .	95.6	97.8
Smartland . . . . .	94.8	97.8
Jubilee Court Shopping Centre. . . . .	97.3	98.2

**Notes:**

- (1) Forecast average occupancy rates, taking into account projected vacancy periods between leases. The average occupancy rate for each Property over the relevant period is derived by dividing the sum of the occupancy rates as at the end of each month during the relevant period for the relevant Property by the number of months in the relevant period.
- (2) The Metropolis Mall is a newly completed mall with its first tenancy having commenced on 20 August 2002. The occupancy rate of The Metropolis Mall was 55.3% as at 31 March 2003.
- (3) The Metropolis Mall is the subject of a three-year rental guarantee under the Rental Guarantee Deed (see “The Manager and the Sponsor- Certain Other Related Party Transactions — Rental Guarantee Deed”).

The forecast occupancy rates for the Properties for the six months ending 31 December 2003 are based on existing occupancy rates as at 31 March 2003. The forecast occupancy rates for the Properties for the year ending 31 December 2004 assume the successful implementation of the Manager’s strategy (see “Strategy”).

**(g) Property Income Growth Rates**

The table below sets forth the income growth rates assumed for the Profit Forecast and Profit Projection based on the Manager’s assessment of income growth rates, having taken into account the rates used by Chesterton Petty Ltd, the Independent Valuer, in its valuation of the Properties, FPD Savills (Hong Kong) Limited in its asset review and Hong Kong retail property market overview reports, the outlook for the general economy in Hong Kong, the outlook for retail sales in Hong Kong and the demand level of the existing and prospective tenants at the Properties.

The income growth rates have been used to forecast the change in Base Rental Income, Turnover Rent and Charge-out Collections, where applicable, payable under the new leases (or renewed leases) for the forecast and projection periods. The income growth rates set out below are annualised figures, but have been assumed to apply to the relevant data compounded on a monthly basis.

	<u>Six months ending 31 December 2003</u>	<u>Year ending 31 December 2004</u>
	(%)	(%)
Gross Domestic Product . . . . .	1.5 <sup>(1)</sup>	5.1 <sup>(2)</sup>
<b>Forecast Property Income Growth Rates</b>		
Base Rental Income & Charge-out Collections		
The Metropolis Mall . . . . .	0.0	-3.0
Ma On Shan Plaza . . . . .	0.0	2.0
The Household Center . . . . .	0.0	1.0
Smartland . . . . .	0.0	1.0
Jubilee Court Shopping Centre . . . . .	0.0	1.0
Other Income . . . . .	0.0	2.0

**Notes:**

- (1) Real GDP Growth estimate for the 12 months ending 31 December 2003, Financial Services and Treasury Bureau, Hong Kong.
- (2) Economic Intelligence Unit, dated 29 May 2003.

**(II) Property Operating Expenses**

**(a) Property Management Fees**

Under the Property Management Agreement, the Property Manager will 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. For a detailed description of the fees payable to the Property Manager, see “Certain Agreements Relating to Fortune REIT — Property Management Agreement”.

**(b) Operating Expenses**

An individual assessment has been made of the expenses for each of the Properties for the six months ending 31 December 2003 and for the year ending 31 March 2004 based on an annual budget prepared by the Manager. These expenses are associated with the operation of the Properties and the Property Companies, including expenses such as utility charges, commissions for the leasing of units in the Properties, insurance premiums, audit and valuation fees, management fee contributions payable under the relevant Deeds of Mutual Covenant, advertising, car park operations, bad and doubtful debts, repairs, maintenance and service contracts. It is assumed that the current government rates of 5.0% of rateable value per annum and government rent of 3.0% of rateable value per annum of the Base Rental Income will continue to be levied on each of the Properties.

For the operating expenses projected for the year ending 31 December 2004, the 2003 expenses are increased by the forecast growth rates set out below. The forecast growth rates have been adopted by the Manager after having taken into account international property consultant Chesterton Petty Ltd’s expense growth forecast for operating and administrative expenses.

<b>Forecast Growth Rates</b>	<u>Six months ending 31 December 2003</u>	<u>Year ending 31 December 2004</u>
Operating Expenses . . . . .	0.0%	1.0%

Included in the operating expenses are:

(i) **Bad and Doubtful Debts**

It is assumed that 0.5% of Gross Revenue (excluding anticipated top up payments under the Rental Guarantee Deed) will be provided for as doubtful debts, which are included as part of operating expenses. Provisions of HK\$0.6 million and HK\$1.4 million have been provided for the six months ending 31 December 2003 and for the year ending 31 December 2004, respectively.

It is generally the Manager's policy to require rental deposits equivalent to three months of rental from tenants to mitigate the risk of bad debts.

(ii) **Repairs, Maintenance and Service Contracts**

Included within the operating expenses for the Properties are the following repairs, maintenance and service contracts costs based on the Manager's budget which takes into consideration the Building Survey Reports by Vigers Hong Kong Limited:

	<u>Six months ending 31 December 2003</u>	<u>Year ending 31 December 2004</u>
	<i>(HK\$'000,000)</i>	<i>(HK\$'000,000)</i>
Property repairs, maintenance and service contracts	6.7	13.5

The Manager plans to adopt a policy of regular maintenance on all operating aspects of the Properties and these regular maintenance costs are expensed as incurred.

(c) **Manager's Performance Fee**

Under the Trust Deed, the Manager will receive a Performance Fee from the Property Companies of 3.0% per annum of the aggregate net property income of each of the Property Companies with certain adjustments. See "Certain Agreements Relating to Fortune REIT — Property Management Agreement" for a detailed description of the provision of asset management services to the Properties. For a detailed description of the Manager's fees, see "The Formation and Structure of Fortune REIT".

**(III) Non Property Expenses**

(a) **Manager's Base Fee**

Under the Trust Deed, the Manager will receive a Base Fee from Fortune REIT of 0.3% per annum of the Property Values (see "The Formation and Structure of Fortune REIT"). For the forecast and projection periods, the Manager's Base Fee payable by Fortune REIT will be payable in the form of Units.

When paid in the form of Units, the Manager shall be entitled to receive such number of Units as may be purchased with the relevant amount of the Base Fee attributable to the relevant period at the Market Price. The Manager has assumed the Market Price to be either the minimum or maximum subscription price of the Offering Price Range of HK\$4.60 and HK\$4.75, as appropriate.

(b) **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, costs associated with the preparation and distribution of reports to Unitholders and other miscellaneous expenses.

The Trustee's fees are 0.03% per annum of the Property Values and are accrued daily and paid monthly in arrears in accordance with the Trust Deed (see "The Formation and Structure of Fortune REIT — The Trustee" for details).

The Trustee's fees, annual listing fees and registrar fees are generally assumed to be non-tax deductible, while the other fees (constituting Trust expenses) are generally assumed to be tax deductible.

The Manager has considered likely factors that can influence the level of these expenses, including estimates of Fortune REIT's Deposited Property, market capitalisation, number of Unitholders and the rate of inflation.

**(c) Interest Expenses**

The Property Companies have in place a Facility of HK\$1,100.0 million comprising a HK\$900.0 million term loan facility and a HK\$200.0 million revolving loan facility. The Facility will initially be drawn to HK\$990.0 million. The Manager expects to fix the interest rate for the term loan facility using interest rate swaps of varying tenures which will result in approximately 80.0% of the drawn facility being on a fixed interest rate basis. The Manager has assumed an average interest rate of 3.0% per annum inclusive of all margins and relevant fees for the six months ending 31 December 2003 and the year ending 31 December 2004.

The one-year, three-year and five-year Hong Kong dollar swap rates were 1.3%, 2.1% and 2.9%, respectively, on 30 May 2003.

**(d) 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 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 17.5%.

**(e) Capital Allowances**

The amount of capital allowances assumed to be claimed against taxable income and the ending balance of the capital allowances are as follows:

	<b>Six months ending 31 December 2003</b>	<b>Year ending 31 December 2004</b>
	<i>(HK\$'000,000)</i>	<i>(HK\$'000,000)</i>
Amount Claimed . . . . .	35.6 <sup>(1)</sup>	57.1
Ending Balance . . . . .	1,146.4	1,089.3

**Note:**

(1) pro-rated for six months where applicable.

**(f) Capital Expenditure**

An allowance for the projected capital expenditure has been included based on the Manager's budget and the Building Survey Reports provided by Vigers Hong Kong Limited. It has been assumed that the capital expenditure will be funded by borrowings under the Facility. Capital expenditure incurred is capitalised as part of the value of the relevant Property and has no impact on the income statement or distributions other than the interest incurred on bank borrowings.

	<u>Six months ending 31 December 2003</u>	<u>Year ending 31 December 2004</u>
Capital Expenditure. . . . .	HK\$3,000	HK\$2,373,000

There is currently only a small capital expenditure budget for The Metropolis Mall and The Household Center, as these are newly completed buildings and their respective occupation permits were issued on 31 March 2001 and 28 June 2002.

In addition, the Manager expects that, due to the provision for deferred tax liabilities as a result of capital allowances (expected to be HK\$6.2 million and HK\$10.0 million, or equivalent to HK\$0.01 per Unit and HK\$0.02 per Unit, for the six months ending 31 December 2003 and the year ending 31 December 2004, respectively) which will generally be payable when the Properties are sold, the accounting profits that are available for distribution to Fortune REIT will be less than the net cash surplus generated from operations of the Properties. As a result, there will be funds retained by the Property Companies that will not be paid as dividends to Fortune REIT. Such retained funds can be used for, among other things, funding capital expenditures of the Property Companies and payment of certain non-tax deductible Trust expenses.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Capital Expenditures" for further details.

**(IV) Capital Raising**

The proceeds from the issue of Units in Fortune REIT will be received when the Units are issued. Following receipt of the proceeds of such subscriptions, the Trustee will complete the acquisition of the Property Company Shares in accordance with the terms of the Sale and Purchase Agreements as described in "Certain Agreement Relating to Fortune REIT — Description of the Agreements to Acquire the Property Company Shares".

The costs associated with the establishment of Fortune REIT and the issue of the Units will be paid for by Fortune REIT on completion of the Offering. These costs are charged against the issued capital in the balance sheet and have no impact on the income statement or distributions.

**(V) Properties**

The Properties will be acquired at a discount of 6.9% or 5.1% to their independent aggregate Appraised Values, based on the minimum and maximum values of the Offering Price range, respectively. It is assumed that the Properties will be revalued annually, effective 31 December each year. For the purposes of the profit forecast and profit projections, the Manager has assumed an increase in the value of the Properties from 31 May 2003 to the extent of the assumed capital expenditure. The Manager assumes that the value of the Properties (except for the effect of the additional capital expenditure) will, until 31 December 2004, remain at the amounts at which they were valued on 31 May 2003.

**(VI) Accounting Standards**

The Manager has assumed no change in applicable accounting standards or other financial reporting requirements that may have a material effect on the forecast or projected net operating profit during the period ending 31 December 2004.

## (VII) Other Assumptions

The Manager has made the following additional assumptions in preparing the profit forecast for the six months ending 31 December 2003 and profit projection for the year ending 31 December 2004:

- that the property portfolio remains unchanged throughout the periods;
- that no further capital will be raised during the periods;
- that there will be no change in taxation legislation or other applicable legislation;
- that there will be no change to the Tax Ruling; and
- that all leases and licences are enforceable and will be performed in accordance with their terms (with allowances for bad and doubtful debts).

## (VIII) Distribution Reinvestment Arrangement

The Trust Deed allows the Manager, where appropriate, the option of activating an arrangement whereby Unitholders may elect to re-invest all or part of their distribution entitlement in return for an issue of additional Units in Fortune REIT. It has been assumed that the Manager will not activate the distribution reinvestment arrangement for the period ending 31 December 2004.

## Sensitivity Analysis

**The forecast and projected distributions included in this Prospectus are based on a number of assumptions that have been outlined above. The forecast and projected distributions are also subject to a number of risks as outlined in “Risk Factors”.**

Investors should be aware that future events cannot be predicted with any certainty and deviations from the figures forecast or projected in this Prospectus are to be expected. To assist investors in assessing the impact of these assumptions on the financial forecast and profit projection, a series of tables demonstrating the sensitivity of the distribution per Unit to changes in the principal assumptions are set out below.

The sensitivity analysis is intended to provide a guide only and variations in actual performance could exceed the ranges shown. Movement in other variables may offset or compound the effect of a change in any variable beyond the extent shown.

### *Base Rental Income*

Changes in the Base Rental Income will impact the net operating profit of Fortune REIT. The effects of variations in the Base Rental Income on the tax-exempt distribution yield is set out below:

Assuming Offering Price of	Tax-Exempt Distribution Yield (%)			
	HK\$4.60		HK\$4.75	
	Six months ending 31 December 2003	Year ending 31 December 2004	Six months ending 31 December 2003	Year ending 31 December 2004
Actual Base Rental Income is				
2.5% above estimate . . . . .	6.81	6.95	6.60	6.73
<b>Base Case . . . . .</b>	<b>6.72</b>	<b>6.85</b>	<b>6.51</b>	<b>6.64</b>
Actual Base Rental Income is				
2.5% below estimate . . . . .	6.63	6.75	6.42	6.54

### *Vacancy Allowance*

Changes in the vacant period between leases will impact the net operating profit of Fortune REIT. The effect of changes in the vacant period on all expiring leases is set out below:

Assuming Offering Price of	Tax-Exempt Distribution Yield (%)			
	HK\$4.60		HK\$4.75	
	Six months ending 31 December 2003	Year ending 31 December 2004	Six months ending 31 December 2003	Year ending 31 December 2004
No vacant period . . . . .	6.74	6.89	6.53	6.67
<b>Base Case (two weeks) . . . . .</b>	<b>6.72</b>	<b>6.85</b>	<b>6.51</b>	<b>6.64</b>
1 month vacant period . . . . .	6.70	6.81	6.48	6.60

### *Growth Rates for Base Rental Income and Charge-out Collections*

Changes in the growth rates for Base Rental Income and Charge-out Collections will impact the net operating profit of Fortune REIT. The effect of variations in the growth rates for Base Rental Income and Charge-out Collections (as a whole) is set out below:

Assuming Offering Price of	Tax-Exempt Distribution Yield (%)			
	HK\$4.60		HK\$4.75	
	Six months ending 31 December 2003	Year ending 31 December 2004	Six months ending 31 December 2003	Year ending 31 December 2004
Total actual Base Rental Income and Charge-out Collections are 2.5% above estimate <sup>(2)</sup> . . . . .	6.72	6.88	6.51	6.66
<b>Base Case<sup>(1)</sup> . . . . .</b>	<b>6.72</b>	<b>6.85</b>	<b>6.51</b>	<b>6.64</b>
Total actual Base Rental Income and Charge-out Collections are 2.5% below estimate. . . . .	6.72	6.83	6.51	6.61

#### **Notes:**

- (1) The base case assumption for total actual Base Rental Income and Charge-out Collections assumes annual growth rate of –2.5% in 2003. For 2004, it implies a growth rate of –5.5% for The Metropolis Mall, –0.5% for Ma On Shan Plaza, and –1.5% for the other Properties.
- (2) Implies annual growth rate of 2.5% in 2003. For 2004, it implies a growth rate of –0.5% for The Metropolis Mall, 4.5% for Ma On Shan Plaza, and 3.5% for the other Properties.

### Property Operating Expenses

Changes in Property Operating Expenses will impact the net operating profit of Fortune REIT. The effect of variations in Property Operating Expenses (excluding Manager's Performance Fees) is set out below:

Tax-Exempt Distribution Yield (%)				
Assuming Offering Price of	HK\$4.60		HK\$4.75	
	Six months ending 31 December 2003	Year ending 31 December 2004	Six months ending 31 December 2003	Year ending 31 December 2004
Actual Property Operating Expenses are 2.5% below estimate. . . . .	6.77	6.90	6.55	6.68
<b>Base Case . . . . .</b>	<b>6.72</b>	<b>6.85</b>	<b>6.51</b>	<b>6.64</b>
Actual Property Operating Expenses are 2.5% above estimate. . . . .	6.67	6.80	6.46	6.59

### Interest Expenses

Changes in interest rates will impact the net operating profit of Fortune REIT. The interest rate assumptions are set out in paragraph III(c) of this section. The effect of variations in the Interest Expenses is set out as follows:

Tax-Exempt Distribution Yield (%)				
Assuming Offering Price of	HK\$4.60		HK\$4.75	
	Six months ending 31 December 2003	Year ending 31 December 2004	Six months ending 31 December 2003	Year ending 31 December 2004
Actual interest rates are 50 basis points below estimate	6.90	7.02	6.68	6.80
<b>Base Case . . . . .</b>	<b>6.72</b>	<b>6.85</b>	<b>6.51</b>	<b>6.64</b>
Actual interest rates are 50 basis points above estimate	6.54	6.68	6.34	6.47

### Hong Kong Taxation

Changes in the corporate tax rate in Hong Kong will impact the level of dividends received by Fortune REIT. Any change in the rates of taxation may adversely affect the Tax Ruling or Fortune REIT's tax position. See "Risk Factors".

The effect of variations in the Hong Kong tax rate is as follows:

Tax-Exempt Distribution Yield (%)				
Assuming Offering Price of	HK\$4.60		HK\$4.75	
	Six months ending 31 December 2003	Year ending 31 December 2004	Six months ending 31 December 2003	Year ending 31 December 2004
2.5% below estimate <sup>(1)</sup> . . . . .	6.93	7.06	6.71	6.84
<b>Base Case . . . . .</b>	<b>6.72</b>	<b>6.85</b>	<b>6.51</b>	<b>6.64</b>
2.5% above estimate <sup>(2)</sup> . . . . .	6.51	6.64	6.31	6.43

**Notes:**

- (1) Implying a tax rate of 15.0%.
- (2) Implying a tax rate of 20.0%.

## THE RETAIL PROPERTY MARKET IN HONG KONG

*The Manager commissioned FPD Savills (Hong Kong) Limited (“FPD”) to prepare a report (the “FPD Report”) on the Hong Kong retail property market. The following is a summary of the FPD Report (see Appendix VII, “Retail Market Overview and Individual Asset Summary Report”).*

### General Overview of the Hong Kong Retail Market

Retailing was Hong Kong’s second largest industry (after the import and export trade) in terms of number of employees in Q4/2002<sup>1</sup>. In 2002, retail sales reached HK\$176.8 billion. Hong Kong’s 55,000 retail outlets<sup>2</sup> cover a range of different formats — department stores, warehouse-style hypermarkets, supermarkets, convenience stores, speciality shops, traditional independently-run shops, home shopping operations (including mail order) and, increasingly, franchise operations. Hong Kong’s approximately 110 franchise operations run almost 2,000 outlets<sup>3</sup>, and although the majority have originated locally, international players include McDonald’s, Body Shop and Benetton. In recent years, the number of shopping centres has grown in Hong Kong’s new satellite towns, and information technology is now widely applied in store operation and management.

### Structural Change in Hong Kong

The growth of Hong Kong’s retail sector over recent years has reflected the growth of the service sector of the economy. With the relocation of manufacturing industries to southern China from the late 70’s, the level of the manufacturing sector’s contribution to the local economy has declined dramatically over the past 20 years. During the period between 1980 and 2001, service sector productivity increased 10-fold, contributing approximately 87 per cent of local (nominal) GDP in 2001. Of this, the size of the “Wholesale, Retail and Import/Export Trades, Restaurants and Hotels” sub-sector increased by around 10 times contributing approximately 27 per cent of local (nominal) GDP in 2001.

This structural change from a low value manufacturing based economy towards a high value-added services based economy has also increased income, and therefore spending power, of Hong Kong residents, resulting in strong retail market growth. The stock of private commercial<sup>4</sup> premises doubled between 1980 and 2002, an increase of approximately 50 million sq ft to a total of 99 million sq ft by the end of 2002.

Hong Kong has benefited greatly from its close proximity to China, and its ability to tap into the vast resources and population which is on its doorstep. Being located in the international time zone between Asia and Europe has also helped Hong Kong to become a global financial centre. With the added advantage of having a natural deep-water harbour, Hong Kong has become a gateway for trade into mainland China and in 2001, it was the world’s busiest container port in terms of throughput and the ninth largest trading centre in the world in terms of trade values.

The service sector is now a key component of the Hong Kong economy and the insurance, real estate and business services in Hong Kong have made it one of the most important financial centres in the world. Wages in Hong Kong started to rise in the 1980s at the same time as China opened its doors to foreign investment, and it became possible to relocate manufacturing industries into China to take advantage of lower costs. Today products are still usually imported into Hong Kong from mainland China before being re-exported to overseas markets.

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<sup>1</sup> Source: Quarterly Report on General Household Survey October to December 2002, Census and Statistics Department, Hong Kong Government.

<sup>2</sup> Source: Business and Consumer Services in Hong Kong, Trade Partners UK.

<sup>3</sup> Source: Business and Consumer Services in Hong Kong, Trade Partners UK.

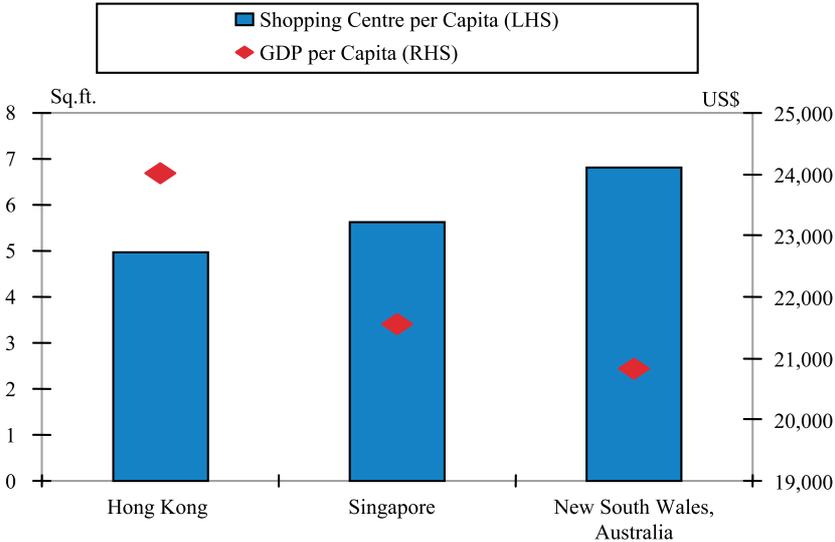
<sup>4</sup> Defined by the Rating and Valuation Department, Hong Kong Government as retail premises and other premises designed or adapted for commercial use, with the exception of purpose-built offices and car parking space.

Together with Hong Kong’s geographical attributes, its “laissez-faire” approach to the economy has allowed rapid and sustained growth. The economy proves attractive to foreign investors for several key reasons: Hong Kong has a low tax environment; an educated and skilled labour force; a sound legal and financial framework; a fully convertible and secure currency; and a highly efficient transport and communications network. Despite earlier concerns, the 1997 handover of Hong Kong to China was completed successfully and the territory’s political environment is currently stable.

**Fewer Retail Facilities than other Economies in the Region**

Given this rapid structural change, retail facilities have so far failed to keep pace with the growing wealth of Hong Kong residents compared with other similar centres in the region. A rough comparison between GDP per capita and per person shopping centre stock in major developed economies in the region is presented below:

**GDP and Shopping Centre Stock Per Capita, Regional Comparison<sup>5</sup>, 2002**



Source: FPD Savills Research

FX rates (as at 31 December 2002):

- (1) US\$1 = HK\$7.8
- (2) US\$1 = AU\$1.78
- (3) US\$1 = SG\$1.74

It can be seen that, while Hong Kong’s wealth measured by GDP per capita is comparatively high, this is not supported by comparable retail facilities.

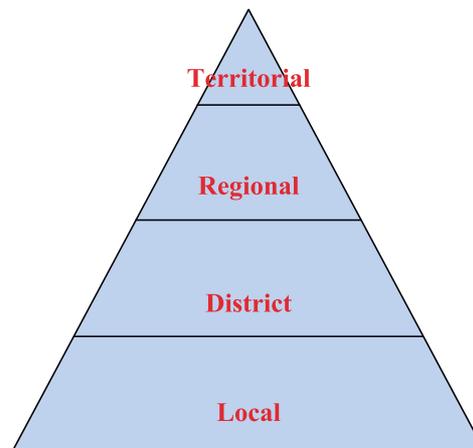
**The Pattern of Retail Provision**

Hong Kong has developed a retail network to cater for the growing consumption needs of local residents and tourists. Retailing in tourist areas such as Central on Hong Kong Island and Tsimshatsui, Kowloon is geared towards the high end market and caters for high income groups and tourists. In older districts such as Wanchai on Hong Kong Island and Mongkok, Kowloon, retailing is oriented towards middle-income groups and local residents in neighbouring areas. Retailing in new towns within the New Territories, such as Shatin and Tseung Kwan O, focuses on residents in public and private housing estates within the immediate and neighbouring areas.

<sup>5</sup> Hong Kong Shopping centre stock is estimated by counting major developers’ shopping centres (single ownership) of above 100,000 sq ft. Shopping centre stock in Singapore is estimated by assuming 90 per cent of private retail space is in shopping centre format. Shopping centre stock of New South Wales is according to FPD Savills (Australia) office’s own estimate, which covers Super Regional, Major Regional, Regional, Sub-regional and Neighbourhood Centres.

A basic hierarchy of retailing centres in Hong Kong can be defined by the size of the centre, the size of catchment it serves, the range of shops located in that centre and the availability of other attractions and facilities.

A basic hierarchy of retailing areas has evolved in Hong Kong:



Territorial Centres serve the entire population of Hong Kong as well as tourists. They also provide territory-wide entertainment and have a significant amount of commercial floor space provision. Examples include Festival Walk in Kowloon Tong and Pacific Place in Admiralty, both are located above major public transport interchanges comprising both roads and rail links.

Regional Centres are also characterised by significant areas of retail space but fulfil a regional function, serving a catchment population of about 250,000 to 1,000,000. They are dominated by one main shopping centre between 500,000 and 1 million sq ft in size. Regional Centres are typically found in the larger new towns or major suburban locations. Examples include Telford Plaza in Kowloon Bay and Tuen Mun Town Plaza in Tuen Mun.

As medium-scale shopping centres serving individual district, District Centres are typically of around 200,000 to 500,000 sq ft in size. Examples of such centres include Discovery Park in Tsuen Wan and Plaza Hollywood in Diamond Hill. Providing a larger range of goods and services compared with Local Centres, District Centres cater for the comprehensive needs of residents in a district by offering necessity goods and community services as well as comparison goods, such as fashion and furniture, and a wider range of services, such as food & beverage and entertainment.

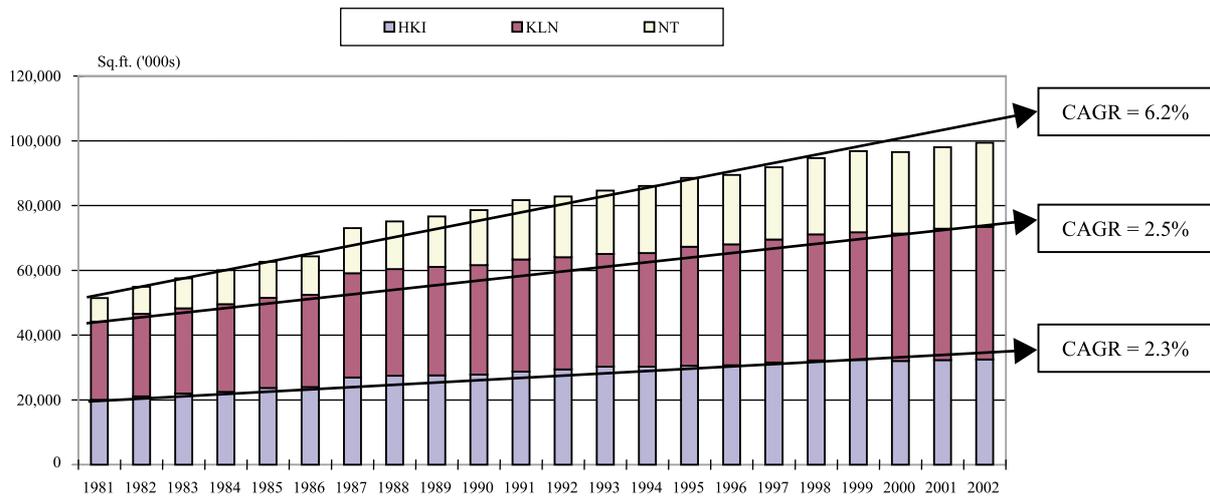
Given their larger catchment populations, District Centres are more reliant on strong transport infrastructure if their customer base is to be fully exploited. Such centres usually enjoy close proximity to several modes of transport including buses, taxis and private cars as well as (in some cases) rail linkages via either the Kowloon Canton Railway, Mass Transit Railway or light rail.

Local Centres are sustained by neighbourhood catchments whose residents purchase daily shopping items (provided by supermarkets, local restaurants, “mom and pop” stores, fast food outlets, convenience stores, stationers etc.) and use community services such as pre-school education, specialised tuition or religious foundations in the local centres. The tenants of such centres typically enjoy stable incomes and tend to occupy for longer periods, developing a loyal and frequent customer base among the local population.

### Total Stock, Distribution and Supply

Private Commercial Premises totalled 99 million sq ft at the end of 2002. More than 40 per cent of the private commercial stock in Hong Kong is located in Kowloon while Hong Kong Island and the New Territories have shares of around 33 and 26 per cent, respectively. Whilst the compound annual growth rate (“CAGR”) of overall private commercial stock between 1981 and 2002 was 3.2 per cent, growth was primarily driven by the rapid expansion of the New Territories sub-market as shown in the chart below. This trend is strongly related to the Hong Kong Government’s urban development policy.

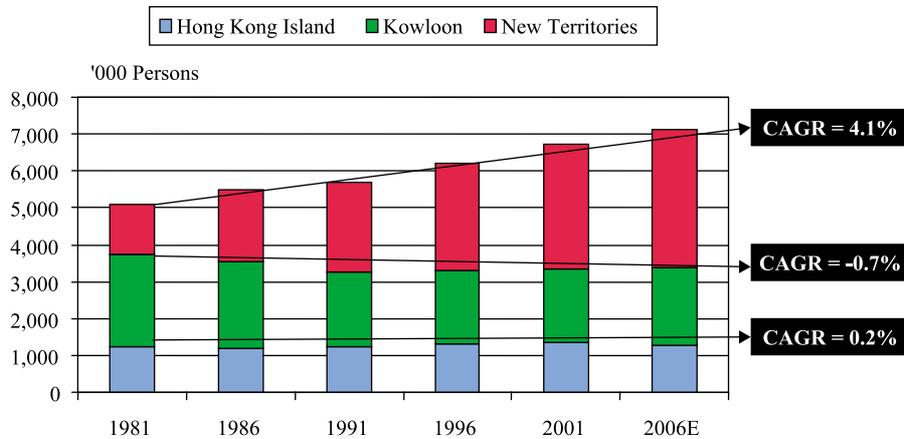
#### Private Commercial Stock by District, 1981 to 2002



Source: Rating and Valuation Department

New town projects were initiated in 1973 and Tsuen Wan, Shatin and Tuen Mun were chosen to become the first new towns. At present, there are nine developed new towns in the New Territories, housing approximately 3.2 million people, or 47 per cent of the total population of Hong Kong. Improving infrastructure, better quality of life and relatively lower living costs have attracted people to live in these originally rural areas. The charts below highlight population growth in the New Territories over recent years.

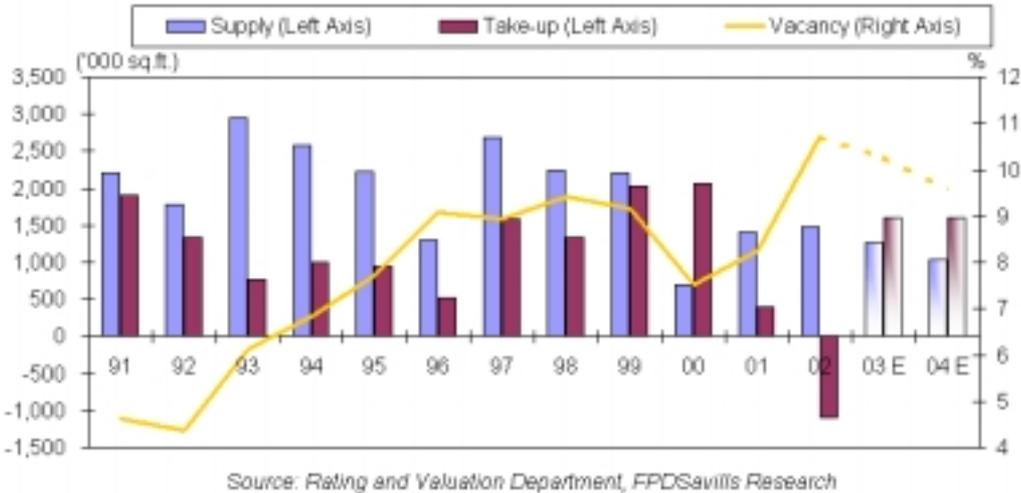
#### Population by District, 1981 to 2006 (Estimate)



Source: Census and Statistics Department, Planning Department, FPD Savills Research

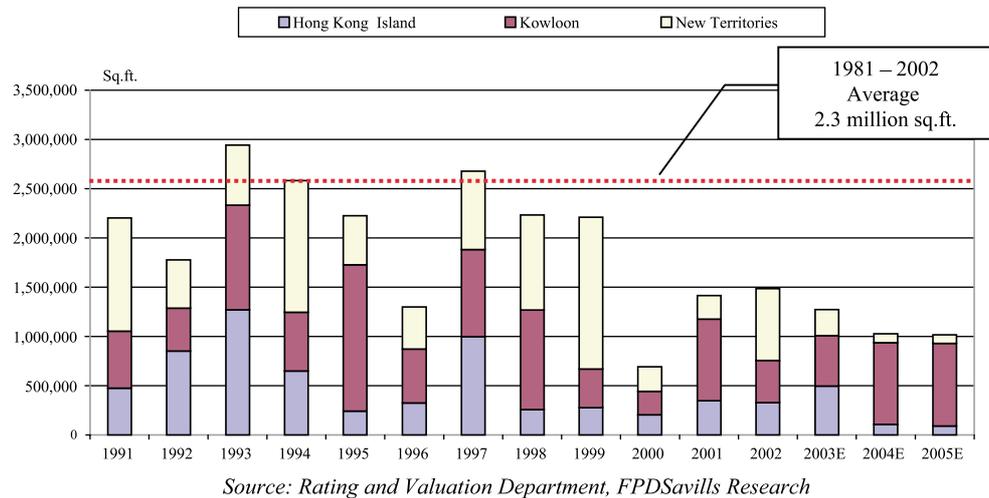
The supply of new private commercial premises averaged 2.3 million sq ft<sup>6</sup> per annum between 1981 and 2002. The emergence of large shopping centres led to increased vacancy rates from the early 1990s. Take-up<sup>7</sup> averaged 1.6 million sq ft per annum between 1982 and 2002. Increased take-up was noted after the 1997 financial crisis compared with the early 1990s. Supply in 2003 is estimated at approximately 1.3 million sq ft of new private commercial premises which is below the long-term average annual take-up of 1.6 million sq ft.

**Supply, Take-up and Vacancy, 1991 to 2004 (Estimate)**



According to the Rating and Valuation Department, the majority of new supply will come on stream in Kowloon, largely driven by various urban redevelopment projects in Mongkok and Tsimshatsui as well as various comprehensive developments in the West Kowloon reclamation area.

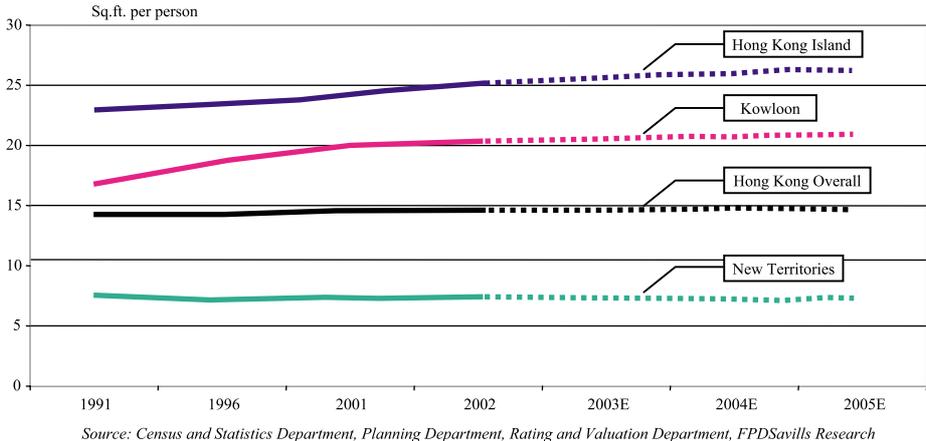
**Private Commercial Supply by District, 1991 to 2005 (Estimate)**



<sup>6</sup> By Internal Floor Area. The Rating and Valuation Department defines Internal Floor Area as the area of all enclosed space of the unit measured to the internal face of enclosing external and/or party walls.  
<sup>7</sup> Take-up represents the net increase in occupied floor space in the year. The figures are derived by adding the completion in that year to the vacancy figures at the beginning of the year, then subtracting the year's demolition and the year end vacancy figures.

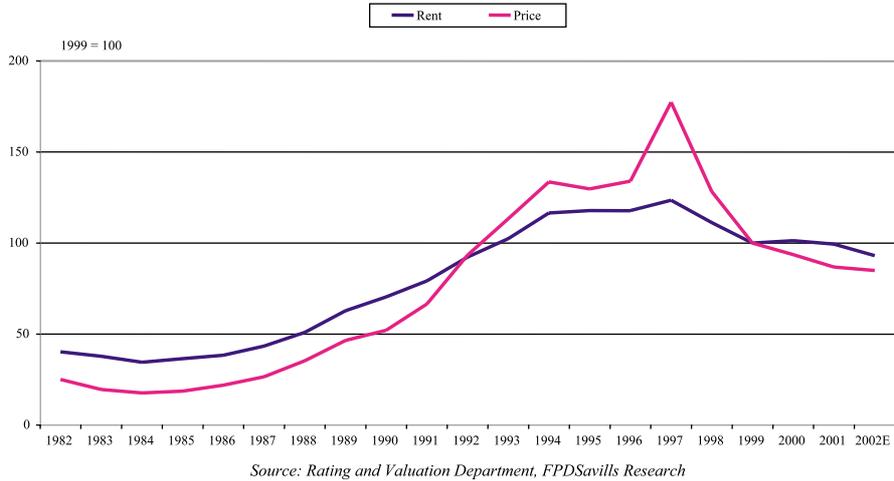
With strong population growth, private commercial stock per person in the New Territories has not changed much over the years. The chart below records private commercial stock per capita by district. It is clear that the New Territories has generally been below the overall territory average. In 2002, per capita stock in the New Territories stood at approximately 7.5 sq ft, compared with 24.9, 20.3 and 14.6 sq ft for Hong Kong Island, Kowloon and the territory overall, respectively. Looking at the supply forecasts as well as Government's most recent population projections<sup>8</sup>, by 2005, under-provision of retail space in the New Territories will not improve. Per capita stock in the New Territories is estimated to reach 7.1 sq ft in 2005, or a decrease of 5 per cent from 2002. Per capita stock in Kowloon is expected to increase by 3 per cent to 20.9 sq ft in 2005. Hong Kong Island, however, will experience greater competition as a result of gradual depopulation and per capita stock is expected to increase by 5 per cent to 26.3 sq ft in 2005.

**Private Commercial Stock Per Capita, 1991 to 2005 (Estimate)**



**Rents and Prices**

**Historical Retail Rental and Price Movements, 1982 to 2002 (Estimate)**

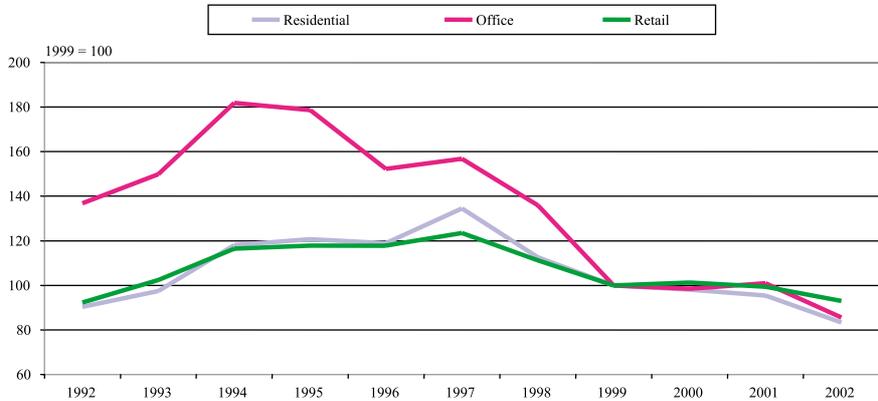


<sup>8</sup> According to "Projections of Population Distribution 2002 - 2011", Planning Department, HK Government.

The implementation of the US dollar peg as well as the conclusion of the Sino-British Joint Declaration in the early 1980s kicked off a property boom in Hong Kong. Retail rents started to rise from 1984 boosted by strong economic growth. Unlike other sectors, rents for retail premises did not stop growing during the downturn of the 1989 Tiananmen Square to 1991 Gulf War period. Growth for the period between 1984 and 1995 totalled 240 per cent, or an average of 8.3 per cent per annum. More marginal growth has been noted since then (0 per cent for 1996 and 4.8 per cent for 1997). Rents plunged along with the financial crisis, dropping by 19 per cent from 1997 to 1999. The rebounding stock market and strong economic growth gave some momentum and rents saw a modest 1 per cent increase during 2000. However, the bursting of the dot.com bubble, increasingly uncertain global/local economic prospects as well as the unstable geo-political situation subsequently suppressed rents, which fell by 8.1 per cent during 2001 and 2002.

Prices grew along with rising rents from 1984 but have been rising more swiftly since the early 1990s, fuelled by negative real interest rates. A total increase of 650 per cent was recorded over the 1984 to 1994 asset inflation era, 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 1997 financial crisis and prices have dropped by 52 per cent during the period to 2002.

**Residential, Office and Retail Rental Indices, 1992 to 2002**



Source: Rating and Valuation Department, FPD Savills Research

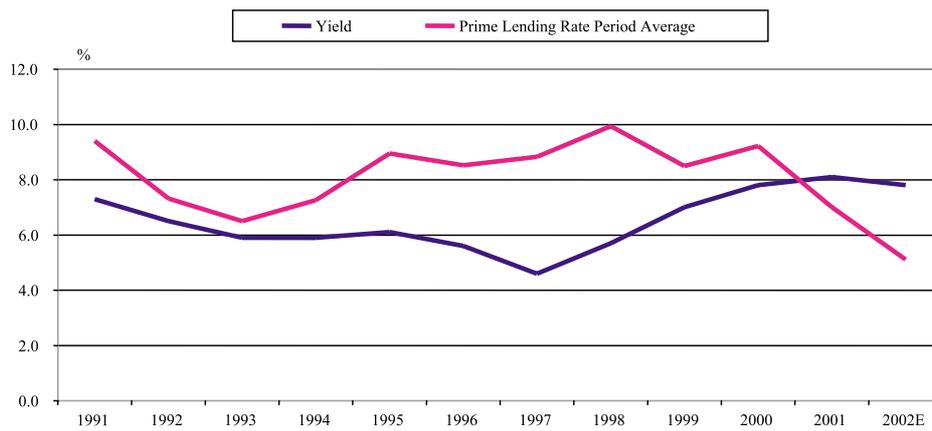
The retail sector has proved more resilient compared with the residential and office sectors during the market downturn and the table below highlights the stable performance of the retail sector over the past 10 years. Rents of all sectors peaked in 1997 and fell thereafter and the decline of retail rents was the least amongst the three sectors. Retail is also the only sector to have achieved a positive annual rental change over the past 10 years. In addition, the retail sector has shown less volatility compared with the other two sectors as the largest single year fall over the past 10 years was 10 per cent (1999), compared with 16 per cent for residential (1998) and 26 per cent for office (1999).

**Rental Changes of Different Sectors**

	Residential	Office	Retail
From 1997 to 2002	-38.0%	-45.4%	-24.7%
Average Annual Change between 1992 and 2002	-0.19%	-3.66%	0.36%
Biggest Annual Fall over the Past 10 Years (Year Recorded)	-16.28% (1998)	-26.42% (1999)	-10.07% (1999)

Source: Rating and Valuation Department, FPD Savills Research

## Retail Yields and Prime Lending Rates (Period Average), 1991 to 2002 (Estimate)

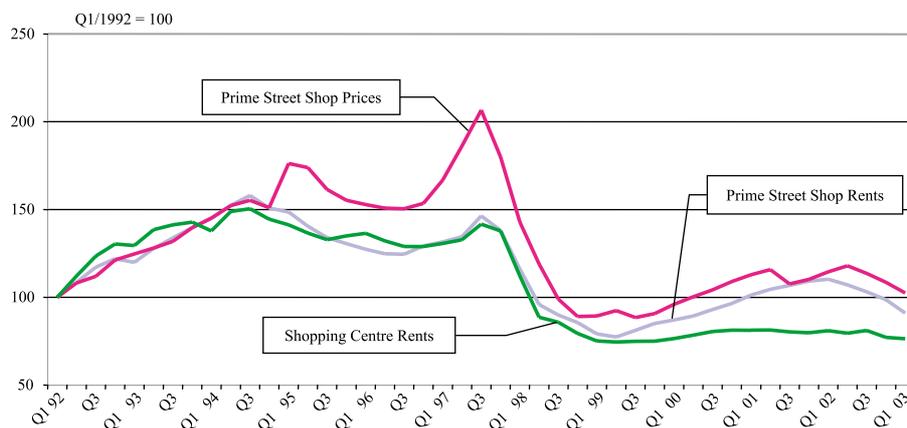


Source: Hong Kong Monetary Authority, Rating and Valuation Department, FPD Savills Research

Average yields from retail premises rose sharply after the 1997 financial crisis and stood at 8.1 per cent at the end of 2001 according to the Rating and Valuation Department. Although declining rents cut yields to an average of 7.8 per cent at the end of 2002, they were still higher than purchases from other property sub-sectors and hence attracted investment interest. It is also important to note that retail rental yields have been below the prime lending rate throughout the 1990s, however, the trend was reversed in 2000 to 2001 when interest rates dropped significantly. The said average yield at the end of 2002 recorded a 2.7 percentage point premium over the average prime Hong Kong lending rate of 5.1% in 2002. This positive yield carry is an important driver of investment activity.

It is important to note that the above rental and price indices, as well as the yield figures, were produced by the Rating and Valuation Department of the Hong Kong Government to measure overall market performance. They are different from the FPD Savills Property Indices which focus on prime stock, defined as Territorial, Regional and District Centres<sup>9</sup>.

## FPD Savills Retail Indices, Q1/1992 to Q1/2003



Source: FPD Savills Research in association with CREUE, HKU

As mentioned, our index monitors prime market stock, which has recorded varied movements compared with the overall market. A trend of polarisation (rents and prices in prime areas have outperformed the overall market) has been noted, however, since the 1997 financial crisis.

<sup>9</sup> Definition detailed above.

## Comparison between Value Changes of Prime Locations and Overall Market

	Prime Streets	Shopping Centres	Overall Market <sup>10</sup>
<b>Rental Changes (%)</b>			
1992–1997	+ 23.0	+ 16.5	+ 33.8
1997–1999	-41.3	-44.8	-19.0
1999–2002	+ 29.8	+ 6.4	-6.9
<b>Price Changes (%)</b>			
1992–1997	+ 67.6	n/a	+ 90.0
1997–1999	-51.2	n/a	-43.5
1999–2002	+ 25.9	n/a	-15.1

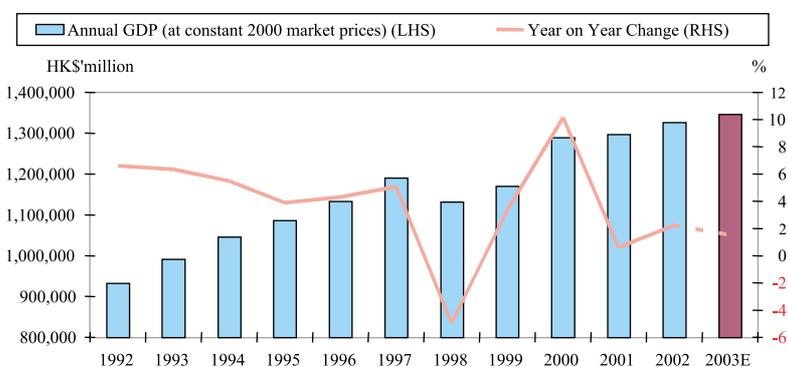
Source: Rating and Valuation Department, FPD Savills Research

Reasons for this polarisation trend are manifold. The first concerns retailers' responses to the sluggish market conditions. Retail sales have fallen, in terms of value, by 1.3 and 4.3 per cent over 2001 and 2002, respectively, reflecting a generally tough business environment for retailers. In view of this, retailers are keen to be located in 'key' areas where pedestrian flow is guaranteed. This attitude has increased competition for space in prime streets and prominent centres, supporting rents and occupancies in these areas against the slow economic environment. Another reason is the implementation of various pedestrianisation schemes in prime areas. These projects have proved successful in concentrating pedestrians in prime areas, giving landlords in these areas greater pricing power. Moreover, prime shopping areas are more exposed to overseas visitors and are in a position to directly benefit from the influx of high-spending visitors from China.

### Fundamental Analysis

Despite the effects of the bursting property and dot.com bubble, Hong Kong's fundamentals remain strong. Per capita GDP in 2002 stood at US\$24,000 which was amongst the highest in the world. In 2001, it was ranked the ninth largest trading entity in the world in terms of trade values. As at 2001, Hong Kong operated the busiest container port in the world in terms of throughput, as well as one of the busiest airports in terms of numbers of passengers and volume of international cargo handled. In addition, in 2001, it was the world's tenth largest banking centre in terms of external banking transactions, and the seventh largest foreign exchange market in terms of turnover. Its stock market was Asia's second largest in terms of market capitalisation<sup>11</sup> after Japan in 2001.

### Real GDP, 1992 to 2003 (Estimate)



Source: Census and Statistics Department, FPD Savills Research

<sup>10</sup> As measured by the Rating and Valuation Department's "Private Retail" indices.

<sup>11</sup> Extract from "Hong Kong 2001", Information Services Department, Hong Kong Government.

The Hong Kong economy, following a distinct slowdown in 2001, revived progressively under the impetus of the external sector in the course of 2002. Total exports of goods reverted from decline in the first quarter to positive growth in the second quarter, and then rose sharply in the third quarter and further in the fourth quarter. Exports of services recorded an even stronger performance than exports of goods, and the growth rate likewise accelerated through the year. There was a broad-based surge in inbound tourism, offshore trade and transportation services. Overall, real GDP grew by 2.3 per cent during 2002, compared to 0.6 per cent in 2001. However, the advent of SARS should act to moderate GDP growth in 2003.

**Retail Sales**

The importance of retail sales values for retail property values is unquestionable. The figures indirectly reflect retailers’ profitability, therefore their ability to pay rent. A study of retail sales values and retail rents over the last decade justifies this view by revealing a strong statistical correlation between the two (correlation coefficient = 0.91), presented graphically below.

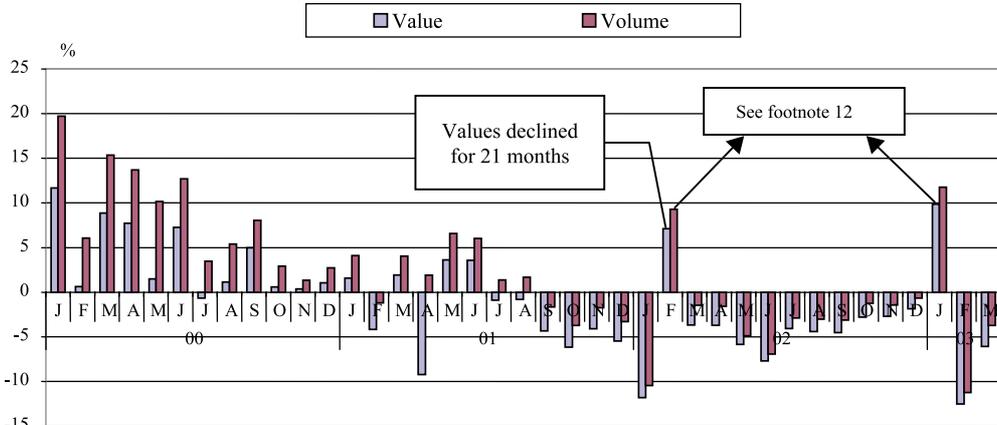
**Retail Sales vs Retail Rents, 1991 to 2002**



Source: Rating and Valuation Department, Cesus and Statistics Department, FPDSavills Research

As mentioned above, local consumer spending remained subdued through most of 2001 and 2002. Private consumption expenditure fell by 1.6 per cent in real terms in 2002, compared to a moderate increase of 1.4 per cent in 2001. As shown in the chart below, total retail sales values have experienced negative growth for the 21 months to March 2003<sup>12</sup>.

**Retail Sales, January 2000 to March 2003**



Source: Census and Statistics Department, FPDSavills Research

<sup>12</sup> Chinese New Year in either January or February, should be rationalised by analysing the January and February figures as a whole. Adjusted findings show that value and volume fell by 3.6 and 1.9 per cent in January and February 2002, while value and volume fell by 0.8 and increased by 0.8 per cent in January and February 2003 compared with a year ago.

Consumers were generally less willing to spend given concerns over prevailing employment and income conditions as well as with the distinct fall-off in the asset markets resulting in a negative wealth effect. Residential prices have fallen by around 50 per cent<sup>13</sup> from the 1997 peak and a substantial rebound is not expected in the near term. By the end of 2002, more than 76,000 residential mortgage loans were in negative equity<sup>14</sup> and this number will increase if prices continue their downward trend.

There is no doubt about the significance of job security on retail spending. A strong negative correlation between unemployment rates and retail rents (correlation coefficient = -0.85), and between unemployment rates and retail sales (correlation coefficient = -0.78) have also been noted in the data sample between 1991 and 2002.

Whilst retail sales overall have declined, certain sub-sectors have proved more robust, such as supermarkets, department stores, medicines and cosmetics (convenience goods).

As Hong Kong's economy remains troubled by prospects of a US recovery, the implications of the War on Terror and SARS, luxury goods have been hardest hit while necessity goods have been less affected.

### ***Strong Re-exports***

According to the merchandise trade statistics<sup>15</sup>, Hong Kong's total exports of goods registered a notable growth of 8.6 per cent in real terms in 2002. Continued robust demand in China and a resurgence in intra-regional trade, coupled with revived import absorption in the conventional overseas markets, were key factors underpinning the sharp rebound in Hong Kong's exports in 2002. Improvement in Hong Kong's external price competitiveness brought about by a weaker US dollar also rendered an additional boost.

### ***Tourism***

Tourism has played a significant role over the past few years and visitor spending on shopping alone represented 8 per cent of total retail sales in 2001. The number of visitor arrivals registered a new high in 2002 to reach 16.6 million, or an increase of 21 per cent year on year.

Tourism growth in Hong Kong has been primarily driven by an influx of visitors from the PRC in recent years. They represented more than 40 per cent of total arrivals in 2002. They were also highest among all nationalities in terms of per capita spending, accounting for 40 per cent of total tourism receipts in 2001.

### ***Severe Acute Respiratory Syndrome's Impact on Hong Kong's Retail Market***

While SARS has had a negative impact on certain industries, such as airlines, transport, restaurants and hotels, some industries have been less affected than others. Demand for daily necessities from local suburban malls has proven to be more durable. Supermarkets, often the anchor tenants of local suburban malls, registered rising sales as more people chose to eat and spend time at home. Sales of healthcare products and traditional Chinese medicine have also risen.

### ***Outlook***

The overall average retail rental rate in Hong Kong is expected to fall by 6 per cent in 2003 and increase by 1 per cent in 2004. Longer-term growth from 2005 to 2007 will be estimated by the 20-year compound annual growth rate ("CAGR") between 1982 and 2002 (equivalent to 4.3 per cent per annum).

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<sup>13</sup> Source: Rating and Valuation Department, HK Government.

<sup>14</sup> Hong Kong Monetary Authority's estimate as at December 2002 was 76,686. However, its estimates were derived from first mortgages only. Loans of second mortgages and other private/public co-financing schemes have not been included.

<sup>15</sup> Source: Census and Statistics Department, Hong Kong Government.

Average retail rents in Kowloon are expected to under-perform the overall market marginally. Hong Kong Island is expected to under-perform due mainly to the intensified competition, while the New Territories is expected to outperform, given the strong population growth and the relatively low supply levels in the New Territories.

The outlook for the related rental market in Hong Kong will be affected by a combination of the following positive and negative factors:

**Positives**

- New infrastructure such as East and West Rail will make travelling to Hong Kong much easier for mainland Chinese
- The resolution of the war in Iraq and the resultant decline in oil prices
- Export/re-export growth and its wealth effect
- Lower US interest rates and the result of weaker HK dollar and lower costs
- The prospect of a US economic recovery
- China's accession to the World Trade Organisation

**Negatives**

- The on-going "War on Terror"
- Uncertain timing of US recovery
- Government deficit resulting in more taxation
- Impact of SARS

## STRATEGY

The Manager's key objectives will be to deliver stable distributions to Fortune REIT's Unitholders and to achieve long-term growth in the net asset value per Unit of Fortune REIT. The Manager intends to accomplish these objectives by ensuring Fortune REIT continues to own a range of quality shopping malls with balanced exposure to any particular sub-sector, building or tenant.

The implementation of the Manager's strategy can be broadly categorised as follows:

- **Asset Enhancement Growth Strategy.** To aim to increase yields and returns from the Properties through a combination of addition and/or optimisation of retail space in the Properties.
- **Organic Growth Strategy.** To actively manage the Properties in order to maintain or improve occupancy levels and Net Property Income.
- **Acquisition Growth Strategy.** To selectively acquire additional properties that meet the Manager's investment criteria.
- **Financing Strategy.** To employ appropriate debt and equity financing policies.

In accordance with the requirements of the Listing Manual, the Manager's investment strategy for Fortune REIT will be adhered to for at least three years following the date of this Prospectus, unless otherwise agreed by Unitholders by Extraordinary Resolution in a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed.

**Asset Enhancement Growth Strategy.** The Manager believes that opportunities exist to increase yields and returns from the Properties through a combination of addition and/or optimisation of retail space at the Properties. In evaluating asset enhancement opportunities, the Manager will focus on the following criteria:

- **Re-balance tenant mix and space re-configuration.** The Manager will constantly review tenant mix and, if practicable, re-configure rentable space to optimise rental income. On-going consumer research available to the Manager provides it with access to information on market trends and allows the Manager to tailor the tenant mix to the needs of the trade areas. The Manager will review retail space requirements with major tenants and will aim to re-configure retail space to meet the on-going retail requirements of the major tenants.
- **Diversify tenant base.** The Manager will seek to further diversify its tenant base to balance Fortune REIT's portfolio exposure to certain retail sectors that are more susceptible to general economic cycles.
- **Create higher value retail rentable area.** The Manager also seeks to increase or enhance existing retail space by optimising space planning. This includes re-locating lower-rent paying tenants on lower floors to alternative spaces to make way for other potential tenants willing to pay a higher rent for premium spaces on the lower floors with good exposure to shopping traffic; or re-locating major tenants to enhance the positioning of other satellite spaces. This tenant re-mix strategy will be tied to lease expiries. If a large space is vacated, this space may be sub-divided into smaller spaces and used as a "holding" area for smaller existing tenants to re-locate in the short term while carrying out the re-mix exercise. This strategy effectively redistributes and enhances rental values.
- **Create more retail rentable area.** To the extent possible and permitted by the relevant Government leases, applicable building laws and regulations, the Manager will convert excess parking space or atrium space into retail space.
- **Expansion by maximising unutilised plots.** To the extent possible, where there is any unutilised plot ratio, consideration will be given to whether it is possible to capitalise the value of the unutilised plot ratio by the creation of additional retail space.
- **Raise the profile and visibility of the Properties.** The Manager will, through focused advertising and promotion, help to raise the profile of the Properties with a view to enhancing the value of the assets.

- *Capitalise on the growing number of PRC tourists.* Over the medium term, the Manager aims to capitalise on the growing number of PRC tourists visiting Hong Kong. In particular, the Manager intends to attract more PRC tourists to The Metropolis Mall, as it is strategically located adjacent to the Hung Hom KCRC station, the arrival point for a large number of PRC tourists. To capitalise on the proximity to the Hung Hom KCRC station, the Manager intends to develop a trademix at The Metropolis Mall that appeals to PRC tourists including jewellery, cosmetics, gifts, watches, dry foods, photographic equipment and fashion.

A cost-and-benefit analysis will be conducted by the Manager from time to time to evaluate the options and the Manager shall consider implementing such schemes to the extent that they will be yield-enhancing.

**Organic Growth Strategy.** The Manager's strategy for organic growth from the Properties will be to actively manage the portfolio in order to develop strong tenant relationships through the provision of proactive property-related services. Through such active portfolio management, the Manager will seek to maintain high tenant retention levels, which minimises vacancy levels and the associated interruptions in rental income, as well as the costs associated with marketing and leasing space to new tenants.

The Properties (excluding The Metropolis Mall and The Household Center) experienced average tenant lease renewal rates of 48.9% (in terms of the total number of leases expiring) and 63.9% (in terms of total Gross Rentable Area covered by the expiring leases) for the three months ended 31 March 2003. As the first tenancy of The Metropolis Mall and The Household Center commenced on 20 August 2002 and 30 July 2002, respectively, and the majority of the tenancies of The Metropolis Mall and The Household Center takes the form of a two-year or three-year lease, none of their leases expired as at 31 March 2003. The Manager will endeavour to lease out existing vacant space and also to replace or renew expiring leases to maximise Net Property Income.

The Manager intends to control operating expenses through the implementation of cost control management systems as currently used by the Sponsor such as the re-tendering of third party contracts, the reduction of manpower costs and the introduction of energy-saving devices to reduce utility costs. The Manager will also consider opportunities for asset enhancements when appropriate and as permitted by the Property Funds Guidelines, the relevant Government leases, the relevant Deeds of Mutual Covenant and the relevant authorities.

**Acquisition Growth Strategy.** The Manager will seek to capitalise on opportunities in the Hong Kong retail shopping mall sectors through property acquisitions that provide attractive cash flows and yields, together with the potential for net asset growth.

In evaluating acquisition opportunities, the Manager will focus on the following investment criteria:

- *Yield thresholds.* The Manager will seek to acquire properties with yields that are estimated to be above Fortune REIT's cost of capital and which are expected to maintain or enhance returns to the Unitholders.
- *Occupancy and tenant characteristics.* The Manager will seek to acquire properties with strong existing, or with the potential for higher, rental and tenant retention rates relative to competing properties in their respective markets. In addition, tenant credit quality will be evaluated in order to estimate delinquency probability. Rental rate and occupancy trends will also be evaluated prior to the acquisition of new properties.
- *Location.* The Manager will assess properties for convenient access to major roads, public transportation and proximity to highly populated areas.
- *Value-adding opportunities.* The Manager may also seek to acquire properties where there is potential to increase occupancy rates and improve value through active property management.
- *Building and facilities specifications.* The Manager will examine specifications such as compliance with building and zoning codes, as well as the size and age of the buildings. The potential to add value through selective renovation or other enhancements will also be assessed.

- *Engineering, environmental and land survey reports.* The Manager will rely on reports submitted by a range of experts that cover such matters as: (i) building deterioration; (ii) maintenance, repairs and capital expenditure requirements; (iii) environmental issues; and (iv) compliance with building regulations. These reports will be used to assess building conditions and expected levels of capital expenditure in the short to medium term.

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.

**Financing Strategy.** The Manager aims to optimise its capital structure and cost of capital of the Property Companies within the Property Funds Guidelines for borrowing and intends to use a combination of debt and equity to fund future acquisitions and property enhancements.

Upon Completion, the Property Companies will have borrowings (other than indebtedness owed to Fortune REIT) of HK\$990.0 million, or 31.0% of the Deposited Property based on the pro forma consolidated balance sheet as at 31 December 2002. This indebtedness will be financed by the Facility (as defined herein) which permits loans of up to HK\$1,100.0 million (equivalent to 34.4% of the Deposited Property based on the pro forma consolidated balance sheet as at 31 December 2002) (see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources” “— Indebtedness” for further details).

The Property Companies’ excess borrowing capacity will be available to meet future capital requirements relating to capital expenditures associated with the enhancement of the Properties. The Manager also intends to adopt a hedging strategy to manage the risks associated with changes in interest rates relating to its borrowings. In addition to its debt strategy, the Manager intends to capitalise on opportunities to raise additional equity capital for Fortune REIT through the issue of additional Units, if Fortune REIT has an appropriate use for such proceeds.

## BUSINESS AND PROPERTIES

### Overview

Fortune REIT is a Singapore-based unit trust with the investment objective of investing in real estate and real estate related assets. Fortune REIT is formed primarily to own and invest in a portfolio of retail shopping malls located in Hong Kong through the ownership of the Property Companies (or other companies whose primary purpose is to hold or own real properties) or directly in properties that Fortune REIT may acquire from time to time. Fortune REIT aims to produce stable distributions for Unitholders and to achieve long-term growth in the net asset value per Unit of Fortune REIT. The Manager aims to produce attractive total returns to Unitholders by, amongst other things: (i) growing through asset enhancements; (ii) actively managing Fortune REIT's property portfolio to achieve organic growth; (iii) acquiring properties that meet the Manager's investment criteria; and (iv) employing optimal debt and equity financing strategies. The Manager's principal investment strategy is to invest in real estate in Hong Kong which is income-producing and which is used, or substantially used, for retail purposes (see "Strategy").

Through the ownership of the Property Companies, Fortune REIT's property portfolio will, on the Listing Date, consist of the following retail shopping malls located in Hong Kong:

- **The Metropolis Mall**, a shopping mall in an established residential and commercial area in south Kowloon, is a part of The Metropolis, a 1.4 million sq ft integrated retail, office, hotel and service apartment development. It is connected to the Hung Hom KCRC station (a mass transportation centre which 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 undersea vehicular tunnel in Hong Kong that links Kowloon with Hong Kong Island), the 12,500-seat Hong Kong Coliseum, a major venue for concerts and events, and the Hong Kong Polytechnic University. It is positioned as an integrated retail and entertainment centre for the surrounding developments of over 16,000 apartment units, including The Metropolis Residence, The Royal Peninsula, the Whampoa Garden, the Whampoa Estate and the Hunghom Bay Centre.

The Metropolis Mall, a newly completed mall with its first tenancy having commenced on 20 August 2002, is still in the process of marketing some of its units. In order to ensure a stable level of cash flow while the existing vacant units of the mall are being marketed, the Sponsor and HWL will on Completion enter into the Rental Guarantee Deed with Vision Million Limited, the Property Company which owns The Metropolis Mall. Under the Rental Guarantee Deed, the Sponsor and HWL will undertake (on a several basis in equal shares pro-rated to their respective interests in the Vendor Company) for three years starting from the Listing Date, to effect top up payments to Vision Million Limited (i) if the Adjusted Net Property Income is less than HK\$90,000,000 per annum, to make up the difference between (a) HK\$90,000,000 per annum and (b) the Adjusted Net Property Income for the relevant period and (ii) if the Net Parking Space Income is less than HK\$4,296,000 per annum, to make up the difference between (a) HK\$4,296,000 per annum and (b) the Net Parking Space Income for the relevant period. The Adjusted Net Property Income and the Net Parking Space Income will be certified by the Auditors of Vision Million Limited at the end of each relevant period.

- **Ma On Shan Plaza**, a shopping mall which is part of the 1,102-unit Bayshore Towers residential complex, is situated in a strategic central location within Ma On Shan, Shatin, New Territories. The mall's residential catchment includes Ma On Shan, a new town with approximately 194,000 residents. The mall will be directly connected to the planned Ma On Shan station of KCRC's Ma On Shan Rail which is expected to be completed by the end of 2004.
- **The Household Center**, a new shopping mall (with its first tenancy having commenced on 30 July 2002), is part of the new 696-unit Nob Hill residential development situated in a developed urban centre in the district of Kwai Chung, New Territories. It is located above a bus terminal and is within walking distance of Mei Foo MTR station (which is situated along a mass transit railway line serving a number of districts in Kowloon and Hong Kong Island).

- **Smartland**, part of a shopping mall located in the densely populated district of Tsuen Wan, New Territories, features a 32,000 sq ft supermarket and a new identity card issuing immigration office (which is intended to serve the whole of the Tsuen Wan district, which has approximately 275,500 residents). It is opposite the 1,026-room Panda Hotel and is near the Tai Wo Hau MTR station (which is situated along a mass transit railway line serving a number of districts in Kowloon and Hong Kong Island).
- **Jubilee Court Shopping Centre**, a shopping mall which is part of the 2,260-unit residential development, Jubilee Garden, in the district of Fo Tan, Shatin, New Territories, is strategically located near the Shatin Racecourse and the Fo Tan KCRC station and is one KCRC station from The Chinese University of Hong Kong and the Shatin town centre. The mall is characterised by a number of tenants providing service and educational facilities including an elementary school, a kindergarten, a play group, a Christian centre and an immigration office.

Together, the Properties comprise approximately 1,028,191 sq ft of principally retail space and 676 parking lots as at 31 March 2003. For the year ended 31 December 2002, the Properties had an aggregate Gross Revenue of HK\$163.7 million. The Household Center and The Metropolis Mall commenced their first tenancies on 30 July 2002 and 20 August 2002, respectively. The Metropolis Mall did not contribute any Gross Revenue in the year ended 31 December 2001 and contributed Gross Revenue of HK\$11.2 million for the year ended 31 December 2002 and HK\$13.4 million for the three months ended 31 March 2003. Gross Revenue of The Household Center was HK\$4.1 million in the year ended 31 December 2002 (extracted from the unaudited management accounts of the company which owned The Household Center prior to its acquisition by Art Full Resources Limited) and HK\$5.4 million for the three months ended 31 March 2003.

The Manager believes that the Properties benefit from their strategic locations in their respective trade areas and their high levels of connectivity with public transportation that generate visitor traffic.

The Manager believes that the Properties have a diverse tenant base with over 350 tenants as at 31 March 2003. The 10 largest tenants (in terms of total Base Rental Income) across the portfolio contributed approximately 36.0% of total Base Rental Income from the Properties for the month ended 31 March 2003. In addition, for the same period, no more than 25.3% of total Base Rental Income and licence fees from the Properties was derived from any one retail sub-sector. For the same period, other than Park’N Shop, which accounted for 12.3% of total Base Rental Income from the Properties, no single tenant accounted for more than 5.0% of total Base Rental Income from the Properties.

For the three months ended 31 March 2003, the Properties (excluding The Metropolis Mall) had a weighted average occupancy rate of 95.3%. The average occupancy rate for The Metropolis Mall was 53.5% for the three months ended 31 March 2003.

The interests in the Properties are held by the Vendor Companies on long-term leases from the Hong Kong Government. On 7 July 2003, the Trustee, as trustee for Fortune REIT, entered into the Sale and Purchase Agreements with the Vendor Companies relating to the sale of the Property Company Shares by the Vendor Companies to the Trustee. (see “Certain Agreements Relating to Fortune REIT — Description of the Agreements to Acquire the Property Company Shares”). It is intended that the sale and purchase of the Property Company Shares will be completed on the date of commencement of trading of the Units on the SGX-ST. The aggregate Acquisition Value of the Properties is HK\$3,050.3 million, based on the minimum subscription price of the Offering Price Range, or HK\$3,106.8 million, based on the maximum subscription price of the Offering Price Range (in each case applying the Volume Discount only in respect of the Cornerstone Units and assuming that the Upsize Option and the Over-allotment Option are exercised in full), representing a discount of 6.9% and 5.1%, respectively, to the aggregate Appraised Value of the Properties of HK\$3,275.0 million as at 31 May 2003 as determined by Chesterton Petty Ltd, the Independent Valuer (see Appendix IV, “Independent Property Valuation Summary Reports”).

## Competitive Strengths

The Manager believes that the Properties benefit from the following competitive strengths:

- **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.
- **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.
- **High occupancy levels.** High occupancy levels (other than at The Metropolis Mall which is newly completed) 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.
- **Diverse tenant base.** For the month ended 31 March 2003, no more than 25.3% of total Base Rental Income and licence fees from the Properties was generated from any one retail sub-sector. For the same period, other than Park’N Shop which accounted for 12.3% of total Base Rental Income from the Properties, no single tenant contributed more than 5.0% of total Base Rental Income from the Properties. Other than Park’N Shop, the Properties benefit from diverse sources of income and are not dependent on any one retail sub-sector or small group of tenants.

## The Properties

The table below sets out certain information with respect to each of the Properties as at 31 March 2003:

Property	Acquisition Value (based on Minimum Subscription Price of HK\$4.60) <sup>(1)</sup> (HK\$ million)	Acquisition Value (based on Maximum Subscription Price of HK\$4.75) <sup>(1)</sup> (HK\$ million)	Gross Rentable Area (sq ft)	Original construction <sup>(2)</sup> (Year)	Completion of most recent expansion/renovation (Year)	Government lease expiry (Year)
The Metropolis Mall . . . . .	1,458.7	1,464.3	332,168	2001	—	2047
Ma On Shan Plaza . . . . .	897.0	933.7	310,084	1994	1998–9	2047
The Household Center. . . . .	232.9	232.9	91,779	2002	—	2048
Smartland . . . . .	258.3	258.3	123,544	1981	1999	2047
Jubilee Court Shopping Centre . . . . .	203.4	217.5	170,616	1986	1999	2047
<b>Total.</b> . . . . .	<b>3,050.3</b>	<b>3,106.8</b>	<b>1,028,191</b>			

### Notes:

- (1) The Acquisition Value represents the agreed acquisition value for each Property for the purpose of computing the purchase consideration for the applicable Property Company and assumes that the Upsize Option and Over-allotment Option are exercised in full and the Volume Discount is granted only in respect of the Cornerstone Units.
- (2) Original construction refers to the year in which the occupation permit in respect of the development/building of which the Property forms part was issued. The occupation permit is a written permission issued by the Building Authority certifying that the relevant development or building is fit for occupation.

The Properties generated an aggregate Gross Revenue of HK\$163.7 million and HK\$55.8 million for the year ended 31 December 2002 and for the three months ended 31 March 2003, respectively. For the year ended 31 December 2002, Ma On Shan Plaza accounted for 59.4% of Fortune REIT’s Gross Revenue. For the three months ended 31 March 2003, Ma On Shan Plaza accounted for 42.3% of Fortune REIT’s Gross Revenue for the same period.

## Gross Revenue

The table below sets out certain financial and other details for each of the Properties as at, and for the year ended, 31 December 2002:

Property	Annual Gross Revenue <sup>(1)</sup>	Annual Gross Revenue as a percentage of total Gross Revenue	Average Occupancy Rate <sup>(2)</sup> for the 12 months ended 31 December 2002	Average Occupancy Rate <sup>(2)</sup> for the three months ended 31 March 2003
	(HK\$ million)	(%)	(%)	(%)
The Metropolis Mall <sup>(3)</sup> . . . . .	11.2	6.8	—	53.5
Ma On Shan Plaza . . . . .	97.1	59.4	97.0	94.3
The Household Center <sup>(4)</sup> . . . . .	4.1	2.5	—	95.6
Smartland . . . . .	26.8	16.4	88.0	95.2
Jubilee Court Shopping Centre . . . . .	24.5	15.0	92.0	96.9
<b>Total.</b> . . . . .	163.7	100.0		

### Notes:

- (1) This information is based on the audited financial statements for the relevant Property Company (save in the case of The Household Center, which is based on the unaudited management accounts of the company which owned the property prior to its acquisition by the relevant Property Company), after pro forma adjustments as set out in Appendix III “Independent Accountants’ Report on the Pro Forma Financial Information” and is expressed to the nearest hundred thousand.
- (2) The average occupancy rate for each Property over the relevant period is derived by dividing the sum of the occupancy rates as at the end of each month during the relevant period for the relevant Property by the number of months in the relevant period.
- (3) The financial information in this table reflects the contribution of The Metropolis Mall commencing on 1 November 2002.
- (4) The financial information in this table reflects the contribution of The Household Center commencing on 1 October 2002.

## Valuation

The Properties were valued by Chesterton Petty Ltd, the Independent Valuer, on 31 May 2003. The Appraised Value of each Property is set out in the following table:

Property	Appraised Value <sup>(1)</sup> as at 31 May 2003	Percentage of Total Valuation
	(HK\$ million)	(%)
The Metropolis Mall . . . . .	1,560.0	47.7
Ma On Shan Plaza <sup>(2)</sup> . . . . .	970.0	29.6
The Household Center . . . . .	243.0	7.4
Smartland . . . . .	265.0	8.1
Jubilee Court Shopping Centre <sup>(3)</sup> . . . . .	237.0	7.2
<b>Total.</b> . . . . .	3,275.0	100.0

### Notes:

- (1) See “Independent Property Valuation Summary Reports” in Appendix IV.
- (2) Valuation takes into account certain restrictions on Poko Shine Limited under the terms of the Government lease relating to Ma On Shan Plaza summarised in the section “Certain Agreements relating to Fortune REIT — Ma On Shan Plaza”.
- (3) Valuation takes into account certain continuing obligations of and restrictions on Yee Pang Realty Limited under the terms of the Government lease summarised in the section “Certain Agreements relating to Fortune REIT — Jubilee Court Shopping Centre”.

## Occupancy

For the three months ended 31 March 2003, the Properties (excluding The Metropolis Mall) had a weighted average occupancy rate of 95.3%. The average occupancy rate for The Metropolis Mall was 53.5% for the three months ended 31 March 2003.

For the three years ended 31 December 2002, the Properties (excluding The Metropolis Mall and The Household Center) had average occupancy rates of 91.3% (Ma On Shan Plaza), 91.0% (Smartland) and 81.0% (Jubilee Court Shopping Centre), respectively.

The table below sets out information on the percentage of the total Gross Rentable Area of each of the Properties that was leased for the 12 months ended 31 December 2000, 2001 and 2002 and for the three months ended 31 March 2003:

Property	Average Occupancy Rate <sup>(1)</sup>			
	For the 12 months ended 31 December 2000	For the 12 months ended 31 December 2001	For the 12 months ended 31 December 2002	For the three months ended 31 March 2003
	(%)	(%)	(%)	(%)
The Metropolis Mall <sup>(2)</sup> . . . . .	—	—	—	53.5
Ma On Shan Plaza . . . . .	85.0	92.0	97.0	94.3
The Household Center <sup>(3)</sup> . . . . .	—	—	—	95.6
Smartland . . . . .	94.0	91.0	88.0 <sup>(4)</sup>	95.2
Jubilee Court Shopping Centre . . . . .	69.0	82.0	92.0	96.9
<b>Weighted average<sup>(5)</sup> . . . . .</b>	<b>82.3</b>	<b>89.0</b>	<b>93.8</b>	<b>81.8</b>

### Notes:

- (1) The average occupancy rate for each Property over the relevant period is derived by dividing the sum of the occupancy rates as at the end of each month during the relevant period for the relevant Property by the number of months in the relevant period.
- (2) The first tenancy of The Metropolis Mall commenced on 20 August 2002.
- (3) The first tenancy of The Household Center commenced on 30 July 2002.
- (4) Smartland's average occupancy rate of 88.0% for the year ended 31 December 2002 reflected a six-month vacant period between April 2002 and October 2002 in respect of a Gross Rentable Area of approximately 10,000 sq ft due to the termination of a lease and vacation of the premises by a tenant in April 2002.
- (5) The weighted average occupancy rate is derived by dividing the sum of the average occupied areas of each of the Properties shown in the relevant column by the total Gross Rentable Area of all the Properties shown in that column. The average occupied area of a Property is derived by multiplying the average occupancy rate of that Property by the Gross Rentable Area of that Property.

## Tenant Profile

The major tenants of the Properties include some of the major retailers in Hong Kong, such as Park'N Shop and Fortress (a supermarket chain and a retailer of electrical appliances in Hong Kong respectively and directly or indirectly (as the case may be) owned by HWL) and Maxim's Chinese Restaurant. Other than Park'N Shop, the Properties benefit from a diverse tenant base, with the 10 largest tenants in terms of total Base Rental Income accounting for 36.0% of total Base Rental Income for the month ended 31 March 2003.

In addition, for the month ended 31 March 2003, no more than 25.3% of total Base Rental Income and licence fees was derived from any one retail sub-sector. For the same period, other than Park'N Shop, which accounted for 12.3% of total Base Rental Income from the Properties, no single tenant accounted for more than 5.0% of total Base Rental Income from the Properties.

The table below sets out information on the 10 largest tenants of the Properties as at 31 March 2003 in terms of total Base Rental Income, for the month ended 31 March 2003:

Tenant	Trade Sub-sector	Expiry date	Total Gross Rentable Area (sq ft)	Percentage of total Gross Rentable Area (%)	Percentage of total Base Rental Income <sup>(1)(2)</sup> (%)
Park'N Shop <sup>(3)</sup>	Supermarket	August 2004 August 2004 July 2005 July 2005 October 2005	56,348 8,229 41,178 32,142 6,376	14.0	12.3
Maxim's Chinese Restaurant <sup>(4)</sup>	Food and Beverage/ Food Court	August 2005	49,014	4.8	5.0
Kopitiam <sup>(5)</sup>	Food and Beverage/ Food Court	August 2005	31,966	3.1	3.7
International Christian Schools Limited	Service/Education	August 2004 August 2004	33,303 1,282	3.4	2.9
Choi Fook Seafood Restaurant <sup>(6)</sup>	Food and Beverage/ Food Court	August 2008	16,971	1.7	2.8
Fook Ho Seafood Hotpot Restaurant <sup>(7)</sup>	Food and Beverage/ Food Court	May 2006	22,920	2.2	2.5
Shanghai Commercial Bank Limited	Banking & Real Estate Services	August 2005 October 2005	463 5,863	0.6	1.9
Glorious Seafood Restaurant <sup>(8)</sup>	Food and Beverage/ Food Court	July 2008	13,515	1.3	1.7
Hong Kong Jockey Club	Leisure & Entertainment/ Sports & Fitness	April 2003 <sup>(9)</sup>	7,908	0.8	1.6
Fortress <sup>(3)</sup>	Gifts & Speciality/ Books/Hobbies/ Toys/Jewellery	July 2004 January 2006	11,690 1,627	1.3	1.6
10 largest tenants by total Base Rental Income			340,795	33.2	36.0
Other tenants			508,739	49.5	64.0
Vacant space			178,657	17.3	N/A
<b>Total</b>			<b>1,028,191</b>	<b>100.0</b>	<b>100.0</b>

**Notes:**

- (1) Calculated on the basis of each tenant's percentage contribution to total Base Rental Income of the Properties for the month ended 31 March 2003.
- (2) Match Power Investment Limited and Vigour Limited are monthly licensees of The Metropolis Mall and contributed 4.0% and 1.9%, respectively, of the aggregate of the total Base Rental Income and licence fees.
- (3) The tenant under the tenancy agreement is A.S. Watson Group (H.K.) Limited.
- (4) The tenant under the tenancy agreement is Maxim's Caterers Limited.
- (5) The tenant under the tenancy agreement is Best Partner Resources Limited. As at 30 June 2003, this tenant was in arrears of rent. Cheung Kong Property Development Limited, the letting agent responsible for The Metropolis Mall is in discussion with the tenant to settle such arrears.
- (6) The tenant under the tenancy agreement is Profit Bright Development Limited. As at 30 June 2003, this tenant was in arrears of rent. Cheung Kong Property Development Limited, the letting agent responsible for The Metropolis Mall, agreed to allow for payment of the arrears in instalments, the final instalment falling due on 15 April 2004. As at 30 June 2003, the tenant had paid all instalments falling due in a timely manner.
- (7) The tenant under the tenancy agreement is Team Field Limited. As at 30 June 2003, this tenant was in arrears of rent. Cheung Kong Property Development Limited, the letting agent responsible for Smartland, agreed to allow for payment of the arrears for April and May 2003 in instalments, the final instalment falling due on 15 July 2003. As at 30 June 2003, the tenant had paid all scheduled instalments of arrears falling due in a timely manner but was in arrears of rent for the month of June 2003. The letting agent is in discussion with the tenant to settle the arrears for June 2003.
- (8) The tenant under the tenancy agreement is Glorious Wealth Limited.
- (9) The lease was renewed in April 2003 for a further period of three years ending in April 2006.

The table below sets out details of the Properties' overall tenant diversification, in terms of trade sub-sector by reference to leased Gross Rentable Area:

As at and for the month ended 31 March 2003						
Trade Sub-sector	Percentage of total leased Gross Rentable Area <sup>(1)</sup>					
	The Metropolis Mall	Ma On Shan Plaza	The Household Center	Smartland	Jubilee Court Shopping Centre	Portfolio
	(%)	(%)	(%)	(%)	(%)	(%)
Banking & Real Estate Services . . . . .	25.1	8.9	0.5	0.1	0.9	8.7
Community Services . . . . .	0.0	0.2	0.0	11.0	19.6	5.5
Electronics/IT . . . . .	0.0	0.8	0.0	0.6	0.0	0.4
Fashion & Shoes. . . . .	5.5	4.0	0.7	3.1	0.0	3.1
Food & Beverage/Food Court . . . . .	36.8	26.3	21.9	29.4	17.0	26.7
Gifts & Speciality/Books/ Hobbies/Toy/Jewellery . . . . .	6.0	8.5	3.4	2.7	0.4	5.0
Homeware & Home Furnishings . . . . .	11.4	6.0	3.0	0.7	4.8	5.9
Leisure & Entertainment/ Sports & Fitness . . . . .	3.1	9.1	0.0	9.9	0.0	5.2
Service/Education . . . . .	4.9	15.3	21.9	14.5	43.2	19.1
Supermarket. . . . .	3.5	19.2	46.9	27.3	4.9	17.0
Wet Markets . . . . .	0.0	0.0	0.0	0.0	1.7	0.3
Others . . . . .	3.7	1.7	1.7	0.7	7.5	3.1
<b>Total</b> . . . . .	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

**Note:**

(1) Calculated on the basis of leased Gross Rentable Area as at 31 March 2003.

The table below sets out details of the Properties' overall tenant diversification, in terms of trade sub-sector by reference to Base Rental Income and licence fees:

Trade Sub-sector	As at and for the month ended 31 March 2003					
	Percentage of total Base Rental Income and licence fees <sup>(1)</sup>					
	The Metropolis Mall	Ma On Shan Plaza	The Household Center	Smartland	Jubilee Court Shopping Centre	Portfolio
	(%)	(%)	(%)	(%)	(%)	(%)
Banking & Real Estate Services . . . . .	23.2	20.1	1.5	0.7	2.9	14.6
Community Services . . . . .	0.0	0.1	0.0	7.2	15.4	2.7
Electronics/IT. . . . .	0.0	4.6	0.0	1.7	1.1	2.2
Fashion & Shoes . . . . .	7.1	6.0	2.5	6.9	0.0	5.3
Food & Beverage/Food Court . . . . .	34.1	19.3	24.9	35.9	16.2	25.3
Gifts & Speciality/Books/ Hobbies/Toys/Jewellery . . . . .	9.1	7.9	7.6	7.3	1.4	7.3
Homeware & Home Furnishings . . . . .	8.9	5.2	4.1	1.1	2.6	5.2
Leisure & Entertainment/Sports & Fitness . . . . .	5.4	7.3	0.0	8.8	0.0	5.3
Service/Education . . . . .	8.0	15.1	23.3	15.1	45.7	17.8
Supermarket . . . . .	2.2	12.0	31.3	13.5	7.0	11.2
Wet Markets . . . . .	0.0	0.0	0.0	0.0	6.0	0.7
Others . . . . .	2.0	2.4	4.8	1.8	1.7	2.4
<b>Total</b> . . . . .	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

**Note:**

(1) Calculated on the basis of the percentage contribution of all tenants within each trade sub-sector to the aggregate of the Base Rental Income and licence fees for the month ended 31 March 2003.

## Expiries and Renewals

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.

The table below sets out information on the expired leases that were renewed or replaced with respect to each of the Properties (excluding The Metropolis Mall and The Household Center) during the years ended 31 December 2000, 2001 and 2002 and for the three months ended 31 March 2003, respectively:

Years ended 31 December 2000, 2001 and 2002 and three months ended 31 March 2003	Number of leases expired <sup>(1)</sup>	Gross Rentable Area of expired leases  (sq ft)	Number of expired leases renewed	Total renewed Gross Rentable Area  (sq ft)	Renewal rate by number of leases  (%)	Renewal rate by expired leased area  (%)
2000 . . . . .	122	161,933.0	60	88,537.0	49.2	54.7
2001 . . . . .	144	298,161.0	74	206,240.0	51.4	69.2
2002 . . . . .	147	234,944.0	89	168,675.0	60.5	71.8
31 March 2003 . . . . .	47	33,455.0	23	21,363.0	48.9	63.9
<b>Total/Average . . . . .</b>	<b>460</b>	<b>728,493.0</b>	<b>246</b>	<b>484,815.0</b>	<b>53.5</b>	<b>66.6</b>

**Note:**

(1) Leases which were terminated early have been included as expired leases. The first lease of The Metropolis Mall commenced on 20 August 2002 and the first lease of The Household Center commenced on 30 July 2002.

The table below sets out details of expiries in respect of the tenancies and licences for the Properties which, as at 31 March 2003, are scheduled to take place during the periods indicated:

Period	Number of tenancies and licences expiring	Gross Rentable Area of tenancies and licences expiring  (sq ft)	Area of tenancies and licences expiring as a percentage of total Gross Rentable Area  (%)	Monthly Base Rental Income of expiring tenancies and licence fees of expiring licences <sup>(1)</sup>  (HK\$)	Percentage of total Base Rental Income <sup>(2)</sup> of expiring tenancies and licence fees of expiring licences <sup>(2)</sup>  (%)
<b>Tenancies</b>					
31 March to 31 December 2003 . . . . .	117	115,797	11.3	2,016,448.1	16.1
1 January to 31 December 2004 . . . . .	144	254,036	24.7	3,794,278.8	30.3
1 January to 31 December 2005 . . . . .	81	308,065	30.0	4,261,882.5	34.0
1 January to 31 December 2006 and beyond. . . . .	15	101,602	9.9	1,283,926.0	10.2
Vacant space . . . . .	N/A	178,657	17.4	N/A	N/A
Subtotal . . . . .	357	958,157	93.3	11,356,535.4	90.6

<b>Period</b>	<b>Number of tenancies and licences expiring</b>	<b>Gross Rentable Area of tenancies and licences expiring</b> (sq ft)	<b>Area of tenancies and licences expiring as a percentage of total Gross Rentable Area</b> (%)	<b>Monthly Base Rental Income of expiring tenancies and licence fees of expiring licences<sup>(1)</sup></b> (HK\$)	<b>Percentage of total Base Rental Income<sup>(2)</sup> of expiring tenancies and licence fees of expiring licences<sup>(2)</sup></b> (%)
<b>Licences</b>					
31 March to 31 December 2003 . . . . .	32	9,363	0.9	111,466.8	0.9
1 January to 31 December 2004 . . . . .	46	2,757	0.3	285,491.8	2.3
1 January to 31 December 2005 . . . . .	14	656	0.0	27,552.0	0.2
1 January to 31 December 2006 and beyond. . . . .	1	—	—	1,700.0	0.0
Monthly <sup>(3)</sup> . . . . .	7	57,258	5.5	752,336.0	6.0
Subtotal . . . . .	100	70,034	6.7	1,178,546.6	9.4
<b>Total</b> . . . . .	<b>457</b>	<b>1,028,191</b>	<b>100.0</b>	<b>12,535,082.0</b>	<b>100.0</b>

**Notes:**

- (1) Base Rental Income in respect of expiring tenancies and licence fees in respect of expiring licences for the periods mentioned are calculated on the basis of aggregate Base Rental Income payable under the expiring tenancies and licence fees payable under the expiring licences for the month ended 31 March 2003.
- (2) Base Rental Income and licence fees are calculated for the month ended 31 March 2003.
- (3) Includes two licence agreements signed with Match Power Investment Limited and Vigour Limited respectively in respect of The Metropolis Mall.

**Renovation of the Properties**

Smartland has undergone significant refurbishment since its acquisition by the relevant Vendor Company. In 1999, Smartland was substantially refurbished and renovated at a cost of HK\$9.6 million. From November 1998 to April 1999, renovation works were also carried out at Jubilee Court Shopping Centre at an aggregate cost of HK\$10.6 million. Ma On Shan Plaza was renovated in 1998 and 1999. Renovation works were carried out on sections of levels 2 and 3 of Ma On Shan Plaza and on the food court of Ma On Shan Plaza. These renovation works cost HK\$11.5 million.

The works carried out at these Properties generally involved the erection of external and internal signages, renovation of the flooring and refurbishment of the exterior and interior areas of the buildings.

**THE METROPOLIS MALL**

The Metropolis Mall is owned by Vision Million Limited, a company incorporated on 22 August 2001 in the British Virgin Islands. Vision Million Limited is a single purpose company whose sole business activity is the ownership and operation of The Metropolis Mall.

The Metropolis Mall, a shopping mall located in an established residential and commercial area in south Kowloon, is a part of The Metropolis, a 1.4 million sq ft integrated retail, office, hotel and service apartment development. It is connected to the Hung Hom KCRC station (a mass transportation centre which 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 undersea vehicular tunnel in Hong Kong that links Kowloon with Hong Kong Island), the 12,500-seat Hong Kong Coliseum, a major venue for concerts and events and the Hong Kong Polytechnic University. As at 31 March 2003, it comprised a three-level retail shopping podium with a total Gross Floor Area of 344,055 sq ft and a total Gross Rentable Area of 332,168 sq ft (excluding parking space) and had 179 parking lots.

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

For the three months ended 31 March 2003, The Metropolis Mall had an average occupancy rate of 53.5% and the mall had 57 individual leases as at 31 March 2003. It is positioned as an integrated retail and entertainment centre for the surrounding developments of over 16,000 apartment units. The targeted visitors to The Metropolis Mall include:

- residents of the adjacent serviced apartments called The Metropolis Residence and nearby residential developments including The Royal Peninsula, the Whampoa Garden, the Whampoa Estate and Hunghom Bay Centre and the workers in the office complex called The Metropolis Tower;
- local commuters to and from the New Territories using the Hung Hom KCRC station;
- local commuters using the Hung Hom bus terminal and the Cross Harbour Tunnel;
- tourists and business visitors (in particular those from the PRC) using the Hung Hom KCRC station;
- guests of The Harbour Plaza Metropolis (a 690-room hotel) and two hotels to be constructed by the Cheung Kong Group in Hung Hom Bay, which are expected to be completed in 2005;
- approximately 25,800 students and academics at the Hong Kong Polytechnic University; and
- patrons of the 12,500-seat Hong Kong Coliseum.

The Metropolis Mall has parking facilities comprising 179 parking lots in total. The parking facilities will, on Completion, be subject to the overall management by the Property Manager.

The Metropolis Mall, a newly completed mall with its first tenancy having commenced on 20 August 2002, is still in the process of marketing some of its units. In order to ensure a stable level of cash flow while the existing vacant units of the mall are being marketed, the Sponsor and HWL will on Completion enter into the Rental Guarantee Deed with Vision Million Limited. Under the Rental Guarantee Deed, the Sponsor and HWL will undertake (on a several basis in equal shares pro-rated to their respective interests in the Vendor Company) for three years starting from the Listing Date, to effect top up payments to Vision Million Limited (i) if the Adjusted Net Property Income is less than HK\$90,000,000 per annum, to make up the difference between (a) HK\$90,000,000 per annum and (b) the Adjusted Net Property Income for the relevant period and (ii) if the Net Parking Space Income is less than HK\$4,296,000 per annum, to make up the difference between (a) HK\$4,296,000 per annum and (b) the Net Parking Space Income for the relevant period. The Adjusted Net Property Income and the Net Parking Space Income will be certified by the Auditors of Vision Million Limited at the end of each relevant period.

The Metropolis Mall is held under a Government lease for a term commencing from 14 February 1997 to 30 June 2047. As at 31 May 2003, The Metropolis Mall was valued at HK\$1,560.0 million by Chesterton Petty Ltd, the Independent Valuer (see the "Independent Property Valuation Summary Reports" set out at Appendix IV of this Prospectus).

### **Tenant Profile**

The largest tenants of The Metropolis Mall (in terms of Base Rental Income) include Park'N Shop, Choi Fook Seafood Restaurant, Kopitiam and Ryo-zan Paku Japanese Restaurant. The majority of the leases of The Metropolis Mall's 10 largest tenants (in terms of total Base Rental Income) is for a term of two to three years, with an option for the tenants to renew the leases at expiry.

Reflecting its position as an integrated retail and entertainment centre, The Metropolis Mall offers a range of retail stores. For the month ended 31 March 2003, food and beverage and food court providers were the most significant contributor to the aggregate Base Rental Income and licence fees of The Metropolis Mall, accounting for 34.1% of the aggregate Base Rental Income and licence fees.

The table below sets out information on the 10 largest tenants of The Metropolis Mall as at 31 March 2003 in terms of Base Rental Income, for the month ended 31 March 2003:

<u>Tenant</u>	<u>Trade Sub-sector</u>	<u>Expiry date</u>	<u>Total Gross Rentable Area</u> (sq ft)	<u>Percentage of total Gross Rentable Area</u> (%)	<u>Percentage of total Base Rental Income</u> <sup>(1)(12)</sup> (%)
Kopitiam <sup>(2)</sup> . . . . .	Food and Beverage/Food Court	August 2005	31,966	9.6	17.3
Choi Fook Seafood Restaurant <sup>(3)</sup> . . . . .	Food and Beverage/Food Court	August 2008	16,971	5.1	13.5
Ryo-zan Paku Japanese Restaurant <sup>(4)</sup> . . . . .	Food and Beverage/Food Court	February 2009	7,464	2.2	4.4
Country Road <sup>(5)</sup> . . . . .	Food and Beverage/Food Court	September 2005	3,272	1.0	3.8
Park'N Shop <sup>(6)</sup> . . . . .	Supermarket	October 2005	6,376	1.9	2.9
Delicious Kitchen <sup>(7)</sup> . . . . .	Food and Beverage/Food Court	November 2005	3,000	0.9	2.5
9 <sup>th</sup> Comfort <sup>(8)</sup> . . . . .	Leisure and Entertainment/Sports & Fitness	September 2004	1,179	0.4	2.2
Legend Home Collections <sup>(9)</sup> . . . . .	Homeware & Home Furnishings	October 2003	5,184	1.6	2.2
Baleno <sup>(10)</sup> . . . . .	Fashion & shoes	November 2005	3,016	0.9	2.0
I&D <sup>(11)</sup> . . . . .	Homeware & Home Furnishings	September 2005	2,523	0.8	1.8
10 largest tenants by total Base Rental Income . . . . .			80,951	24.4	52.6
Other tenants <sup>(12)</sup> . . . . .			102,883	31.0	47.4
Vacant space . . . . .			148,334	44.6	—
<b>Total</b> . . . . .			<b>332,168</b>	<b>100.0</b>	<b>100.0</b>

**Notes:**

- (1) Calculated on the basis of each tenant's percentage contribution to Base Rental Income of the Property for the month of 31 March 2003.
- (2) The tenant under the tenancy agreement is Best Partner Resources Limited. As at 30 June 2003, this tenant was in arrears of rent. Cheung Kong Property Development Limited, the letting agent responsible for The Metropolis Mall, is in discussion with the tenant to settle such arrears.
- (3) The tenant under the tenancy agreement is Profit Bright Development Limited. As at 30 June 2003, this tenant was in arrears of rent. The letting agent agreed to allow for payment of the arrears in instalments, the final instalment falling due on 15 April 2004. As at 30 June 2003, the tenant had paid all instalments falling due in a timely manner.
- (4) The tenant under the tenancy agreement is World Classic Investment Limited.
- (5) The tenant under the tenancy agreement is Triple Way Asia Limited.
- (6) The tenant under the tenancy agreement is A.S. Watson Group (H.K.) Limited.
- (7) The tenant under the tenancy agreement is World Victory Holdings Limited.
- (8) The tenant under the tenancy agreement is Migo (China) Limited.
- (9) The tenant under the tenancy agreement is Legend Interiors Limited.
- (10) The tenant under the tenancy agreement is Grand Nice Development Limited.
- (11) The tenant under the tenancy agreement is I&D Holdings Limited.
- (12) Match Power Investment Limited and Vigour Limited are monthly licensees of The Metropolis Mall and contributed 15.8% and 7.4%, respectively, of the total Base Rental Income and licence fees of the Property for the month ended 31 March 2003.

The Property's major tenants in terms of Gross Rentable Area leased at The Metropolis Mall are Choi Fook Seafood Restaurant and Kopitiam. For the month ended 31 March 2003, the Property's 10 largest

tenants by total Base Rental Income contributed 52.6% of the total Base Rental Income of The Metropolis Mall.

### Expiries and Renewals

As the first tenancy of The Metropolis Mall only commenced on 20 August 2002 and the majority of tenancies takes the form of a two-year to three-year lease with an option for the tenants to renew the leases at expiry, none of the leases expired during the three months ended 31 March 2003 and about 11.9% by Base Rental Income and licence fees of the leases and licences totalling 15,521.0 sq ft of the Gross Rentable Area will be due for renewal by 31 December 2004. During the period commencing on 1 April 2003 and ending on 31 May 2003, one of the leases of The Metropolis Mall which constituted 0.9% of the total Base Rental Income of The Metropolis Mall was pre-terminated and the space is currently being marketed.

The table below sets out details of expiries in respect of the tenancies and licences for The Metropolis Mall which, as at 31 March 2003, are scheduled to take place during the periods indicated:

Period	Number of tenancies and licences expiring	Gross Rentable Area of tenancies and licences expiring  (sq ft)	Area of tenancies and licences expiring as a percentage of total Gross Rentable Area  (%)	Monthly Base Rental Income of expiring tenancies and licence fees of expiring licences <sup>(1)</sup>  (HK\$)	Percentage of total Base Rental Income of expiring tenancies and licence fees of expiring licences <sup>(2)</sup>  (%)
<b>Tenancies</b>					
31 March to 31 December 2003 . . . . .	1	5,184	1.5	51,840.0	1.6
1 January to 31 December 2004 . . . . .	17	15,521	4.7	379,745.0	11.9
1 January to 31 December 2005 . . . . .	29	73,338	22.1	1,310,391.0	41.2
1 January to 31 December 2006 and beyond. . . . .	10	40,404	12.1	656,466.0	20.7
Vacant space <sup>(4)</sup> . . . . .	N/A	148,334	44.7	N/A	N/A
Subtotal . . . . .	57	282,781	85.1	2,398,442.0	75.4
<b>Licences</b>					
31 March to 31 December 2003 . . . . .	1	— <sup>(3)</sup>	—	20,000.0	0.6
1 January to 31 December 2004 . . . . .	2	666	0.2	22,000.0	0.7
1 January to 31 December 2005 . . . . .	1	656	0.2	3,000.0	0.1
Monthly <sup>(5)</sup> . . . . .	3	48,065	14.5	737,536.0	23.2
Subtotal . . . . .	7	49,387	14.9	782,536.0	24.6
<b>Total</b> . . . . .	64	332,168	100.0	3,180,978.0	100.0

**Notes:**

- (1) Base Rental Income in respect of expiring tenancies and licence fees in respect of expiring licences for the periods mentioned are calculated on the basis of Base Rental Income payable under the expiring tenancies and licence fees payable under the expiring licences for the month ended 31 March 2003.
- (2) Base Rental Income and licence fees are calculated for the month ended 31 March 2003.
- (3) This licence relates to signage and does not account for any Gross Rentable Area.
- (4) Includes current vacant space in The Metropolis Mall which is still being marketed but does not factor in the top up payment obligations of the Sponsor and Hutchison Whampoa Limited under the Rental Guarantee Deed.
- (5) Includes licence agreements signed with Match Power Investment Limited and Vigour Limited, respectively.

## MA ON SHAN PLAZA

Ma On Shan Plaza is owned by Poko Shine Limited, a company incorporated on 22 August 1991 in Hong Kong. Poko Shine Limited is a single-purpose company whose sole business activity is the ownership and operation of Ma On Shan Plaza.

Ma On Shan Plaza is a shopping mall located in a strategic central location within Ma On Shan, Shatin, New Territories and is part of the 1,102-unit Bayshore Towers residential complex. The KCRC is currently constructing a connection between the mall and the planned Ma On Shan station of KCRC's Ma On Shan Rail which is expected to be completed by the end of 2004.

As at 31 March 2003, Ma On Shan Plaza comprised a shopping arcade on level two and level three with a total Gross Floor Area of 319,560 sq ft and a total Gross Rentable Area of 310,084 sq ft (excluding parking space). As at 31 March 2003, Ma On Shan Plaza was approximately 94.6% leased, with 137 individual leases.

Ma On Shan Plaza is easily accessible to shoppers using public transportation, taxis and franchised buses and has a high level of accessibility with the public light bus terminal, taxi waiting area and bus station on its ground floor level. The volume of pedestrian traffic is expected to increase with the completion of the Ma On Shan Rail KCRC station (which will be directly connected to Ma On Shan Plaza) expected to be completed by the end of 2004. Ma On Shan Plaza is linked to the adjacent 4,760-unit Sunshine City residential development via two covered footbridges. It is also linked to the 5.5-hectare Ma On Shan Park via a covered footbridge. The residential catchment of Ma On Shan Plaza includes Ma On Shan, a new town which has approximately 194,000 residents as well as tourists from the newly opened 831-room Horizon Suite Hotel (a hotel owned by the Cheung Kong Group).

Ma On Shan Plaza has parking facilities at the basement level, comprising 290 parking lots in total. The parking facilities will, on Completion, be subject to the overall management by the Property Manager.

Ma On Shan Plaza is held under a Government lease for a term commencing from 6 December 1991 to 30 June 2047. As at 31 May 2003, Ma On Shan Plaza was valued at HK\$970.0 million by Chesterton Petty Ltd, the Independent Valuer (see the "Independent Property Valuation Summary Reports" set out at Appendix IV of this Prospectus).

### **Tenant Profile**

Ma On Shan Plaza's largest tenants (in terms of Base Rental Income) are mostly local retailers with a strong brand recognition in Hong Kong including Maxim's Chinese Restaurant and Park'N Shop. The majority of the leases of Ma On Shan Plaza's 10 largest tenants is for a term of two to three years, with an option for the tenants to renew at expiry.

For the month ended 31 March 2003, banking and real estate services providers were the most significant contributors to the aggregate Base Rental Income and licence fees of Ma On Shan Plaza, accounting for 20.1% of aggregate Base Rental Income and licence fees.

The table below sets out information on the 10 largest tenants of Ma On Shan Plaza as at 31 March 2003 in terms of Base Rental Income, for the month ended 31 March 2003:

<u>Tenant</u>	<u>Trade Sub-sector</u>	<u>Expiry date</u>	<u>Total Gross Rentable Area</u>	<u>Percentage of total Gross Rentable Area</u>	<u>Percentage of total Base Rental Income<sup>(1)(4)</sup></u>
			<b>(sq ft)</b>	<b>(%)</b>	<b>(%)</b>
Park'N Shop <sup>(2)</sup> . . . . .	Supermarket	August 2004	56,348	18.2	12.6
Maxim's Chinese Restaurant <sup>(3)</sup> . . . . .	Food and Beverage/ Food Court	August 2005	49,014	15.8	12.0
Shanghai Commercial Bank Limited . . . . .	Banking & Real Estate Services	October 2005	5,863	1.9	4.4
Hong Kong Jockey Club . . . . .	Leisure & Entertainment/ Sports & Fitness	April 2003 <sup>(5)</sup>	7,908	2.5	3.9
Standard Chartered Bank	Banking & Real Estate Services	August 2005	3,740	1.2	3.4
Chiyu Banking Corporation Limited. . . . .	Banking & Real Estate Services	August 2004	3,229	1.0	3.3
Fortress <sup>(2)</sup> . . . . .	Gifts & Speciality/ Books/Hobbies/ Toy/Jewellery	July 2004	11,690	3.8	3.1
Dao Heng Bank Limited	Banking & Real Estate Services	July 2003 <sup>(6)</sup>	3,654	1.2	2.8
Watson's <sup>(2)</sup> . . . . .	Service/Education	August 2004	5,447	1.8	2.5
Japan Home Centre (H.K.) Limited . . . . .	Homeware and Home Furnishings	November 2003	8,013	2.6	2.2
10 largest tenants by total Base Rental Income . . . . .			154,906	50.0	50.2
Other tenants <sup>(4)</sup> . . . . .			138,299	44.6	49.8
Vacant space . . . . .			16,879	5.4	—
<b>Total.</b> . . . . .			<b>310,084</b>	<b>100.0</b>	<b>100.0</b>

**Notes:**

- (1) Calculated on the basis of each tenant's percentage contribution to Base Rental Income of the Property for the month of 31 March 2003.
- (2) The tenant under the tenancy agreement is A.S. Watson Group (H.K.) Limited.
- (3) The tenant under the tenancy agreement is Maxim's Caterers Limited.
- (4) Hutchison Telephone Company Limited occupies the premises for the erection, installation and operation of certain antennae under a licence agreement and contributed 3.6% of the total monthly Base Rental Income and licence fees of the Property.
- (5) The lease was renewed in April 2003 for a further period of three years ending in April 2006.
- (6) The tenant has exercised the option to renew the tenancy for two years. The monthly rent payable during the renewed term has not yet been agreed.

The Property's Anchor Tenants are Park'N Shop and Maxim's Chinese Restaurant. For the month ended 31 March 2003, the Property's 10 largest tenants by total Base Rental Income contributed 50.2% of the total Base Rental Income of Ma On Shan Plaza.

## Expiries and Renewals

Ma On Shan Plaza was completed in 1994 and the majority of the tenancies takes the form of a three-year lease agreement with an option for the tenants to renew the leases at expiry. About 42.5% by Base Rental Income and licence fees of the leases and licences totalling 134,980.0 sq ft of Gross Rentable Area will be due for renewal by 31 December 2004. Of the 13 leases that have expired during the period commencing on 1 April 2003 and ending on 31 May 2003, 76.9% of these leases, which constituted 94.8% of the Gross Rentable Area of such leases which expired during this period were renewed.

The following table sets out information on leases at Ma On Shan Plaza that have expired and those that were renewed by the existing tenants during the years ended 31 December 2000, 2001, 2002 and for the three months ended 31 March 2003, respectively:

<b>Years ended 31 December 2000, 2001, 2002 and three months ended 31 March 2003</b>	<b>Number of leases expired<sup>(1)</sup></b>	<b>Gross Rentable Area of expired leases  (sq ft)</b>	<b>Number of leases renewed</b>	<b>Renewed Gross Rentable Area  (sq ft)</b>	<b>Renewal rate by number of leases  (%)</b>	<b>Renewal rate by expired leased area  (%)</b>
2000. . . . .	54	57,921	36	39,784	66.7	68.7
2001. . . . .	64	182,605	36	160,635	56.3	88.0
2002. . . . .	74	134,800	42	104,176	56.8	77.3
31 March 2003. . . . .	25	20,998	13	13,442	52.0	64.0
<b>Total/Average . . . . .</b>	<b>217</b>	<b>396,324</b>	<b>127</b>	<b>318,037</b>	<b>58.5</b>	<b>80.2</b>

**Note:**

(1) Leases which were terminated early have been included as expired leases.

The table below sets out details of expiries in respect of the tenancies and licences for Ma On Shan Plaza which, as at 31 March 2003, are scheduled to take place during the periods indicated:

Period	Number of tenancies and licences expiring	Gross Rentable Area of tenancies and licences expiring (sq ft)	Area of tenancies and licences expiring as a percentage of total Gross Rentable Area (%)	Monthly Base Rental Income of expiring tenancies and licence fees of expiring licences <sup>(1)</sup> (HK\$)	Percentage of total Base Rental Income of expiring tenancies and licence fees of expiring licences <sup>(2)</sup> (%)
<b>Tenancies</b>					
31 March to 31 December 2003 . . . . .	51	55,075	17.8	1,161,889.0	23.1
1 January to 31 December 2004 . . . . .	62	134,980	43.5	2,143,604.0	42.5
1 January to 31 December 2005 . . . . .	22	93,530	30.2	1,409,325.0	28.0
1 January to 31 December 2006 and beyond. . . . .	2	4,558	1.5	49,460.0	1.0
Vacant space . . . . .	N/A	16,879	5.4	N/A	N/A
Subtotal . . . . .	137	305,022	98.4	4,764,278.0	94.6
<b>Licences</b>					
31 March to 31 December 2003 . . . . .	16	3,141	1.0	53,438.0	1.1
1 January to 31 December 2004 . . . . .	13	— <sup>(3)</sup>	—	194,414.0	3.9
1 January to 31 December 2005 . . . . .	5	— <sup>(3)</sup>	—	5,901.0	0.1
1 January to 31 December 2006 and beyond. . . . .	1	— <sup>(3)</sup>	—	1,700.0	0.0
Monthly . . . . .	1	1,921	0.6	14,800.0	0.3
Subtotal . . . . .	36	5,062	1.6	270,253.0	5.4
<b>Total</b> . . . . .	173	310,084	100.0	5,034,531.0	100.0

**Notes:**

- (1) Base Rental Income in respect of expiring tenancies and licence fees in respect of expiring licences for the periods mentioned are calculated on the basis of Base Rental Income payable under the expiring tenancies and licence fees payable under the expiring licences for the month ended 31 March 2003.
- (2) Base Rental Income and licence fees are calculated for the month ended 31 March 2003.
- (3) These licences relate to signages and do not account for any Gross Rentable Area.

## THE HOUSEHOLD CENTER

The Household Center is beneficially owned by Art Full Resources Limited, a company incorporated on 22 October 2002 in Hong Kong. Art Full Resources Limited is a single-purpose company whose sole business activity is the ownership and operation of The Household Center. Art Full Resources Limited will have legal ownership of The Household Center once it has taken up an assignment of The Household Center from Central More Limited. It is a condition precedent to the Completion of the Household Center Agreement that the assignment from Central More Limited is entered into on or before Completion (see “Certain Agreements Relating to Fortune REIT — Information Regarding the Leasehold Title to the Properties”).

The Household Center, with its first tenancy having commenced on 30 July 2002, is a new shopping mall which forms part of the new 696-unit Nob Hill residential development situated in a developed urban centre in the district of Kwai Chung, New Territories.

As at 31 March 2003, The Household Center comprised a three-storey shopping centre with a total Gross Floor Area of 100,599 sq ft and a total Gross Rentable Area of 91,779 sq ft (excluding parking space). For the three months ended 31 March 2003 The Household Center had an average occupancy rate of 95.6%, with 40 individual leases. 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 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 MTR station (which is along the mass transit railway line serving a number of districts in Kowloon and Hong Kong Island), The Household Center is easily accessible to shoppers using public transportation, taxis and franchised buses. The Household Center is also strategically located near the planned West Rail Mei Foo Interchange station, which is designed to cater for a peak hourly interchange of 25,000 passengers upon its completion, which is expected by the end of 2003. The working catchment of The Household Center also includes approximately 4,400 hospital staff working in hospitals nearby.

The Household Center has parking facilities comprising 43 parking lots in total. The parking facilities will, on Completion, be subject to the overall management by the Property Manager.

The Household Center is held under a Government lease for a term of 50 years commencing from 17 July 1998 to 16 July 2048. As at 31 May 2003, The Household Center was valued at HK\$243.0 million by Chesterton Petty Ltd, the Independent Valuer (see the “Independent Property Valuation Summary Reports” set out at Appendix IV of this Prospectus).

### **Tenant Profile**

The Household Center’s largest tenants (in terms of Base Rental Income) include Park’N Shop Superstore (one of the largest supermarkets in Western Kowloon), Glorious Seafood Restaurant and Think International Kindergarten. Five of the leases of The Household Center’s 10 largest tenants (in terms of Base Rental Income) have an initial term of three to six years, with an option for the tenants to renew the leases at expiry.

For the month ended 31 March 2003, Park’N Shop Superstore was the most significant contributor to the aggregate Base Rental Income of the Property, accounting for approximately 31.2% of the aggregate Base Rental Income.

The table below sets out information on the 10 largest tenants of The Household Center as at 31 March 2003 in terms of Base Rental Income, for the month ended 31 March 2003:

<u>Tenant</u>	<u>Trade Sub-sector</u>	<u>Expiry date</u>	<u>Total Gross Rentable Area</u> (sq ft)	<u>Percentage of total Gross Rentable Area</u> (%)	<u>Percentage of total Base Rental Income<sup>(1)</sup></u> (%)
Park'N Shop Superstore <sup>(2)</sup> . .	Supermarket	July 2005	41,178	44.9	31.2
Glorious Seafood Restaurant <sup>(3)</sup> . . . . .	Food and Beverage/ Food Court	July 2008	13,515	14.7	14.0
Think International Kindergarten <sup>(4)</sup> . . . . .	Service/Education	August 2005	11,941	13.0	5.9
Circle K Convenience Stores Limited . . . . .	Others	August 2005	1,475	1.6	4.8
Individual Tenant <sup>(6) (7)</sup> . . . . .	Food and Beverage/ Food Court	August 2005	1,960	2.1	4.2
Individual Tenant <sup>(6) (8)</sup> . . . . .	Food and Beverage/ Food Court	August 2005	2,528	2.7	3.8
Individual Tenant <sup>(6)</sup> . . . . .	Service/Education	August 2005	964	1.1	2.7
Individual Tenant <sup>(6)</sup> . . . . .	Homeware & Home Furnishings	September 2004	1,988	2.2	2.4
Freeland (Far East) Limited	Gift & Speciality/ Books/Hobbies/Toy/ Jewellery	August 2005	1,406	1.5	2.1
Sunshine Laundry Convenience Store <sup>(5)</sup> . . . . .	Service/Education	August 2005	511	0.6	2.0
10 largest tenants by total Base Rental Income . . . . .			77,466	84.4	73.1
Other tenants . . . . .			10,336	11.3	26.9
Vacant space. . . . .			3,977	4.3	—
<b>Total</b> . . . . .			<b>91,779</b>	<b>100.0</b>	<b>100.0</b>

**Notes:**

- (1) Calculated on the basis of each tenant's percentage contribution to Base Rental Income of the Property for the month of 31 March 2003.
- (2) The tenant under the tenancy agreement is A.S. Watson Group (H.K.) Limited.
- (3) The tenant under the tenancy agreement is Glorious Wealth Limited.
- (4) The tenant under the tenancy agreement is Wise Leader Enterprise Limited. As at 30 June 2003, this tenant was in arrears of rent. This tenant had applied for a loan under the HK\$300 million loan guarantee fund to cover such arrears.
- (5) The tenant under the tenancy agreement is Star Lake Enterprise Limited.
- (6) In compliance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), the names of tenants who are individuals are not disclosed.
- (7) As at 30 June 2003, this tenant was in arrears of rent. Cheung Kong Property Development Limited, the letting agent responsible for The Household Center, agreed to allow for payment of the arrears in instalments, the final instalment falling due on 25 July 2003. As at 30 June 2003, the tenant had paid all instalments falling due.
- (8) As at 30 June 2003, this tenant was in arrears of rent. The letting agent agreed to allow for payment of the arrears in instalments, the final instalment falling due on 20 August 2003. As at 30 June 2003, the tenant had paid instalments falling due.

The Property's Anchor Tenants are Park'N Shop Superstore, Glorious Seafood Restaurant and Think International Kindergarten. For the month ended 31 March 2003, the Property's 10 largest tenants by total Base Rental Income contributed 73.1% of the total Base Rental Income of The Household Center.

## Expiries and Renewals

As the first lease of The Household Center commenced on 30 July 2002 and the majority of tenancies takes the form of a lease agreement for a term of three years, with an option for the tenants to renew the leases at expiry, none of the leases expired during the years ended 31 December 2000, 2001, and 2002 and for the three months ended 31 March 2003. 13.8% by Base Rental Income and licence fees of the leases and licences of The Household Center totalling 6,018.0 sq ft of the Gross Rentable Area will be due for renewal between 1 January 2004 and 31 December 2004. None of the leases of The Household Center have expired during the period commencing on 1 April 2003 and ending on 31 May 2003.

The table below sets out details of expiries in respect of the tenancies and licences for The Household Center which, as at 31 March 2003, are scheduled to take place during the periods indicated:

Period	Number of tenancies and licences expiring	Gross Rentable Area of tenancies and licences expiring (sq ft)	Area of tenancies and licences expiring as a percentage of total Gross Rentable Area (%)	Monthly Base Rental Income of expiring tenancies and licence fees of expiring licences <sup>(1)</sup> (HK\$)	Percentage of total Base Rental Income of expiring tenancies and licence fees of expiring licences <sup>(2)</sup> (%)
<b>Tenancies</b>					
31 March to 31 December 2003 . . . . .	9	1,186	1.3	58,728.0	4.3
1 January to 31 December 2004 . . . . .	13	6,018	6.6	186,017.0	13.8
1 January to 31 December 2005 . . . . .	17	67,083	73.1	913,069.5	67.8
1 January to 31 December 2006 and beyond . . . . .	1	13,515	14.7	188,000.0	14.0
Vacant space . . . . .	N/A	3,977	4.3	N/A	N/A
Subtotal . . . . .	40	91,779	100.0	1,345,814.5	99.9
<b>Licences</b>					
31 March to 31 December 2005 . . . . .	1	— <sup>(3)</sup>	—	1,000.0	0.1
Monthly . . . . .	0	—	—	—	—
Subtotal . . . . .	1	—	—	1,000.0	0.1
<b>Total . . . . .</b>	41	91,779	100.0	1,346,814.5	100.0

### Notes:

- (1) Base Rental Income in respect of expiring tenancies and licence fees in respect of expiring licences for the periods mentioned are calculated on the basis of Base Rental Income payable under the expiring tenancies and licence fees payable under the expiring licences for the month ended 31 March 2003.
- (2) Base Rental Income and licence fees are calculated for the month ended 31 March 2003.
- (3) This licence relates to signage and does not account for any Gross Rentable Area.

## SMARTLAND

Smartland is owned by Quick Switch Limited, a company incorporated on 5 July 1995 in the British Virgin Islands. Quick Switch Limited is a single-purpose vehicle whose sole business activity is the ownership and operation of Smartland.

Smartland is located in the densely populated district of Tsuen Wan, New Territories, opposite the 1,026-room Panda Hotel. It comprises the majority portion (being 80.9% of the collective strata title shares) of the four-storey commercial portion of the East Asia Gardens development in the district of Tsuen Wan, New Territories, near the Tai Wo Hau MTR station (which is along a mass transit railway line linking a number of districts in Kowloon and Hong Kong Island). It features a 32,000 sq ft supermarket and a new identity card issuing immigration office (which is intended to serve the whole of the Tsuen Wan district, which has approximately 275,500 residents). As at 31 March 2003, Smartland has a total Gross Floor Area of 125,446 sq ft and a total Gross Rentable Area of 123,544 sq ft (excluding parking space).

For the three months ended 31 March 2003, Smartland had an average occupancy rate of 95.2%, with 93 individual leases. Smartland is well-positioned to cater for the daily needs of:

- the local population of approximately 68,200 residents (including residents of East Asia Gardens located above the mall) and a working population of approximately 15,000 workers in the area;
- the residents of the 658-unit New Haven apartment complex located opposite the mall; and
- guests of the neighbouring The Panda Hotel which offers 1,026 rooms.

Smartland's tenants are mostly local retailers and service providers, with a diverse mix of a supermarket, specialty food and beverage outlets, kindergarten, community services and fashion merchandise.

Smartland is easily accessible to shoppers, residents and tourists by public and private transport namely MTR, public bus services and taxis.

Smartland has parking facilities on the basement level comprising 67 parking lots in total. The parking facilities will, on Completion, be subject to the overall management by the Property Manager.

Smartland is held under a Government lease for a term of 99 years less three days commencing from 1 July 1898 which was statutorily extended to 30 June 2047. Quick Switch Limited is the owner of Smartland which comprises the majority portion in terms of Gross Rentable Area and 80.9% in terms of collective strata title shares of the commercial portion of the East Asia Gardens development.

As at 31 May 2003, Smartland was valued at HK\$265.0 million by Chesterton Petty Ltd, the Independent Valuer (see the "Independent Property Valuation Summary Reports" set out at Appendix IV of this Prospectus).

### **Tenant Profile**

Smartland's largest tenants (in terms of Base Rental Income) include Park'N Shop, Fook Ho Seafood Hotpot Restaurant, The Financial Secretary Incorporated and Tsuen Wan St. Teresa Kindergarten and Nursery. As at 31 March 2003, there were 93 tenants and the majority of the leases of Smartland is for a term of two to three years, with an option for the tenants to renew the leases at expiry.

For the month ended 31 March 2003, food and beverage/food court providers were the most significant contributors to the Base Rental Income and licence fees of Smartland, accounting for 35.9% of the aggregate Base Rental Income and licence fees. Supermarkets accounted for 13.5% of the aggregate Base Rental Income and licence fees, whilst services/education providers accounted for 15.1%.

The table below sets out information on the 10 largest tenants of Smartland as at 31 March 2003 in terms of Base Rental Income, for the month ended 31 March 2003:

Tenant	Trade Sub-sector	Expiry date	Total Gross Rentable Area (sq ft)	Percentage of total Gross Rentable Area (%)	Percentage of total Base Rental Income <sup>(1)</sup> (%)
Fook Ho Seafood Hotpot Restaurant <sup>(2)</sup>	Food and Beverage/Food Court	May 2006	22,920	18.6	19.1
Park'N Shop <sup>(3)</sup>	Supermarket	July 2005	32,142	26.0	13.4
Tung Ying Fraternity Association Limited	Leisure & Entertainment/Sports & fitness	June 2003 <sup>(4)</sup>	10,341	8.4	7.8
Maxim's Fast Food <sup>(5)</sup>	Food and Beverage/Food Court	May 2003 <sup>(4)</sup>	4,206	3.4	7.4
The Financial Secretary Incorporated	Community Services	October 2005	12,969	10.5	7.2
Tsuen Wan St. Teresa Kindergarten and Nursery	Service/Education	July 2005	6,523	5.3	5.1
Watson's <sup>(3)</sup>	Service/Education	January 2005	3,477	2.8	3.1
Individual Tenant <sup>(6)</sup>	Food & Beverage/Food Court	March 2004	667	0.5	1.9
Individual Tenant <sup>(6) (7)</sup>	Food & Beverage/Food Court	December 2003	693	0.6	1.7
Individual Tenant <sup>(6)</sup>	Food & Beverage/Food Court	August 2003	466	0.4	1.6
10 largest tenants by total Base Rental Income			94,404	76.5	68.3
Other tenants			23,292	18.8	31.7
Vacant space			5,848	4.7	—
<b>Total</b>			<b>123,544</b>	<b>100.0</b>	<b>100.0</b>

**Notes:**

- (1) Calculated on the basis of each tenant's percentage contribution to Base Rental Income of the Property for the month of 31 March 2003.
- (2) The tenant under the tenancy agreement is Team Field Limited. As at 30 June 2003, this tenant was in arrears of rent. Cheung Kong Property Development Limited, the letting agent responsible for Smartland, agreed to allow for payment of the arrears for April and May 2003 in instalments, the final instalment falling due on 15 July 2003. As at 30 June 2003, the tenant had paid all scheduled instalments of arrears falling due in a timely manner but was in arrears of rent for the month of June 2003. The letting agent is in discussion with the tenant to settle the arrears for June 2003.
- (3) The tenant under the tenancy agreement is A.S. Watson Group (H.K.) Limited.
- (4) An offer letter for renewal for a term of three years issued by the tenant to the landlord was accepted by the landlord on 12 June 2003.
- (5) The tenant under the tenancy agreement is Maxim's Caterers Limited.
- (6) In compliance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), the names of tenants who are individuals are not disclosed.
- (7) As at 30 June 2003, this tenant was in arrears of rent. Cheung Kong Property Development Limited, the letting agent responsible for Smartland, agreed to allow for payment of the arrears in instalments, the final instalment falling due on 15 July 2003. As at 30 June 2003, the tenant had paid all instalments falling due in a timely manner.

Smartland's Anchor Tenants are Park'N Shop, Fook Ho Seafood Hotpot Restaurant and The Financial Secretary Incorporated. For the month ended 31 March 2003, Smartland's 10 largest tenants by total Base Rental Income contributed 68.3% of the total Base Rental Income of Smartland.

### Expiries and Renewals

A majority of the leases of Smartland is for a term of two to three years, with an option for the tenants to renew at expiry. About 50.2% by Base Rental Income and licence fees of the leases and licences totalling 38,506 sq ft of Gross Rentable Area will be due for renewal between 31 March 2003 and 31 December 2004. Of the 10 leases that have expired during the period commencing on 1 April 2003 and ending on 31 May 2003, 60.0% of such leases, which constituted 65.4% of the Gross Rentable Area of the leases which expired during this period, were renewed.

The following table sets out information on leases at Smartland that have expired and those that were renewed by existing tenants during the years ended 31 December 2000, 2001, 2002 and for the three months ended 31 March 2003, respectively:

<b>Years ended 31 December 2000, 2001, 2002 and three months ended 31 March 2003</b>	<b>Number of leases expired<sup>(1)</sup></b>	<b>Gross Rentable Area of expired leases</b>	<b>Number of leases renewed</b>	<b>Renewed Gross Rentable Area</b>	<b>Renewal rate by number of leases</b>	<b>Renewal rate by expired leased area</b>
		<b>(sq ft)</b>		<b>(sq ft)</b>	<b>(%)</b>	<b>(%)</b>
2000 .....	49	60,027.0	15	36,387	30.6	60.6
2001 .....	60	42,355.0	30	11,422	50.0	27.0
2002 .....	56	65,244.0	36	48,877	64.3	74.9
31 March 2003 .....	18	3,425.0	8	1,859	44.4	54.3
<b>Total/Average .....</b>	<b>183</b>	<b>171,051.0</b>	<b>89</b>	<b>98,545</b>	<b>48.6</b>	<b>57.6</b>

**Note:**

(1) Leases which were terminated early have been included as expired leases.

The table below sets out details of expiries in respect of the tenancies and licences for Smartland which, as at 31 March 2003, are scheduled to take place during the periods indicated:

Period	Total number of tenancies and licences expiring	Gross Rentable Area of tenancies and licences expiring (sq ft)	Area of tenancies and licences expiring as a percentage of total Gross Rentable Area (%)	Monthly Base Rental Income of expiring tenancies and licence fees of expiring licences <sup>(1)</sup> (HK\$)	Percentage of total Base Rental Income of expiring tenancies and licence fees of expiring licences <sup>(2)</sup> (%)
<b>Tenancies</b>					
31 March to 31 December 2003 . . . . .	47	25,482	20.6	506,897.1	33.9
1 January to 31 December 2004 . . . . .	36	13,024	10.5	243,487.8	16.3
1 January to 31 December 2005 . . . . .	9	56,270	45.6	457,067.0	30.6
1 January to 31 December 2006 and beyond . . . . .	1	22,920	18.6	282,000.0	18.9
Vacant space . . . . .	N/A	5,848	4.7	N/A	N/A
Subtotal . . . . .	93	123,544	100.0	1,489,451.9	99.7
<b>Licences</b>					
31 March to 31 December 2003 . . . . .	1	— <sup>(3)</sup>	—	3,500.0	0.2
1 January to 31 December 2004 . . . . .	1	— <sup>(3)</sup>	—	650.0	0.0
1 January to 31 December 2005 . . . . .	2	— <sup>(3)</sup>	—	1,000.0	0.1
Monthly . . . . .	0	—	—	—	—
Subtotal . . . . .	4	—	—	5,150.0	0.3
<b>Total</b> . . . . .	97	123,544	100.0	1,494,601.9	100.0

**Notes:**

- (1) Base Rental Income in respect of expiring tenancies and licence fees in respect of expiring licences for the periods mentioned are calculated on the basis of Base Rental Income payable under the expiring tenancies and licence fees payable under the expiring licences for the month ended 31 March 2003.
- (2) Base Rental Income and licence fees are calculated for the month ended 31 March 2003.
- (3) These licences relate to signages and do not account for any Gross Rentable Area.

## JUBILEE COURT SHOPPING CENTRE

Jubilee Court Shopping Centre is owned by Yee Pang Realty Limited, a company incorporated on 16 March 1973 in Hong Kong. The principal business activity of Yee Pang Realty Limited is the ownership and operation of Jubilee Court Shopping Centre. As an ancillary part of its business, Yee Pang Realty Limited is also responsible for the management of Jubilee Garden (of which Jubilee Court Shopping Centre forms part) by virtue of it being the manager under the Deed of Mutual Covenant in respect of Sha Tin Town Lot No. 87 although in practice this management role is subcontracted to Goodwell Property or a member of the Cheung Kong Group. The Sponsor and Li Ka-Shing Unity Trustee Company Limited (as trustee of The Li Ka-Shing Unity Trust) assuming several obligations in the proportions of 94.0% and 6.0%, respectively, will provide on Completion certain indemnities to Yee Pang Realty Limited with respect to its obligations as manager under the relevant Deed of Mutual Covenant, its developer's obligations under the Government lease in respect of Sha Tin Town Lot No. 87 including the maintenance obligations of the concrete platform and the cost of bank bond(s) in favour of the Government lessor which may be required under the relevant Government lease if Yee Pang Realty Limited was to subsequently make a disposal of (including mortgaging or assigning) any part of Jubilee Court Shopping Centre.

Jubilee Court Shopping Centre, a shopping mall which is part of the 2,260-unit residential development named Jubilee Garden in the district of Fo Tan, Shatin, New Territories, is strategically located opposite the Fo Tan KCRC station and the Shatin Racecourse and is one KCRC station from The Chinese University of Hong Kong and the Shatin town centre. It is also accessible via public bus, mini bus and taxis. As at 31 March 2003, it comprised a seven-storey commercial centre and incorporated 97 parking lots. It has a total Gross Floor Area of 172,179 sq ft and a total Gross Rentable Area of 170,616 sq ft (excluding parking space). The mall is characterised by a number of tenants providing service and educational facilities including an elementary school, a kindergarten, a play group, a Christian centre and an immigration office.

For the three months ended 31 March 2003, Jubilee Court Shopping Centre had an average occupancy rate of 96.9%, with 30 individual leases. 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, through its selection of tenants, type of advertising and promotional activities; in particular the 2,260 units of residences in the Jubilee Garden.

Jubilee Court Shopping Centre is easily accessible to shoppers using public and private transport. It is situated near the Fo Tan KCRC station and its residential catchment includes approximately 30,100 residents, while the working catchment includes approximately 15,000 workers from the nearby Fo Tan Industrial Area and KCRC House. Jubilee Court Shopping Centre has parking facilities comprising 97 parking lots in total. The parking facilities will, on Completion, be subject to the overall management by the Property Manager.

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 subsequently statutorily extended for a further 50 years expiring on 30 June 2047. As at 31 May 2003, Jubilee Court Shopping Centre was valued at HK\$237.0 million by Chesterton Petty Ltd, the Independent Valuer (see the "Independent Property Valuation Summary Reports" set out at Appendix IV of this Prospectus).

### **Tenant Profile**

Jubilee Court Shopping Centre's largest tenants (in terms of Base Rental Income) include International Christian Schools Limited, Golden Dragon Seafood Restaurant, Sha Tin Peace Evangelical Centre, Shin Yat Tong Jubilee Kindergarten, Park'N Shop and The Financial Secretary Incorporated. The majority of the leases of Jubilee Court Shopping Centre's 10 largest tenants is for a term of two to three years, with an option for the tenants to renew the leases at expiry.

For the month ended 31 March 2003, service/education providers were the most significant contributors to the aggregate Base Rental Income and licence fees of Jubilee Court Shopping Centre, accounting for 45.7% of the aggregate Base Rental Income and licence fees.

The table below sets out information on the 10 largest tenants of Jubilee Court Shopping Centre as at 31 March 2003 in terms of Base Rental Income, for the month ended 31 March 2003:

<u>Tenant</u>	<u>Trade Sub-sector</u>	<u>Expiry date</u>	<u>Total Gross Rentable Area</u> (sq ft)	<u>Percentage of total Gross Rentable Area</u> (%)	<u>Percentage of total Base Rental Income<sup>(1)</sup></u> (%)
International Christian Schools Limited . . . .	Service/ Education	August 2004	33,303	20.3	24.0
Sha Tin Peace Evangelical Centre <sup>(8)</sup> . . . . .	Community Services	August 2004	1,282		
Shin Yat Tong Jubilee Kindergarten <sup>(3)</sup> . . . . .	Community Services	January 2004	15,717	9.2	9.5
Shin Yat Tong Jubilee Kindergarten <sup>(3)</sup> . . . . .	Service/ Education	July 2003 <sup>(3)</sup>	13,566	8.0	8.1
Golden Dragon Seafood Restaurant <sup>(5)</sup> . . . . .	Food & Beverage/ Food Court	June 2006	20,205	11.8	7.9
Park'N Shop <sup>(2)</sup> . . . . .	Supermarket	August 2004	8,229	4.8	7.6
The Financial Secretary Incorporated . . . . .	Community Services	December 2005	12,645	7.4	5.5
Good Time International Play School (Jubilee Garden) Limited. . . . .	Service/ Education	February 2004	4,294	2.5	5.3
Individual Tenant <sup>(6) (7)</sup> . . . . .	Food and Beverage/Food Court	August 2003	5,152	3.0	4.5
Individual Tenant <sup>(7)</sup> . . . . .	Food and Beverage/Food Court	August 2005	2,279	1.3	4.3
Giormani Living Room Furniture Store <sup>(4)</sup> . . .	Homeware & Home Furnishings	April 2004	7,975	4.7	2.9
10 largest tenants by total Base Rental Income. . . . .			124,647	73.0	79.6
Other tenants . . . . .			42,350	24.9	20.4
Vacant space . . . . .			3,619	2.1	—
<b>Total</b> . . . . .			<u>170,616</u>	<u>100.0</u>	<u>100.0</u>

**Notes:**

- (1) Calculated on the basis of each tenant's percentage contribution to the total Base Rental Income of the Property for the month of March 2003.
- (2) The tenant under the tenancy agreement is A.S. Watson Group (H.K.) Limited.
- (3) The tenant under the tenancy agreement is Hong Kong Shin Yat Tong Moral Association. This tenant has confirmed that it will not renew the lease upon its expiry. Cheung Kong Property Development Limited, the letting agent responsible for Jubilee Court Shopping Centre, sent a letter dated 27 March 2003 asking the tenant to reinstate the premises to its original condition as at the lease commencement date in preparation for handover by 31 July 2003.
- (4) The tenant under the tenancy agreement is Arredamenti Company Limited.
- (5) The bank guarantee for this tenant has been drawn to cover the rent up to 30 June 2003. The tenant has indicated an intention to re-open in July 2003 after temporarily closing in April 2003.
- (6) As at 30 June 2003, this tenant was in arrears of rent. Cheung Kong Property Development Limited, the letting agent responsible for Jubilee Court Shopping Centre agreed to allow for payment of the arrears in instalments, the final instalment falling due on 15 July 2003. As at 30 June 2003, the tenant had paid all instalments and rental payments falling due in a timely manner.
- (7) In compliance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), the names of tenants who are individuals are not disclosed.
- (8) As at 30 June 2003, this tenant was in arrears of less than one month's rent.

Jubilee Court Shopping Centre's Anchor Tenants are the International Christian Schools Limited and Golden Dragon Seafood Restaurant. For the month ended 31 March 2003, Jubilee Court Shopping Centre's 10 largest tenants by total Base Rental Income contributed 79.6% of the total Base Rental Income of Jubilee Court Shopping Centre.

### Expiries and Renewals

A majority of the leases of Jubilee Court Shopping Centre is for a term of two to three years, with an option for the tenants to renew the leases at expiry. 73.0% by Base Rental Income and licence fees of the leases and licences totalling 113,363 sq ft of Gross Rentable Area will be due for renewal between 31 March 2003 and 31 December 2004. During the period commencing on 1 April 2003 and ending on 31 May 2003, one lease expired and was renewed at the same rent as that of the expired lease.

The following table sets out information on leases at Jubilee Court Shopping Centre that have expired and those that were renewed by the existing tenants during the years ended 31 December 2000, 2001 and 2002, and for the three months ended 31 March 2003, respectively:

<u>Years ended 31 December 2000, 2001 and 2002 and three months ended 31 March 2003</u>	<u>Number of leases expired<sup>(1)</sup></u>	<u>Gross Rentable Area of expired leases  (sq ft)</u>	<u>Number of leases renewed</u>	<u>Total renewed Gross Rentable Area  (sq ft)</u>	<u>Renewal rate by number of leases  (%)</u>	<u>Renewal rate by expired leased area  (%)</u>
2000.....	19	43,985	9	12,366	47.4	28.1
2001.....	20	73,201	8	34,183	40.0	46.7
2002.....	17	34,900	11	15,622	64.7	44.8
31 March 2003.....	4	9,032	2	6,062	50.0	67.1
<b>Total/Average.....</b>	<b>60</b>	<b>161,118</b>	<b>30</b>	<b>68,233</b>	<b>50.0</b>	<b>42.3</b>

**Note:**

(1) Leases which were terminated early have been included as expired leases.

The table below sets out details of expiries in respect of the tenancies and licences for Jubilee Court Shopping Centre which, as at 31 March 2003, are scheduled to take place during the periods indicated:

Period	Number of tenancies and licences expiring	Gross Rentable Area of tenancies and licences expiring (sq ft)	Area of tenancies and licences expiring as a percentage of total Gross Rentable Area (%)	Monthly Base Rental Income of expiring tenancies and licence fees of expiring licences <sup>(1)</sup> (HK\$)	Percentage of total Base Rental Income of expiring tenancies and licence fees of expiring licences <sup>(2)</sup> (%)
<b>Tenancies</b>					
31 March to 31 December 2003 . . . . .	9	28,870	16.9	237,094.0	16.0
1 January to 31 December 2004 . . . . .	16	84,493	49.5	841,425.0	57.0
1 January to 31 December 2005 . . . . .	4	17,844	10.5	172,030.0	11.6
1 January to 31 December 2006 and beyond . . . . .	1	20,205	11.8	108,000.0	7.3
Vacant space . . . . .	N/A	3,619	2.1	N/A	N/A
Subtotal . . . . .	30	155,031	90.8	1,358,549.0	91.9
<b>Licences</b>					
31 March to 31 December 2003 . . . . .	14	6,222	3.7	34,528.8	2.4
1 January to 31 December 2004 . . . . .	30	2,091	1.2	68,427.8	4.6
1 January to 31 December 2005 . . . . .	5	— <sup>(4)</sup>	—	16,651.0	1.1
1 January to 31 December 2006 and beyond . . . . .	—	— <sup>(4)</sup>	—	—	—
Monthly <sup>(3)</sup> . . . . .	3	7,272	4.3	—	—
Subtotal . . . . .	52	15,585	9.2	119,607.6	8.1
<b>Total</b> . . . . .	<b>82</b>	<b>170,616</b>	<b>100.0</b>	<b>1,478,156.6</b>	<b>100.0</b>

**Notes:**

- (1) Base Rental Income in respect of expiring tenancies and licence fees in respect of expiring licences for the periods mentioned are calculated on the basis of Base Rental Income payable under the expiring tenancies and licence fees payable under the expiring licences for the month ended 31 March 2003.
- (2) Base Rental Income and licence fees are calculated for the month ended 31 March 2003.
- (3) Includes an office, a car park management office and a storeroom.
- (4) These licences relate to signages and do not account for any Gross Rentable Area.

**Competition**

The retail sector in Hong Kong is a highly competitive market. The principal competitive factors include rental rates, quality and location of properties and supply of comparable retail space.

***The Metropolis Mall***

The Metropolis Mall benefits from being one of the major shopping centres in south Kowloon. However, it faces competition from the other shops and shopping centres in Kowloon. Its direct competitors are Whampoa Garden and the retailers within the concourse of Hung Hom KCRC station. Whampoa Garden is within walking distance of The Metropolis Mall with retail space dispersed over 12 separate podiums each with a separate theme. The shops in Whampoa Garden tend to serve the local catchment

area only as it is not close to any MTR or KCRC station. The retailers within the concourse of Hung Hom KCRC station only offer a limited range of merchandise where the trademix is mainly convenience-based and is not in direct competition with The Metropolis Mall which offers a fuller range of merchandise.

### ***Ma On Shan Plaza***

Ma On Shan Plaza faces competition from other shopping centres in Ma On Shan, including Sunshine City Plaza which is a larger (in terms of Gross Floor Area) shopping centre than Ma On Shan Plaza and is connected to Ma On Shan Plaza via two footbridges. The trademix of Sunshine City Plaza and Ma On Shan Plaza differs as Sunshine City Plaza focuses more on fashion merchandise whilst Ma On Shan Plaza's focus is more towards everyday services such as financial and personal services as well as education and learning facilities.

### ***The Household Center***

The Household Center does not have any direct competitor although it experiences limited competition from Mei Foo Sun Chuen. Mei Foo Sun Chuen is an old housing estate where most of the retailers operate small family-run shops which serve the day-to-day requirements of the residents of Mei Foo Sun Chuen. The trademix of Mei Foo Sun Chuen is not co-ordinated and there is no centralised promotion and advertising policy for the shops in Mei Foo Sun Chuen. Hence, it only poses limited competition to The Household Center.

### ***Smartland***

Smartland does not have an identifiable competitor as it is surrounded by street shops. The larger malls in Tsuen Wan are located at least 15 to 20 minutes walking distance from Smartland. The trademix of these malls in Tsuen Wan is very different from that of Smartland. The malls in Tsuen Wan offer more comparison goods (which are merchandise offered by department stores, apparel, furniture and other stores in sufficient variety to permit a wide range of choice and comparison between the merchandise offered by one store and another) whilst Smartland focuses on providing daily necessities and community services.

### ***Jubilee Court Shopping Centre***

Jubilee Court Shopping Centre faces limited competition from Plaza Ascot which is within walking distance. However, the Manager believes that the trade and tenant profile of the two centres complement one another and the centres benefit from the close proximity to each other. Although Plaza Ascot is a newer development, Jubilee Court Shopping Centre benefits from its closer proximity to Fo Tan KCRC station.

## **Tenancy Agreements and Lease Management**

The tenancy agreements entered into for 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. The tenancy agreements generally allow new tenants to enjoy rent-free periods ranging from two weeks to one month during which base rent and Turnover Rent will not be payable by the tenants although in some of the major tenants' tenancy agreements longer rent-free periods are provided for.

At the time of entering into a lease, tenants in Hong Kong typically pay a security deposit in cash equal to three months' base rent, 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.

In addition, the tenancy agreements generally provide the landlord the right to terminate leases upon the occurrence of certain events, such as non-payment of rent or breach of covenants by the tenants.

## **Insurance**

Fortune REIT will have insurance for the Properties that the Manager believes will be consistent with industry practice in Hong Kong. This includes property all risks insurance, rental loss 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 loss of or damage to data or software.

## **Legal Proceedings**

The Manager, Fortune REIT, the Property Companies and the Properties are not currently involved in any material litigation and to the Manager's knowledge, there is no material litigation currently threatened against any of the Manager, Fortune REIT or any of the Property Companies.

## **Asset Enhancements**

The Manager believes that opportunities exist to improve distributions per Unit from asset enhancements and has formulated asset enhancement schemes that the Manager believes will increase yield, in respect of the Properties.

The schemes generally involve the addition, refurbishment and/or optimisation of retail space in the Properties. Subject to requisite approvals and permits being obtained and the Manager's assessment of prevailing market conditions, development costs, impact on Net Property Income and other relevant factors, the Manager's present strategy is to implement its asset enhancement scheme with respect to Ma On Shan Plaza in 2005 to tie in with the expected completion of the proposed Ma On Shan Rail station and a covered footbridge linking the station and Ma On Shan Plaza by KCRC in late 2004. However, the Manager may bring forward or defer the implementation schedule depending on the Manager's assessment of all relevant factors at the material time.

The Manager's asset enhancement strategy for Ma On Shan is to make adjustments to the layout of the centre in order to capitalise on the expected increase in pedestrian traffic and to improve the image of Ma On Shan Plaza. The Manager plans to refurbish the common areas and the existing food court, improve signage and general lighting and to create areas for new kiosks. Based on the Manager's initial layout plans, the implementation of the asset enhancement scheme, if undertaken, will yield approximately 3,850 sq ft of additional Gross Rentable Area which will attract higher rental values due to their frontage or proximity to the planned Ma On Shan KCRC station. The initial layout plans illustrating the proposed asset enhancement scheme are set out at Appendix IX. If undertaken, according to the current contemplated schedule, the Manager expects that this development will be completed by the end of 2005. Based on advice received from consultants, the Manager estimates that the construction costs and related professional fees and expenses will be approximately HK\$8.2 million. The Manager believes that no development charge or differential premium will be required to be paid to the relevant authority.

## **Financing for Asset Enhancements**

The funding of asset enhancement works undertaken may be through borrowings, although, in the event that Fortune REIT's gearing limit of 35.0% is reached, funding will be through either a private placement of additional Units and/or through a rights issue. Such asset enhancement work will only be undertaken following consideration of market conditions and the estimated impact on Net Property Income.

In addition, the Manager expects that due to the provision for deferred taxes (expected to be HK\$6.2 million and HK\$10.0 million for the six months ending 31 December 2003 and year ending 31 December 2004, respectively) which will generally be payable when the Properties are sold, the accounting profits that are available for distribution to Fortune REIT will be less than the net cash surplus generated from operations of the Properties. As a result, there will be funds retained by the Property Companies that will not be paid as dividends to Fortune REIT. Such retained funds can be used for, among other things, funding capital expenditures of the Property Companies.

## THE MANAGER AND THE SPONSOR

### The Manager of Fortune REIT

The Manager, ARA Asset Management (Singapore) Limited, was incorporated in Singapore under the Companies Act, Chapter 50 of Singapore (the “Companies Act”) on 7 April 2003. The Manager has a sole shareholder, namely, ARA Asset Management Limited, which is in turn 70.0% owned by Mr Lim Hwee Chiang and 30.0% indirectly owned by the Sponsor. The Manager has a paid-up capital of S\$1.0 million and its registered office is located at 7 Temasek Boulevard, #12-03, Suntec City Tower 1, Singapore 038987 and its telephone number is (65) 6835 9232.

The Manager has 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.

The Trustee will have the full rights to control the objective and management of any Property Company, including, without limitation, the right to nominate its representatives to fill all the seats on the board of directors of such Property Company. Pursuant to this, the Trustee intends to appoint two nominees as directors of each of the three Hong Kong incorporated Property Companies (Art Full Resources Limited, Poko Shine Limited and Yee Pang Realty Limited) and one nominee as the director of each of the two British Virgin Islands incorporated Property Companies (Quick Switch Limited and Vision Million Limited). In controlling the objective and management of such Property Company, the Trustee shall ensure that the Property Company shall at all times be required to hold or own one single real estate asset for and on behalf of Fortune REIT.

The Manager will set the strategic direction of Fortune REIT and give recommendations to the Trustee on the acquisition, divestment or enhancement of assets of Fortune REIT in accordance with its stated investment 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 ensure that Fortune REIT is carried on and conducted in a proper and efficient manner and to conduct all transactions with or for Fortune REIT at arm’s length.

Further, the Manager will prepare property plans on a regular basis, which may contain proposals and forecasts on net income, capital expenditure, sales and valuations, explanations of major variances to previous forecasts, written commentary on key issues and underlying assumptions on inflation, annual turnover, occupancy costs and any other relevant assumptions. The purpose of these plans is to explain the performance of Fortune REIT’s assets.

The Manager will also be responsible for ensuring compliance with the applicable provisions of the SFA and all other relevant legislation, the listing rules of the SGX-ST, the CIS Code (including the Property Funds Guidelines), the Trust Deed, the Tax Ruling and all relevant contracts. The Manager will 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 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, the Manager must not direct the Trustee to incur a borrowing if to do so would mean that Fortune REIT’s total borrowings exceed 35.0% (or such other limit as may be stipulated by the MAS) of the Deposited Property immediately prior to the time the borrowing is incurred.

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 the 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.

Action Advantage Limited, a wholly-owned subsidiary of the Sponsor, has provided a loan of S\$1,000,000 to ARA Asset Management Limited (“Borrower”), the sole shareholder of the Manager. The purpose of the loan was to finance the Borrower’s subscription of the shares in the Manager. As security for the loan, Mr Lim Hwee Chiang, a director and shareholder of 70.0% of the shares in the Borrower, has executed a second share mortgage over his shares in the Borrower in favour of Action Advantage Limited. The first share mortgage over Mr Lim Hwee Chiang’s shares in the Borrower was executed in favour of Winchesto Finance Company Limited (“Winchesto”), a wholly-owned subsidiary of the Sponsor, pursuant to a loan granted by Winchesto to ARA Asset Management (HK) Limited, a wholly-owned subsidiary of the Borrower, for the general corporate funding purposes of ARA Asset Management (HK) Limited and the Borrower.

### **Manager’s Fees**

The Manager is entitled to the following management fees:

- (i) a Base Fee which is 0.3% per annum of the Property Values; and
- (ii) an annual Performance Fee of 3.0% per annum from each of the Property Companies of the net property income of the relevant Property Company with certain adjustments (see “Certain Agreements Relating to Fortune REIT — Property Management Agreement”).

The Base Fee payable to the Manager will be in the form of Units issued at the Market Price. The Base Fee will be paid quarterly in arrears. The Performance Fee will be paid monthly in arrears. The arrangement for the Manager to receive payment of its Base Fee in the form of Units will be restricted to the Base Fee referable only to the Properties (i.e., the five Properties forming the initial portfolio of Fortune REIT) and will be maintained for a period of five years after the Units are listed on the SGX-ST, after which payment of the Base Fee will be entirely in the form of cash. When paid in the form of Units, the Manager shall be entitled to receive such number of Units as may be purchased with the relevant amount of the Base Fee attributable to such period at the Market Price. 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 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 the Manager’s undertaking to the MAS not to deal in the Units during certain specified periods (see “— Corporate Governance of the Manager” for further details), 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.

The Manager is also entitled to:

- an acquisition fee not exceeding a maximum of 1.0% 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). The acquisition fee is payable as soon as practicable after completion of the acquisition. However, no acquisition fee is payable to the

Manager in relation to Fortune REIT's acquisition of the Properties. The acquisition fee will be paid in the form of cash; and

- a divestment fee 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). The divestment fee is payable as soon as practicable after completion of the divestment. The divestment fee will be paid in the form of cash.

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 owned by Fortune REIT, 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.

### **Annual Reports**

An annual report will be issued by the Manager to Unitholders within three months from the end of each accounting period of Fortune REIT, containing, *inter alia*, the following key items:

- (i) details of all real estate transactions entered into during the accounting period;
- (ii) details of Fortune REIT's real estate assets;
- (iii) if applicable, with respect to investments other than real property:
  - (a) a brief description of the business;
  - (b) proportion of share capital owned;
  - (c) cost;
  - (d) directors' valuation and in the case of listed investments, market value;
  - (e) dividends received during the year (indicating any interim dividends);
  - (f) dividend cover or underlying earnings;
  - (g) any extraordinary items; and
  - (h) net assets attributable to investments;
- (iv) cost of each property held by the companies of Fortune REIT;
- (v) the Manager's objective for each property held by the companies of Fortune REIT;
- (vi) annual valuation of each property held by the companies of Fortune REIT;
- (vii) analysis of provision for diminution in value of each property held by the companies of Fortune REIT (to the extent possible);
- (viii) annual rental income for each property held by the companies of Fortune REIT;
- (ix) occupancy rates for each property held by the companies of Fortune REIT;
- (x) remaining term for each of Fortune REIT's leasehold properties held by the companies of Fortune REIT;
- (xi) amount of distributable income held pending distribution;
- (xii) details of assets other than real estate;
- (xiii) details of Fortune REIT's exposure to derivatives;

- (xiv) details of Fortune REIT's investments in other property funds;
- (xv) details of borrowings by the Trustee and other financial accommodation to the Trustee in relation to Fortune REIT;
- (xvi) net value of the Deposited Property at the beginning and end of the financial year under review;
- (xvii) the prices at which the Units were quoted at the beginning and end of the accounting period, and the highest and lowest prices at which the Units were traded on the SGX-ST during the accounting period;
- (xviii) volume of trade in the Units during the accounting period;
- (xix) the aggregate value of all transactions entered into by the Trustee (for and on behalf of Fortune REIT) with an "interested party" (as defined in the Property Funds Guidelines) or with an "interested person" (as defined in the Listing Manual) during the financial year under review;
- (xx) total operating expenses of Fortune REIT in respect of the accounting period, including expenses paid to the Manager and interested parties (if any) and the Trustee, and taxation incurred in relation to Fortune REIT's properties;
- (xxi) historical performance of Fortune REIT, including rental income obtained and occupancy rates for each property in respect of the accounting period and other various periods of time (e.g. 1-year, 3-year, 5-year or 10-year) and any dividends/distributions made;
- (xxii) total amount of fees paid to the Trustee;
- (xxiii) name of the manager of Fortune REIT, together with an indication of the terms and duration of its appointment and the basis of its remuneration;
- (xxiv) total amount of fees paid to the Manager, including any Units issued and the price(s) at which they were issued in part payment thereof;
- (xxv) total amount of fees paid to the Property Manager;
- (xxvi) an analysis of realised and unrealised surpluses or losses, stating separately profits and losses as between listed and unlisted investments, if applicable; and
- (xxvii) any extraordinary items.

The first report will cover the period from the completion of the Offering to 31 December 2003.

Additionally, Fortune REIT will announce its net asset value on a quarterly basis. Such announcements will be based on the latest available valuation of Fortune REIT's real estate assets and real estate-related assets, which will be conducted at least once a year (as required under the Property Funds Guidelines).

#### **Retirement or Removal of the Manager**

The Manager shall have the power to retire in favour of a corporation approved by the Trustee to act as the manager of Fortune REIT.

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

- (1) 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) or a receiver is appointed over its assets or a judicial manager is appointed in respect of the Manager;
- (2) the Manager ceases to carry on business;
- (3) 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;
- (4) the Unitholders, by an Extraordinary Resolution duly passed at a Unitholders' meeting duly convened in accordance with the provisions of the Trust Deed and of which not less than 21 days' notice has been given to the Manager and the Trustee, shall so decide;
- (5) 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; or

(6) the MAS directs the Trustee to remove the Manager.

Where the Manager is removed under sub-paragraph (5) 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.

### Directors of the Manager

The Board of Directors is entrusted with the responsibility for the overall management of the Manager. The following table sets forth information regarding the directors of the Manager:

<u>Name</u>	<u>Age</u>	<u>Address</u>	<u>Position</u>
Mr Chiu Justin Kwok Hung	53	Suite 39-B, Tregunter III Tregunter, 14 Tregunter Path Mid-Levels Hong Kong	Chairman and Director
Mr Lim Hwee Chiang	47	23 Jalan Nipah Singapore 488828	Director and Chief Executive Officer
Mr Ip Tak Chuen Edmond	51	Apt. B, 3 <sup>rd</sup> Floor, Block 1 Southside Villas No. 9 Shouson Hill Road Hong Kong	Director
Ms Yeung Eirene	42	Flat C, 16 <sup>th</sup> Floor, Block 27 Baguio Villa Victoria Road Hong Kong	Director
Mr Lim Lee Meng	47	1F, Pine Grove #08-29 Singapore 595001	Independent Director
Mr Cheng Moses Mo Chi	53	Suite 4B Hollywood Heights 6 Old Peak Road Hong Kong	Independent Director
Mrs Sng Sow-Mei (Phoon Sui Moy alias Poon Sow Mei)	62	5000D Marine Parade #12-14 Singapore 449287	Independent Director

Information on the business and working experience of the directors is set out below:

**Mr Chiu Justin Kwok Hung** is the Chairman of the Manager and is also an Executive Director of the Sponsor. He joined the Sponsor in 1997 and has been an Executive Director of the Sponsor since 2000 heading the real estate sales, marketing and property management team.

Mr Chiu has more than 25 years of international experience in real estate in Hong Kong as well as other regions and is one of the most respected professionals in the retail property sector in Hong Kong. He is also a financial columnist for two major newspapers in Hong Kong.

Prior to joining the Sponsor, Mr Chiu was with Hang Lung Development Company Limited for 15 years from 1979 to 1994 and Sino Land Company Limited for three years from 1994 to 1997. He was responsible for retail and commercial leasing as well as property management in those companies.

He holds a Bachelor of Sociology degree and a Bachelor of Economics degree from Trent University in Toronto and is a fellow of the Hong Kong Institute of Real Estate Administration. Mr Chiu is also a member of the Shanghai Committee of The Chinese People's Political Consultative Conference.

**Mr Lim Hwee Chiang** is both a Director and the Chief Executive Officer of the Manager. From 1997 to 2002, Mr Lim was an Executive Director of GRA (Singapore) Private Limited ("GRA"), which is a wholly-owned subsidiary of Prudential (US) Real Estate, where he was instrumental in setting up a US\$200,000,000 programme for investing in Asia's retail malls. His responsibilities included overseeing

some of its developments and key client accounts. He also had overall responsibility for GRA's investment and asset management activities in South East Asia.

Mr Lim has over 20 years of experience in real estate and prior to joining GRA, he acted as the Founder and Managing Director of The Land Managers, a Singapore-based property and consulting firm specialising in feasibility studies, marketing and leasing management in Singapore, Hong Kong and China from 1996 to 1997. He was also the General Manager of the Singapore Labour Foundation Management Services for five years from 1991 to 1995. Prior to this, he worked for DBS Land Limited (now known as CapitaLand Commercial Limited), a public listed Singapore-based real estate development and investment company for 10 years from 1981 to 1990. He was involved in many retail projects during that period, including the pre-opening marketing, leasing and property management of the Raffles City shopping complex from 1986 to 1989.

Mr Lim is a Singapore citizen and holds an Engineering degree (First Class Honours), a Master of Science degree as well as a Diploma in Business Administration from the National University of Singapore. He also sits on the boards of Teckwah Industrial Corporation Ltd ("Teckwah") and TSM Resources Ltd, which are both public listed companies, as an independent director and a member of the audit committee.

**Mr Ip Tak Chuen Edmond** is a Director of the Manager. Since 1993, Mr Ip has been an Executive Director of the Sponsor and is responsible for its finance department overseeing all financial and treasury functions of the Sponsor and its subsidiaries, particularly in the field of corporate and project finance. He has been an Executive Director of Cheung Kong Infrastructure Holdings Limited ("CK Infrastructure") since its incorporation in May 1996 and Deputy Chairman since February 2003, and the Senior Vice President and Chief Investment Officer of CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences") since June 2002, overseeing the corporate finance and strategic acquisition and investment of both companies. He is also a Non-executive Director of TOM.COM LIMITED.

He holds a Bachelor of Arts degree in Economics and a Master of Science degree in Business Administration from the University of British Columbia.

Prior to joining the Sponsor, he held a number of senior financial positions in major financial institutions and had over 16 years of experience in the Hong Kong financial market covering diverse activities such as banking, capital market, corporate finance, securities brokerage and portfolio investments.

**Ms Yeung Eirene** is a Director of the Manager. Ms Yeung is also the Corporate Business Counsel and Company Secretary of the Sponsor. Ms Yeung joined the Sponsor in 1994 and currently supervises the corporate and commercial legal work of the Sponsor and its subsidiaries. She heads the corporate secretarial team which oversees the listing and regulatory compliance of the Sponsor, CK Infrastructure and CK Life Sciences. She is also the Company Secretary of CK Infrastructure and CK Life Sciences.

Ms Yeung has extensive legal and corporate secretarial experience. She has covered many areas of law including corporate finance, general commercial, property development, finance, securities, tax and trust, joint ventures, intellectual property and employment laws. She has provided professional advice and support to the legal and regulatory aspects of significant projects of the Sponsor and its subsidiaries such as the listing of CK Infrastructure in 1996, the restructuring of the Cheung Kong Group in 1997 which involved a total of four listed companies and the listing of CK Life Sciences in 2002.

Prior to joining the Sponsor, she was in private practice 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. Ms Yeung has been a solicitor of the High Court of the Hong Kong Special Administration Region from 1986 and of the Supreme Court of Judicature in England and Wales from 1990. She holds a Bachelor of Laws degree from the University of Hong Kong and a Master's degree in Business Administration from The Chinese University of Hong Kong and is a panel member of the Hong Kong Institute of Company Secretaries.

**Mr Lim Lee Meng** is currently a senior partner of Chio Lim & Associates, a member firm of Horwath International.

Mr Lim is also an independent director of Teckwah, Datapulse Technology Limited (“Datapulse”), Tye Soon Ltd and Europtronic Group Ltd (“Europtronic”). 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.

Mr Lim graduated from the Nanyang University of Singapore with a Bachelor of Commerce (Accountancy) in May 1980. He also has 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.

From 1980 to 1984, Mr Lim was an auditor with Arthur Young & Company and from 1984 to 1987, he was the group financial controller with the Lauw & Sons group of companies.

**Mr Cheng Moses Mo Chi** 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 whose shares are listed on The Stock Exchange of Hong Kong 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 OBE by Her Majesty the Queen of the United Kingdom and appointed a Justice of Peace by the Hong Kong Government in 1997.

Mr Cheng is currently the Chairman of the Hong Kong Institute of Directors and the Chairman of the Council and the Court of the Hong Kong Baptist University. He is also the Deputy Chairman of the GEM Listing Committee and the Main Board Listing Committee of The Stock Exchange of Hong Kong Limited. He is also a Member of the Education Commission of Hong Kong, the Citizens Advisory Committee on Community Relations of the ICAC of Hong Kong, the Basic Law Promotion Steering Committee of Hong Kong, the Court of The University of Hong Kong, the Council of the Hong Kong Academy for Performing Arts and the Joint Training Committee of The Stock Exchange of Hong Kong Limited. He is an active Rotarian and served as District Governor of Rotary International District 3450 in 1993 and 1994.

Mr 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.

**Mrs Sng Sow-Mei (Phoon Sui Moy alias Poon Sow Mei)** is currently the Senior Consultant (International Business) of Singapore Technologies Electronics Ltd for business development in the areas of defence, industrial & commercial systems projects including intelligent building and property management systems. Singapore Technologies Electronics Ltd is a member of the Singapore Technologies Pte Ltd group in which Mrs Sng was the Director, Special Projects (North East Asia) in 2000 and a Consultant in 2001. Mrs Sng is concurrently the Advisor of InfoWave Pte Ltd, a newly established company which specialises in design, development and supply of mobile platform and wireless, communications technologies.

Prior to the appointments with the Singapore Technologies and Singapore Technologies Electronics, Mrs Sng was the Managing Director of CapitaLand Hong Kong Ltd for investment in Hong Kong and the region including Japan and Taiwan. CapitaLand Limited, listed on the SGX-ST, is the property arm of Singapore Technologies Pte Ltd.

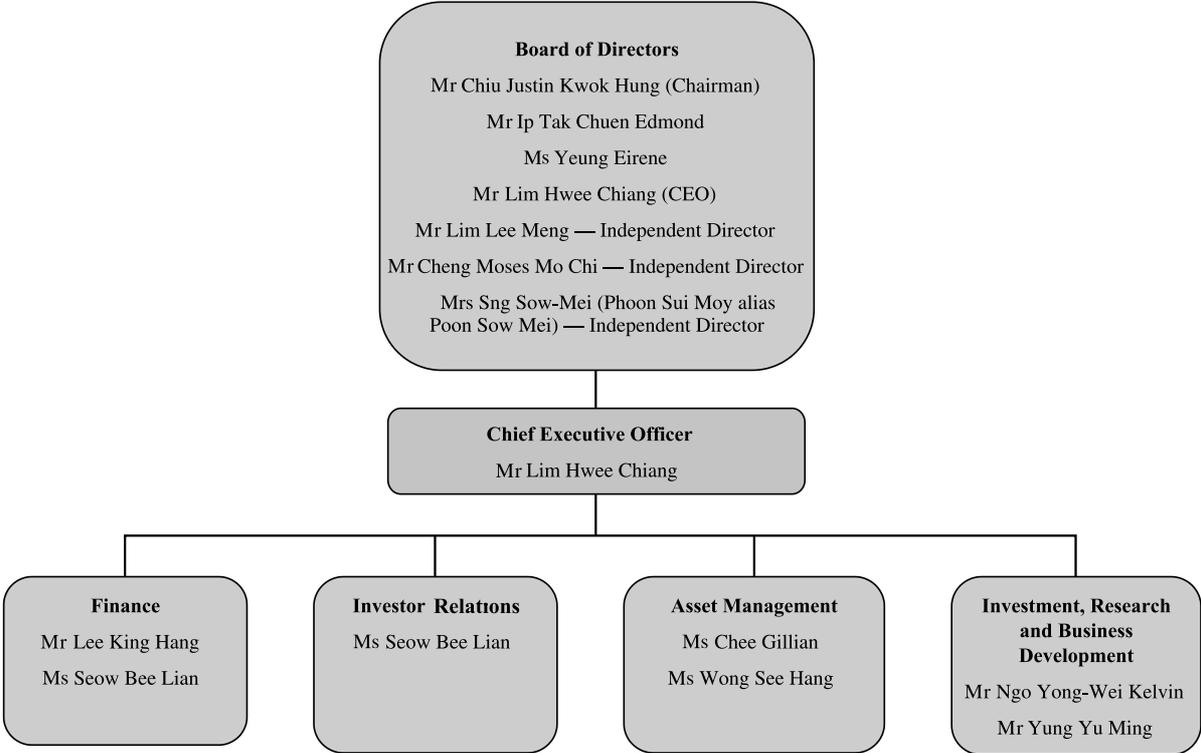
Mrs Sng has spent 15 years from 1983 to 1997 in Hong Kong as the Centre Director and then Regional Director of the Singapore Economic Development Board and Trade Development Board respectively to promote bi-lateral investment and trade between Singapore, Hong Kong and south China. Mrs Sng was Singapore’s Trade Commissioner in Hong Kong from 1990 to 1997.

Before joining the Singapore government overseas offices in Hong Kong, Mrs Sng worked in Australia in the late 60s for one and a half years and in Japan in the early 70s for two and a half years in the field of international marketing for consumer products.

Mrs Sng graduated in 1963 with a Bachelor of Arts degree from the Nanyang University in Singapore and she has wide experience in various fields of industrial, investment, business development, strategic and financial management, especially in property investment and management.

In 1996, on Singapore National Day, Mrs Sng was conferred the title of PPA (P) — Pingat Pentadbiran Awam (Perak), the Singapore Public Administration Medal (Silver) by the then President of Singapore Mr Ong Teng Cheong for her contribution to the country.

**Management Reporting Structure of the Manager:**



**Roles of the Executive Officers of the Manager**

The Chief Executive Officer of the Manager is responsible for working with the Board of Directors to determine the strategy for Fortune REIT. The Chief Executive Officer will also work with the other members of the Manager’s management team to ensure that Fortune REIT is operated in accordance with the stated investment strategy. Additionally, the Chief Executive Officer will be responsible for planning the future strategic development of Fortune REIT.

He is responsible for the day-to-day operations of Fortune REIT, investment proposals, strategic planning and marketing. He is also responsible for working with the Manager’s asset management, legal, financial and compliance personnel in meeting the investment objectives of Fortune REIT.

The Finance Managers are in charge of the Finance Team, which is primarily responsible for the financials of Fortune REIT. A very large part of the Finance Team’s functions will be focused on the financial performance and financial indicators of the properties of Fortune REIT. Its work covers the projection of the rental returns, accounting for the rental collections and the operating expenses incurred in the course of managing and operating all the properties of Fortune REIT, and monitoring any outstanding rents. The Finance Team is also responsible for preparing the statutory accounts, co-ordinating with external auditors, managing the tax affairs, managing the borrowings and preparing reports of the performance of Fortune REIT for investors.

The Investor Relations Manager is responsible for communication and liaison with Unitholders. This includes regular statutory reporting such as semi-annual and annual reports to Unitholders and reporting to the SGX-ST under the Listing Manual. The principal objective of Investor Relations Team

will be to provide exceptional customer service to Unitholders and maintain continuous disclosure and transparent communication with Unitholders and the market. The Investor Relations Manager will, in conjunction with the Manager, promote and market Fortune REIT to existing and prospective investors and the media through regular communications, roadshows, events and a website.

The Asset Management Managers are responsible for business plans for 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 Asset Management Managers work closely with the Property Manager, to implement the strategy so as to ensure that Fortune REIT's properties maximise their income generation and minimise their expense base without compromising the marketability of the rentable space. The Asset Management Team focuses on the operations and implementation of the short to medium-term objectives of Fortune REIT's portfolio and supervises the Property Manager in the implementation of the strategy.

The primary responsibility of the Investment, Research and Business Development Managers is to identify, research and evaluate potential acquisitions with a view to enhancing Fortune REIT's portfolio or divestments where a property is no longer strategic or fails to enhance Fortune REIT's portfolio or fails to be yield accretive. The Team also recommends and analyses potential asset enhancement initiatives. In order to support these various initiatives, the team develops financial models to test the financial impact of different courses of actions. These findings will be research-driven to help develop and aid in implementing the proposed initiatives.

### **Executive Officers of the Manager**

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

**Mr Lim Hwee Chiang** is the Chief Executive Officer of the Manager. Details of his working experience are set out in the section “— Directors of the Manager”.

**Mr Lee King Hang** is one of the Finance Managers and has almost 12 years of professional experience in auditing and accounting and has extensive experience in the property sector in Hong Kong. He is currently responsible for the accounting and tax reporting of the property section of the Cheung Kong Group. He is also responsible for the compliance of regulatory issues in financial reporting of the Cheung Kong Group.

Prior to joining the Sponsor in 1996, Mr Lee worked for Ernst & Young and Grant Thornton after graduation in 1991 in the audit and corporate advisory services areas.

Mr Lee holds a Bachelor of Arts with Honours in Accountancy degree from The Hong Kong Polytechnic University and is an Associate Member of the Hong Kong Society of Accountants and a fellow with The Association of Chartered Certified Accountants.

**Ms Seow Bee Lian** is one of the Finance Managers of the Manager and is also the Investor Relations Manager of the Manager. She has more than 14 years of commercial experience. Prior to joining the Manager, she was a consultant providing accounting and consultancy services to small and medium enterprises. She was the Deputy Financial Controller and Company Secretary of L.C. Development Ltd (“LC Development”), a company which is listed on the SGX-ST, from 1998 to 2002. LC Development's principal activities include investment and development of properties as well as owning and managing hotels and serviced apartments in Australia, PRC, Laos, Thailand, Vietnam and the United Kingdom. During her time with LC Development, Ms Seow oversaw the financial and corporate secretarial matters of LC Development and its subsidiaries. She was also one of the key personnel involved in the construction of serviced apartments in Laos and a hotel in Phuket.

Prior to joining LC Development, Ms Seow was the Finance Manager in the Corporate Finance Department of Royal Sporting House from 1994 to 1997. She was in charge of corporate restructuring matters and cash flow management. Ms Seow has also worked in Lum Chang Holdings Limited (“Lum Chang”) from 1990 to 1993 where she handled the finance, internal audit as well as corporate secretarial matters of Lum Chang and its subsidiaries (the “Lum Chang Group”). She was also involved in a restructuring exercise of the Lum Chang Group.

Ms Seow started her career with Deloitte & Touche, Singapore in 1988 where she was involved in the audit and tax assignments of varied industries.

Ms Seow, who is a Singapore citizen, graduated from the National University of Singapore School of Accountancy and is a Certified Public Accountant with the Institute of Certified Public Accountants of Singapore.

**Ms Chee Gillian** is one of the Asset Managers of the Manager and will be responsible for the asset management of the Manager. She has over 10 years of experience in the property investment market in Asia. Prior to joining the Manager, she was the Associate Director and Head of Investment Consultancy at Chesterton Petty Ltd in Hong Kong from 1998 to 2002, where her responsibilities included overseeing investment sales in Hong Kong, Singapore, Shanghai, Beijing, Taiwan and Seoul. She has acted on behalf of mortgagees, liquidators and institutions for portfolio sales.

Ms Chee was also an Assistant Director (Valuation) of Vigers Hong Kong Limited for two years from 1997 to 1998 where she worked as a specialist consultant in providing regional development advice on mixed-used development and hospitality projects.

Ms Chee began her career in Singapore. From 1992 to 1997 she was in the business development unit of Scotts Holdings Limited (now known as The Ascott Limited), a public listed company in Singapore which manages serviced apartments in various countries. During that period, she was a project manager and was involved in the company's investment and expansion of its chain of serviced apartments in London, Bangkok, Jakarta and Malaysia.

Ms Chee is a Singapore citizen and is a registered estate agent with the Hong Kong Estate Agency Authority and a student member of the Hong Kong Institute of Surveyors. She holds a Bachelor of Science (Estate Management) degree, Second Class Honours from the National University of Singapore.

**Ms Wong See Hang** is one of the Asset Managers of the Manager and is responsible for leasing, marketing and strategic planning of the assets under the Manager. She has more than 15 years of experience in property management and has been actively involved and responsible for managing over six million sq ft of prime retail, office, residential and industrial properties of the Sponsor. Ms Wong has also devised marketing campaigns, created trade-mix plans and has been involved in lease administration. In addition, Ms Wong has been responsible for arcade promotion plans, credit control functions and in the implementation of improvement and renovation works of the properties belonging to the Sponsor.

Ms Wong holds a Bachelor of Arts (Honours) degree from the University of Hong Kong.

**Mr Ngo Yong-Wei Kelvin** is the Investment and Research Manager of the Manager and will be responsible for the research and underwriting of deals. Prior to joining the Manager, he was an Asset Manager with GRA from 2000 to 2002. He was involved in setting up a US\$200,000,000 programme for investing in Asia's retail malls and its first asset acquisition and subsequent asset enhancement programme. In addition, he undertook various asset management functions including monitoring and improving asset performance and periodic reporting to investors.

Mr Ngo has over eight years of experience in research, investment underwriting and asset management. Before GRA, he spent four years as a Senior Analyst with CB Richard Ellis in Singapore where he covered real estate research, conducted feasibility studies and provided consultancy services for both local and foreign multinational corporations like financial institutions, real estate developers and foreign real estate funds.

Mr Ngo began his career in 1995 setting up the research department of MPI International Pte Ltd, a local real estate agency and covered the industrial property sector. He is a Singapore citizen and holds a Bachelor of Science (Economics) degree, Second Class Honours from the University of London.

**Mr Yung Yu Ming** is the Investment and Business Development Manager of the Manager and will be responsible for overseeing the investment, research and business development activities of the Manager. He has eight years of experience in the investment industry in the Asia Pacific region including Australia, Singapore, Hong Kong, Malaysia, Philippines and Thailand from 1995 to 2003. His most recent role was as an associate director with UBS Warburg, Singapore from 2000 to 2002, in the area of mergers and acquisitions involving real estate companies in Asia.

His previous appointment was as an Assistant Vice President of Real Estate from 1999 to 2000 with the Government of Singapore Investment Corporation where he was involved in managing real estate entities and real estate investments in the Asia-Australia region.

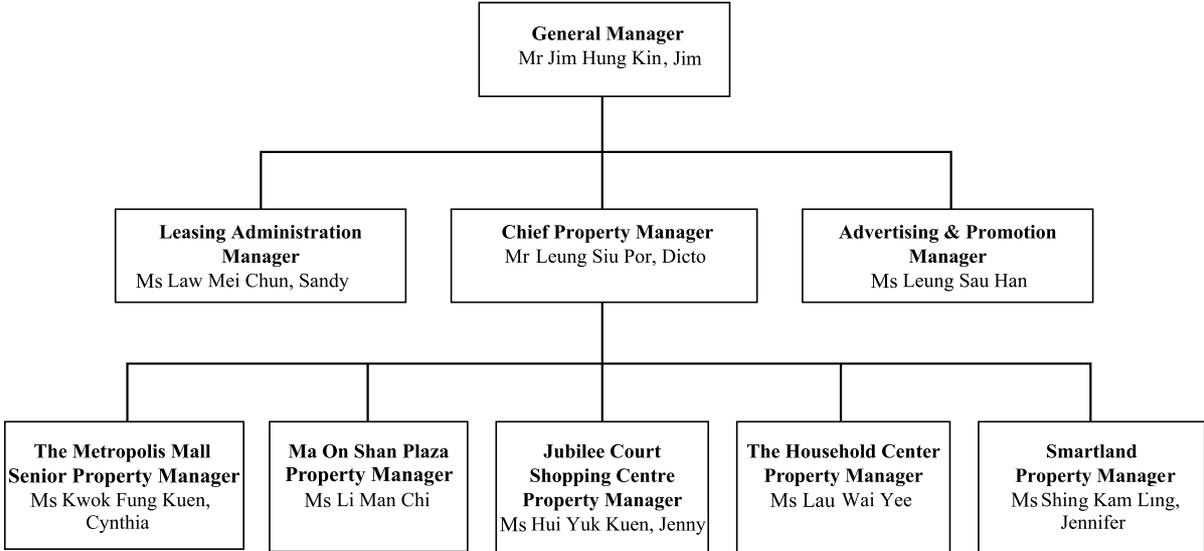
Mr Yung, who is an Australian citizen, started off his career in 1995 in Sydney, Australia with BIS Shrapnel in economics and property research (including research in relation to listed property trusts). In 1997, he joined one of Australia's leading boutique fund managers, now called Perennial Investment Partners, where he was an investment analyst in Asian equities. He is a holder of the Chartered Financial Analyst charter and a Bachelor of Economics (First Class Honours) and Law degree from the University of Sydney.

#### **Certain Information Regarding the Directors and Executive Officers of the Manager**

None of the directors or executive officers of the Manager is or was involved in any of the following events:

- a petition under any bankruptcy laws filed in any jurisdiction against him or her in the last 10 years;
- being a partner in any partnership involved in a petition under any bankruptcy laws in any jurisdiction filed against the partnership in the last 10 years, while he or she was a partner of that partnership;
- being a director or executive officer of any corporation involved in a petition under any bankruptcy laws in any jurisdiction filed against the corporation in the last 10 years, while he or she was such a director or executive officer;
- having an unsatisfied judgment outstanding against him or her;
- convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty punishable with imprisonment for three months or more, or charged for violation of any securities laws or subject to any such pending criminal proceeding;
- convicted of any offence, in Singapore or elsewhere, involving a breach of any securities or financial market laws, rules or regulations;
- received any judgment against him or her in any civil proceeding in Singapore or elsewhere in the last 10 years involving fraud, misrepresentation or dishonesty or is subject to any such pending civil proceeding;
- convicted in Singapore or elsewhere of any offence in connection with the formation or management of any corporation;
- disqualified from acting as a director of any company, or taking part in any way directly or indirectly in the management of any company;
- been subject to any order, judgment or ruling of any court of competent jurisdiction, tribunal or governmental body permanently or temporarily enjoining him or her from engaging in any type of business practice or activity; and
- to his or her knowledge, in Singapore or elsewhere, been concerned with the management or conduct of affairs of any company or partnership which has been investigated by an inspector appointed under the provisions of the Singapore Companies Act, or other securities enactments or by any other regulatory body in connection with any matter involving the company or partnership occurring or arising during the period when he or she was so concerned with the company or partnership.

**Management Reporting Structure of the Property Manager**



**Executive Officers of the Property Manager**

Goodwell-Fortune Property Services Limited is the appointed Property Manager of Fortune REIT. Information on the working experience of the Executive Officers of the Property Manager is set out below:

**Mr Jim Hung Kin, Jim** joined Goodwell Property, the holding company of the Property Manager, in February 1987 and was appointed general manager of Goodwell Property in June 2002. From May 1994 to May 2002, he was the assistant general manager and led a team of executive managers monitoring operating costs and overseeing day-to-day operations. Mr Jim has more than 25 years of experience in the property management field.

Mr Jim, as the general manager of the Property Manager, is responsible for business development, analysis of key business issues and the implementation of strategic business plans to meet with the continual growth of the Property Manager.

Mr Jim is a corporate member of Chartered Institute of Housing (MCIH) and Hong Kong Institute of Housing (HKIH).

**Mr Leung Siu Por, Dicto** is the chief property manager and works closely with the general manager to formulate and implement corporate strategies of the Property Manager. He has overall responsibility for developing and evaluating strategic business plans, business opportunities, marketing and communication as well as building operations.

Mr Leung has been with Goodwell Property, the holding company of the Property Manager, since February 1995 and was the senior property manager of Sceneway Garden and Plaza from July 1996 to May 1997. Prior to that, Mr Leung held positions as a property manager at Colliers Jardine (H.K.) Ltd. and as a housing officer of the Housing Department of Hong Kong Housing Authority. He has more than 22 years of experience in the property management field, both in the private and public sectors.

Mr Leung is a corporate member of Chartered Institute of Housing (MCIH) and Hong Kong Institute of Housing (HKIH).

**Ms Law Mei Chun, Sandy** has been an assistant manager in the Leasing Department of the Sponsor and has worked with the Sponsor for more than 10 years. Before joining the Leasing Department of the Sponsor in 1999, Ms Law was an auditor in the Internal Audit Department of the Sponsor and worked closely with most departments of the Sponsor as well as the subsidiary companies of the Cheung Kong Group focusing on internal control and the effectiveness and efficiency of the operating and

administrative systems. She also participated in the review of the administrative, accounting and operational controls of the Cheung Kong Group's two property management companies.

Ms Law's responsibilities as the leasing administration manager of the Property Manager include setting up operational systems, maintaining policies and guidelines, executing controlling functions within the department, managing the centralised administration for leasing properties, reviewing and co-ordinating with the building managers on building management matters in respect of property leasing and performing ad hoc duties for business development opportunities in property leasing.

Ms Law has a Bachelor of Business Administration degree from The Open University of Hong Kong.

**Ms Leung Sau Han** has been a senior leasing officer of the Sponsor and has worked in the company since 1999. Prior to joining the Sponsor, Ms Leung was involved in public relations, advertising, customer services and marketing.

Ms Leung's main responsibilities as the advertising & promotion manager of the Property Manager include planning and executing promotional events in the shopping malls under the Property Manager's management.

Ms Leung is a graduate of Hong Kong Baptist University with a Bachelor of Social Science degree in Communication Studies (Honours).

**Ms Kwok Fung Kuen, Cynthia** is the senior property manager of the Property Manager. Her sole responsibility is to oversee the overall operational and financial performance of The Metropolis Mall including working with the tenants of The Metropolis Mall to implement advertising and promotional events.

Prior to joining the Property Manager, Ms Kwok has been the senior property manager of Goodwell Property for the Kowloon West Region for nearly two years overseeing a total gross floor area of over 4,658,700 sq ft of residential space and 280,000 sq ft of commercial space, which includes Laguna Verde and Fisherman's Wharf in Hung Hom district since August 2001. She has experience in managing large-scale shopping malls with heavy pedestrian traffic, namely, Tsuen Wan Town Square and Tuen Mun Trend Plaza, during her time with her previous employer, Hang Yick Properties Management Ltd., whom she joined after her stint with Urban Property Management Ltd.

Ms Kwok graduated from the University of Sydney with a Masters of Business Administration degree and from the University of Hong Kong with a Masters of Housing Management degree.

**Ms Li Man Chi** is the property manager of Ma On Shan Plaza. She is responsible for the overall operational and financial performance of Ma On Shan Plaza.

Ms Li has more than 10 years of experience in the property management field. She held similar positions as a property manager during her previous employment with Well Born Real Estate Management Ltd. and Gold Court Property Management Ltd. Prior to that, she worked for Island Place (Management) Ltd. and Whampoa Garden Management Ltd.

Ms Li is a corporate member of Chartered Institute of Housing (MCIH).

**Ms Hui Yuk Kuen, Jenny** is the property manager of Jubilee Court Shopping Centre. She oversees the operational and financial performance of Jubilee Court Shopping Centre.

Prior to joining the Property Manager, Ms Hui spent about six years at Goodwell Property. Prior to that, Ms Hui spent four years at Collier Jardine (H.K.) Ltd. as assistant property manager from November 1993 to June 1997.

Ms Hui is a corporate member of Chartered Institute of Housing (MCIH).

**Ms Lau Wai Yee** is the property manager for The Household Center and oversees the operational and financial performance of the mall.

From May 1995, Ms Lau was involved in operations at Sceneway Garden and Plaza, initially as an assistant property manager of Goodwell Property and, since May 1997 was promoted to the role of the property manager for Sceneway Garden and Plaza. She was formerly with Collier Jardine (H.K.) Ltd. and has 15 years of experience in the property management field.

Ms Lau holds a diploma in surveying from The College of Estate Management.

**Ms Shing Kam Ling, Jennifer** is the property manager of Smartland. She is responsible for the overall operational and financial performance of Smartland. She undertakes the liaison role between Quick Switch Limited, as the anchor landlord, and individual owners of the mall.

Ms Shing has over six years of management experience in the management of industrial/office properties and 17 years of experience in the property management field. She joined Goodwell Property in January 1992 as senior estate officer and was promoted to assistant property manager in April 1993 to lead the internal audit team.

Ms Shing graduated from York University with a Bachelor of Arts (Honours) degree.

### **The Sponsor of Fortune REIT — Cheung Kong (Holdings) Limited**

Fortune REIT is sponsored by Cheung Kong (Holdings) Limited. The Cheung Kong Group is engaged principally in property development and investment in Hong Kong. The Cheung Kong Group develops high quality and large-scale properties for sale and investment in the residential, retail, office, hotel and industrial sectors.

The Cheung Kong Group also has extensive property leasing, property sales and property management experience and manages a retail commercial portfolio exceeding eight million sq ft in Hong Kong and the PRC. The Cheung Kong Group also has substantial interests and operations in life sciences, information technology and the Internet business.

Through its investment in HWL, the Cheung Kong Group is also involved in port and port-related services, telecommunications, retail and manufacturing, energy and infrastructure businesses.

In Singapore, Mr Li Ka-shing, the Chairman of the Cheung Kong Group, invested in two significant property developments, namely the Suntec City development and Thomson 800, since the 1980s. In addition, property projects developed by the Cheung Kong Group in Singapore include Costa del Sol and the Cairnhill Crest condominium project. In addition, the Cheung Kong Group also has a 33.3% stake in the One Raffles Quay commercial project in Singapore's New Downtown area.

The combined market capitalisation of the Cheung Kong Group and its listed affiliated companies in Hong Kong amounted to HK\$452 billion as at 15 June 2003. This accounted for approximately 11.5% of the total market capitalisation of the Hong Kong stock market. The Cheung Kong Group and its listed affiliated companies in Hong Kong operate in close to 40 countries and employ over 160,000 staff worldwide.

### **Corporate Governance of the Manager**

The following outlines the main corporate governance practices of the Manager.

#### **Board of Directors of the Manager**

The Board of Directors of the Manager (the "Board") is responsible for the overall corporate governance of the Manager including establishing goals for management and monitoring the achievement of these goals. The Manager 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 consists of seven members, three of

whom are independent directors. None of the directors of the Manager has entered into any service contract directly with Fortune REIT.

The composition of the Board is determined using the following principles:

- (1) the Chairman of the Board should be a non-executive director of the Manager;
- (2) the Board should comprise directors with a broad range of commercial experience including expertise in funds management and the property industry; and
- (3) at least one-third of the Board should comprise independent directors.

The composition will be reviewed regularly to ensure that the Board has the appropriate mix of expertise and experience.

The Board will establish various committees to assist it in discharging its responsibilities. These committees are listed below.

#### **Audit Committee**

The Audit Committee is appointed by the Board from among the directors of the Manager and is composed of three members a majority of whom (including the Chairman of the Audit Committee) are required to be independent directors. As at the date of this Prospectus, the members of the Audit Committee are Mr Lim Lee Meng, Mr Cheng Moses Mo Chi and Mrs Sng Sow-Mei (Phoon Sui Moy alias Poon Sow Mei), all of whom are independent directors. Mr Lim Lee Meng has been appointed as the Chairman of the Audit Committee. 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 reviewing the adequacy of external audits in respect of cost, scope and performance.

The Audit Committee's responsibilities also include:

- (1) reviewing external audit reports to ensure that where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by the management;
- (2) monitoring the procedures in place to ensure compliance with applicable legislation, the Listing Manual and the Property Funds Guidelines;
- (3) reviewing the financial statements and the internal audit report; and
- (4) monitoring the procedures established to regulate Related Party Transactions (as defined herein), including ensuring compliance with the provisions of the Listing Manual relating to transactions between the Trustee (as the trustee of Fortune REIT) and an "interested person" (as defined therein), and the provisions of the Property Funds Guidelines relating to transactions between the Trustee (as the trustee of Fortune REIT) and an "interested party" (as defined therein) (both such types of transactions constituting Related Party Transactions).

#### **Dealings in Fortune REIT Units**

Company policy encourages the directors and employees of the Manager to hold units in Fortune REIT but prohibits them from dealing in the Units:

- (1) in the period commencing one month before the public announcement of Fortune REIT's annual, semi-annual and, as the case may be and as applicable, quarterly results and (where applicable) valuation and ending on the date of announcement of the relevant results; and
- (2) at any time whilst in possession of price sensitive information.

In addition, the Manager has given an undertaking to the MAS that it will announce to the SGX-ST the particulars of its holdings in the Units and any changes thereto within two business days after the date on which it acquires or disposes of any Units, as the case may be. The Manager has also undertaken that it will not deal in the Units during the period commencing one month before the public announcement of Fortune REIT's annual, semi-annual or, as the case may be and as applicable, quarterly results and (where applicable) valuation, and ending on the date of announcement of the relevant results.

## **Management of Business Risk**

The Board will meet quarterly or more often if necessary and will review the financial performance of the Manager and Fortune REIT against a previously approved budget. The Board also will review the risks to the assets of Fortune REIT, examine liability management and will act upon any comments from the auditors of Fortune REIT.

The Manager has appointed experienced and well-qualified management to handle the day-to-day operations of the Manager and Fortune REIT. In assessing business risk, the Board will consider the economic environment and the property industry risk. It reviews management reports and feasibility studies on individual development projects prior to approving major transactions. The management meets weekly to review the operations of the Manager and Fortune REIT and discuss continuous disclosure issues.

## **Conflicts of Interest**

The Manager has instituted the following procedures to deal with conflicts of interest issues:

- (1) The Manager will be a dedicated manager to Fortune REIT and will not manage any other real estate investment trust or be involved in any other real property business.
- (2) Save for Ms Wong See Hang and Mr Lee King Hang who will be seconded from the Sponsor to the Manager on a full-time basis for a period of three years from the Listing Date, all Executive Officers will be employed by the Manager. To mitigate any potential conflict of interests, as part of the terms of the secondment, during the period of secondment, both Ms Wong and Mr Lee shall undertake to report to the Manager and not the Sponsor and shall owe their duties and obligations to the Manager and act in the best interests of Fortune REIT. Under the terms of such secondment, any confidential information gained in the course of the secondment with the Manager shall also be kept confidential.
- (3) The entry into of any Related Party Transaction (as defined below) must be reviewed and/or approved by the Audit Committee by a majority vote.
- (4) At least one-third of the Board shall comprise independent directors.

It is also provided in the Trust Deed that if the Manager is required to decide whether or not to take any action against any person in relation to any breach of any agreement entered into by the Trustee for and on behalf of Fortune REIT with a related party of the Manager, the Manager shall be obliged to consult with a reputable law firm (acceptable to the Trustee) who shall provide legal advice on the matter. If the said law firm is of the opinion that the Trustee, on behalf of Fortune REIT, has a prima facie case against the party allegedly in breach under such agreement, the Manager shall be obliged to take appropriate action in relation to such agreement. The directors of the Manager will have a duty to ensure that the Manager so complies. Notwithstanding the foregoing, the Manager shall inform the Trustee as soon as it becomes aware of any breach of any agreement entered into by the Trustee for and on behalf of Fortune REIT with a related party of the Manager and the Trustee may take such action as it deems necessary to protect the rights of Unitholders and/or which is in the interests of Unitholders. Any decision by the Manager not to take action against a related party of the Manager shall not constitute a waiver of the Trustee's right to take such action as it deems fit against such related party.

Under the Trust Deed, the Manager and its related parties are prohibited from voting their Units at, or being part of a quorum for, any meeting of Unitholders convened to approve any matter in which the Manager or any of its related parties has a material interest in the business to be conducted.

## **Related Party Transactions**

### **The Manager's Internal Control System**

The Manager has established an internal control system to ensure that all future transactions involving the Trustee, as the trustee of Fortune REIT and whether by itself or through the Property Companies or other single purpose companies, and a related party of the Manager or Fortune REIT ("Related Party Transactions") will be undertaken on normal commercial terms and will not be prejudicial to the interests of Fortune REIT and the Unitholders. As a general rule, the Manager must demonstrate to

the Audit Committee that such transactions satisfy the foregoing criteria, which may entail obtaining (where practicable) quotations from parties unrelated to the Manager, or obtaining one or more valuations from independent professional valuers (in accordance with the Property Funds Guidelines).

The Manager will maintain a register to record all Related Party Transactions which are entered into by Fortune REIT and the bases, including any quotations from unrelated parties and independent valuations obtained to support such bases, on which they are entered into. The Manager will also incorporate into its internal audit plan a review of all Related Party Transactions entered into by Fortune REIT. The Audit Committee shall review the internal audit reports to ascertain that the guidelines and procedures established to monitor Related Party Transactions have been complied with. In addition, the Trustee will also have the right to review such audit reports to ascertain that the Property Fund Guidelines have been complied with. Further, the following procedures will be undertaken:

- transactions (either individually or as part of a series or if aggregated with other transactions involving the same related party during the same financial year) equal to or exceeding S\$100,000 in value but below 3.0% of Fortune REIT's net asset value will be subject to review by the Audit Committee at regular intervals;
- transactions (either individually or as part of a series or if aggregated with other transactions involving the same related party during the same financial year) equal to or exceeding 3.0% but below 5.0% of Fortune REIT's net asset value will be subject to the review and approval of the Audit Committee. Such approval shall only be given if the transactions are on normal commercial terms and consistent with similar types of transactions made by the Trustee, as trustee of Fortune REIT, with third parties which are unrelated to the Manager; and
- transactions (either individually or as part of a series or if aggregated with other transactions involving the same related party during the same financial year) equal to or exceeding 5.0% of Fortune REIT's net asset value will be reviewed and approved, on the basis described in the preceding paragraph, by the Audit Committee which may, as it deems fit, request advice on the transaction from independent sources or advisers, including the obtaining of valuations from independent professional valuers. Further, under the Listing Manual and the Property Funds Guidelines, such transactions would have to be approved by the Unitholders at a meeting of Unitholders.

Where matters concerning Fortune REIT relate to transactions entered into or to be entered into by the Trustee for and on behalf of Fortune REIT with a related party of the Manager or Fortune REIT, the Trustee is required to consider the terms of such transactions to satisfy itself that such transactions are conducted on normal commercial terms, are not prejudicial to the interests of Fortune REIT and the Unitholders, and in accordance with all applicable requirements of the Property Funds Guidelines and/or the Listing Manual relating to the transaction in question. Further, the Trustee, as trustee of Fortune REIT, has the ultimate discretion under the Trust Deed to decide whether or not to enter into a transaction involving a related party of the Manager or Fortune REIT. If the Trustee is to sign any contract with a related party of the Manager or Fortune REIT, the Trustee will review the contract to ensure that it complies with the requirements relating to interested party transactions in the Property Funds Guidelines (as may be amended from time to time) and the provisions of the Listing Manual relating to interested person transactions (as may be amended from time to time) as well as such other guidelines as may from time to time be prescribed by the MAS and the SGX-ST to apply to real estate investment trusts.

#### **Role of the Audit Committee for Related Party Transactions**

The Audit Committee will periodically review all Related Party Transactions to ensure compliance with the Manager's internal control system and with the relevant provisions of the Listing Manual as well as the Property Funds Guidelines. The review will include the examination of the nature of the transaction and its supporting documents or such other data deemed necessary to 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.

### **Related Party Transactions in connection with the setting up of Fortune REIT and the Offering**

The Trustee, on behalf of Fortune REIT, has entered into a number of transactions with the Manager and certain related parties of the Manager in connection with the setting up of Fortune REIT and the Offering. These Related Party Transactions are as follows:

- (1) The Trustee has entered into the Trust Deed with the Manager. The terms of the Trust Deed are generally described in “The Formation and Structure of Fortune REIT”.
- (2) The Trustee has entered into the Sale and Purchase Agreements for the acquisition of the Property Company Shares. These Sale and Purchase Agreements are more particularly described in “Certain Agreements Relating to Fortune REIT — Description of the Agreements to Acquire the Property Company Shares”.

The aggregate Acquisition Value of the Properties is expected to be HK\$3,050.3 million, based on the minimum subscription price of the Offering Price Range, or HK\$3,106.8 million, based on the maximum subscription price of the Offering Price Range (see “Certain Agreements Relating to Fortune REIT — Description of the Agreements to Acquire the Property Company Shares”).

Based on its experience, expertise and knowledge, the Manager believes that the Sale and Purchase Agreements reflect normal commercial terms and are not prejudicial to the interests of Fortune REIT and the Unitholders.

For other Related Party Transactions entered into in connection with the Sale and Purchase Agreements, see “Certain Other Related Party Transactions” below.

- (3) The Trustee and the Manager have entered into a Property Management Agreement with the Property Manager for the day-to-day management of the Properties and all other properties subsequently acquired by Fortune REIT in Hong Kong. On Completion, each Property Company will enter into a deed of ratification and accession in favour of the Manager and the Property Manager confirming that it will be bound by the provisions of the Property Management Agreement. This agreement is more particularly described in “Certain Agreements Relating to Fortune REIT — Property Management Agreement”.

The Manager considers that the Property Manager has the necessary expertise and resources to perform the property management, lease management and marketing services for the Properties.

Based on its experience, expertise and knowledge of contracts entered into by the Sponsor with third parties, the Manager believes that the Property Management Agreement was made on normal commercial terms and is not prejudicial to the interests of Fortune REIT and the Unitholders.

Save as disclosed in this Prospectus, the Trustee has not entered into any other transactions with the Manager or any related party of the Manager in connection with the setting up of Fortune REIT and the Offering.

The fees and charges payable by Fortune REIT under the Trust Deed, and where applicable by the relevant property companies owned by Fortune REIT under the Property Management Agreement, the E-Park Car Park Operating Agreement (see “E-Park Car Park Operating Agreement” below), the Shuttle Bus Service Agreement (see “Shuttle Bus Service Agreement” below), the Maintenance Service Agreement (see “Maintenance Service Agreement” below), the Deeds of Mutual Covenant (see “Deeds of Mutual Covenant” below) and the Jubilee Garden Management Agreement (see “Jubilee Garden Management Agreement” below) (collectively, the “Exempted Agreements”), each of which constitutes a Related Party Transaction, are deemed to have been specifically approved by the Unitholders upon subscription and are therefore not subject to Rules 905 and 906 of the Listing Manual.

### Certain Other Related Party Transactions

As a condition precedent to the completion of the purchase of the Property Company Shares, the following deeds and agreement(s) will *inter alia* be entered into:

(1) Rental Guarantee Deed

The Sponsor and HWL will on Completion enter into a Rental Guarantee Deed with Vision Million Limited, the Property Company which owns The Metropolis Mall. Under the Rental Guarantee Deed, the Sponsor and HWL will undertake (on a several basis in equal shares pro-rated to their respective interests in the Vendor Company) for three years starting from the Listing Date, to effect top up payments to Vision Million Limited (i) if the Adjusted Net Property Income is less than HK\$90,000,000 per annum, to make up the difference between (a) HK\$90,000,000 per annum and (b) the Adjusted Net Property Income for the relevant period and (ii) if the Net Parking Space Income is less than HK\$4,296,000 per annum, to make up the difference between (a) HK\$4,296,000 per annum and (b) the Net Parking Space Income for the relevant period. The Adjusted Net Property Income and the Net Parking Space Income will be certified by the Auditors of Vision Million Limited at the end of each relevant period.

(2) Deeds of Tax Covenant

For each Property Company, a separate deed of tax covenant (“Deed of Tax Covenant”) will be entered into by the relevant Vendor Company and the relevant guarantor(s) in favour of the Trustee, on Completion, covenanting to indemnify the Trustee (for itself or on behalf of the relevant Property Company) in respect of:

- (i) any liability for taxation resulting from or by reference to any event occurring on or before Completion or in respect of any gross receipts, income, profits or gains earned, accrued or received by the Property Company on or before Completion which is not provided for in the Pro Forma Completion Balance Sheet;
- (ii) any deferred tax liability in respect of clawback of commercial building allowances and capital allowances granted up to Completion (calculated by applying the Hong Kong tax rate of 17.5%), resulting from any sale of the relevant Property or any part thereof by the Property Company taking place within seven years from Completion; and
- (iii) specifically in relation to Yee Pang Realty Limited only, in the event of the sale en bloc, or the reclassification from trading stock to investment property, of the commercial units portion of the Jubilee Court Shopping Centre (which have been classified as trading stock in the accounts of Yee Pang Realty Limited) (the “Portion”) taking place within seven years from Completion and tax is required to be paid as a result of an assessment being issued by the Hong Kong tax authority relating to such event, the tax liability calculated in respect of the difference between:
  - (1) the lower of: (a) the value determined by the Hong Kong tax authority as being the relevant value of the Portion for the purpose of calculating the liability for taxation and (b) HK\$183.0 million, representing the acquisition value of the Portion; and
  - (2) the tax cost base for the Portion as determined by the Hong Kong tax authority.

In this connection the relevant Vendor Company may have conduct of any taxation proceeding subject, *inter alia*, to an indemnity for costs from the relevant Vendor Company and other provisions.

The limitation period for claims under paragraph (i) above is seven years from the date of Completion. The limitation period for claims under paragraphs (ii) or (iii) above is seven years after the occurrence of the event giving rise to the tax liability provided that such event occurs within seven years from the date of Completion and provided further that an assessment is raised by the Hong Kong tax authority relating to such event within seven years from the date of occurrence of such relevant event. The Trustee’s right of claim is not prejudiced by any taxation action or proceeding in respect of the relevant tax liability which is the subject matter of the claim not being finally resolved before expiry of the applicable limitation period.

Under the respective Sale and Purchase Agreements and Deeds of Tax Covenant:

- (i) the Sponsor will be the relevant guarantor in relation to Poko Shine Limited, Quick Switch Limited and Art Full Resources Limited;

- (ii) the Sponsor and HWL (assuming several obligations in equal shares pro-rated to their respective interests in the Vendor Company) will be the relevant guarantors in relation to Vision Million Limited; and
  - (iii) in respect of Yee Pang Realty Limited, Beautiland Company Limited and Cheuk Kin Investment Company Limited (being the Vendor Companies in relation to Yee Pang Realty Limited) will assume several obligations in proportion to their shareholdings in Yee Pang Realty Limited, being 40.0% and 60.0%, respectively. The Sponsor will guarantee the performance by Cheuk Kin Investment Company Limited of its obligations. The Sponsor and Li Ka-Shing Unity Trustee Company Limited (as trustee of The Li Ka-Shing Unity Trust), assuming several obligations in proportion to their shareholdings in Beautiland Company Limited (being 85.0% and 15.0%, respectively), will guarantee the performance by Beautiland Company Limited of its obligations.
- (3) Deed of Indemnity and Undertaking in favour of Yee Pang Realty Limited

The Sponsor and Li Ka-Shing Unity Trustee Company Limited (as trustee of The Li Ka-Shing Unity Trust) will enter into a deed of indemnity and undertaking in favour of Yee Pang Realty Limited whereby the Sponsor and Li Ka-Shing Unity Trustee Company Limited (as trustee of The Li Ka-Shing Unity Trust) assuming several obligations in the proportions of 94.0% and 6.0%, respectively, will indemnify Yee Pang Realty Limited against:

- (i) the losses incurred by Yee Pang Realty Limited in respect of its capacity as manager of the development known as Jubilee Garden (of which Jubilee Court Shopping Centre forms part) under the relevant Deed of Mutual Covenant, the management agreement (together with its supplemental agreement) made between Yee Pang Realty Limited and Goodwell Property, and the costs of repair and maintenance of all buildings and structures on Jubilee Garden, for so long as such obligations subsist and have not been waived or deleted by the relevant authority, and provided that such indemnity will continue only for so long as Goodwell Property or another member of the Cheung Kong Group is appointed by Yee Pang Realty Limited as managing agent of the development (and in this connection, the Sponsor will also undertake to ensure the availability of an appropriate member of the Cheung Kong Group with at least three years' relevant property management experience to act as managing agent should the existing management agreement (as supplemented) be terminated due to insolvency of, or breach by, Goodwell Property) and such indemnity will terminate (without prejudice to accrued rights and liabilities as at termination) once this ceases to be the case, regardless of whether a member of the Cheung Kong Group is subsequently re-appointed as managing agent; and
- (ii) Yee Pang Realty Limited's liability to furnish a bank bond of not less than HK\$15.0 million in favour of the Hong Kong Government to secure its performance of certain obligations under the Government lease for so long as such obligations subsist and have not been waived or deleted by the relevant authority, and, provided such indemnity can only be claimed upon once and shall apply only in the situation where Yee Pang Realty Limited assigns or mortgages Jubilee Court Shopping Centre (excluding its interests in the Reserved Portion as defined in the section under "Certain Agreements Relating to Fortune REIT — Jubilee Court Shopping Centre") on an en bloc basis.

Yee Pang Realty Limited in turn will agree that, at the request and cost of the Sponsor and Li Ka-Shing Unity Trustee Company Limited (as trustee of The Li Ka-Shing Unity Trust), it will lend all reasonable assistance to any application to the relevant authority (a) for consent to appoint another manager (being a member of the Cheung Kong Group) as manager of Jubilee Garden in place of Yee Pang Realty Limited and/or (b) for consent that Yee Pang Realty Limited's repair and maintenance obligations referred to in paragraph 3(i) above and bank bond obligations referred to in paragraph 3(ii) above be waived or deleted and/or (c) for consent that the prohibition in the Government lease against disposal by Yee Pang Realty Limited of the Reserved Portion be waived or deleted.

(4) Put Option Agreement in respect of Yee Pang Realty Limited

The Sponsor and Li Ka-Shing Unity Trustee Company Limited (as trustee of The Li Ka-Shing Unity Trust) (assuming several obligations in the proportions of 94.0% and 6.0%, respectively), will on Completion enter into a put option agreement in favour of the Trustee, exercisable when Yee Pang Realty Limited has sold the entirety of Jubilee Court Shopping Centre (excluding its interests in the Reserved Portion), and provided that Yee Pang Realty Limited has at that time no material assets or liabilities other than in respect of the Reserved Portion, its position as the manager of Jubilee Garden and the personal obligations imposed on Yee Pang Realty Limited relating to the requirement to furnish bank bonds and its repair and maintenance and other obligations under the relevant Government lease, pursuant to which the Trustee is entitled to require the Sponsor and Li Ka-Shing Unity Trustee Company Limited (as trustee of The Li Ka-Shing Unity Trust), assuming several obligations in the proportions of 94.0% and 6.0%, respectively, to purchase all the shares of Yee Pang Realty Limited on the basis of an assessed market value (at the date of exercise of the put option) of its interests in the Reserved Portion.

(5) Deed of Indemnity and Undertaking in favour of Poko Shine Limited

The Sponsor will enter into a deed of indemnity and undertaking in favour of Poko Shine Limited to indemnify Poko Shine Limited against the losses incurred in relation to its management and maintenance obligations for two single storey covered footbridges constructed by Poko Shine Limited under the terms of the relevant Government lease, for so long as such obligations subsist and have not been waived or deleted by the relevant authority, provided that such indemnity will continue only for so long as a member of the Cheung Kong Group acts as the manager of the development known as Bayshore Towers (of which Ma On Shan Plaza forms part) under the relevant Deed of Mutual Covenant (and in this connection, the Sponsor will also undertake to ensure the availability of an appropriate member of the Cheung Kong Group with at least three years' relevant property management experience to act as the new manager of the development should the appointment of the existing manager be terminated) and such indemnity will terminate (without prejudice to accrued rights and liabilities as at termination) once this ceases to be the case, regardless of whether a member of the Cheung Kong Group is subsequently re-appointed as such manager.

Poko Shine Limited in turn will agree that, at the request and cost of the Sponsor, it will lend all reasonable assistance in any application to the relevant authority for consent that the above management and maintenance obligations of Poko Shine Limited be waived or deleted.

The Manager believes that the Rental Guarantee Deed and the above deeds and agreement are on normal commercial terms and are not prejudicial to the interests of Fortune REIT and the Unitholders.

#### **Tenancy Agreements/Licence Agreements**

Various tenancy agreements and licence agreements have been entered into between the Property Companies and certain associates (as defined in the Listing Manual) of the Sponsor (which would, upon Completion, become related parties of Fortune REIT) in relation to the tenancies and licences of premises in the Properties. The aggregate annual rental and licence fees derived or to be derived from these tenancy agreements and licence agreements for the year 2003 is estimated at approximately HK\$38.8 million, of which an aggregate annual amount of approximately HK\$34.8 million is derived from tenancies or licences with original terms of not more than three years. Please refer to Appendix X for details of these tenancy agreements and licence agreements.

For illustrative purposes, the aggregate rental and licence fees derived or to be derived from these tenancy agreements and licence agreements for the six months ending 31 December 2003 is HK\$20.1 million, being approximately 17.3% of HK\$115.9 million which is the forecast aggregate revenue and income contribution for all the five Properties for the same period (without taking into account the amount of HK\$32.8 million assumed to be payable by the Sponsor and HWL under the Rental Guarantee Deed for The Metropolis Mall — see “Profit Forecast and Profit Projection — Revenue and Income Contribution of Individual Properties”).

The Manager believes that these tenancy agreements and licence agreements were made on normal commercial terms and are not prejudicial to the interests of Fortune REIT and the Unitholders. Also, the SGX-ST has confirmed that these tenancy agreements and licence agreements are deemed to have

been specifically approved by the Unitholders upon subscription and are therefore not subject to Rules 905 and 906 of the Listing Manual.

#### **E-Park Car Park Operating Agreement**

The Property Manager (as agent for each Property Company) and E-Park Parking Management Limited (“E-Park”), a wholly-owned subsidiary of the Sponsor, will enter into an agreement for the operation and management of the car parking spaces at the Properties for a fixed term of one year with an option to extend the term for a further period of one year on such terms and conditions to be agreed between the relevant Property Company and E-Park. Under this agreement, E-Park is entitled to receive 10.0% of all amounts received, or which would have been received had no parking discount or free parking been offered by the relevant Property Company, each month for letting or licensing of car parking spaces.

The Manager believes that this agreement is on normal commercial terms and is not prejudicial to the interests of Fortune REIT and the Unitholders.

#### **Shuttle Bus Service Agreement**

Poko Shine Limited (via its former agent, Goodwell Property) and Lifestyle Plus Limited had entered into a service agreement dated 29 June 2002 in respect of the provision of shuttle bus services to and from Ma On Shan Plaza. Lifestyle Plus Limited is a wholly-owned subsidiary of the Sponsor. Under this agreement, Lifestyle Plus Limited is entitled to receive a monthly fee of HK\$40,000 for a term of 24 months commencing from 1 September 2002.

The Manager believes that this agreement is on normal commercial terms and is not prejudicial to the interests of Fortune REIT and the Unitholders.

#### **Maintenance Service Agreement**

Yee Pang Realty Limited (via its former agent, Goodwell Property) and Loyal City Services Limited had entered into a maintenance service agreement dated 4 December 2002 in respect of the maintenance services to the air-conditioning system in Jubilee Court Shopping Centre. Loyal City Services Limited is a wholly-owned subsidiary of the Sponsor. Under this agreement, Loyal City Services Limited is entitled to receive a monthly fee of HK\$3,850 for a term of 24 months commencing from 1 December 2002.

The Manager believes that this agreement is on normal commercial terms and is not prejudicial to the interests of Fortune REIT and the Unitholders.

#### **Deeds of Mutual Covenant**

Each of the Property Companies is bound by the terms of the deed of mutual covenant (“Deed of Mutual Covenant”) applicable to the Property owned by it. A Deed of Mutual Covenant is a deed which provides for, *inter alia*, the management and maintenance of a development and the rights and obligations of all the owners in the development. The Deed of Mutual Covenant binds the manager and all the owners of a development and their successors-in-title, irrespective of whether they are original parties to the Deed of Mutual Covenant. The aggregate annual amount of all manager’s remuneration payable by the Property Companies to all the managers under the Deeds of Mutual Covenant is approximately HK\$856,200.

The Manager believes that the Deeds of Mutual Covenant were made on normal commercial terms and are not prejudicial to the interests of Fortune REIT and the Unitholders.

The following Deeds of Mutual Covenant are binding on the Property Companies:

(1) Vision Million Limited

The Deed of Mutual Covenant and Management Agreement is dated 20 June 2002 and is made between KCRC (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. 8873810.

The purpose of the Deed of Mutual Covenant is to make provision for the maintenance, management, repair, renovation, insurance and service of the development known as The Metropolis (the “Development”) erected on Kowloon Inland Lot No. 11077 (the “Land”) 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 Deed of Mutual Covenant binds all owners of undivided shares of and in the Land and the Development, Vision Million Limited, as owner of The Metropolis Mall as well as 179 parking lots in the Development, is bound by the Deed of Mutual Covenant, although not a party to it.

Under the Deed of Mutual Covenant, the following manager’s remuneration is payable by Vision Million Limited to the manager:

- (a) in respect of The Metropolis Mall comprised in the Development: approximately HK\$26,921 per month; and
- (b) in respect of car parking spaces and public coach parking spaces: approximately HK\$1,050 per month.

(2) Poko Shine Limited

The Deed of Mutual Covenant is dated 18 May 1995 and is 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 Sha Tin New Territories Land Registry by Memorial No. 814744.

The purpose of the Deed of Mutual Covenant is to make provision for the management and maintenance of the development known as Bayshore Towers erected on Sha Tin Town Lot No. 382 (the “Estate”) and the common areas and facilities of the Estate.

Pursuant to the Deed of Mutual Covenant, the following manager’s remuneration is payable by Poko Shine Limited (as registered owner) to the manager:

- (a) in respect of Ma On Shan Plaza comprised in the Estate: approximately HK\$18,170 per month; and
- (b) in respect of 290 car parking spaces: approximately HK\$6,621 per month.

(3) Art Full Resources Limited

The Deed of Mutual Covenant incorporating Management Agreement is dated 23 July 2002 and is 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 Tsuen Wan New Territories Land Registry by Memorial No. 1473301.

The purpose of the Deed of Mutual Covenant is to define and regulate the rights, interests and obligations of the parties to the Deed of Mutual Covenant and all subsequent owners in respect of the development known as Nob Hill (the “Development”) erected on Kwai Chung Town Lot No. 474 (the “Land”) and to make provisions for the management of the Land and the Development and the common areas and facilities of the Development.

As the Deed of Mutual Covenant binds all persons who may thereafter become an owner of undivided shares of and in the Land and the Development during the term of the Government lease i.e. until 16 July 2048, Art Full Resources Limited will be bound by the terms of the Deed of Mutual Covenant once it has taken up an assignment of The Household Center from Central More Limited and thereby becomes the legal owner of The Household Center (see “Certain Agreements Relating to Fortune REIT — Information Regarding the Leasehold Title to the Properties”).

Pursuant to the Deed of Mutual Covenant, the following manager’s remuneration is payable by Art Full Resources Limited to the manager:

- (a) in respect of The Household Center comprised in the Development: approximately HK\$5,727 per month; and
- (b) in respect of 43 commercial car parking spaces: approximately HK\$343 per month.

(4) Quick Switch Limited

The Deed of Mutual Covenant is dated 5 September 1981 and is 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 management company) and registered in the Tsuen Wan New Territories Land Registry by Memorial No. 232377.

The purpose of the Deed of Mutual Covenant is to make provision for the management, operation, insurance, servicing, maintenance, repair, renovation and replacement of the development known as East Asia Gardens (the “Development”) erected on Tsuen Wan Town Lot No. 247 (the “Land”) and the common areas and facilities of the Development and to define and regulate the rights, interests and obligations of the parties and all subsequent owners in respect of the Land and the Development.

As the Deed of Mutual Covenant binds all owners of undivided shares of and in the Land and the Development, Quick Switch Limited, as the owner of Smartland as well as the car parking spaces on the Basement, is bound by the Deed, although not a party to it.

Pursuant to the Deed of Mutual Covenant, a manager’s remuneration of approximately HK\$6,492 per month is payable by Quick Switch Limited for all the shop units and car parking spaces owned by Quick Switch Limited.

(5) Yee Pang Realty Limited

The Deed of Mutual Covenant is dated 27 December 1985 and is made between Yee Pang Realty Limited (as registered owner), Woo Wai Fung (as purchaser) and Yee Pang Realty Limited (as manager) and registered in the Sha Tin New Territories Land Registry by Memorial No. 314896.

The purpose of the Deed of Mutual Covenant is to make provision for the management, maintenance and servicing of the development known as Jubilee Garden erected on Sha Tin Town Lot No. 87 (the “Estate”) and the common areas and facilities of the Estate and to define and regulate the rights, interests and obligations of the owners in respect of the Estate.

Pursuant to the Deed of Mutual Covenant, the following manager’s remuneration is payable by Yee Pang Realty Limited (as registered owner) to the manager:

- (a) In respect of Jubilee Court Shopping Centre: approximately HK\$4,728 per month; and
- (b) In respect of the car parking spaces: approximately HK\$1,298 per month.

**Jubilee Garden Management Agreement**

Yee Pang Realty Limited and Goodwell Property had entered into a management agreement (“Jubilee Garden Management Agreement”) dated 27 December 1985 in respect of Jubilee Garden (of which Jubilee Court Shopping Centre forms part) whereby Yee Pang Realty Limited subcontracted to Goodwell Property its obligations as manager under the Deed of Mutual Covenant for the development. The term of the Jubilee Garden Management Agreement is stated to be from 27 December 1985 until Yee Pang Realty Limited is discharged from being the manager of Jubilee Garden (although it is terminable in the event of insolvency by either party).

For a consideration of HK\$10.00, Yee Pang Realty Limited and Goodwell Property will enter on Completion into a supplemental management agreement being supplemental to the Jubilee Garden Management Agreement to allow Yee Pang Realty Limited also to terminate the Jubilee Garden Management Agreement in the event of breach by Goodwell Property.

Pursuant to the Jubilee Garden Management Agreement (as supplemented), a management fee equivalent to Yee Pang Realty Limited’s remuneration as provided for in the Deed of Mutual Covenant is payable by Yee Pang Realty Limited to Goodwell Property. The annual management fee payable by Yee Pang Realty Limited for the year 2003 is approximately HK\$1,560,000.

The Manager believes that the Jubilee Garden Management Agreement (as supplemented) was made on normal commercial terms and is not prejudicial to the interests of Fortune REIT and the Unitholders.

## **Future Related Party Transactions**

As a real estate investment trust, Fortune REIT is regulated by the Property Funds Guidelines and the Listing Manual. The Property Funds Guidelines regulate, among others, transactions entered into by the Trustee (for and on behalf of Fortune REIT) with an “interested party” relating to Fortune REIT’s acquisition of assets from or sale of assets to an “interested party”, Fortune REIT’s investment in securities of or issued by an “interested party” and the engagement of an “interested party” as property management agent or marketing agent for Fortune REIT’s properties. Depending on the materiality of transactions entered into by Fortune REIT for the acquisition of assets from, the sale of assets to or the investment in securities of or issued by, an “interested party”, the Property Funds Guidelines may require that an immediate announcement to the SGX-ST be made, and may also require that the approval of the Unitholders be obtained.

The Listing Manual regulates all “interested person transactions” (as defined therein), including transactions already governed by the Property Funds Guidelines. Depending on the materiality of the transaction, Fortune REIT may be required to make a public announcement of the transaction (Rule 905 of the Listing Manual), or to make a public announcement of and to obtain Unitholders’ prior approval for the transaction (Rule 906 of the Listing Manual). The fees and charges payable under the Exempted Agreements are not subject to Rules 905 and 906 of the Listing Manual (see “Related Party Transactions in connection with the setting up of Fortune REIT and the Offering” above). The Trust Deed requires the Trustee and the Manager to comply with the provisions of the Listing Manual relating to “interested person transactions” as well as such other guidelines relating to “interested person transactions” as may be prescribed by the SGX-ST to apply to real estate investment trusts.

The Manager may at any time in the future seek a general annual mandate from the Unitholders pursuant to Rule 920(1) of the Listing Manual for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations, including a general mandate in relation to tenancy agreements and/or licence agreements to be entered into with “interested persons” (as defined in the Listing Manual), and all transactions conducted under such general mandate for the relevant financial year will not be subject to the requirements of Rules 905 and 906 of the Listing Manual. In seeking such a general annual mandate, the Trustee will appoint an independent financial adviser (without being required to consult the Manager) pursuant to Rule 920(1)(b) of the Listing Manual to render an opinion as to whether the methods or procedures for determining the transaction prices of the transactions contemplated under the annual general mandate are sufficient to ensure that such transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of Fortune REIT and the Unitholders.

Both the Property Funds Guidelines and the Listing Manual requirements would have to be complied with in respect of a proposed transaction which is prima facie governed by both sets of rules. Where matters concerning Fortune REIT relate to transactions entered or to be entered into by the Trustee for and on behalf of Fortune REIT with a related party (either an “interested party” under the Property Funds Guidelines or an “interested person” under the Listing Manual) of the Manager or Fortune REIT, the Trustee is required to ensure that such transactions are conducted in accordance with applicable requirements of the Property Funds Guidelines and/or the Listing Manual relating to the transaction in question.

The Manager is not prohibited by either the Property Funds Guidelines or the Listing Manual from contracting or entering into any financial, banking or any other type of transaction with the Trustee (when acting other than in its capacity as trustee of Fortune REIT) or from being interested in any such contract or transaction, provided that any such transaction shall be on normal commercial terms and is not prejudicial to the interests of Fortune REIT and the Unitholders. The Manager shall not be liable to account to the Trustee or to the Unitholders for any profits or benefits or other commissions made or derived from or in connection with any such transaction. The Trustee shall not be liable to account to the Manager or to the Unitholders for any profits or benefits or other commission made or derived from or in connection with any such transaction.

Generally, under the Listing Manual, the Manager, its connected persons (as defined in the Listing Manual) and any director of the Manager are prohibited from voting their respective own Units at, or being part of a quorum for, any meeting to approve any matter in which it has a material interest in the business to be conducted.

## THE FORMATION AND STRUCTURE OF FORTUNE REIT

*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. The Trust Deed is available for inspection at the registered office of the Manager at 7 Temasek Boulevard, #12-03, Suntec City Tower 1, Singapore 038987.*

### **The Trust Deed**

Fortune REIT is a real estate investment trust constituted by the Trust Deed and principally regulated by the SFA and the CIS Code (including the Property Funds Guidelines).

The Trust Deed was entered into on 4 July 2003 between ARA Asset Management (Singapore) Limited as the manager of Fortune REIT and Bermuda Trust (Singapore) Limited as the trustee of Fortune REIT.

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 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 acts and things as the Trust Deed may require the Manager and/or the Trustee to do.

The provisions of the SFA and the CIS Code (including the Property Funds Guidelines) prescribe certain terms of the Trust Deed and certain rights, duties and obligations of the Manager, the Trustee and the Unitholders under the Trust Deed.

### **Operational Structure**

Fortune REIT is established to invest in real estate and real estate-related assets and the Manager must manage Fortune REIT so that the principal investments of Fortune REIT are real estate and real estate-related assets including shares in companies whose primary purpose is to hold or own real estate and real estate-related assets. Under the CIS Code, the Manager has up to 24 months to invest at least 35% of the Deposited Property in real estate. In the case of Fortune REIT, the completion of the acquisition of the Property Company Shares utilising the proceeds from the Offering is expected to take place on the Listing Date. The Manager's principal investment policy in respect of Fortune REIT is to invest in real estate and real estate-related assets in Hong Kong including shares in companies whose primary purpose is to hold/own real estate and real estate-related assets. The current investment strategy of Fortune REIT is to invest in quality income-producing properties, with particular focus on retail properties in Hong Kong. Fortune REIT aims to generate returns for its Unitholders by owning, buying, selling and actively managing such properties in line with its investment strategy. Subject to the restrictions and requirements in the Property Funds Guidelines, the listing rules of SGX-ST and the Tax Ruling, the Manager is also authorised under the Trust Deed to invest in investments which need not be real estate. Although the Manager may use certain financial instruments for hedging purposes, it presently does not have any intention to invest in options, warrants, commodities, futures contracts, unlisted securities (other than the Property Company Shares and shares in other companies whose primary purpose is to hold or own real estate and real estate-related assets) and precious metals. For further details of the investment objectives and policies of the Manager, see Clause 10 of the Trust Deed.

### **The Units and Unitholders**

The rights and interests of 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 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 Trustee or the Manager.

Under the Trust Deed, each Unitholder acknowledges and agrees that it will not commence or pursue any action against the Trustee or the Manager seeking an order for specific performance or for injunctive relief in respect of the assets of Fortune REIT (or any part thereof), including all its Authorised Investments (as defined in the Trust Deed), and waives any rights it may otherwise have to such relief. If the Trustee or the Manager breaches or threatens to breach its duties or obligations to the Unitholder under the Trust Deed, the Unitholder's recourse against the Trustee or the Manager is limited to a right to recover damages or compensation from the Trustee or the Manager in a court of competent jurisdiction, and the Unitholder acknowledges and agrees that damages or compensation is an adequate remedy for such breach or threatened breach.

Further, 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 Investments forming part of the assets of Fortune REIT be transferred to such Unitholder.

No certificate shall be issued to Unitholders by either the Manager or the Trustee in respect of Units issued to Unitholders. For so long as Fortune REIT is listed, quoted and traded on the SGX-ST and/or any other Recognised Stock Exchange and the Units have not been suspended from such listing, quotation and trading for more than 60 consecutive calendar days or de-listed permanently, the Manager shall pursuant to the Depository Agreement appoint CDP as the Unit depository for Fortune REIT, and all Units issued will be represented by entries in the register of Unitholders kept by the Trustee or the agent appointed by the Trustee in the name of, and deposited with, CDP as the registered holder of such Units. The Manager or the agent appointed by the Manager shall issue to CDP not more than 10 Business Days (as defined in the Trust Deed) after the issue of Units a confirmation note confirming the date of issue and the number of Units so issued and, if applicable, also stating that the Units are issued under a lock-up and the expiry date of such lock-up and for the purposes of the Trust Deed, such confirmation note shall be deemed to be a certificate evidencing title to the Units issued.

There are no restrictions under the Trust Deed or Singapore law on a person's right to subscribe for (or purchase) Units and to own Units.

### **Issue of Units**

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

The Manager has the exclusive right to issue Units for the account of Fortune REIT. The issue of Units for the purpose of an initial public offering of Units shall be at an Issue Price (as defined in the Trust Deed) initially stated to be in the range of HK\$4.60 to HK\$4.75 per Unit, with the actual Issue Price within such range to be determined by the Manager on or before the Listing Date. However, the Manager's right to make such a determination may be ceded to the Global Co-ordinator and the Manager has agreed that in relation to the Offering, the Offering Price will be determined following a book-building process by the Global Co-ordinator and fixed by agreement between the Global Co-ordinator (on behalf of the Underwriters) and the Manager.

The Manager may extend a discount to the Issue Price per Unit, subject to sub-paragraphs (2) to (6) below, to any applicant in an offering of Units whose application to purchase more than 20,000,000 Units in a single application has been accepted by the Manager, provided that any such discount shall be limited to no more than such percentage off the actual Issue Price per Unit as may be determined by the Manager, subject to compliance with applicable law and regulations and the listing rules of the SGX-ST.

However, in relation to the initial issue of Units by Fortune REIT, the Manager is not bound to accept an application for fewer than 1,000 Units. No fractions of Units shall be issued and the Manager shall in respect of each Unitholder's entitlement to Units truncate but not round off to the nearest whole Unit and any balance arising from such truncation shall be retained as part of the Deposited Property.

Units, when listed on the SGX-ST, may be traded on the SGX-ST and settled through CDP. For so long as Fortune REIT is listed on the SGX-ST, the Manager may, subject to the provisions of the Listing Manual and the Trust Deed, issue further Units at Issue Prices to be determined in accordance with the following provisions:

- (1) Units may be issued on a Business Day at the "market price" per Unit, which is the volume weighted average price per Unit for all trades on the SGX-ST, in the ordinary course of trading, for the period of 10 Business Days immediately preceding the relevant Business Day or, where the Manager believes that such market price is not a fair reflection of the market price of a Unit, such amount as determined by the Manager and the Trustee (after consultation with a stockbroker approved by the Trustee), as being the fair market price of the Unit.
- (2) The Issue Price of a Unit for a rights issue offered on a pro rata basis to all existing Unitholders must not be less than 50.0% of the "market price" per Unit on the Business Day preceding the day on which the intention to make the offer or issue is announced. If required and not waived by the SGX-ST or the Recognised Stock Exchange in which Fortune REIT is listed, any such rights entitlement must be tradable on the SGX-ST or the Recognised Stock Exchange on which Fortune REIT is listed. The Trustee must ensure that such a rights issue is made at a price that is in accordance with the terms specified in this sub-paragraph (2).
- (3) The Issue Price of a Unit for any reinvestment of distribution arrangement under the Trust Deed must not be less than 90.0% of the "market price" of a Unit as at the Business Day immediately following the Record Date (as defined in the Trust Deed) for the determination of Unitholders' entitlements to distributions. The Trustee must ensure that such an issue is made at a price that is in accordance with the terms specified in this sub-paragraph (3).
- (4) The Issue Price of a Unit issued other than by way of a rights issue offered on a pro-rata basis to all existing Unitholders must be determined in accordance with the conditions set out in sub-paragraphs (5) and (6) below.
- (5) New Units may be issued, other than by way of a rights issue offered on a pro rata basis to all existing Unitholders, without the prior approval of Unitholders in a meeting of Unitholders if:
  - (i) the issue (together with any other issue of Units, including Units issued to the Manager in payment of the Manager's Base Fee, other than by way of a rights issue offered on a pro rata basis to all existing Unitholders, in the same financial year) is of Units which in aggregate value would not, immediately after the issue, exceed 10.0% of the value of the Deposited Property (or such other percentage as may, from time to time, be prescribed by the MAS) provided that the number of Units which would be represented by such percentage does not exceed the number of Units represented by 20.0% of the outstanding Units (or such other percentage of outstanding Units as may, from time to time, be prescribed by SGX-ST); and
  - (ii) if such an issue is made at a discount to the "market price", the discount does not exceed 5.0% or such other percentage as may, from time to time, be prescribed by the MAS.
- (6) Where Units are listed, any issue of new Units exceeding any of the thresholds in sub-paragraphs (5)(i) and (ii) above will require specific prior approval of Unitholders by Extraordinary Resolution of Unitholders passed at a Unitholders' meeting duly convened by the Manager in accordance with the Trust Deed. In addition, any issue of new Units, other than by way of a rights issue offered on a pro rata basis to all existing Unitholders, must comply with the following:
  - (i) where no prior approval of Unitholders has been obtained for such issue, the Trustee must ensure that the conditions set out in sub-paragraphs (5)(i) and (ii) above are complied with;
  - (ii) if an issue of new Units (together with any other issue of Units, including Units issued to the Manager in payment of the Manager's Base Fee, other than by way of a rights issue offered on a pro rata basis to all existing Unitholders, in the same financial year) would, immediately after the issue, exceed 10.0% of the value of the Deposited Property (or such other percentage

as may, from time to time, be prescribed by the MAS), or if it exceeds the number of Units represented by 20.0% of the outstanding Units (or such other percentage of outstanding Units as may, from time to time, be prescribed by the SGX-ST), specific prior approval must have been obtained at a meeting of Unitholders by Extraordinary Resolution to be convened by the Manager in accordance with the Trust Deed. If relevant in the circumstances, specific prior approval of Unitholders by Extraordinary Resolution must also have been obtained to permit the issue of Units to the Manager in payment of the Manager's Base Fee if the issue of Units contemplated hereunder exceeds any of the percentage limits stated above;

- (iii) the Trustee, the Manager and their related parties, and the directors and immediate family members of the directors of such corporations, may, if required and not waived by the SGX-ST, only participate in a private placement with prior specific approval of the Unitholders at a general meeting at which the person to which the placement is to be made, its related parties, their directors and immediate family members of those directors must abstain from voting; and
- (iv) for the purposes of sub-paragraph (5) above and this sub-paragraph (6), "market price" shall mean the volume weighted average price for trades done on the Recognised Stock Exchange on which Fortune REIT is listed, on the day the placement agreement or equivalent agreement is signed. The volume weighted average price shall be calculated based on the trades done for a full market day, or if trading in the listed Units is not available for a full market day, the volume weighted average price shall be calculated based on the trades done on the preceding market day up to the time the placement agreement or equivalent agreement is signed.

In addition, the aggregate number of additional Units which Fortune REIT may issue, without obtaining Unitholders' approval in every 12-month period shall not exceed 50.0% of the number of Units in issue as at the date of the commencement of the first and each successive 12-month period, of which the aggregate number of Units issued other than on a pro rata basis to existing Unitholders shall not exceed 20.0% of the number of Units in issue as at the said date. The first 12-month period will commence on the Listing Date.

If in connection with an issue of a Unit, payment of the Issue Price for such Unit has not been received by the Trustee before the seventh Business Day after the Unit was agreed to be issued (or such other date as the Manager and the Trustee may agree), the Manager may cancel its agreement to issue such Unit and upon notice being given to the Trustee, such Unit will be deemed never to have been issued or agreed to be issued. In such an event, the Manager may, at its discretion, charge the investor (and retain the same for its own account) (i) a cancellation fee of such amount as the Manager may from time to time determine to represent the administrative costs involved in processing the application for such Unit and (ii) an amount (if any) by which the Issue Price of such Unit exceeds the repurchase price applying if such Unit was requested to have been repurchased or redeemed on the same day.

### **Suspension of Issue of Units**

The Manager or the Trustee may, with the prior written approval of the other and subject to the listing rules of the SGX-ST, suspend the issue of Units during:

- any period when the SGX-ST or any other relevant Recognised Stock Exchange is closed (otherwise than for public holidays) or during which dealings are restricted or suspended;
- the existence of any state of affairs which, in the opinion of the Manager or the Trustee (as the case may be) might seriously prejudice the interests of the Unitholders as a whole or of the Deposited Property;
- any breakdown in the means of communication normally employed in determining the price of any assets of Fortune REIT or the current price thereof on the SGX-ST or any other relevant Recognised Stock Exchange, or when for any reason the prices of any assets of Fortune REIT cannot be promptly and accurately ascertained;
- any period when remittance of money which will or may be involved in the realisation of any asset of Fortune REIT or in the payment for such asset of Fortune REIT cannot, in the opinion of the Manager, be carried out at normal rates of exchange;

- in relation to any general meeting of the Unitholders, the period of 48 hours before such extraordinary general meeting or any adjournment thereof;
- any period where the issuance of Units is suspended pursuant to any order or direction issued by the MAS; or
- when the business operations of the Manager or the Trustee in relation to Fortune REIT are substantially interrupted or closed as a result of, or arising from, pestilence, acts of war, terrorism, insurrection, revolution, civil unrest, riots, strikes or acts of God.

Such suspension shall take effect forthwith upon the declaration in writing thereof by the Manager or the Trustee (as the case may be) and shall terminate on the day following the first Business Day on which the condition giving rise to the suspension ceases to exist and no other conditions under which suspension is authorised (as set out above) shall exist, upon the declaration in writing thereof by the Manager or the Trustee (as the case may be).

In the event of any suspension while Fortune REIT is listed on the SGX-ST, the Manager shall ensure that immediate announcement of such suspension is made through the SGX-ST.

### **Redemption of Units**

#### *When Units are Listed on the SGX-ST*

Unitholders have no right to request the Manager to repurchase or redeem their Units while the Units are listed on the SGX-ST. It is intended that Unitholders may only deal in their listed Units through trading on the SGX-ST. However, under the Trust Deed, the Manager may decide to make any offer to repurchase or redeem Units (in which case the repurchase price shall be the Current Unit Value per Unit (as defined in the Trust Deed)). In the event the Manager so decides, such repurchase or redemption must comply with the Property Funds Guidelines and the listing rules of the SGX-ST. Any offer of repurchase or redemption of Units shall be offered on a pro rata basis to all Unitholders.

The Manager may also, subject to the listing rules of the SGX-ST, suspend the repurchase or redemption of Units for any period when the issue of Units is suspended pursuant to the terms and conditions of the Trust Deed (see “— Suspension of Issue of Units”).

#### *When Listed Units are Suspended or De-listed*

If the Listed Units of Fortune REIT have been suspended from trading for at least 60 consecutive calendar days or de-listed from the SGX-ST, the Manager is required to offer to redeem the Units within 30 calendar days from such suspension or de-listing. In offering such redemption, the Manager is required to offer to redeem Units representing in value at least 10% of Fortune REIT’s Deposited Property.

Should a trading suspension be lifted within 30 calendar days after the suspension, the Manager has the option to withdraw any redemption offer made. Should the trading suspension be lifted after the offer period to redeem has commenced, the Manager is required to satisfy all redemption requests which have been received prior to the date the trading suspension is lifted. The Manager will not be obliged to satisfy those redemption requests received after the date the trading suspension is lifted.

#### *When Units are Suspended Indefinitely or De-listed*

If Fortune REIT continues to be suspended indefinitely or has been de-listed from the SGX-ST, the Manager is required to offer to redeem Units at least once a year after the first offer to redeem Units on a suspension or de-listing explained above has closed. In other words, Fortune REIT will then be treated as an unlisted property fund.

### *Redemption Procedures*

The Manager will send an offer notice to Unitholders in the event of any offer to redeem the Units. Unitholders wishing to redeem will be asked to respond by sending a request for repurchase or redemption. Following receipt of the request for repurchase or redemption, the repurchase price for the Units that are the subject of the request shall be paid by the Manager to the Unitholder as soon as practicable (and as may be prescribed by the Property Funds Guidelines) after the date of the receipt of the request. The repurchase price shall be the Current Unit Value of the relevant Unit on the day the request is accepted by the Manager less the Repurchase Charge (as defined below) and less an amount to adjust the resultant total downwards to the nearest whole cent. The Repurchase Charge is a charge upon the repurchase or redemption of a Unit of such amount as may from time to time be fixed by the Manager generally or in relation to any specific or class of transaction provided that it shall not exceed 2.0% (or such other percentage as the Manager and the Trustee may agree) of the repurchase price at the time the request for repurchase or redemption of the Unit is accepted by the Manager and that this charge shall not apply while the Units are listed, quoted and traded on the SGX-ST and/or any other Recognised Stock Exchange and the Units have not been suspended from such listing, quotation and trading for more than 60 consecutive calendar days or been de-listed permanently.

### **Rights and Liabilities of Unitholders**

The key rights of Unitholders include rights to:

- (1) receive income and other distributions attributable to the Units held;
- (2) receive audited accounts and the annual reports of Fortune REIT; and
- (3) 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 him.

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:

- (1) Fortune REIT ceasing to comply with applicable laws and regulations; or
- (2) 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.

### **Amendment of the Trust Deed**

Subject to the third paragraph below, save where an amendment to the Trust Deed has been approved by an Extraordinary Resolution passed at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed, no amendment may be made to the provisions of the Trust Deed unless the Trustee certifies, in its opinion, that such amendment:

- (1) 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;
- (2) is necessary in order to comply with applicable fiscal, statutory or official requirements (whether or not having the force of law); or
- (3) 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 his Units or to accept any liability in respect thereof.

Notwithstanding any of the above, the Manager and the Trustee may, with the written approval of the competent authorities, alter certain provisions in Clause 10 of the Trust Deed relating to the use of derivatives.

### **Meeting of Unitholders**

Under applicable law and the provisions of the Trust Deed, Fortune REIT will not hold any meetings for Unitholders unless the Trustee or the Manager convenes a meeting or unless not less than 50 Unitholders or one tenth in number of Unitholders (whichever is the lesser) requests a meeting to be convened.

A meeting of Unitholders when convened may, by Extraordinary Resolution and in accordance with the Trust Deed:

- (1) sanction any modification, alteration or addition to the Trust Deed which shall be agreed by the Trustee and the Manager as provided in the Trust Deed;
- (2) sanction a supplemental deed increasing the maximum permitted limit or any change in the structure of the Manager's Base Fee, Performance Fee, acquisition fee and divestment fee and the Trustee's fees;
- (3) sanction any issue of Units by the Manager other than by way of an issue of Units as described in sub-paragraphs (2) to (6) of "The Formation and Structure of Fortune REIT — Issue of Units";
- (4) remove the auditors;
- (5) remove the Trustee;
- (6) remove the Manager; and
- (7) direct the Trustee to take any action pursuant to Section 295 of the SFA.

Any decision to be made by resolution of Unitholders other than the above shall be made by Ordinary Resolution, unless an Extraordinary Resolution is required by the SFA, the CIS Code or the Listing Manual.

Except as otherwise provided for in the Trust Deed, 14 days' notice at the least (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 shall be given to the Unitholders in the manner provided in the Trust Deed. The quorum at a meeting shall not be less than two Unitholders present in person or by proxy of one-tenth in value of all the Units for the time being in issue. Each notice shall specify the place, day and hour of the meeting, and the terms of the resolutions to be proposed, and each such notice may, in general, be given by advertisement in the daily press and in writing to each stock exchange on which Fortune REIT is listed. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolutions in respect of such special business.

Voting at a meeting shall be by a show of hands unless a poll is demanded by the chairman of the meeting, or by five or more Unitholders present in person or by proxy, or holding or representing one tenth in value of all the Units represented at the meeting. Unitholders do not have different voting rights on account of the number of Units held by a particular Unitholder. On a show of hands, every Unitholder has one vote. On a poll, every Unitholder has one vote for each Unit of which it is the Unitholder. The Trust Deed does not contain any limitation on non-Singapore resident or foreign Unitholders holding Units or exercising the voting rights with respect to their unitholdings.

Neither the Manager nor any of its related parties or connected persons (as defined in the Listing Manual) shall be entitled to vote or be counted in the quorum at a meeting convened to consider a matter in respect of which the Manager or its related parties or connected persons has a material interest.

## **Substantial Holdings**

The Trust Deed has incorporated by contract the provisions of the Companies Act relating to reporting requirements applicable to substantial shareholders of companies. Generally, Unitholders holding 5.0% or more of the total number of Units will be required to notify the Manager of its holdings and any subsequent change in the percentage level of such holdings or its ceasing to hold over 5.0% or more of the total number of Units within two Business Days of acquiring such holdings or of such changes or such cessation. Upon such notification by Unitholders, the Manager will promptly announce such substantial interests or changes to the SGX-ST. These notification requirements in the Trust Deed would be enforceable as a matter of contract.

## **Directors' Declaration of Unitholdings**

Under the Trust Deed, the directors of the Manager are required to give notice to the Manager of their acquisition of Units or to changes to the number of Units which they hold or in which they have an interest, within two Business Days after such acquisition or the occurrence of the event giving rise to changes in the number of Units which they hold or in which they have an interest, as applicable.

A director of the Manager is deemed to have an interest in Units in the following circumstances:

- (1) Where the director is the beneficial owner of a Unit (whether directly through a direct Securities Account or indirectly through a depository agent or otherwise), he is deemed to have an interest in that Unit.
- (2) Where a body corporate is the beneficial owner of a Unit and the director is entitled to exercise or control the exercise of not less than 20.0% of the votes attached to the voting shares in the body corporate, he is deemed to have interest in that Unit.
- (3) Where the director's spouse or infant child (including step-child and adopted child) has any interest in a Unit, he is deemed to have an interest in that Unit.
- (4) Where the director, his spouse or infant child (including step-child and adopted child):
  - (i) has entered into a contract to purchase a Unit;
  - (ii) has a right to have a Unit transferred to any of them or to their order, whether the right is exercisable presently or in the future and whether on the fulfilment of a condition or not;
  - (iii) has the right to acquire a Unit under an option, whether the right is exercisable presently or in the future and whether on the fulfilment of a condition or not; or
  - (iv) is entitled (otherwise than by reason of any of them having been appointed a proxy or representative to vote at a meeting of Unitholders) to exercise or control the exercise of a right attached to a Unit, not being a Unit of which any of them is the holder,the director is deemed to have an interest in that Unit.
- (5) Where the property subject to a trust consists of or includes a Unit and the director knows or has reasonable grounds for believing that he has an interest under the trust and the property subject to the trust consists of or includes such Unit, he is deemed to have an interest in that Unit.

## **The Trustee**

The Trustee of Fortune REIT is Bermuda Trust (Singapore) Limited. The Trustee is a company incorporated in Singapore and registered as a trust company under the Trust Companies Act, Chapter 336 of Singapore. It is approved to act as a trustee for authorised collective investment schemes under the SFA. As at 23 April 2003, the Trustee has a paid-up capital of S\$5,150,000.

The Trustee is indirectly wholly-owned by The Bank of Bermuda Limited, which is a licensed bank incorporated in Bermuda and which provides a wide range of international banking and trust services through its main office in Bermuda as well as its subsidiaries worldwide.

### **Powers, Duties and Obligations of the Trustee**

The Trustee's powers, duties and obligations are set out in the Trust Deed. The powers and duties of the Trustee include:

- (1) acting as trustee of Fortune REIT and, therefore, safeguarding the rights and interests of the Unitholders;
- (2) holding the assets of Fortune REIT on the trusts contained in the Trust Deed for the benefit of the Unitholders; and
- (3) exercising all the powers of a trustee and the powers that are incidental to the ownership of the assets of Fortune REIT.

The Trustee has covenanted in the Trust Deed that it will 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) 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:

- (1) a person or entity to exercise any of its powers or perform its obligations; and
- (2) any real estate agents or managers, including a Related Party of the Manager, 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 and obtain other financial accommodation for the purposes of Fortune REIT, both on a secured and unsecured basis, the Manager must not direct the Trustee to incur a liability if to do so would mean that total liabilities of Fortune REIT exceed 35.0% (or such other limit as may be stipulated by the MAS after the date of this Prospectus) of the Deposited Property in accordance with the provisions of the Property Funds Guidelines (see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources").

The Trustee must carry out its functions and duties and comply with all the obligations imposed on it and set out in the Trust Deed, the Listing Manual, the SFA, the CIS Code (including the Property Funds Guidelines), the Tax Ruling and all other relevant laws. It must retain Fortune REIT's assets, or cause Fortune REIT's assets to be retained, in safe custody and cause Fortune REIT's accounts to be audited. It can appoint valuers to value the real estate assets and real estate-related assets of Fortune REIT.

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, wilful default, breach of duty or breach of trust. 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, wilful default, breach of trust or breach of the Trust Deed. 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. These indemnities are subject to any applicable laws.

### **Retirement and Replacement of the Trustee**

The Trustee may retire or be replaced under the following circumstances:

- (1) The Trustee shall not be entitled to retire voluntarily except upon the appointment of a new trustee (such appointment to be made in accordance with the provisions of the Trust Deed).
- (2) The Trustee may be removed by notice in writing to the Trustee by the Manager:
  - (i) if 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) or if a receiver is appointed over any of its assets or if a judicial manager is appointed in respect of the Trustee;

- (ii) if the Trustee ceases to carry on business;
- (iii) if 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) if the Unitholders by Extraordinary Resolution duly passed at a meeting of Unitholders held in accordance with the provisions of 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) if the MAS directs that the Trustee be removed.

#### **Trustee's Fee**

Fortune REIT will pay the Trustee a fee equal to 0.03% per annum of the Property Values, subject to a minimum of HK\$50,000 per month. The maximum fee permitted under the Trust Deed is 0.25% per annum of the Property Values. In addition, Fortune REIT will pay the Trustee a one-time inception fee of S\$25,000. 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 of Unitholders at a Unitholders' meeting convened under the provisions of the Trust Deed.

#### **Termination of Fortune REIT**

Under the provisions of the Trust Deed, Fortune REIT is of indeterminate duration but may be terminated:

- (1) by the Manager in such circumstances as set out under the provisions of the Trust Deed as described below; or
- (2) by the Trustee in such circumstances as set out under the provisions of the Trust Deed as described below.

The Manager may in its absolute discretion terminate Fortune REIT by giving notice in writing to all Unitholders, and the Trustee not less than three months in advance and to the MAS not less than seven days before the termination in any of the following circumstances:

- (i) if any law shall be passed which renders it illegal or in the opinion of the Manager impracticable or inadvisable to continue Fortune REIT;
- (ii) if the net asset value of the Deposited Property shall be less than HK\$200,000,000 after the end of the first anniversary of the date of the Trust Deed or any time thereafter; and
- (iii) if at any time Fortune REIT becomes unlisted after it has been listed.

Subject to the SFA and any other applicable law or regulation, Fortune REIT may be terminated by the Trustee by notice in writing in any of the following events, namely:

- (i) if the Manager shall go into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Trustee) or if a receiver is appointed over any of its assets or if a judicial manager is appointed in respect of the Manager or if any encumbrancer shall take possession of any of its assets or if it shall cease business and the Trustee fails to appoint a successor manager in accordance with the provisions of the Trust Deed;
- (ii) if any law shall be passed which renders it illegal or in the opinion of the Trustee impracticable or inadvisable to continue Fortune REIT; and
- (iii) if within the period of three months from the date of the Trustee expressing in writing to the Manager the desire to retire the Manager shall have failed to appoint a new trustee in accordance with the provisions of the Trust Deed.

The decision of the Trustee in any of the events specified above shall be final and binding upon all the parties concerned but the Trustee shall be under no liability on account of any failure to terminate Fortune REIT pursuant to the paragraph above or otherwise. The Manager shall accept the decision of the Trustee and relieve the Trustee of any liability to it therefor and hold it harmless from any claims whatsoever on its part for damages or for any other relief.

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, sell 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.

## CERTAIN AGREEMENTS RELATING TO FORTUNE REIT

*The agreements discussed under the heading “Certain Agreements Relating to Fortune REIT” are complex documents and the following is a summary only. Investors should refer to the agreements themselves to confirm specific information or for a detailed understanding of Fortune REIT. The agreements are available for inspection at the registered office of the Manager at 7 Temasek Boulevard, #12-03, Suntec City Tower 1, Singapore 038987 for a period of six months from the date of this Prospectus.*

### **Description of the Agreements to Acquire the Property Company Shares**

#### **Sale and Purchase Agreements**

On 7 July 2003, the Trustee, as trustee for Fortune REIT, entered into the Sale and Purchase Agreements with the Vendor Companies pursuant to which the Trustee has conditionally agreed to acquire the Property Company Shares from the Vendor Companies.

The purchase consideration for each Property Company is based on the Acquisition Value of the Property owned by that Property Company, after adjustment (on bases agreed between the Trustee and the Vendor Companies) for the net current assets/current liabilities of that Property Company on Completion, and, in the case of each of Poko Shine Limited, Yee Pang Realty Limited, Art Full Resources Limited and Vision Million Limited, after deduction of the Completion Loan Amount for that Property Company. Any deferred tax liability or assets of a Property Company will not be taken into account in the computation of the purchase consideration.

The Acquisition Value of Smartland is HK\$258,300,000.

The Acquisition Value of The Household Center is HK\$232,900,000.

The Acquisition Value of The Metropolis Mall will be HK\$1,458,700,000 plus an amount equivalent to 10.0% of the Adjustment Sum, subject to a maximum Acquisition Value not exceeding the Appraised Value for The Metropolis Mall.

The Acquisition Value of Ma On Shan Plaza will be HK\$897,000,000 plus an amount equivalent to 65.0% of the Adjustment Sum, subject to a maximum Acquisition Value not exceeding the Appraised Value for Ma On Shan Plaza.

The Acquisition Value of Jubilee Court Shopping Centre will be HK\$203,400,000 plus an amount equivalent to 25.0% of the Adjustment Sum, subject to a maximum Acquisition Value not exceeding the Appraised Value for Jubilee Court Shopping Centre.

The “Adjustment Sum” refers to the difference between (i) the aggregate amount equivalent to the Offering Price multiplied by 473,000,000; and (ii) the sum of HK\$2,175,800,000, less the additional selling commission payable to the Global Co-ordinator under the Underwriting Agreement. Where the Adjustment Sum is a negative figure, it will be disregarded in the determination of the Acquisition Values for the above three relevant Properties.

A Pro Forma Completion Balance Sheet for each Property Company will be prepared to reflect the Acquisition Value of the Property and the net current assets/current liabilities of that Property Company as at Completion, determined on bases agreed between the Trustee and the Vendor Companies. Payment of the purchase consideration for each Property Company will be made by reference to such Pro Forma Completion Balance Sheet for that Property Company.

The Existing Borrowings in respect of the Property Companies comprise a combination of loans from companies affiliated to the Sponsor and loans from the relevant Vendor Company.

In the case of Poko Shine Limited, Yee Pang Realty Limited, Art Full Resources Limited and Vision Million Limited, each company will on Completion draw down its Completion Loan Amount and apply the loan proceeds to discharge a corresponding amount of its Existing Borrowings.

In respect of each of Poko Shine Limited, Yee Pang Realty Limited, Art Full Resources Limited and Vision Million Limited, the Balance of Existing Borrowings comprising Existing Borrowings less the Completion Loan Amount will be assigned to the Trustee at face value on Completion.

For Quick Switch Limited, its Existing Borrowings which comprise only shareholder loan amounts owing to the relevant Vendor Company will be assigned to the Trustee at face value on Completion.

On Completion, the purchase consideration payable for the Property Companies will be applied firstly, as payment on a dollar for dollar basis for the assignment to the Trustee of (i) the respective Balance of Existing Borrowings in the case of Poko Shine Limited, Yee Pang Realty Limited, Art Full Resources Limited and Vision Million Limited and (ii) the Existing Borrowings in the case of Quick Switch Limited, and thereafter as payment for the transfer of the relevant Property Company Shares.

The Trustee will in effect be extending shareholder loans to the Property Companies on Completion, corresponding to the amounts which will be assigned to the Trustee on Completion.

Completion is to take place on the date of commencement of trading of the Units. A review of the completion management accounts and the Pro Forma Completion Balance Sheet of each Property Company will be conducted by the Auditors within 90 days after Completion, and adjustment payments are to be made by or to the Vendor Company, to address any overstatement or understatement (as the case may be) of the current assets/current liabilities of the Property Company as at Completion as shown in the Pro Forma Completion Balance Sheet. Such adjustment payments, if any, will be used to increase or reduce (as the case may be) the payment for the transfer of the Property Company Shares.

Each Sale and Purchase Agreement provides, *inter alia*, for the Vendor Company to procure that prior to Completion, the Property Company must (i) dispose of all assets of the Property Company, other than its Property, plant and equipment and the current assets which are to be reflected in the Pro Forma Completion Balance Sheet and (ii) discharge all liabilities of the Property Company, other than the Existing Borrowings, and other than the current liabilities which are to be reflected in the Pro Forma Completion Balance Sheet and the provision for deferred tax liability which is to be reflected in the completion management accounts of the Property Company. Each Vendor Company further undertakes to take all necessary action so that immediately following Completion, the relevant Property Company will not carry any accumulated losses or any retained earnings on its balance sheet.

Completion of each of the Acquisitions will be subject to the satisfaction of a number of conditions including:

- (a) the commitment of the Underwriter under the Underwriting Agreement becoming unconditional;
- (b) the concurrent completion of the sale and purchase of the Property Company Shares of each of the other Property Companies in accordance with the terms and conditions of the relevant Sale and Purchase Agreements;
- (c) the execution and delivery of deeds of tax covenant and other property related indemnities (see “Certain Other Related Party Transactions”);
- (d) there being no material damage to the Property and no material breach of warranties which in the opinion of the Trustee, acting on the recommendation of the Manager, will have a material adverse effect on the financial condition, prospects, earnings, business, undertaking or assets of Fortune REIT or on the Properties, in each case, taken as a whole; and
- (e) the Facility being in place on Completion and the Completion Loan Amount being available to be drawn in full by the relevant Property Company on Completion.

In the event permission to list on the main board of SGX-ST is not granted on the date of Completion, each of the Trustee and the Vendor Companies is entitled to rescind the sale and purchase of the Property Company Shares with, *inter alia*, full repayment by the Vendor Companies to the Trustee of the purchase consideration paid by the Trustee for the Property Companies.

Each Sale and Purchase Agreement contains certain representations and warranties made by the relevant Vendor Company in respect of the relevant Property Company Shares, Property Company and Property. Each Sale and Purchase Agreement also sets out limitations on the liability of the relevant Vendor Company in respect of any breach of warranties, including provisions for aggregate maximum liability, minimum threshold for claims and a limitation period of 21 months for all claims.

For each Property Company, a separate Deed of Tax Covenant will be entered into by the relevant Vendor Company and the relevant guarantor(s) in favour of the Trustee, on Completion, covenanting to indemnify the Trustee (for itself or on behalf of the relevant Property Company) in respect of:

- (i) any liability for taxation resulting from or by reference to any event occurring on or before Completion or in respect of any gross receipts, income, profits or gains earned, accrued or received by the Property Company on or before Completion which is not provided for in the Pro Forma Completion Balance Sheet;
- (ii) any deferred tax liability in respect of clawback of commercial building allowances and capital allowances granted up to Completion (calculated by applying the Hong Kong tax rate of 17.5%), resulting from any sale of the relevant Property or any part thereof by the Property Company taking place within seven years from Completion; and
- (iii) specifically in relation to Yee Pang Realty Limited only, in the event of the sale en bloc, or the reclassification from trading stock to investment property, of the commercial units portion of the Jubilee Court Shopping Centre (which have been classified as trading stock in the accounts of Yee Pang Realty Limited) (the "Portion") taking place within seven years from Completion and tax is required to be paid as a result of an assessment being issued by the Hong Kong tax authority relating to such event, the tax liability calculated in respect of the difference between:
  - (1) the lower of: (a) the value determined by the Hong Kong tax authority as being the relevant value of the Portion for the purpose of calculating the liability for taxation and (b) HK\$183.0 million, representing the acquisition value of the Portion; and
  - (2) the tax cost base for the Portion as determined by the Hong Kong tax authority.

In this connection the relevant Vendor Company may have conduct of any taxation proceeding subject, *inter alia*, to an indemnity for costs from the relevant Vendor Company and other provisions.

The limitation period for claims under paragraph (i) above is seven years from the date of Completion. The limitation period for claims under paragraphs (ii) or (iii) above is seven years after the occurrence of the event giving rise to the tax liability provided that such event occurs within seven years from the date of Completion and provided further that an assessment is raised by the Hong Kong tax authority relating to such event within seven years from the date of occurrence of such relevant event. The Trustee's right of claim is not prejudiced by any taxation action or proceeding in respect of the relevant tax liability which is the subject matter of the claim not being finally resolved before expiry of the applicable limitation period.

Under the respective Sale and Purchase Agreements and Deeds of Tax Covenant:

- (i) the Sponsor will be the relevant guarantor in relation to Poko Shine Limited, Quick Switch Limited and Art Full Resources Limited;
- (ii) the Sponsor and HWL (assuming several obligations in equal shares pro-rated to their respective interests in the Vendor Company) will be the relevant guarantors in relation to Vision Million Limited; and
- (iii) in respect of Yee Pang Realty Limited, Beautiland Company Limited and Cheuk Kin Investment Company Limited (being the Vendor Companies in relation to Yee Pang Realty Limited) will assume several obligations in proportion to their shareholdings in Yee Pang Realty Limited, being 40.0% and 60.0%, respectively. The Sponsor will guarantee the performance by Cheuk Kin Investment Company Limited of its obligations. The Sponsor and Li Ka-Shing Unity Trustee Company Limited (as trustee of The Li Ka-Shing Unity Trust), assuming several obligations in proportion to their shareholdings in Beautiland Company Limited (being 85.0% and 15.0%, respectively), will guarantee the performance by Beautiland Company Limited of its obligations.

In addition, in respect of Yee Pang Realty Limited, having regard to certain continuing obligations of and restrictions on the company under the terms of the Government lease relating to Jubilee Court Shopping Centre which are summarised in the section under “Certain Agreements Relating to Fortune REIT — Jubilee Court Shopping Centre”:

- the Sponsor and Li Ka-Shing Unity Trustee Company Limited (as trustee of The Li Ka-Shing Unity Trust) assuming several obligations in the proportions of 94.0% and 6.0%, respectively, will on Completion, enter into a deed of indemnity and undertaking in favour of Yee Pang Realty Limited, pursuant to which they will indemnify the company against:
  - (i) the losses incurred by Yee Pang Realty Limited in respect of its capacity as manager of the development known as Jubilee Garden (of which Jubilee Court Shopping Centre forms part) under the relevant Deed of Mutual Covenant, the management agreement (together with its supplemental agreement) made between Yee Pang Realty Limited and Goodwell Property, and the costs of repair and maintenance of all buildings and structures on Jubilee Garden, for so long as such obligations subsist and have not been waived or deleted by the relevant authority, and provided that such indemnity will continue only for so long as Goodwell Property or another member of the Cheung Kong Group is appointed by Yee Pang Realty Limited as managing agent of the development (and in this connection, the Sponsor will also undertake to ensure the availability of an appropriate member of the Cheung Kong Group with at least three years’ relevant property management experience to act as managing agent should the existing management agreement (as supplemented) be terminated due to insolvency of, or breach by, Goodwell Property) and such indemnity will terminate (without prejudice to accrued rights and liabilities as at termination) once this ceases to be the case, regardless of whether a member of the Cheung Kong Group is subsequently re-appointed as managing agent; and
  - (ii) Yee Pang Realty Limited’s liability to furnish a bank bond of not less than HK\$15 million in favour of the Hong Kong Government to secure its performance of certain obligations under the Government lease for so long as such obligations subsist and have not been waived or deleted by the relevant authority, and, provided that such indemnity can only be claimed upon once and shall apply only in the situation where Yee Pang Realty Limited assigns or mortgages Jubilee Court Shopping Centre (excluding its interests in the Reserved Portion as defined in the section under “Certain Agreements Relating to Fortune REIT — Jubilee Court Shopping Centre”) on an en bloc basis;

Yee Pang Realty Limited in turn will agree that, at the request and cost of the Sponsor and Li Ka-Shing Unity Trustee Company Limited (as trustee of The Li Ka-Shing Unity Trust), it will lend all reasonable assistance to any application to the relevant authority (a) for consent to appoint another manager (being a member of the Cheung Kong Group) as manager of Jubilee Garden in place of Yee Pang Realty Limited and/or (b) for consent that Yee Pang Realty Limited’s repair and maintenance obligations referred to in paragraph (i) above and bank bond obligations referred to in paragraph (ii) above be waived or deleted and/or (c) for consent that the prohibition in the Government lease against disposal by Yee Pang Realty Limited of the Reserved Portion be waived or deleted; and

- the Sponsor and Li Ka-Shing Unity Trustee Company Limited (as trustee of The Li Ka-Shing Unity Trust) assuming several obligations in the proportions of 94.0% and 6.0% respectively, will on Completion, enter into a put option agreement in favour of the Trustee, exercisable when Yee Pang Realty Limited has sold the entirety of Jubilee Court Shopping Centre (excluding its interests in the Reserved Portion) and provided that Yee Pang Realty Limited has at that time no material assets or liabilities other than in respect of the Reserved Portion, its position as the manager of “Jubilee Garden” and the personal obligations imposed on Yee Pang Realty Limited relating to the requirement to furnish bank bonds and its repair and maintenance and other obligations under the relevant Government lease, pursuant to which the Trustee is entitled to require the Sponsor and Li Ka-Shing Unity Trustee Company Limited (as trustee of The Li Ka-Shing Unity Trust), assuming several obligations in the proportions of 94.0% and 6.0%, respectively, to purchase all the shares of Yee Pang Realty Limited on the basis of an assessed market value (at the date of exercise of the put option) of its interests in the Reserved Portion.

Furthermore, in respect of Poko Shine Limited, having regard to certain continuing obligations of that Property Company under the terms of the relevant Government lease relating to Ma On Shan Plaza

which are summarised in the section “Certain Agreements Relating to Fortune REIT — Ma On Shan Plaza”, the Sponsor, will on Completion, enter into a deed of indemnity and undertaking in favour of Poko Shine Limited, to indemnify it against the losses incurred in relation to its management and maintenance obligations for two single-storey covered footbridges constructed by Poko Shine Limited under the terms of the relevant Government lease, for so long as such obligations subsist and have not been waived or deleted by the relevant authority, provided that such indemnity will continue only for so long as a member of the Cheung Kong Group acts as the manager of the development known as Bayshore Towers (of which Ma On Shan Plaza forms part) under the relevant Deed of Mutual Covenant (and in this connection, the Sponsor will also undertake to ensure the availability of an appropriate member of the Cheung Kong Group with at least three years’ relevant management experience to act as the new manager of the development should the appointment of the existing manager be terminated) and such indemnity will terminate (without prejudice to accrued rights and liabilities as at termination) once this ceases to be the case, regardless of whether a member of the Cheung Kong Group is subsequently re-appointed as such manager. Poko Shine Limited in turn will agree that, at the request and cost of the Sponsor, it will lend all reasonable assistance in any application to the relevant authority for consent that the above management and maintenance obligations of Poko Shine Limited be waived or deleted.

The Sponsor and HWL will on Completion enter into a Rental Guarantee Deed with Vision Million Limited, the Property Company which owns The Metropolis Mall. Under the Rental Guarantee Deed, the Sponsor and HWL will undertake (on a several basis in equal shares pro-rated to their respective interests in the Vendor Company) for three years starting from the Listing Date, to effect top up payments to Vision Million Limited (i) if the Adjusted Net Property Income is less than HK\$90,000,000 per annum, to make up the difference between (a) HK\$90,000,000 per annum and (b) the Adjusted Net Property Income for the relevant period and (ii) if the Net Parking Space Income is less than HK\$4,296,000 per annum, to make up the difference between (a) HK\$4,296,000 per annum and (b) the Net Parking Space Income for the relevant period. The Adjusted Net Property Income and the Net Parking Space Income will be certified by the Auditors of Vision Million Limited at the end of each relevant period.

#### **Information Regarding the Leasehold Title to the Properties**

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:

- to develop or redevelop the land in compliance with the buildings and town planning legislations and regulations;
- not to exceed the permitted gross floor area or permitted plot ratio and site coverage;
- to use the land and buildings erected on the land for the permitted use;
- to maintain all buildings erected on the land in good and substantial repair and condition;
- 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;
- to pay the yearly government rent and discharge all taxes, rates, charges and assessments imposed on the land; and
- 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. See “Risk Factors — Risks Relating to the Properties”.

Some of the Government leases also contain special conditions which impose certain specific obligations or restrictions on the lessees, details of which are set out in the following sections.

### **The Metropolis Mall**

The Property is held by Vision Million Limited from the Hong Kong 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 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 dated 14 February 1997 in respect of Kowloon Inland Lot No. 11077 and made between KCRC and the District Lands Officer, Kowloon West for and on behalf of the then Governor of Hong Kong and registered in the Land Registry as Conditions of Grant No. 12444 (as varied and modified by a Modification Letter registered in the Land Registry by Memorial No. 8310766 and a No-objection Letter registered in the Land Registry by Memorial No. 8393595 and a Modification Letter registered in the Land Registry by Memorial No. 8909679).

### **Ma On Shan Plaza**

The Property is held by Poko Shine Limited from the Hong Kong Government for the residue of the term of years 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 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 Sha Tin New Territories Land Registry as New Grant No. 12378, which was dated 6 December 1991 and made between Poko Shine Limited 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 Sha Tin New Territories Land Registry by Memorial Nos. 731682, 769520 and 890100).

Under Special Condition 20 of the Government lease of Sha Tin Town Lot No. 382:

- (a) Poko Shine Limited (excluding its assigns) has a personal obligation to manage and maintain two single storey covered footbridges constructed by Poko Shine Limited under the terms of the Government lease (the "Covered Footbridges") in good and substantial repair and condition in all respects to the satisfaction of the Director of Lands; and
- (b) Poko Shine Limited has to indemnify the Government of Hong Kong (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 Covered Footbridges.

Special Condition 33 (viii) of the Government lease in respect of Sha Tin Town Lot No. 382 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 (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).

### **The Household Center**

The Property is held by Central More Limited from the Hong Kong 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 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 Tsuen Wan New Territories 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 of Hong Kong.

By an Agreement for Sale and Purchase dated 6 December 2002 (“Purchase Agreement”) between Central More Limited (“Central”) and Ayrshire Investment Limited (“Ayrshire”), Central agreed to sell The Household Center to Ayrshire or its nominee. By a Deed of Nomination dated 31 December 2002 between Ayrshire and Art Full Resources Limited, Ayrshire, having paid as agent for Art Full Resources Limited the full purchase price for The Household Center to Central pursuant to the Purchase Agreement, nominated Art Full Resources Limited to take up all its interest of and in the Purchase Agreement and The Household Center.

It is a condition precedent to the Completion of the Household Center Agreement that the assignment of The Household Center be entered into between Central and Art Full Resources Limited pursuant to the Purchase Agreement on or before Completion.

### **Smartland**

The Property is held by Quick Switch Limited from the Hong Kong Government for the residue of the term of years until 30 June 2047 under a Government lease of Tsuen Wan Town Lot No. 247 deemed to have been issued under and by virtue of Section 14 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 Tsuen Wan New Territories 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 Tsuen Wan New Territories Land Registry by Memorial No. 293049 and two Supplemental Waiver Letters respectively registered in the Tsuen Wan New Territories Land Registry by Memorial Nos. 369681 and 507909; a further Waiver Letter registered in the Tsuen Wan New Territories Land Registry by Memorial No. 959559; and a Temporary Waiver Letter registered in the Tsuen Wan New Territories Land Registry by Memorial No. 1334047).

### **Jubilee Court Shopping Centre**

The Property is held by Yee Pang Realty Limited from the Hong Kong Government for the residue of the term of years until 30 June 2047 under a Government lease of Sha Tin Town Lot No. 87 deemed to have been issued under and by virtue of Section 14 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 Sha Tin New Territories Land Registry as New Grant No. 11326, which was dated 29 August 1979 and made between Yee Pang Realty Limited and the Secretary for the New Territories for and on behalf of the then Governor of Hong Kong (as varied and modified by a Modification Letter registered in the Sha Tin New Territories Land Registry by Memorial No. 283925).

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 following:

- (a) the “Reserved Portion” of Jubilee Court Shopping Centre, which 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; and
- (b) the non-residential or non-hotel portion of Sha Tin Town Lot No. 87.

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; and
- (b) Yee Pang Realty Limited is however entitled to grant licences or underlet such parts of the Reserved Portion as are described in (a)(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 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.

In respect of the non-residential or non-hotel portion of Sha Tin Town Lot No. 87:

- (a) Yee Pang Realty Limited has to obtain a bank bond in favour of the Government of Hong Kong 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 such non-residential or non-hotel portion of Sha Tin Town Lot No. 87; and
- (b) 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).

## **Property Management Agreement**

The Properties comprising the initial 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 by the Trustee, the Manager and the Property Manager 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 acquired by Fortune REIT, the fees payable to and obligations undertaken in favour of 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.

In relation to the Properties, the Property Management Agreement provides for each Property Company (other than Vision Million Limited) to pay to the Manager a Performance Fee of 3.0% per annum of the Gross Revenue less Adjusted Property Operating Expenses of the Property owned by the relevant Property Company. In the case of Vision Million Limited, it will pay to the Manager a Performance Fee of 3.0% per annum of the Adjusted Gross Revenue (which includes the Rental Top Up Amounts) less Adjusted Property Operating Expenses of The Metropolis Mall.

On Completion, each Property Company will enter into a deed of ratification and accession in favour of the Manager and the Property Manager confirming that it will be bound by the provisions of the Property Management Agreement.

The initial term of appointment of the Property Manager is five years from the date of Completion.

Two months prior to expiry of the initial five year term, 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.

## **Property Manager's Services**

The services provided by the Property Manager for each property under its management include the following:

- 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;
- lease management services, including administration of rental collection, management of rental arrears, initiating lease renewals and negotiation of terms; and
- 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 as at Completion, in relation to the provision of services for the relevant Property, and use reasonable endeavours to arrange for the (i) termination, (ii) continuation on same terms as those existing as at Completion or (iii) 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 after Completion.

On Completion, the Property Manager on behalf of each Property Company, will also enter into a car parking operating agreement with E-Park (as defined above) for the operation and management of parking facilities at the Properties. Under such agreement, E-Park will be entitled to receive from each Property Company a fee of 10% of all amounts received, or which would have been received had no parking discount or free parking been offered by the relevant Property Company, each month for letting or licensing of parking spaces.

### **Property Manager's Fees**

Under the Property Management Agreement (which will be ratified and acceded to by each Property Company), the Property Manager will be 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 3.0% per annum of the Gross Property Revenue of the relevant Property owned by the Property Company.

### **Marketing Services**

For the marketing services which will be provided by the Property Manager on a non-exclusive basis, the Property Company will pay the Property Manager, the following commissions:

- a commission equivalent to one month's base rent, for securing a tenancy of three years or more;
- a commission equivalent to one-half month's base rent, for securing a tenancy of less than three years;
- a commission equivalent to one-half month's base rent, for securing a renewal of tenancy irrespective of duration of the renewal term; and
- a commission equivalent to 10.0% 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 member of the Cheung Kong Group).

If the tenancy, renewal of tenancy or the licence is secured by a third party agent appointed by the relevant Property Company or (if the Property is owned directly by Fortune REIT) by the Trustee, upon recommendation of the Manager, the Property Manager will not be entitled to any of the above commissions.

### **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.

## **Expenses**

Each Property Company will open and maintain in its name an operating account for its Property. The Property Manager is authorised to utilise funds deposited in the operating account, to make payment of all costs and expenses incurred in the operation, maintenance, management and marketing of the Property, within each annual budget approved by the Trustee upon the recommendation of the Manager and by the board of directors of the relevant Property Company.

## **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.

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.

## **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 the Sponsor.

## **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.

## **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, the Property Company 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.

## **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 same or similar business as the Property Companies, or in other businesses.

## TAXATION

*The following summary of certain Singapore income tax consequences of the purchase, ownership and disposition of the Units is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change (possibly with retroactive effect). The summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Units and does not purport to deal with the consequences of application to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of the Units should consult their own tax advisers concerning the application of Singapore income tax laws to their particular situations as well as any consequences of the purchase, ownership and disposition of the Units arising under the laws of any other taxing jurisdiction.*

Fortune REIT has obtained a Tax Ruling from the MOF dated 10 June 2003 confirming the Singapore tax consequences of Fortune REIT, and that of the Unitholders, in relation to dividend distributions receivable from the Property Companies, three of which are incorporated in Hong Kong whilst the other two are incorporated in the British Virgin Islands.

Fundamental to the Tax Ruling is also the confirmation that Fortune REIT will be regarded as a tax resident of Singapore for income tax purposes as its Trustee and Manager are present in Singapore. In accordance with the Tax Ruling, the Singapore taxation of Fortune REIT and that of the Unitholders are described below.

### **Singapore Taxation of Fortune REIT**

#### ***Tax-Exempt Income***

Fortune REIT will be exempt from Singapore income tax on the dividends received from the Property Companies that are distributed out of income (including interest income 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-Exempt Income”).

The exemption on such dividends received from the Hong Kong incorporated companies is applicable by virtue of the Tax Exemption on Foreign Sourced Dividends incentive as announced by the Minister for Finance in his 2003 Budget Statement and clarified by the IRAS in a Circular dated 21 May 2003. For such dividends received from the British Virgin Islands incorporated companies, the exemption is applicable by virtue of the provisions of Section 13(8) of the Income Tax Act. As these dividends are exempt from Singapore income tax and do 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.

#### ***Taxable Income***

Fortune REIT will be chargeable to Singapore income tax on dividends received from the Property Companies 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, except for gains from the sale of investments in the Property Companies that have been confirmed by the IRAS to be capital in nature (the “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 22.0%. 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.

#### ***Non-Taxable Capital Gains***

Fortune REIT is not assessable to Singapore income tax on the gains from the disposal of investments in the Property Companies that have been confirmed by IRAS to be capital gains (the “Non-Taxable Capital Gains”). Such gains may be distributed to Unitholders free from tax deducted at source.

## **Singapore Taxation of the Unitholders**

### ***Tax-Exempt Income***

Unitholders receiving distributions made by Fortune REIT out of Tax-Exempt Income will not be assessable to Singapore income tax on the distributions received.

### ***Taxable Income***

Unitholders receiving distributions made out of Taxable Income will be assessable to Singapore income tax on the distributions received at their applicable income tax rates. Tax will be assessed on the regressed amount (i.e. the amount of the distribution received and the proportionate amount of the imputed tax) at the rate of tax applicable to the Unitholders. The imputed tax (i.e. the tax paid by the Trustee and imputed to be the tax paid by the Unitholders) is available as a credit against the Singapore income tax payable by the Unitholders on the regressed amount of the distributions. Where the imputed tax is higher than the tax payable by the Unitholders, the IRAS will refund the excess to the Unitholders. Unitholders are required to declare in their income tax returns the regressed amount of the distributions received.

### ***Non-Taxable Capital Gains***

Unitholders receiving distributions made out of Non-Taxable Capital Gains will not be assessable to Singapore income tax on the distributions received, except where the Unitholders hold the Units as trading assets.

### ***Profits On Sale Of Units***

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.

### ***Terms and Conditions of the Tax Ruling***

There are certain terms and conditions attached to the Tax Ruling granted by the MOF. Where these terms and conditions cannot be satisfied, the MOF has expressly reserved the rights to review, amend and revoke the Tax Ruling either in part or in whole at any time.

### **Hong Kong Stamp Duty**

The Offering and subsequent trading of the Units on the SGX-ST is not subject to Hong Kong stamp duty as they are not regarded as any transfer of properties or shares in Hong Kong.

## PLAN OF DISTRIBUTION

Pursuant to the Offering, the Manager is making an offering of 143,490,000 Units, for subscription at the Offering Price, subject to the Volume Discount, if applicable (representing 30.3% of the total number of Units in issue after the Offering) consisting of the Placement Tranche and the Public Offer. A minimum of 20,000,000 Units will be offered under the Public Offer. Units may be re-allocated between the Placement Tranche and the Public Offer in the event of excess applications in one and a deficit of applications in the other. If the Upsize Option is exercised, the Offering may be increased to up to 190,790,000 Units (representing 40.3% of the total number of Units in issue after the Offering).

The Public Offer is open to members of the public in Singapore. Pursuant to the Placement Tranche, the Manager intends to offer the Units by way of an international placement through the Underwriters to investors, including institutional and other investors in Singapore. Subject to the terms and conditions set forth in the Underwriting Agreement, the Manager is expected to effect for the account of Fortune REIT the issue of, and the Underwriters are expected to severally (and not jointly) subscribe, or procure subscribers for, the 143,490,000 Units, in the proportions set forth opposite their respective names below.

<u>Underwriters</u>	<u>Proportion</u>
DBS Bank Ltd	80.0%
Citigroup Global Markets Singapore Pte. Ltd.	10.0%
Credit Suisse First Boston (Singapore) Limited	10.0%
<b>Total</b>	<b>100.0%</b>

In the event that the Upsize Option is exercised forthwith upon notification of registration of this Prospectus, the Underwriters are expected to severally (and not jointly) subscribe, or procure subscribers for, up to an additional 47,300,000 Units, in the proportions set forth opposite their respective names above. In the event that the Upsize Option is exercised subsequently, only the Global Co-ordinator is expected to subscribe, or procure subscribers for, up to an additional 47,300,000 Units.

The Units will initially be offered at the Offering Price Range. The offering prices per Unit in the Placement Tranche and the Public Offer will be identical. The Underwriters have agreed to subscribe or procure the subscription for the Units at the Offering Price, less a combined underwriting and selling commission (the "Underwriting and Selling Commission"). The Underwriting and Selling Commission will not apply to the Sponsor's Units except to the extent that those Units are subsequently resold pursuant to the Over-allotment Option and to the extent that they are sold pursuant to the Upsize Option. In addition, the Underwriting and Selling Commission is not reduced by any Volume Discount granted by the Manager.

The Offering Price will be determined following a book-building process by agreement between the Global Co-ordinator (on behalf of the Underwriters) and the Manager on the Price Determination Date, which is expected to be 6 August 2003 but is subject to change. Failing such agreement on the Price Determination Date, the Offering Price will be HK\$4.60 (the minimum subscription price of the Offering Price Range). Among the factors that will be considered in determining the Offering Price are the level of investor demand for the Units and the prevailing market conditions in the securities market.

The Manager and the Sponsor have agreed in the Underwriting Agreement to indemnify the Underwriters against certain liabilities.

The Underwriting Agreement provides that the obligations of the Underwriters to subscribe or procure the subscription of the Units in the Offering are subject to certain conditions contained in the Underwriting Agreement.

The Underwriting Agreement may be terminated by the Underwriters at any time prior to 8:00 a.m. on the date of issue of the Units under the Offering upon the occurrence of certain events including, among other things, a change of conditions in financial or currency markets or global or regional economic environment or the legal or regulatory environment; and in each case the effect of which is such as to, in the reasonable judgment of the Global Co-ordinator, in consultation with the Sponsor and the Manager (and having due and reasonable regard to their views), prejudice materially the ability of the Underwriters to market, or to enforce contracts for the subscription or sale of the Units.

Each of the Underwriters and their respective associates may engage in transactions with, and perform services for, the Manager, the Sponsor, the Trustee or Fortune REIT in the ordinary course of business and have engaged, and may in the future engage, in commercial banking and investment banking transactions with Fortune REIT, for which they have received customary compensation. DBS Bank is the arranger and original bank of the Facility for the Property Companies (see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Indebtedness” for further details).

### **Over-allotment and Price Stabilisation**

Focus Eagle Investments Limited has granted the Over-allotment Option to the Global Co-ordinator to purchase up to an aggregate of 21,523,500 Units at the Offering Price or up to 28,618,500 Units at the Offering Price if the Upsize Option is exercised. The number of Units subject to the Over-allotment Option will be equal to 15.0% of the number of Units under the Offering. The Global Co-ordinator may exercise this option in full or in part, but on one occasion only, within 30 days after the date of commencement of trading of the Units on the SGX-ST, solely to cover over-allotments (if any) of Units in the Offering. In connection with this option, the Global Co-ordinator and Focus Eagle Investments Limited have also entered into a Unit Borrowing Agreement dated 28 July 2003.

DBS Bank, as the Stabilising Manager, may over-allot the Units and cover such over-allotment by exercising the Over-allotment Option or by making open market purchases in the secondary market or from such other sources as the Global Co-ordinator deems appropriate.

In connection with the Offering, the Stabilising Manager may over-allot or effect transactions which stabilise or maintain the market price of the Units at levels which might not otherwise prevail in the open market. Such transactions may be effected on the SGX-ST and in other jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulations, including the SFA, and any regulations thereunder. Such transactions, if commenced, may be discontinued at any time and shall not be effected after the date falling 30 days from the commencement of trading of the Units on the SGX-ST. Any loss sustained as a consequence of the Over-allotment Option or stabilising activities shall be for the account of the Global Co-ordinator only and any profit after expenses arising therefrom shall be shared equally between the Global Co-ordinator and the Sponsor.

None of the Manager, the Sponsor or the Global Co-ordinator makes any representation or prediction as to the magnitude of any effect that the transactions described above may have on the price of the Units. In addition, none of the Manager, the Sponsor or the Global Co-ordinator makes any representation that the Global Co-ordinator will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice (unless such notice is required by law). The Global Co-ordinator will be required to make a public announcement through the SGX-ST on the total number of Units purchased by the Global Co-ordinator, not later than 12:00 noon on the next trading day of the SGX-ST after the transactions are effected. The Global Co-ordinator will also be required to make a public announcement through the SGX-ST on the cessation of stabilising action and the amount of the Over-allotment Option that has been exercised not later than 8:30 a.m. on the next trading day of the SGX-ST after the cessation of stabilising action.

### **Lock-up Arrangements**

Subject to the exceptions described below, Focus Eagle Investments Limited has agreed with the Underwriters that it will not, and the Sponsor has agreed with the Underwriters to procure that Focus Eagle Investments Limited will not, offer, sell or contract to sell or otherwise dispose of, directly or indirectly, the Units subscribed by Focus Eagle Investments Limited as at the Listing Date, or any part thereof, for a period of 180 days from and including the Listing Date.

The restriction described in the preceding paragraph does not apply to, as applicable:

- any securities lending arrangement with the Global Co-ordinator;
- any sale or transfer by Focus Eagle Investments Limited pursuant to exercise of the Over-allotment Option; and
- the transfer of Units by Focus Eagle Investments Limited to and between wholly-owned subsidiaries of the Sponsor, provided that (i) each such subsidiary has executed and delivered to the Underwriters an undertaking to the effect of the foregoing restriction, to remain in effect for the remainder of the foregoing 180-day period and (ii) the Sponsor shall not (and will not cause or permit any such wholly-owned subsidiary to), for the remainder of such 180-day period, offer, issue, sell or contract to issue or sell or otherwise dispose of, directly or indirectly, any shares in, or any securities convertible into or exchangeable for shares in, the share capital of such wholly-owned subsidiary to which any Units have been so transferred.

Subject to the exceptions described below, Ballston Profits Limited (a wholly-owned subsidiary of HWL) has agreed with the Underwriters that it will not, and HWL has agreed with the Underwriters to procure that Ballston Profits Limited will not, offer, sell or contract to sell or otherwise dispose of, directly or indirectly, the Units subscribed by Ballston Profits Limited as at the Listing Date, or any part thereof, for a period of 180 days from and including the Listing Date.

The restriction described in the preceding paragraph does not apply to, as applicable:

- the transfer of Units by Ballston Profits Limited to and between wholly-owned subsidiaries of HWL, provided that (i) each such subsidiary has executed and delivered to the Underwriters an undertaking to the effect of the foregoing restriction, to remain in effect for the remainder of the foregoing 180-day period and (ii) HWL shall not (and will not cause or permit any such wholly-owned subsidiary to), for the remainder of such 180-day period, offer, issue, sell or contract to issue or sell or otherwise dispose of, directly or indirectly, any shares in, or any securities convertible into or exchangeable for shares in, the share capital of such wholly-owned subsidiary to which any Units have been so transferred; and
- any sale of Units by Ballston Profits Limited or such other wholly-owned subsidiary of HWL to which the Units have been transferred, pursuant to a public offering of Units, or pursuant to an over-allotment option granted (or securities lending arrangements entered into) by Ballston Profits Limited or such other wholly-owned subsidiary of HWL in connection with an offering on another securities exchange.

In addition, each of the Sponsor and HWL has agreed with the Underwriters that it will not offer, issue, sell or contract to issue or sell or otherwise dispose of, directly or indirectly, any shares in the share capital of Focus Eagle Investments Limited or Ballston Profits Limited respectively, or any securities convertible into, or exchangeable for, shares in the share capital of Focus Eagle Investments Limited or Ballston Profits Limited respectively, for a period of 180 days from and including the Listing Date or until Focus Eagle Investments Limited or Ballston Profits Limited respectively, ceases to hold any Units, whichever is the earlier.

Also, the Manager has agreed with the Underwriters that it will not (and will not cause or permit Fortune REIT to), without the written consent of the Underwriters (such consent not to be unreasonably withheld or delayed), offer, issue, sell or contract to issue or sell or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the issuance, sale or disposition (whether by actual issuance, sale or disposition or effective economic issuance, sale or disposition due to cash settlement or otherwise)), directly or indirectly, any Units in addition to the Units to be issued under the Offering and to Focus Eagle Investments Limited, Ballston Profits Limited and the Cornerstone Investors at the time of the Offering, nor make any announcement with respect to any of the foregoing transactions other than as required by applicable laws or regulations, for a period of 180 days from and including the Listing Date. The restrictions described in this paragraph do not apply to Units issued to the Manager in payment of the Base Fee due to it pursuant to the Trust Deed.

Additionally, the Sponsor and Lim Hwee Chiang have agreed with the Underwriters that they will maintain, directly or through one or more intermediate companies, their equity interest in the Manager at 30.0% and 70.0% respectively, for a period of 365 days from and including the Listing Date.

## SGX-ST Listing

Fortune REIT has received a letter of eligibility from the SGX-ST for the listing and quotation of the Units on the Main Board of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any statements or opinions made or reports contained in this Prospectus. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Offering, Fortune REIT, the Manager or the Units. The Manager expects that the Units will commence trading on the SGX-ST on a “ready” basis on or about 12 August 2003.

Prior to this Offering, there has been no trading market for the Units. There can be no assurance that an active trading market will develop for the Units, or that the Units will trade in the public market subsequent to this Offering at or above the Offering Price.

## Issue Costs

The estimated amount of the expenses in relation to the Offering and the placement of Units to the Cornerstone Investors, of HK\$108.8 million (using an assumed issue price of HK\$4.75 per Unit (the maximum subscription price of the Offering Price Range), and assuming that the Upsize Option and the Over-allotment Option are exercised in full, includes the Underwriting and Selling Commission, professional and other fees and all other incidental expenses in relation to the Offering, which will be borne by the Trustee on behalf of Fortune REIT. A breakdown of these estimated expenses is as follows:

	<u>(HK\$'000)</u>
Listing and perusal fee. . . . .	95.0
Professional and other fees <sup>(1)</sup> . . . . .	47,786.2
Underwriting and Selling Commission <sup>(2)</sup> . . . . .	43,810.3
Miscellaneous expenses <sup>(3)</sup> . . . . .	17,155.0
Total estimated expenses of the Offering . . . . .	<u>108,846.5</u>

The issue costs will be charged against Unitholders' equity.

### Notes:

- (1) Includes financial advisory fees, solicitors' fees and fees for the Reporting Accountants, the Tax Consultant, the Independent Valuers and other professionals' fees. Also includes a selling commission and handling fees for the issue of the Cornerstone Units (with no deduction for any Volume Discount) payable to the Global Co-ordinator. No commission will be payable in respect of the Units subscribed by the Strategic Investor.
- (2) Assuming that the Over-allotment Option and the Upsize Option are exercised in full and based on the maximum subscription price of the Offering Price Range (HK\$4.75 per Unit). Such commissions represent a maximum of approximately 4.2% of the total amount of the Offering and a maximum of approximately 4.2% on a per Unit basis. The amount of total commissions payable by Fortune REIT will be pegged to the Offering Price and is not reduced by the Volume Discount.
- (3) Includes cost of prospectus production, certain other expenses incurred or to be incurred in connection with the Offering and arrangement fee under the Facility.

## Distribution and Selling Restrictions

No action has been or will be taken in any jurisdiction that would permit a public offering of the Units or the possession, circulation or distribution of this Prospectus or any other offering or publicity material relating to Fortune REIT or the Units in any country or jurisdiction (other than Singapore, where action for the purpose is required). Accordingly, the Units may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material, circular, form of application or advertisement in connection with the Units may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

### *United States*

The Units are being offered outside the United States in reliance on Regulation S under the Securities Act. For the purpose hereof, the terms “United States” and “U.S. person” shall have the meanings given to them by Regulation S under the Securities Act.

Each purchaser of Units will be deemed to have represented and agreed as follows:

- (1) It is a non-U.S. person who is acquiring such Units in an offshore transaction in accordance with Rule 903 or Rule 904 under the Securities Act.
- (2) It understands that the Units have not been and will not be registered under the Securities Act and may not be offered, resold, pledged or transferred, at any time, within the United States or to, or for the account or benefit of, U.S. persons.

### *United Kingdom*

The Units are interests in a collective investment scheme which has not been authorised or recognised by the Financial Services Authority (“FSA”) of the United Kingdom. Accordingly the Prospectus is not being distributed to, and must not be passed on to, the general public in the United Kingdom.

The Prospectus is for distribution in the United Kingdom only to persons (i) who have professional experience in matters relating to unregulated collective investment schemes, or (ii) who fall within Article 49(2)(a) to (d) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 and Article 22(2)(a) to (d) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001, each as amended, or (iii) to whom communications relating to unregulated collective investment schemes may otherwise lawfully be made.

By way of explanation, the following persons fall within Article 49(2)(a) to (d) and Article 22(2)(a) to (d):

- a body corporate which has more than 20 members or which is a subsidiary undertaking of a parent undertaking which has more than 20 members and which has a called up share capital or net assets of not less than £500,000;
- any other body corporate, unincorporated association or partnership which has a called up capital or net assets of not less than £5 million;
- the trustee of a high value trust (being a trust where the aggregate value of the cash and investments which form part of the trust’s assets (before deducting the amount of its liabilities) is (a) £10 million or more, or (b) has been £10 million or more at any time during the year immediately preceding the date on which this communication was first directed); or
- any person acting in the capacity of a director, officer or employer of one of the previous three categories of person and whose responsibilities include him or her engaging in investment activity.

Any investment or investment activity to which the Prospectus relates is only available to such persons or will be engaged in only with such persons and this financial promotion must not be relied or acted upon by persons who do not fall within those Articles. Expressions of interest resulting from the Prospectus will only be responded to if received from persons falling within those Articles.

### *Netherlands*

The Units may not and will not be offered or sold in the Netherlands other than to individuals or legal entities who or which in the pursuit of their occupation or business deal or invest in investment objects within the meaning of section 1 of the Regulation in implementation of section 14 of the Investment Institutions Supervision Act (“*Uitvoeringsregeling ex artikel 14 Wet toezicht beleggingsinstellingen*”).

### *Hong Kong*

Fortune REIT has not been authorised by the Hong Kong Securities and Futures Commission. In the circumstances, no advertisement, invitation or document relating to the Units may be issued, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except by a person permitted to do so under the securities laws of

Hong Kong) other than with respect to Units which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” in Hong Kong within the meaning of the Securities and Futures Ordinance (Chapter 571) of Hong Kong and any rules made thereunder. This document and the information contained in it may not be used other than by the person to whom it is addressed and may not be reproduced in any form or transmitted to any person in Hong Kong. The offer contained in this document is not capable of acceptance by any person other than the person to whom it is addressed.

#### *Australia*

The Prospectus (whether in preliminary or definitive form) may not be issued or distributed in Australia and no offer or invitation is made in relation to the Units in Australia hereby or otherwise except as permitted under Australian law to investors to whom offers or invitations in relation to the Units can be made without the requirement to make disclosure to investors pursuant to Chapter 7 of the Corporations Act 2001 (Cth).

#### *Germany*

Units in Fortune REIT have not been notified for public distribution in Germany under the German Foreign Investment Funds Act (*Auslandinvestments-Gesetz*). Therefore, the Units and the Prospectus shall not be distributed in Germany by way of a public offer, public advertising or in a similar manner.

## CLEARANCE AND SETTLEMENT

### Introduction

A letter of eligibility has been obtained from the SGX-ST for the listing and quotation of the Units. For the purpose of trading on the SGX-ST, a board lot for the Units will comprise 1,000 Units. Upon listing and quotation on the SGX-ST, the Units will be traded under the electronic book-entry clearance and settlement system of CDP. All dealings in and transactions of the Units through the SGX-ST will be effected in accordance with the terms and conditions for the operation of Securities Accounts, as amended from time to time.

CDP, a wholly-owned subsidiary of 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.

It is expected that the Units will be credited into the Securities Accounts of applicants for the Units within four Market Days after the closing date for applications for the Units.

### Clearance and Settlement under the Depository System

The 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 named as direct Securities Account holders and depository agents in the depository register maintained by CDP will be treated as Unitholders in respect of the number of Units credited to their respective Securities Accounts.

Transactions in the 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 and no transfer stamp duty is currently payable for the transfer of Units that are settled on a book-entry basis.

Units credited to a Securities Account may be traded on the SGX-ST on the basis of a price between a willing buyer and a willing seller. Units credited into a Securities Account may be transferred to any other Securities Account with CDP, subject to the terms and conditions for the operation of Securities Accounts and a S\$10 transfer fee payable to CDP. All persons trading in the Units through the SGX-ST should ensure that the relevant Units have been credited into their Securities Account, prior to trading in such Units, since no assurance can be given that the Units can be credited into the Securities Account in time for settlement following a dealing. If the Units have not been credited into the Securities Account by the due date for the settlement of the trade, the buy-in procedures of the SGX-ST will be implemented.

### Clearing Fees

A clearing fee for the trading of Units on the SGX-ST is payable at the rate of 0.05% of the transaction value, subject to a maximum of HK\$860 per transaction. The clearing fee, deposit fee and unit withdrawal fee may be subject to Goods and Services Tax of 4.0%.

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. CDP holds securities on behalf of investors in Securities Accounts. An investor may open a direct account with CDP or a sub-account with any CDP depository agent. A CDP depository agent may be a member company of the SGX-ST, bank, merchant bank or trust company.

## EXPERTS

Deloitte & Touche Corporate Finance Pte Ltd (the “Profit Forecast and Profit Projection Reviewer”) was responsible for preparing the Expert’s Report on the Profit Forecast and Profit Projection found in Appendix I of this Prospectus.

Deloitte & Touche and Deloitte Touche Tohmatsu (the “Reporting Accountants”) were responsible for preparing the Independent Accountants’ Reports found in Appendix II and III of this Prospectus. Deloitte & Touche are the auditors of Fortune REIT.

KPMG Tax Services Pte Ltd (the “Tax Consultant”) was responsible for preparing the Independent Taxation Report found in Appendix V of this Prospectus.

Chesterton Petty Ltd (the “Independent Valuer”) was responsible for preparing (i) the Independent Property Valuation Summary Report in Appendix IV of this Prospectus and (ii) the full Independent Property Valuation Reports for each of the Properties as referred to in paragraph 16(f) of the section “General Information”.

FPDSavills (Hong Kong) Limited (the “Independent Property Consultant”) was responsible for preparing the Retail Market Overview and Individual Asset Summary Report in Appendix VII of this Prospectus on the retail sector in Hong Kong, upon which the section “The Retail Property Market In Hong Kong” is based, and the Retail Market Overview and the Individual Asset Reports referred to therein.

Vigers Hong Kong Limited (the “Building Surveyor”) was responsible for preparing the Building Survey Reports as referred to in paragraph 16(h) of the section “General Information”.

The Profit Forecast and Profit Projection Reviewer, the Reporting Accountants, the Tax Consultant, the Independent Valuer, the Independent Property Consultant and the Building Surveyor have each given and have not withdrawn their written consents to the issue of this Prospectus with the inclusion herein of their names and their respective reports (where applicable) and all references thereto in the form and context in which they respectively appear in this Prospectus and to act in such capacity in relation to this Prospectus.

Each of Allen & Gledhill, Linklaters, Freshfields Drew & Napier, Freshfields Bruckhaus Deringer, Shook Lin & Bok and Baker & McKenzie does not make, or purport to make, any statement in this Prospectus or any statement upon which a statement in this Prospectus is based and to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any liability to any person which is based on, or arises out of, the statements, information or opinions in this Prospectus.

## GENERAL INFORMATION

1. The directors of the Manager collectively and individually accept full responsibility for the accuracy of the information given in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts contained in this Prospectus are true and accurate in all material respects, all expressions of opinion, intention and expectation contained in this Prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable and there are no material facts the omission of which would make any statement in this Prospectus misleading. Where information in this Prospectus has been extracted from public sources, the directors of the Manager accept responsibility for accurately reproducing such information, but accept no further or other responsibility in respect of such information.
2. The profit forecast and profit projection contained in “Profit Forecast and Profit Projection” have been stated by the directors of the Manager after due and careful enquiry.
3. Each of the Underwriters acknowledges that, to the best of its knowledge and belief, this Prospectus constitutes full and true disclosure of all material facts about the Offering and Fortune REIT.
4. Each of the Underwriters is also satisfied that the profit forecast and profit projection contained in the section of this Prospectus headed “Profit Forecast and Profit Projection” has been stated by the directors of the Manager after due and careful enquiry.
5. There are no legal or arbitration proceedings pending or, so far as the directors of the Manager are aware, threatened against the Manager the outcome of which, in the opinion of the directors of the Manager, may have or have had during the 12 months prior to the date of this Prospectus, a material adverse effect on the financial position of the Manager.
6. There are no legal or arbitration proceedings pending or, so far as the directors of the Manager are aware, threatened against Fortune REIT or the Property Companies the outcome of which, in the opinion of the directors, may have or have had during the 12 months prior to the date of this Prospectus, a material adverse effect on the financial position (on a pro forma consolidated basis) of Fortune REIT and the Property Companies taken as a whole.
7. As at the date of this Prospectus, none of the directors of the Manager has entered into an agreement to subscribe for the Units and there will not be a preferential offer of Units to any of the directors of the Manager.
8. Fortune REIT is newly established and no Units have been issued prior to the Offering. Accordingly, there is no Unitholder as at the date of this Prospectus.
9. The name, age and address of each of the directors of the Manager are set out in “The Manager and the Sponsor — The Manager of Fortune REIT — Directors of the Manager”. A list of the present and past principal directorships of each director and Executive Officer of the Manager over the last five years preceding 31 May 2003 is set out in Appendix XI.
10. There is no family relationship amongst the directors and Executive Officers of the Manager.
11. The financial year-end of Fortune REIT is 31 December. The annual audited financial statements of Fortune REIT will be prepared and sent to Unitholders within three months of the financial year-end.
12. A full valuation of each of the real estate assets held by the Property Companies or held by Fortune REIT through the Property Companies or otherwise will be carried out at least once a year in accordance with the Property Funds Guidelines. Generally, where the Manager proposes to issue new Units or to redeem existing Units, a valuation of the real properties held by the Property Companies or held by Fortune REIT through the Property Companies or otherwise must be carried out in accordance with the Property Funds Guidelines. The Manager or the Trustee may

at any other time arrange for the valuation of any of the real properties held by the Property Companies or held by Fortune REIT through the Property Companies or otherwise if it is of the opinion that it is in the best interest of Unitholders to do so.

13. While Fortune REIT is listed on the SGX-ST, investors may check the SGX-ST website <http://www.sgx.com> for the prices at which Units are being traded on the SGX-ST. Investors may also check one or more major Singapore newspapers such as *The Straits Times*, *The Business Times* and *Lianhe Zaobao* for the price range within which Units were traded on the SGX-ST on the preceding day.
14. The Manager does not intend to receive soft dollars (as defined in the CIS Code) in respect of Fortune REIT. Save as disclosed in this Prospectus, unless otherwise permitted under the Listing Manual, neither the Manager nor any of the Manager's associates will be entitled to receive any part of any brokerage charged to Fortune REIT, or any part of any fees, allowances or benefits received on purchases charged to Fortune REIT.
15. The dates of, parties to, and general nature of every material contract which the Trustee (in its capacity as trustee of Fortune REIT) and the Property Companies, have entered into within the two years preceding the date of this Prospectus (not being contracts entered into in the ordinary course of its business or of the business of Fortune REIT) are as follows:
  - (a) the Trust Deed;
  - (b) the Sale and Purchase Agreements;
  - (c) the Property Management Agreement;
  - (d) the Facility Agreement; and
  - (e) the Depository Agreement.
16. Copies of the following documents are available for inspection at the registered office of the Manager at 7 Temasek Boulevard, #12-03, Suntec City Tower 1, Singapore 038987 for a period of six months from the date of this Prospectus:
  - (a) the material contracts referred to in paragraph 15, save for the Trust Deed (which will be available for inspection for so long as Fortune REIT is in existence);
  - (b) the Underwriting Agreement;
  - (c) the Expert's Report on the Profit Forecast and Profit Projection;
  - (d) the Independent Accountants' Report on the Profit Forecast and Profit Projection by the Reporting Accountants;
  - (e) the Independent Accountants' Report on the Pro Forma Financial Information by the Reporting Accountants;
  - (f) the Independent Property Valuation Summary Reports by the Independent Valuer;
  - (g) the full Independent Property Valuation Reports for each of the Properties;
  - (h) the Building Survey Reports by the Building Surveyor;
  - (i) the Independent Taxation Report by the Tax Consultant;
  - (j) the Retail Market Overview and Individual Asset Summary Report by the Independent Property Consultant;
  - (k) the full Retail Market Overview and Individual Asset Reports by the Independent Property Consultant;
  - (l) the written consents of the Profit Forecast and Profit Projection Reviewer, the Reporting Accountants, the Tax Consultant, the Independent Valuer, the Independent Property Consultant and the Building Surveyor, as described in "Experts";
  - (m) the Sponsor Subscription Agreement;
  - (n) the HWL Subscription Agreement;
  - (o) the Cornerstone Subscription Agreements;

- (p) the draft Rental Guarantee Deed;
- (q) the draft Deeds of Tax Covenants;
- (r) the draft Subordination Deed; and
- (s) the undertaking of the Manager to the MAS covenanting, *inter alia*, not to deal in the Units during certain stipulated periods as described in the section “The Manager and the Sponsor — Dealings in Fortune REIT Units”.

## GLOSSARY

### Companies

<b>ARA</b>	ARA Asset Management (Singapore) Limited
<b>Cheung Kong Group</b>	Cheung Kong (Holdings) Limited and its subsidiaries and “member of the Cheung Kong Group” shall be construed accordingly
<b>Citigroup</b>	Citigroup Global Markets Singapore Pte. Ltd.
<b>CSFB</b>	Credit Suisse First Boston (Singapore) Limited
<b>DBS Bank or Global Co-ordinator</b>	DBS Bank Ltd
<b>HWL</b>	Hutchison Whampoa Limited
<b>Sponsor</b>	Cheung Kong (Holdings) Limited

### General

<b>% or per cent.</b>	Per centum or percentage
<b>Acquisition Value</b>	In relation to each Property, its acquisition value as determined in accordance with the relevant Sale and Purchase Agreement
<b>Acquisitions</b>	The acquisitions by the Trustee, as trustee of Fortune REIT, of the Property Company Shares from the Vendor Companies pursuant to the Sale and Purchase Agreements
<b>Adjusted Gross Revenue</b>	Gross Revenue plus Rental Top Up Amounts
<b>Adjusted Net Property Income</b>	For the purposes of the Rental Guarantee Deed, Gross Revenue (excluding parking facilities income) of The Metropolis Mall less Property Operating Expenses (excluding parking facilities expenses) of The Metropolis Mall
<b>Adjusted Property Operating Expenses</b>	Property Operating Expenses minus the Performance Fee
<b>Anchor Tenants</b>	Tenants accounting for 10.0% or more of the Gross Rentable Area for a particular Property
<b>Application Forms</b>	The official printed application forms to be used for the purpose of the Offering and which form part of this Prospectus
<b>Application List</b>	The list of applications to subscribe for the Units which are the subject of the Public Offer
<b>Appraised Value</b>	In relation to each Property, the appraised value for that Property as set out in this Prospectus (see “Business and Properties — Valuation”)
<b>ATMs</b>	Automated Teller Machines
<b>Auditors</b>	In relation to a Property Company or Fortune REIT, its auditors for the time being
<b>average occupancy rate or average occupancy level</b>	In respect of each Property over the relevant period, is derived by dividing the sum of the occupancy rates as at the end of each month during the relevant period for the relevant Property by the number of months in the relevant period

<b>Balance of Existing Borrowings</b>	In respect of each of Poko Shine Limited, Yee Pang Realty Limited, Art Full Resources Limited and Vision Million Limited, Existing Borrowings less the Completion Loan Amount for that Property Company
<b>Base Fee</b>	0.3% per annum of the Property Values
<b>Base Rental Income</b>	Consists of rental income due from tenancies but excludes Turnover Rent
<b>Board</b>	The Board of Directors of the Manager
<b>Building Authority</b>	The Director of Buildings of Hong Kong
<b>CDP</b>	The Central Depository (Pte) Limited
<b>Charge-out Collections</b>	Consists of air conditioning charges, management fees, promotional charges, government rates, government rents, utility charges, cleaning and other charges payable by the tenants and licensees
<b>CIS Code</b>	The Code on Collective Investment Schemes issued by the MAS
<b>Completion</b>	The completion of the sale and purchase of the Property Company Shares pursuant to the Sale and Purchase Agreements
<b>Completion Loan Amount</b>	In respect of each of Poko Shine Limited, Yee Pang Realty Limited, Art Full Resources Limited and Vision Million Limited, the loan amount to be drawn down from the Facility by the relevant Property Company on Completion, the proceeds of which are to be applied to discharge a corresponding amount of that Property Company's Existing Borrowings on Completion
<b>Cornerstone Investors</b>	Capital Research and Management Company, Hong Kong Branch, Société Générale Bank & Trust (Luxembourg) and DBS Bank. DBS Bank is subscribing for 47,000,000 Units as principal.
<b>Cornerstone Subscription Agreements</b>	The Cornerstone Subscription Agreements entered into between each of the Cornerstone Investors and the Manager pursuant to which the Cornerstone Investors have agreed to subscribe for an aggregate of 93,530,000 Units
<b>Cornerstone Units</b>	The Units to be purchased by the Cornerstone Investors pursuant to the Cornerstone Subscription Agreements
<b>Current Unit Value</b>	At any time, the net asset value of the Deposited Property divided by the number of Units in issue and deemed to be in issue at that time
<b>DCF Method</b>	Discounted Cash Flow Method
<b>Deed of Mutual Covenant</b>	In respect of a Property, the deed which: <ul style="list-style-type: none"> <li>(a) defines and regulates the rights, interests and obligations of the owners and the manager of the development (of which the relevant Property forms part); and</li> <li>(b) sets out provisions relating, <i>inter alia</i>, to the management and maintenance of such development</li> </ul>
<b>Deposited Property</b>	The value of all the gross assets of Fortune REIT, including the Properties held in Fortune REIT's portfolio
<b>Depository Agreement</b>	The Depository Agreement dated 7 July 2003 entered into between CDP, the Manager and the Trustee relating to the deposit of the Units with CDP

<b>Director of Lands</b>	The head of the Lands Department in Hong Kong, a government authority for all land-related matters
<b>Executive Officers</b>	The executive officers of the Manager as at the date of this Prospectus
<b>Existing Borrowings</b>	In respect of each Property Company, means the aggregate amount of the company's indebtedness for borrowed monies comprising all amounts whether principal, interest or otherwise owing and outstanding immediately prior to Completion
<b>Extraordinary Resolution</b>	A resolution proposed and passed as such by a majority consisting of 75.0% 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
<b>Facility</b>	The aggregate HK\$1,100.0 million omnibus unsecured credit facility extended to the Property Companies, comprising a term loan facility and a revolving credit facility arranged by DBS Bank
<b>Facility Agreement</b>	The facility agreement dated 7 July 2003 as amended by a letter dated 24 July 2003, between the Property Companies as borrowers and DBS Bank as arranger, original bank and agent, relating to the Facility
<b>Fortune REIT</b>	Fortune Real Estate Investment Trust
<b>Goodwell Property</b>	Goodwell Property Management Limited, a company incorporated in Hong Kong and the holding company of the Property Manager
<b>Government lease</b>	In respect of a Property, the Government lease under which the relevant Property is held from the Government of Hong Kong
<b>Gross Floor Area</b>	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 ground), 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, refuse 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
<b>Gross Property Revenue</b>	For the purpose of calculating the Property Manager's management fees, consists of Gross Revenue less (i) Charge-out Collections and (ii) Parking Facilities Income
<b>Gross Rentable Area</b>	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

<b>Gross Revenue</b>	Consists of Base 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
<b>HK\$ or Hong Kong dollars</b>	Hong Kong dollars, the lawful currency of Hong Kong
<b>Hong Kong</b>	The Hong Kong Special Administrative Region of the People's Republic of China
<b>Hong Kong Island</b>	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
<b>Household Center Agreement</b>	The agreement dated 7 July 2003 between, among other persons, Alpine Profits Limited and the Trustee for the sale and purchase of shares in Art Full Resources Limited, a company incorporated in Hong Kong and the owner of The Household Center
<b>HWL Subscription Agreement</b>	The agreement dated 28 July 2003 between HWL and the Manager pursuant to which HWL has agreed to subscribe for an aggregate of 58,995,000 Units
<b>IRAS</b>	Inland Revenue Authority of Singapore
<b>Jubilee Court Agreement</b>	The agreement dated 7 July 2003 between, among other persons, Beautiland Company Limited, Cheuk Kin Investment Company Limited and the Trustee for the sale and purchase of shares in Yee Pang Realty Limited, a company incorporated in Hong Kong and the owner of Jubilee Court Shopping Centre
<b>Jubilee Court Shopping Centre</b>	The commercial property (comprising retail premises and parking spaces) as owned by Yee Pang Realty Limited known as Jubilee Court Shopping Centre situated at Jubilee Garden, Nos. 2-18 Lok King Street, Shatin, New Territories, Hong Kong
<b>KCRC</b>	Kowloon-Canton Railway Corporation, a statutory corporation established under the KCRC Ordinance and wholly-owned by the Government of Hong Kong
<b>KCRC Ordinance</b>	the Kowloon-Canton Railway Corporation Ordinance (Chapter 372 of the Laws of Hong Kong)
<b>Kowloon</b>	Kowloon peninsula up to Boundary Street
<b>Licence Fee Top Up Payment</b>	The top up payment payable to Vision Million Limited under the Rental Guarantee Deed to make up the difference between (i) HK\$4,296,000 per annum and (ii) the Net Parking Space Income for The Metropolis Mall for the relevant period
<b>Listing Date</b>	The date of admission of the Units to the Official List of the SGX-ST
<b>Listing Manual</b>	The Listing Manual of the SGX-ST
<b>Ma On Shan Plaza</b>	The commercial property (comprising a podium of retail premises and public parking spaces) as owned by Poko Shine Limited known as Ma On Shan Plaza situated at Bayshore Towers, No. 608 Sai Sha Road, Shatin, New Territories, Hong Kong

<b>Ma On Shan Plaza Agreement</b>	The agreement dated 7 July 2003 between, among other persons, Cheung Kong Investment Company Limited and the Trustee for the sale and purchase of shares in Poko Shine Limited, a company incorporated in Hong Kong and the owner of Ma On Shan Plaza
<b>Manager</b>	ARA Asset Management (Singapore) Limited
<b>Market Day</b>	A day on which the SGX-ST is open for trading in securities
<b>Market Price</b>	The volume weighted average traded price for a Unit for all trades on the SGX-ST in the ordinary course of trading on the SGX-ST for the period of 10 business days preceding the relevant business day or, if the Manager believes that the foregoing calculation does not provide a fair reflection of the Market Price of a Unit, an amount as determined by the Manager and the Trustee (after consultation with a stockbroker approved by the Trustee) as being the fair Market Price
<b>MAS</b>	The Monetary Authority of Singapore
<b>Metropolis Mall Agreement</b>	The agreement dated 7 July 2003 between, among other persons, Vigour Limited and the Trustee for the sale and purchase of shares in Vision Million Limited, a company incorporated in the British Virgin Islands and the owner of The Metropolis Mall
<b>MOF</b>	Ministry of Finance of Singapore
<b>MTR station</b>	A station on the Mass Transit Railway, which is operated by the Mass Transit Railway Corporation
<b>Net Parking Space Income</b>	For the purposes of the Rental Guarantee Deed, means gross income from parking facilities of The Metropolis Mall less operating expenses of such parking facilities
<b>Net Property Income</b>	Consists of Gross Revenue less Property Operating Expenses
<b>New Territories</b>	The area being north of Boundary Street to the Shenzhen River and 235 islands
<b>Non-Taxable Capital Gains</b>	Gains from the disposal of investments in the Property Companies that have been confirmed by IRAS to be capital gains
<b>Ordinary Resolution</b>	A resolution proposed and passed as such by a majority being more than 50.0% 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
<b>Over-allotment Option</b>	An option granted by Focus Eagle Investments Limited to the Global Co-ordinator to purchase from Focus Eagle Investments Limited, up to an aggregate of 21,523,500 Units or, if the Upsize Option is exercised, up to an aggregate of 28,618,500 Units at the Offering Price, solely to cover the over-allotment of Units (if any)
<b>Parking Facilities Income</b>	All income accruing or resulting from the operation of parking facilities at the Properties
<b>Participating Banks</b>	DBS Bank (including POSB), Oversea-Chinese Banking Corporation Limited (“OCBC”) and United Overseas Bank Limited and its subsidiary, Far Eastern Bank Limited (the “UOB Group”)

<b>Performance Fee</b>	The annual performance fee of 3.0% per annum of the Gross Revenue less Adjusted Property Operating Expenses, save that in respect of The Metropolis Mall, it is 3.0% per annum of the Adjusted Gross Revenue less Adjusted Property Operating Expenses
<b>PRC or China</b>	The People’s Republic of China excluding, for the purposes of this Prospectus only, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
<b>Price Determination Date</b>	6 August 2003 (subject to change) (see “Indicative Timetable”)
<b>Pro Forma Completion Balance Sheet</b>	The pro forma completion balance sheet for each Property Company to be prepared for the purposes of Completion
<b>Properties</b>	Five properties comprising The Metropolis Mall, Ma On Shan Plaza, The Household Center, Smartland and Jubilee Court Shopping Centre together with their respective parking facilities (each a “Property”)
<b>Property Companies</b>	The respective owners of the Properties (being (i) Poko Shine Limited, (ii) Quick Switch Limited, (iii) Yee Pang Realty Limited, (iv) Art Full Resources Limited and (v) Vision Million Limited in relation to (a) Ma On Shan Plaza, (b) Smartland, (c) Jubilee Court Shopping Centre, (d) The Household Center and (e) The Metropolis Mall, respectively) and “Property Company” means any one of them
<b>Property Company Shares</b>	Shares in the entire issued share capital of the Property Companies
<b>Property Funds Guidelines</b>	The investment guidelines and borrowing limits for real estate investment trusts issued by the MAS as Appendix 2 to the CIS Code
<b>Property Income Top Up Payment</b>	The top up payment payable to Vision Million Limited under the Rental Guarantee Deed to make up the difference between (i) HK\$90,000,000 per annum and (ii) the Adjusted Net Property Income for The Metropolis Mall for the relevant period
<b>Property Management Agreement</b>	The agreement dated 7 July 2003 made between the Trustee, the Manager and the Property Manager pursuant to which the Property Manager will provide certain property management, lease management and marketing services for properties of Fortune REIT in Hong Kong
<b>Property Manager</b>	Goodwell-Fortune Property Services Limited
<b>Property Operating Expenses</b>	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, Manager’s Performance Fee and other property operating expenses
<b>Property Values</b>	The value of all real estate properties of Fortune REIT whether directly held by the Trustee or indirectly held by the Trustee through a property holding company, including a Property Company
<b>Recognised Stock Exchange</b>	Any stock exchange of repute in any part of the world
<b>related party</b>	Refers to an “interested person” (as defined in the Listing Manual) and/or, as the case may be, an “interested party” (as defined in the Property Funds Guidelines)

<b>Rental Guarantee Deed</b>	The rental guarantee deed to be entered into on Completion between (i) the Sponsor and HWL and (ii) Vision Million Limited pursuant to which the Sponsor and HWL will undertake (on a several basis in equal shares pro-rated to their respective interests in the Vendor Company) for the three years starting from the Listing Date to effect the Property Income Top Up Payment and the Licence Fee Top Up Payment relating to The Metropolis Mall
<b>Rental Top Up Amount</b>	An amount comprising the Property Income Top Up Payment and Licence Fee Top Up Payment, payable under the Rental Guarantee Deed
<b>Sale and Purchase Agreements</b>	The Ma On Shan Plaza Agreement, Smartland Agreement, Jubilee Court Agreement, Household Center Agreement and Metropolis Mall Agreement and “Agreement” means any of them
<b>Securities Account</b>	Securities account or sub-account maintained by a depositor with CDP
<b>SFA or Securities and Futures Act</b>	Securities and Futures Act, Chapter 289 of Singapore
<b>S\$ or Singapore dollars</b>	Singapore dollars, the lawful currency of Singapore
<b>Smartland</b>	The majority portion, being 80.9% of the collective strata title shares, in the four-storey commercial portion of the East Asia Gardens development (comprising parking spaces and a podium of retail premises), as owned by Quick Switch Limited known as Smartland situated at East Asia Gardens, Nos. 36-60 Texaco Road, Nos. 1 and 3–21 Tsuen Fu Street, Nos. 16 and 24 Tsuen Wah Street and Nos. 2 and 4 Tsuen Wing Street, Tsuen Wan, New Territories, Hong Kong
<b>Smartland Agreement</b>	The agreement dated 7 July 2003 between, among other persons, Cheung Kong Investment Company Limited and the Trustee for the sale and purchase of shares in Quick Switch Limited, a company incorporated in the British Virgin Islands and the owner of Smartland
<b>Sponsor</b>	Cheung Kong (Holdings) Limited
<b>Sponsor Subscription Agreement</b>	The Subscription Agreement dated 28 July 2003 entered into between the Sponsor and the Manager in respect of the subscription for 176,985,000 or, if the Upsize Option is exercised in full, up to an aggregate of 129,685,000 Units
<b>sq ft</b>	Square foot
<b>Stabilising Manager</b>	DBS Bank
<b>Subordination Deed</b>	The subordination deed referred to in the Facility Agreement and which is to be entered into by the Trustee as trustee, the Property Companies as borrowers and DBS Bank as agent, as a condition precedent to the drawdown of the Facility
<b>Taxable Income</b>	Dividends received from the 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 (other than Tax — Exempt Income), except for gains from the sale of investments in the Property Companies that have been confirmed by the IRAS to be capital in nature

<b>Tax-Exempt Income</b>	Dividends received from the Property Companies that are distributed out of income (including interest income 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%
<b>Tax Ruling</b>	The tax ruling dated 10 June 2003 issued by the MOF on the taxation of Fortune REIT and the Unitholders
<b>The Household Center</b>	The commercial property (comprising commercial units and commercial parking spaces) as owned by Art Full Resources Limited known as The Household Center situated at Nob Hill, No. 8 King Lai Path, Kwai Chung, New Territories, Hong Kong
<b>The Metropolis Mall</b>	The commercial property (comprising commercial units and parking facilities) as owned by Vision Million Limited known as The Metropolis Mall situated at No. 6 Metropolis Drive, The Metropolis, Kowloon, Hong Kong
<b>Trust Deed</b>	The Trust Deed dated 4 July 2003 entered into between the Trustee and the Manager constituting Fortune REIT
<b>Trustee</b>	Bermuda Trust (Singapore) Limited
<b>Turnover Rent</b>	Rent calculated by reference to a fixed percentage of a tenant's monthly sales turnover
<b>Underwriters</b>	DBS Bank, Citigroup and CSFB
<b>Underwriting Agreement</b>	The underwriting agreement dated 28 July 2003 entered into between the Manager, the Underwriters and the Sponsor in connection with the Offering
<b>Unit</b>	An undivided interest in Fortune REIT as provided for in the Trust Deed
<b>Unitholder(s)</b>	The registered holder for the time being of a Unit including persons so registered as joint holders, except that where the registered holder is CDP, the term "Unitholder" shall, in relation to Units registered in the name of CDP, mean, where the context requires, the depositor whose Securities Account with CDP is credited with Units
<b>Upsize Option</b>	The option to increase the size of the Offering from 143,490,000 Units to up to 190,790,000 Units as described in "The Offering — The Upsize Option"
<b>Vendor Companies</b>	The respective vendors of the Property Company Shares, (being (i) Cheung Kong Investment Company Limited, (ii) Beauland Company Limited and Cheuk Kin Investment Company Limited, (iii) Alpine Profits Limited and (iv) Vigour Limited in relation to (a) Poko Shine Limited and Quick Switch Limited, (b) Yee Pang Realty Limited, (c) Art Full Resources Limited and (d) Vision Million Limited, respectively) and "Vendor Company" means any one of them
<b>weighted average occupancy rate or weighted average occupancy level</b>	In respect of each Property, is derived by dividing the sum of the average occupied areas of all the relevant Properties by the total Gross Rentable Area of the Properties. The average occupied area of a Property is derived by multiplying the average occupancy rate of that Property by the Gross Rentable Area for that Property

Signed

.....  
Chiu Justin Kwok Hung

Signed

.....  
Lim Hwee Chiang

Signed

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Ip Tak Chuen Edmond

Signed

.....  
Yeung Eirene

Signed

.....  
Lim Lee Meng

Signed

.....  
Cheng Moses Mo Chi

Signed

.....  
Mrs Sng Sow-Mei  
(Phoon Sui Moy alias Poon Sow Mei)

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## Appendix I

### Expert's Report on the Profit Forecast and Profit Projection

7 July 2003

The Board of Directors  
ARA Asset Management (Singapore) Limited (as Manager of Fortune REIT)  
7 Temasek Boulevard  
#12-03 Suntec City Tower 1  
Singapore 038987

Bermuda Trust (Singapore) Limited (as Trustee of Fortune REIT)  
20 Raffles Place  
#13-01/05 Ocean Towers  
Singapore 048620

Dear Sirs

#### **Expert's Report on the Profit Forecast for the Six Months Ending 31 December 2003 and the Profit Projection for the Financial Year Ending 31 December 2004**

##### **Introduction**

This letter has been prepared for inclusion in the prospectus to be issued in relation to the initial public offering of Fortune Real Estate Investment Trust ("Fortune REIT") on the Singapore Exchange Securities Trading Limited (the "Prospectus").

We are licensed under a capital markets services licence to provide corporate finance advisory services, and have been appointed as an expert (as this term is defined in the Companies Act (Cap. 50) of Singapore) to review the assumptions set out in the Prospectus and provide a statement as to whether the assumptions provide reasonable grounds for the profit forecast for the period from 1 July 2003 to 31 December 2003 (the "profit forecast") and the profit projection for the year ending 31 December 2004 (the "profit projection") contained in the Prospectus.

The expressions defined in the Prospectus have the same meaning in this expert report.

##### **Scope**

The Directors of ARA Asset Management (Singapore) Limited are solely responsible for the preparation of the profit forecast and the profit projection, which are set out on pages 82 and 83 of the Prospectus. This includes ensuring that the assumptions used, which are the subject to our review, are stated in the Prospectus.

We have reviewed the assumptions on which the profit forecast and the profit projection are based. The assumptions used in the preparation of the profit forecast and the profit projection are set out on pages 84 to 92 of the Prospectus.

In carrying out our review, we have had discussions with the management to better understand the assumptions used in preparation of the profit forecast and the profit projection and have applied our professional judgement in determining the nature, timing and extent of review procedures.

We have reviewed the source of the evidence used by the management in arriving at the assumptions for the profit forecast and the profit projection and the adequacy and reliability of the supporting evidence. In carrying out this review, we considered evidence from internal and external sources including the relevant historical performance, wherever practicable, to ascertain the consistency of the profit forecast and the profit projection with the historical performance.

We also considered whether the assumptions were based on the business plans of Fortune REIT and are consistent with the purpose of the profit forecast and profit projection, and whether there is any reason to believe they are clearly unrealistic.

In carrying out our review, we also focussed on the extent to which those assumptions that are particularly sensitive to variation have a material effect on the profit forecast and the profit projection. The extent of such sensitivity was one of the factors which influenced the extent of the evidence which we sought to obtain. We also considered the inter-relationship between the stated assumptions.

We are not responsible for checking whether the profit forecast and the profit projection are properly prepared from management's stated assumptions, nor for checking the arithmetical logic or internal consistency of the workings and spreadsheets, as this scope is covered in the review by Deloitte & Touche and reported on in their Independent Accountant's Report on the Profit Forecast and Profit Projection set out on pages A-4 and A-5 of the Prospectus.

### **Statement**

After having reviewed the assumptions and examining the evidence supporting the assumptions, nothing has come to our attention which causes us to believe that these assumptions do not provide reasonable grounds for the profit forecast and the profit projection.

The profit projection covers a period beyond the forecast period and the assumptions used in the profit projection are necessarily more subjective than would be appropriate in a forecast. Further, the profit projection has been prepared using assumptions which include hypothetical assumptions about future events which may not necessarily occur. The profit projection does not therefore constitute a forecast.

Our report should be read together with the risk factors which are set out pages 38 to 52 of the Prospectus and the sensitivity analysis of the Directors' profit forecast and profit projection set out on pages 92 to 94 of the Prospectus.

We do not accept responsibility for the realisation of the profit forecast and the profit projection. In addition, we emphasise that since the profit forecast and the profit projection relate to the future, actual results are likely to be different from the forecast and projected results because events and circumstances frequently do not occur as expected, and the difference may be material.

Yours faithfully

For and on behalf of  
**Deloitte & Touche Corporate Finance Pte Ltd**



Andrew Grimmett  
Director



Ong Soon Teik  
Director Corporate Finance

## Appendix II

### Independent Accountants' Report on the Profit Forecast and Profit Projection

7 July 2003

The Board of Directors  
ARA Asset Management (Singapore) Limited (as Manager of Fortune REIT)  
7 Temasek Boulevard  
#12-03 Suntec City Tower 1  
Singapore 038987

Bermuda Trust (Singapore) Limited (as Trustee of Fortune REIT)  
20 Raffles Place  
#13-01/05 Ocean Towers  
Singapore 048620

Dear Sirs

#### **Profit Forecast for the Financial Period Ending 31 December 2003 and the Profit Projection for the Financial Year Ending 31 December 2004**

This letter has been prepared for inclusion in the prospectus (the "Prospectus") to be issued in connection with the initial public offering of Fortune Real Estate Investment Trust (Fortune REIT) and the listing of the Units in Fortune REIT on the Singapore Exchange Securities Trading Limited.

The directors of ARA Asset Management (Singapore) Limited (the "Directors") are responsible for the preparation and presentation of the forecast income statements for the period from 1 July 2003 to 31 December 2003 (the "profit forecast") and the year ending 31 December 2004 (the "profit projection") as set out on pages 82 and 83 of the Prospectus, which have been prepared on the basis of their assumptions as set out on pages 84 to 92 of the Prospectus.

We have examined, as reporting accountants and auditors, the profit forecast of Fortune REIT for the financial period ending 31 December 2003 as set out on pages 82 and 83 of the Prospectus in accordance with Singapore Standard on Auditing, SSA 27 (2001), on The Examination of Prospective Financial Information. The Directors are solely responsible for the profit forecast including the assumptions set out on pages 84 to 92 of the Prospectus on which they are based.

In our opinion, the profit forecast, in so far as the accounting policies and calculations are concerned, is properly prepared based on the assumptions set out on pages 84 to 92 of the Prospectus, is consistent with the accounting policies set out on pages A-22 and A-23 of the Prospectus, and is presented in accordance with the relevant principles of Singapore Statements of Accounting Standard (but not all the required disclosures) as at the date of this report.

In respect of the profit projection of Fortune REIT for the financial year ending 31 December 2004, we have conducted our review, as reporting accountants and auditors, in accordance with Singapore Standard on Auditing, SSA 27 (2001), on The Examination of Prospective Financial Information. The Directors are solely responsible for the projection including the assumptions set out on pages 84 to 92 of the Prospectus on which it is based.

7 July 2003

The Board of Directors

ARA Asset Management (Singapore) Limited (as Manager of Fortune REIT)

Bermuda Trust (Singapore) Limited (as Trustee of Fortune REIT)

The profit projection is intended to show a possible outcome based on the stated assumptions. As Fortune REIT will be newly established without any history of activities and because the length of the period covered by the profit projection extends beyond the period covered by the profit forecast, the assumptions used in projection (which include hypothetical assumptions about future events which may not necessarily occur) are more subjective than would be appropriate for a profit forecast. The profit projection does not therefore constitute a forecast.

In our opinion, the profit projection, in so far as the accounting policies and calculations are concerned, is properly prepared based on the assumptions set out on pages 84 to 92 of the Prospectus, is consistent with the accounting policies set out on pages A-22 and A-23 of the Prospectus, and is presented in accordance with the relevant principles of Singapore Statements of Accounting Standard (but not all the required disclosures) as at the date of this report.

Events and circumstances frequently do not occur as expected. Even if the events anticipated under the hypothetical assumptions described above occur, actual results are still likely to be different from the projection since other anticipated events frequently do not occur as expected and the variation may be material. The actual results may therefore differ materially from those projected. For the reasons set out above, we do not express any opinion as to the possibility of achievement of the profit forecast or profit projection.

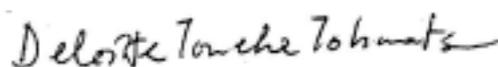
Attention is drawn, in particular, to the risk factors set out on pages 38 to 52 of the Prospectus which describe the principal risks associated with the offering, to which the profit forecast and profit projection relate and the sensitivity analysis of the Directors' profit forecast and profit projection as set out on pages 92 to 94 of the Prospectus.

Yours faithfully



Deloitte & Touche  
*Certified Public Accountants*  
Singapore

Ernest Kan  
Partner



Deloitte Touche Tohmatsu  
*Certified Public Accountants*  
Hong Kong

Ida Lam  
Partner

### Appendix III

#### Independent Accountants' Report on the Pro Forma Financial Information

7 July 2003

The Board of Directors  
ARA Asset Management (Singapore) Limited (as Manager of Fortune REIT)  
7 Temasek Boulevard  
#12-03 Suntec City Tower 1  
Singapore 038987

Bermuda Trust (Singapore) Limited (as Trustee of Fortune REIT)  
20 Raffles Place  
#13-01/05 Ocean Towers  
Singapore 048620

Dear Sirs

#### **Fortune Real Estate Investment Trust ("Fortune REIT")**

This letter (including pages A-8 to A-24 of the Prospectus) has been prepared for inclusion in the prospectus (the "Prospectus") to be issued in connection with the initial public offering of Fortune REIT and the listing of the Units in Fortune REIT on the Singapore Exchange Securities Trading Limited.

The following Pro Forma Financial Information of the Fortune REIT set out on pages A-8 to A-24 of the Prospectus has been prepared for illustrative purposes only and based on certain assumptions after making certain adjustments:

- (A) Pro Forma Consolidated Profit and Loss Statements for each of the three years ended 31 December 2000, 2001 and 2002 and the three months ended 31 March 2003 (collectively referred to as the "Relevant Period"), which have been prepared to provide information about how the purchase of the five companies ("Property Companies"), namely Art Full Resources Limited, Poko Shine Limited, Quick Switch Limited, Vision Million Limited and Yee Pang Realty Limited which holds The Household Center, Ma On Shan Plaza, Smartland, The Metropolis Mall and Jubilee Court Shopping Centre (collectively referred to as the "Properties") respectively, by Fortune REIT under the same terms set out in the Prospectus might have affected the Pro Forma Consolidated Profit and Loss Statements presented, had it purchased the Property Companies on 1 January 2000 or the date of incorporation of the Property Companies, whichever is the later and assuming that The Household Center had been acquired by Art Full Resources Limited on the date the property commenced to generate rental income;
- (B) Pro Forma Consolidated Cash Flow Statement for the year ended 31 December 2002, which has been prepared to provide information on the cash flows of Fortune REIT, had the purchase of the Property Companies by Fortune REIT under the same terms set out in the Prospectus been undertaken on 1 January 2000 or the date of incorporation of the Property Companies, whichever is the later and assuming that The Household Center had been acquired by Art Full Resources Limited on the date the property commenced to generate rental income; and

7 July 2003

The Board of Directors

ARA Asset Management (Singapore) Limited (as Manager of Fortune REIT)

Bermuda Trust (Singapore) Limited (as Trustee of Fortune REIT)

(C) Pro Forma Consolidated Balance Sheet as at 31 December 2002, which has been prepared to provide information on the financial position of Fortune REIT, had the purchase of the Property Companies by Fortune REIT under the same terms set out in the Prospectus been undertaken on 31 December 2002.

The objective of the Pro Forma Financial Information of Fortune REIT is to show what the financial results, cash flows and financial position of Fortune REIT might have been, had Fortune REIT as described above existed at an earlier date. However, the Pro Forma Financial Information of Fortune REIT is not necessarily indicative of the results and cash flows of the operations or the financial position that would have been attained had Fortune REIT actually existed earlier.

The Pro Forma Financial Information are the responsibility of the directors of ARA Asset Management (Singapore) Limited (the "Directors"). Our responsibility is to express an opinion on the Pro Forma Financial Information based on our work.

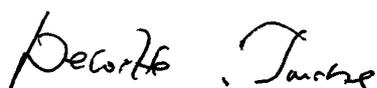
Our work, which involved no independent examination of the underlying financial information, consisted primarily of:

- (i) comparing the Pro Forma Financial Information to the audited financial statements and unaudited management accounts of the Property Companies and to the extent applicable, the unaudited management accounts of the company which owned The Household Center prior to the sale of the property to Art Full Resources Limited; and
- (ii) considering the evidence supporting the pro forma adjustments and discussing the Pro Forma Financial Information with the Directors.

In our opinion:

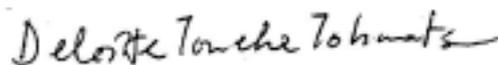
- (A) the Pro Forma Financial Information has been properly prepared on the basis set out therein and is consistent with the accounting policies of Fortune REIT and the audited financial statements and unaudited management accounts of the Property Companies and to the extent applicable, the unaudited management accounts of the company which owned The Household Center prior to the sale of the property to Art Full Resources Limited; and
- (B) each material adjustment to the information used in the preparation of the Pro Forma Financial Information is appropriate for the purpose of preparing such financial information.

Yours faithfully



Deloitte & Touche  
Certified Public Accountants  
Singapore

Ernest Kan  
Partner



Deloitte Touche Tohmatsu  
Certified Public Accountants  
Hong Kong

Ida Lam  
Partner

## (A) INTRODUCTION

The Fortune REIT was established under a Trust Deed dated 4 July 2003 made between ARA Asset Management (Singapore) Limited (the “Manager”) and Bermuda Trust (Singapore) Limited (the “Trustee”). Cheung Kong (Holdings) Limited (the “Sponsor”) has an indirect equity interest of 30% in the Manager.

Fortune REIT is a Singapore based unit trust formed to own and invest in a diverse portfolio of retail shopping malls and car parking spaces in Hong Kong. Fortune REIT proposes to acquire the entire interest in the following five companies (“Property Companies”), each holding a property, known as The Household Center, Ma On Shan Plaza, Smartland, The Metropolis Mall and Jubilee Court Shopping Centre (collectively referred to as the “Properties”), from the respective existing shareholders:

<b>Name of company</b>	<b>Place of incorporation and operations</b>	<b>Date of incorporation</b>	<b>Principal activities</b>
1. Art Full Resources Limited (“Art Full”)	Hong Kong	23 October 2002	Property investment in The Household Center
2. Poko Shine Limited (“Poko Shine”)	Hong Kong	22 August 1991	Property investment in Ma On Shan Plaza
3. Quick Switch Limited (“Quick Switch”)	British Virgin Islands/Hong Kong	5 July 1995	Property investment in Smartland
4. Vision Million Limited (“Vision Million”)	British Virgin Islands/Hong Kong	22 August 2001	Property investment in The Metropolis Mall (“Metropolis”)
5. Yee Pang Realty Limited (“Yee Pang”)	Hong Kong	16 March 1973	Property investment in Jubilee Court Shopping Centre

Deloitte Touche Tohmatsu (a member of Hong Kong Society of Accountants) located at 26/F, Wing On Centre, 111 Connaught Road Central, Hong Kong has been the auditors of Poko Shine, Quick Switch and Yee Pang for the past three years and Art Full and Vision Million since their incorporation.

Fortune REIT is making an offering of 219,408,500 units (the “Offering”) at an issue price range of HK\$4.60 to HK\$4.75 per unit (the “Offering Price”), payable in full on application. Separately from the Offering, 93,530,000 units will be subscribed by cornerstone investors at the Offering Price subject to a volume discount and 101,066,500 units and 58,995,000 units will be subscribed by the Sponsor and Hutchison Whampoa Limited respectively at the Offering Price.

## (B) BASES OF PREPARATION OF PRO FORMA FINANCIAL INFORMATION

No financial statements of Fortune REIT have been prepared for the preceding three financial years as Fortune REIT was constituted on 4 July 2003.

Deloitte & Touche, Singapore have been appointed as auditors of Fortune REIT since the inception of Fortune REIT.

The Pro Forma Financial Information set out in this report, expressed in Hong Kong dollars, shows the Pro Forma Consolidated Profit and Loss Statements of Fortune REIT for each of the three years ended 31 December 2000, 2001 and 2002 and the three months ended 31 March 2003 (collectively referred to as the “Relevant Period”), the Pro Forma Consolidated Cash Flow Statement of Fortune REIT for the year ended 31 December 2002 and the Pro Forma Consolidated Balance Sheet of Fortune REIT as at 31 December 2002.

The Pro Forma Financial Information has been compiled:

- (a) based on the audited financial statements of Poko Shine, Quick Switch and Yee Pang for the financial years ended 31 December 2000 and 2001;
- (b) based on the audited financial statements of the Property Companies and the unaudited management accounts of the company which owned The Household Center prior to the sale of the property to Art Full for the financial year ended 31 December 2002;
- (c) based on the unaudited management accounts of the Property Companies for the three months ended 31 March 2003;
- (d) grouping incomes, expenses, assets and liabilities of the same nature as disclosed in the audited financial statements and unaudited management accounts of the Property Companies for the Relevant Period, into categories in order to present condensed and consistent financial information amongst the Property Companies; and
- (e) incorporating those adjustments that are necessary to reflect the operating results, cash flows and financial position of Fortune REIT under the same terms set out in the Prospectus.

The Pro Forma Consolidated Profit and Loss Statements show the results of Fortune REIT for the Relevant Period as if it had purchased the Property Companies on 1 January 2000 or on the date of incorporation of the Property Companies, whichever is the later and assuming that The Household Center had been acquired by Art Full Resources Limited on the date the property commenced to generate rental income, at the Trust's respective acquisition costs which are determined by reference to the current value of each of the Properties which were revalued by an independent valuer, Chesterton Petty Limited, on 31 May 2003.

The Pro Forma Consolidated Cash Flow Statement shows the cash flows of Fortune REIT for the year ended 31 December 2002, assuming it had purchased the Property Companies on 1 January 2000 or on the date of incorporation of the Property Companies, whichever is the later and assuming that The Household Center had been acquired by Art Full Resources Limited on the date the property commenced to generate rental income.

The Pro Forma Consolidated Balance Sheet of Fortune REIT as at 31 December 2002 reflects the financial position of Fortune REIT as if it had purchased the Property Companies on 31 December 2002 under the same terms set out in the Prospectus.

The Pro Forma Financial Information prepared on the basis set out above has been prepared in accordance with the accounting policies set out in section F and is to be read in conjunction with section G. In addition, the Pro Forma Financial Information have been prepared based on the assumption that the issue unit price is HK\$4.75 per unit. A lower issue price of HK\$4.60 per unit will not have any material impact on the net profit of Fortune REIT.

The objective of the Pro Forma Financial Information of Fortune REIT is to show what the financial results, cash flows and financial position might have been, had Fortune REIT existed at an earlier date. However, the Pro Forma Financial Information of Fortune REIT is not necessarily indicative of the results and cash flows of the operations or the financial position that would have been attained had Fortune REIT actually existed earlier.

#### **(I) Pro Forma Consolidated Profit and Loss Statements**

The Pro Forma Consolidated Profit and Loss Statements for each of the three years ended 31 December 2000, 2001 and 2002 and the unaudited profit and loss statement for the three months ended 31 March 2003 of the Property Companies have been prepared after making the following adjustments:

- consolidation adjustment to set off the deficit on revaluation of certain properties charged to the profit and loss statement against revaluation reserve of other properties and the transfer of the reversal of such deficit credited to the profit and loss statement to the revaluation reserve;

- incorporate the revenue and property operating expenses of The Household Center based on the unaudited management accounts of the company which owned The Household Center prior to the completion of its acquisition by Art Full on 31 December 2002 and the tax thereon;
- reverse out the income and expenses resulting from operations not in line with Fortune REIT's business including:
  - (i) proceeds from sale of mortgage loans and the related costs;
  - (ii) mortgage interest income;
  - (iii) properties selling expenses and other related costs;
  - (iv) mortgage agent's charges; and
  - (v) incorporation expenses.
- reverse out the existing borrowing and other costs of the Property Companies that are not in line with Fortune REIT's finance structure and replace them with the costs of proposed bank borrowing. The cost of borrowing has been assumed to be 3.9% for the financial year ended 31 December 2000, 3.3% for the financial year ended 31 December 2001 and 3.0% for the rest of the Relevant Period based on the Trust's projected mix of fixed rate and floating rate borrowings;
- reverse out the property management fee and such other operating expenses, and replace them with the expenses computed in accordance with the pre-agreed terms with the property manager;
- incorporate Fortune REIT's trust expenses which comprise principally annual listing fee, annual report expenses, audit fees, communication expenses and trustee's fee;
- provide additional tax on the operating profit, which was absorbed by the tax loss brought forward prior to 1 January 2000, of each of the Property Companies, if applicable, during the Relevant Period; and
- adjust for the recognition of deferred taxation in accordance with Singapore Statements of Accounting Standard No. 12 (2001) ("SAS 12") issued by the Institute of Certified Public Accountants of Singapore. Deferred tax is calculated at 17.5% assuming that the profits tax rate which is applicable to the year ending 31 December 2003 had been enacted by the relevant authority on 1 January 2000.

## **(II) Pro Forma Consolidated Cash Flow Statement**

The Pro Forma Consolidated Cash Flow Statement has been prepared after incorporating the following adjustments:

- reverse out the dividends paid to the shareholders of the Property Companies;
- incorporate the assumed distributions, representing 100% of the tax-exempt profits less expenses of the Trust, to Unitholders payable on a six-monthly basis;
- incorporate the revenue and property operating expenses relating to The Household Center extracted from the unaudited management accounts of the company which owned The Household Center prior to the completion of its acquisition by Art Full on 31 December 2002;
- reverse out the cash flows relating to those operations which are not in line with Fortune REIT's business;
- reverse out the cash flows of expenses which are not in line with Fortune REIT's management structure and replace them with Fortune REIT's cash flows relating to payments for property management fees, asset manager's fee and trust expenses payable according to the pre-agreed terms as disclosed in section G; and
- reverse out the cash flows relating to existing borrowings and replace them with the proposed bank borrowing and capital structure.

In addition, the following assumptions were made:

- the portion of the base fee payable to the Manager in the form of units is paid on a quarterly basis, in arrears; and
- distributions to Unitholders are paid on a six-monthly basis, in arrears.

### **(III) Pro Forma Consolidated Balance Sheet**

The Pro Forma Consolidated Balance Sheet has been prepared after adjusting for the following:

- incorporate the value of investment properties which are stated at valuation as determined by an independent valuer, Chesterton Petty Limited, on 31 May 2003;
- reverse out the assets and liabilities relating to those operations which are not in line with Fortune REIT's business;
- reverse out the existing borrowing that are not in line with Fortune REIT's finance structure and replace them with the proposed bank borrowings which are estimated to be HK\$990,000,000;
- incorporate the estimated costs relating to the establishment, initial public offering and listing of Fortune REIT;
- adjust for the recognition of deferred taxation on the adoption of SAS 12. Deferred tax is calculated at 17.5% assuming that the profits tax rate which is applicable to the year ending 31 December 2003 had been enacted by the relevant authority on 31 December 2002; and
- re-classify the property owned by one of the Property Companies from trading property to investment property to align with Fortune REIT's intention to hold the property as an investment property.

### **(C) PRO FORMA CONSOLIDATED PROFIT AND LOSS STATEMENTS**

The Pro Forma Consolidated Profit and Loss Statements of Fortune REIT for each of the years ended 31 December 2000, 2001 and 2002 and the three months ended 31 March 2003 prepared for inclusion in this Prospectus are presented below. The assumptions used to prepare the Pro Forma Consolidated Profit and Loss Statements are consistent with those described in section B "Bases of Preparation of Pro Forma Financial Information".

(C) PRO FORMA CONSOLIDATED PROFIT AND LOSS STATEMENTS (cont'd)

	Year ended 31 December 2000							
	Poko Shine	Quick	Yee Pang	Vision	Art Full <sup>(1)</sup>	Total	Pro Forma	Pro Forma
	HK\$	Switch	HK\$	Million <sup>(1)</sup>	HK\$	HK\$	Adjustments	HK\$
		HK\$		HK\$			HK\$	
<b>Gross revenue</b>								
— Base rental . . . . .	59,793,217	19,324,568	14,362,640	—	—	93,480,425	—	93,480,425
— Charge-out collections <sup>(2)</sup> . . . . .	26,710,361	6,966,919	2,799,359	—	—	36,476,639	—	36,476,639
— Others <sup>(3)</sup> . . . . .	11,690,190	3,639,134	3,013,221	—	—	18,342,545	(1,378,809)	16,963,736
	98,193,768	29,930,621	20,175,220	—	—	148,299,609	(1,378,809)	146,920,800
<b>Property operating expenses</b>								
— Property management fees <sup>(4)</sup> . . . . .	(4,400,000)	(2,000,000)	(430,879)	—	—	(6,830,879)	3,876,883	(2,953,996)
— Manager's performance fees	—	—	—	—	—	—	(2,549,048)	(2,549,048)
— Other operating expenses <sup>(5)</sup> . . . . .	(31,227,274)	(16,308,103)	(11,538,974)	—	—	(59,074,351)	75,812	(58,998,539)
	(35,627,274)	(18,308,103)	(11,969,853)	—	—	(65,905,230)	1,403,647	(64,501,583)
Surplus (deficit) on revaluation of investment properties . . . . .	44,717,922	(2,486,642)	—	—	—	42,231,280	(42,231,280)	—
Amortisation of negative goodwill . . . . .	—	—	—	—	—	—	900,000	900,000
Manager's base fees . . . . .	—	—	—	—	—	—	(4,416,000)	(4,416,000)
Trust expenses <sup>(6)</sup> . . . . .	—	—	—	—	—	—	(2,441,600)	(2,441,600)
<b>Profit from operation</b> . . . . .	107,284,416	9,135,876	8,205,367	—	—	124,625,659	(48,164,042)	76,461,617
Finance costs . . . . .	(36,086,066)	(8,660,656)	(2,897,158)	—	—	(47,643,880)	30,288,880	(17,355,000)
<b>Profit before taxation</b> . . . . .	71,198,350	475,220	5,308,209	—	—	76,981,779	(17,875,162)	59,106,617
Taxation — current . . . . .	—	(1,091,377)	(427,478)	—	—	(1,518,855)	(5,385,803)	(6,904,658)
Taxation — deferred . . . . .	—	—	—	—	—	—	(3,108,312)	(3,108,312)
<b>Net profit (loss) for the year</b> . . . . .	71,198,350	(616,157)	4,880,731	—	—	75,462,924	(26,369,277)	49,093,647

Notes:

- (1) No operating results of Vision Million and Art Full were included as the properties owned by these companies commenced to generate rental income in 2002.
- (2) Charge-out collections consist of air conditioning charges, management fees, promotional charges, government rates, government rents, utility charges, cleaning and other charges payable by the tenants and licensees.
- (3) Others under gross revenue include licence fees, turnover rent, car park revenue and other miscellaneous revenue.
- (4) Property management fees are adjusted to reflect the terms of the property management agreement to be signed with the property manager.
- (5) Other property operating expenses consist of expenses associated with the operation of the Properties and the Property Companies, including expenses such as utility charges, commissions for the lease of units in the Properties, insurance premiums, audit and valuation fees, management fees payable under the relevant Deeds of Mutual Covenant, advertising, car park operations, doubtful or bad debts, repairs and maintenance.
- (6) Trust expenses include recurring operating expenses such as Trustee's fees, annual listing fees, registry fees, accounting fees, audit and tax advisor's fees, costs associated with the preparation and distribution of reports to Unitholders and other miscellaneous expenses.

## (C) PRO FORMA CONSOLIDATED PROFIT AND LOSS STATEMENTS (cont'd)

	Year ended 31 December 2001							
	Poko Shine HK\$	Quick Switch HK\$	Yee Pang HK\$	Vision Million <sup>(1)</sup> HK\$	Art Full <sup>(1)</sup> HK\$	Total HK\$	Pro Forma Adjustments HK\$	Pro Forma HK\$
<b>Gross revenue</b>								
— Base rental . . . . .	60,055,329	17,141,023	16,004,621	—	—	93,200,973	—	93,200,973
— Charge-out collections <sup>(2)</sup> . . . . .	26,831,224	7,335,927	3,981,462	—	—	38,148,613	—	38,148,613
— Others <sup>(3)</sup> . . . . .	10,627,406	3,328,238	2,730,212	—	—	16,685,856	(61,152)	16,624,704
	97,513,959	27,805,188	22,716,295	—	—	148,035,442	(61,152)	147,974,290
<b>Property operating expenses</b>								
— Property management fees <sup>(4)</sup> . . . . .	(4,800,000)	(2,400,000)	(800,381)	—	—	(8,000,381)	5,040,529	(2,959,852)
— Manager's performance fees . . . . .	—	—	—	—	—	—	(2,745,994)	(2,745,994)
— Other operating expenses <sup>(5)</sup> . . . . .	(32,809,373)	(10,559,463)	(10,221,541)	—	—	(53,590,377)	109,058	(53,481,319)
	(37,609,373)	(12,959,463)	(11,021,922)	—	—	(61,590,758)	2,403,593	(59,187,165)
Deficit on revaluation of investment properties . . . . .	(5,565,122)	(5,236,462)	—	—	—	(10,801,584)	10,801,584	—
Amortisation of negative goodwill . . . . .	—	—	—	—	—	—	900,000	900,000
Manager's base fees . . . . .	—	—	—	—	—	—	(4,416,000)	(4,416,000)
Trust expenses <sup>(6)</sup> . . . . .	—	—	—	—	—	—	(2,441,600)	(2,441,600)
<b>Profit from operation</b> . . . . .	54,339,464	9,609,263	11,694,373	—	—	75,643,100	7,186,425	82,829,525
Finance costs . . . . .	(24,981,164)	(7,992,123)	(2,615,463)	—	—	(35,588,750)	20,903,750	(14,685,000)
<b>Profit before taxation</b> . . . . .	29,358,300	1,617,140	9,078,910	—	—	40,054,350	28,090,175	68,144,525
Taxation — current . . . . .	—	(587,540)	(1,011,976)	—	—	(1,599,516)	(6,384,112)	(7,983,628)
Taxation — deferred . . . . .	—	—	—	—	—	—	(3,486,484)	(3,486,484)
<b>Net profit for the year</b> . . . . .	29,358,300	1,029,600	8,066,934	—	—	38,454,834	18,219,579	56,674,413

## Notes:

- (1) No operating results of Vision Million and Art Full were included as the properties owned by these companies commenced to generate rental income in 2002.
- (2) Charge-out collections consist of air conditioning charges, management fees, promotional charges, government rates, government rents, utility charges, cleaning and other charges payable by the tenants and licensees.
- (3) Others under gross revenue include licence fees, turnover rent, car park revenue and other miscellaneous revenue.
- (4) Property management fees are adjusted to reflect the terms of the property management agreement to be signed with the property manager.
- (5) Other property operating expenses consist of expenses associated with the operation of the Properties and the Property Companies, including expenses such as utility charges, commissions for the lease of units in the Properties, insurance premiums, audit and valuation fees, management fees payable under the relevant Deeds of Mutual Covenant, advertising, car park operations, doubtful or bad debts, repairs and maintenance.
- (6) Trust expenses include recurring operating expenses such as Trustee's fees, annual listing fees, registry fees, accounting fees, audit and tax advisor's fees, costs associated with the preparation and distribution of reports to Unitholders and other miscellaneous expenses.

**(C) PRO FORMA CONSOLIDATED PROFIT AND LOSS STATEMENTS (cont'd)**

Year ended 31 December 2002

							Pro Forma Adjustments		
	Poko Shine HK\$	Quick Switch HK\$	Yee Pang HK\$	Vision Million <sup>(1)</sup> HK\$	Art Full HK\$	Total HK\$	Art Full <sup>(2)</sup> HK\$	Others HK\$	Pro Forma HK\$
<b>Gross revenue</b>									
— Base rental . . . . .	63,104,618	17,093,909	17,020,600	4,496,341	—	101,715,468	2,139,414	—	103,854,882
— Charge-out collections <sup>(3)</sup> . . . . .	27,390,335	6,752,825	5,078,738	4,086,485	—	43,308,383	1,629,578	—	44,937,961
— Others <sup>(4)</sup> . . . . .	6,707,378	2,920,034	2,439,935	2,582,790	—	14,650,137	309,744	(28,600)	14,931,281
	97,202,331	26,766,768	24,539,273	11,165,616	—	159,673,988	4,078,736	(28,600)	163,724,124
<b>Property operating expenses</b>									
— Property management fees <sup>(5)</sup> . . . . .	(5,200,000)	(2,500,000)	(1,451,030)	(1,298,077)	—	(10,449,107)	—	7,252,837	(3,196,270)
— Manager's performance fees . . . . .	—	—	—	—	—	—	—	(3,061,540)	(3,061,540)
— Other operating expenses <sup>(6)</sup> . . . . .	(28,880,762)	(7,973,461)	(8,652,643)	(14,844,612)	—	(60,351,478)	(2,050,133)	119,797	(62,281,814)
	(34,080,762)	(10,473,461)	(10,103,673)	(16,142,689)	—	(70,800,585)	(2,050,133)	4,311,094	(68,539,624)
Deficit on revaluation of investment properties . . . . .	—	(17,014,000)	—	—	—	(17,014,000)	—	17,014,000	—
Amortisation of negative goodwill . . . . .	—	—	—	—	—	—	—	2,000,000	2,000,000
Manager's base fees <sup>(7)</sup> . . . . .	—	—	—	—	—	—	—	(5,378,250)	(5,378,250)
Trust expenses <sup>(7) (8)</sup> . . . . .	—	—	—	—	—	—	—	(2,537,825)	(2,537,825)
<b>Profit (loss) from operation</b> . . . . .	63,121,569	(720,693)	14,435,600	(4,977,073)	—	71,859,403	2,028,603	15,380,419	89,268,425
Finance costs <sup>(7)</sup> . . . . .	(18,373,630)	(6,521,096)	(3,063,904)	—	—	(27,958,630)	—	6,981,130	(20,977,500)
<b>Profit (loss) before taxation</b> . . . . .	44,747,939	(7,241,789)	11,371,696	(4,977,073)	—	43,900,773	2,028,603	22,361,549	68,290,925
Taxation — current . . . . .	(1,426,894)	(1,045,697)	(1,385,161)	—	—	(3,857,752)	(324,576)	(5,370,300)	(9,552,628)
Taxation — deferred . . . . .	—	—	—	—	—	—	—	(1,791,145)	(1,791,145)
<b>Net profit (loss) for the year</b> . . . . .	43,321,045	(8,287,486)	9,986,535	(4,977,073)	—	40,043,021	1,704,027	15,200,104	56,947,152

**Notes:**

- (1) Rental income commenced on 1 November 2002.
- (2) Inclusion of actual operating results for the period from 1 October 2002 to 31 December 2002 of The Household Center based on the unaudited management accounts of the company which owned The Household Center prior to the acquisition of The Household Center by Art Full. Rental income commenced on 1 October 2002.
- (3) Charge-out collections consist of air conditioning charges, management fees, promotional charges, government rates, government rents, utility charges, cleaning and other charges payable by the tenants and licensees.
- (4) Others under gross revenue include licence fees, turnover rent, car park revenue and other miscellaneous revenue.
- (5) Property management fees are adjusted to reflect the terms of the property management agreement to be signed with the property manager.
- (6) Other property operating expenses consist of expenses associated with the operation of the Properties and the Property Companies, including expenses such as utility charges, commissions for the lease of units in the Properties, insurance premiums, audit and valuation fees, management fees payable under the relevant Deeds of Mutual Covenant, advertising, car park operations, doubtful or bad debts, repairs and maintenance.
- (7) Manager's fee and Trustee's fees are calculated from the beginning of the year or the month during which the Properties commence to receive rental income, whichever is the later, to the end of the year. Finance costs are calculated from the beginning of the year or the date of acquisition of the Properties, whichever is the later, and assuming that The Household Center had been acquired by Art Full Resources Limited on the date on which the Property commenced to receive rental income, to the end of the year.
- (8) Trust expenses include recurring operating expenses such as Trustee's fees, annual listing fees, registry fees, accounting fees, audit and tax advisor's fees, costs associated with the preparation and distribution of reports to Unitholders and other miscellaneous expenses.

## (C) PRO FORMA CONSOLIDATED PROFIT AND LOSS STATEMENTS (cont'd)

	Three months ended 31 March 2003							
	Poko Shine HK\$	Quick Switch HK\$	Yee Pang HK\$	Vision Million HK\$	Art Full HK\$	Total HK\$	Pro Forma Adjustments HK\$	Pro Forma HK\$
<b>Gross revenue</b>								
— Base rental . . . . .	15,078,614	4,363,532	4,310,212	7,673,645	3,994,876	35,420,879	—	35,420,879
— Charge-out collections <sup>(1)</sup> . . . . .	6,967,406	1,870,439	1,487,950	4,257,686	1,228,318	15,811,799	—	15,811,799
— Others <sup>(2)</sup> . . . . .	1,587,401	703,780	588,334	1,502,134	202,567	4,584,216	(5,200)	4,579,016
	23,633,421	6,937,751	6,386,496	13,433,465	5,425,761	55,816,894	(5,200)	55,811,694
<b>Property operating expenses</b>								
— Property management fees <sup>(3)</sup> . . . . .	(1,300,000)	(625,000)	(365,563)	(737,505)	(400,000)	(3,428,068)	2,344,757	(1,083,311)
— Manager's performance fees . . . . .	—	—	—	—	—	—	(997,558)	(997,558)
— Other operating expenses <sup>(4)</sup> . . . . .	(6,395,763)	(2,272,011)	(1,959,987)	(9,779,328)	(1,104,300)	(21,511,389)	34,947	(21,476,442)
	(7,695,763)	(2,897,011)	(2,325,550)	(10,516,833)	(1,504,300)	(24,939,457)	1,382,146	(23,557,311)
Amortisation of negative goodwill . . . . .	—	—	—	—	—	—	800,000	800,000
Manager's base fees . . . . .	—	—	—	—	—	—	(2,456,250)	(2,456,250)
Trust expenses <sup>(5)</sup> . . . . .	—	—	—	—	—	—	(745,625)	(745,625)
<b>Profit from operation</b> . . . . .	15,937,658	4,040,740	4,060,946	2,916,632	3,921,461	30,877,437	(1,024,929)	29,852,508
Finance costs . . . . .	(4,438,356)	(1,553,425)	(739,726)	—	(1,097,260)	(7,828,767)	403,767	(7,425,000)
<b>Profit before taxation</b> . . . . .	11,499,302	2,487,315	3,321,220	2,916,632	2,824,201	23,048,670	(621,162)	22,427,508
Taxation — current . . . . .	(1,177,051)	(43,265)	(173,945)	—	—	(1,394,261)	(733,181)	(2,127,442)
Taxation — deferred . . . . .	(683,697)	(54,492)	(406,803)	(510,411)	(495,513)	(2,150,916)	422,834	(1,728,082)
<b>Net profit for the period</b> . . . . .	9,638,554	2,389,558	2,740,472	2,406,221	2,328,688	19,503,493	(931,509)	18,571,984

**Notes:**

- (1) Charge-out collections consist of air conditioning charges, management fees, promotional charges, government rates, government rents, utility charges, cleaning and other charges payable by the tenants and licensees.
- (2) Others under gross revenue include licence fees, turnover rent, car park revenue and other miscellaneous revenue.
- (3) Property management fees are adjusted to reflect the terms of the property management agreement to be signed with the property manager.
- (4) Other property operating expenses consist of expenses associated with the operation of the Properties and the Property Companies, including expenses such as utility charges, commissions for the lease of units in the Properties, insurance premiums, audit and valuation fees, management fees payable under the relevant Deeds of Mutual Covenant, advertising, car park operations, doubtful or bad debts, repairs and maintenance.
- (5) Trust expenses include recurring operating expenses such as Trustee's fees, annual listing fees, registry fees, accounting fees, audit and tax advisor's fees, costs associated with the preparation and distribution of reports to Unitholders and other miscellaneous expenses.

**(C) PRO FORMA CONSOLIDATED PROFIT AND LOSS STATEMENTS (cont'd)**

The Sponsor and Hutchison Whampoa Limited (“HWL”) will, on completion of the sale of the Property Companies to Fortune REIT, enter into a rental guarantee deed with Vision Million. Under the rental guarantee deed, the Sponsor and HWL will undertake (on a several basis pro-rated to their respective interests in Vision Million, immediately prior to completion), for the three years starting from the listing date, to effect top up payments to Vision Million (i) if the Adjusted Net Property Income<sup>(i)</sup> is less than HK\$90,000,000 per annum, to make up the difference between (a) HK\$90,000,000 per annum and (b) the Adjusted Net Property Income for the relevant period and (ii) if the Net Parking Space Income<sup>(iv)</sup> is less than HK\$4,296,000 per annum, to make up the difference between (a) HK\$4,296,000 per annum and (b) the Net Parking Space Income for the relevant period. Had such guarantee been in place during the Relevant Period, the gross revenue for the period from 20 June 2002 (date of acquisition of Metropolis) to 31 December 2002 and the three months ended 31 March 2003 of the Fortune REIT and Vision Million would increase by HK\$50,953,299 and HK\$20,443,616 respectively and the net profit for the year ended 31 December 2002 and the three months ended 31 March 2003 of the Fortune REIT would have been HK\$97,816,711 and HK\$34,931,987 respectively and the net profit for the same periods of Vision Million, after incorporating the relevant pro forma adjustments, would have been HK\$31,889,187 and HK\$16,179,440 respectively.

	Year ended 31 December 2002		Three months ended 31 March 2003	
	Fortune REIT	Vision Million	Fortune REIT	Vision Million
	HK\$	HK\$	HK\$	HK\$
<b>Gross revenue</b>				
— Base rental . . . . .	103,854,882	4,496,341	35,420,879	7,673,645
— Charge-out collections . . . . .	44,937,961	4,086,485	15,811,799	4,257,686
— Others . . . . .	14,931,281	2,582,790	4,579,016	1,502,134
— Rental guarantee for shops . . . . .	50,836,967	50,836,967	20,443,616	20,443,616
— Rental guarantee for car parking spaces . . . . .	116,332	116,332	—	—
	214,677,423	62,118,915	76,255,310	33,877,081
<b>Property operating expenses</b>				
— Property management fees <sup>(v)</sup> . . . . .	(3,196,270)	(134,967)	(1,083,311)	(230,286)
— Manager’s performance fees <sup>(vi)</sup> . . . . .	(4,475,980)	(1,414,440)	(1,610,867)	(716,024)
— Other operating expenses . . . . .	(62,281,814)	(14,835,948)	(21,476,442)	(9,779,328)
	(69,954,064)	(16,385,355)	(24,170,620)	(10,725,638)
Amortisation of negative goodwill . . . . .	2,000,000	—	800,000	—
Manager’s base fees . . . . .	(5,378,250)	—	(2,456,250)	—
Trust expenses . . . . .	(2,537,825)	—	(745,625)	—
<b>Profit from operation</b> . . . . .	138,807,284	45,733,560	49,682,815	23,151,443
Finance costs . . . . .	(20,977,500)	(7,080,000)	(7,425,000)	(3,540,000)
<b>Profit before taxation</b> . . . . .	117,829,784	38,653,560	42,257,815	19,611,443
Taxation — current . . . . .	(9,552,628)	—	(2,127,442)	—
Taxation — deferred . . . . .	(10,460,445)	(6,764,373)	(5,198,386)	(3,432,003)
<b>Net profit for the year/period</b> . . . . .	97,816,711	31,889,187	34,931,987	16,179,440

**Notes:**

- (i) Adjusted net property income, for the purposes of the rental guarantee deed, represents gross revenue (note (ii)) (excluding parking facilities income) of the Metropolis less property operating expenses (note (iii)) (excluding parking facilities expense).
- (ii) Gross revenue consists of base 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.
- (iii) Property operating expenses consist of all costs and expenses incurred by Vision Million in the operation, maintenance, management and marketing of the Metropolis including property management fees, government rents and government rates, manager’s performance fee and other property operating expenses.
- (iv) Net parking space income, for the purposes of the rental guarantee deed, means gross income from parking facilities of the Metropolis less operating expenses of such parking facilities.
- (v) Income from the rental guarantee by the Sponsor and HWL has been excluded in calculating the property management fees.
- (vi) Rental guaranteed by the Sponsor and HWL has been included in the net property income in calculating the manager’s performance fees.

**(C) PRO FORMA CONSOLIDATED PROFIT AND LOSS STATEMENTS (cont'd)****PRO FORMA ADJUSTMENTS**

	Year ended 31/12/2000	Year ended 31/12/2001	Year ended 31/12/2002	Three months ended 31/03/2003
	HK\$	HK\$	HK\$	HK\$
<b>Gross revenue</b> . . . . .	148,299,609	148,035,442	159,673,988	55,816,894
<i>Adjustments:</i>				
Reverse revenue not in line with Fortune REIT's business . . . . .	(1,378,809)	(61,152)	(28,600)	(5,200)
Incorporate The Household Center's revenue . . . . .	—	—	4,078,736	—
	(1,378,809)	(61,152)	4,050,136	(5,200)
Gross revenue as stated in the Pro Forma Consolidated Profit and Loss Statements . . . . .	146,920,800	147,974,290	163,724,124	55,811,694
<b>Property management fees</b> . . . . .	(6,830,879)	(8,000,381)	(10,449,107)	(3,428,068)
<i>Adjustments:</i>				
Reverse marketing and lease management fees not in line with Fortune REIT structure . . . . .	6,830,879	8,000,381	10,449,107	3,428,068
Incorporate Fortune REIT's property management fees . . . . .	(2,953,996)	(2,959,852)	(3,196,270)	(1,083,311)
	3,876,883	5,040,529	7,252,837	2,344,757
Property management fees as stated in the Pro Forma Consolidated Profit and Loss Statements . . . . .	(2,953,996)	(2,959,852)	(3,196,270)	(1,083,311)
<b>Manager's performance fees</b>	—	—	—	—
<i>Adjustments:</i>				
Incorporate Fortune REIT's performance fee . . . . .	(2,549,048)	(2,745,994)	(3,061,540)	(997,558)
Manager's performance fees as stated in the Pro Forma Consolidated Profit and Loss Statements . . . . .	(2,549,048)	(2,745,994)	(3,061,540)	(997,558)
<b>Other operating expenses</b> . . . . .	(59,074,351)	(53,590,377)	(60,351,478)	(21,511,389)
<i>Adjustments:</i>				
Reverse expenses not in line with Fortune REIT's business . . . . .	75,812	109,058	119,797	34,947
Incorporate The Household Center's other operating expenses . . . . .	—	—	(2,050,133)	—
	75,812	109,058	(1,930,336)	34,947
Other operating expenses as stated in the Pro Forma Consolidated Profit and Loss Statements . . . . .	(58,998,539)	(53,481,319)	(62,281,814)	(21,476,442)

**(C) PRO FORMA CONSOLIDATED PROFIT AND LOSS STATEMENTS (cont'd)****PRO FORMA ADJUSTMENTS (cont'd)**

	Year ended 31/12/2000	Year ended 31/12/2001	Year ended 31/12/2002	Three months ended 31/03/2003
	HK\$	HK\$	HK\$	HK\$
<b>Surplus (deficit) on revaluation of investment properties . . . . .</b>	42,231,280	(10,801,584)	(17,014,000)	—
<i>Adjustments:</i>				
Reverse surplus (deficit) on revaluation of investment properties. . . . .	(42,231,280)	10,801,584	17,014,000	—
<b>Surplus (deficit) on revaluation of investment properties as stated in the Pro Forma Consolidated Profit and Loss Statements . . . . .</b>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Amortisation of goodwill/negative goodwill</b>	—	—	—	—
<i>Adjustments:</i>				
Amortise goodwill/negative goodwill. . . . .	900,000	900,000	2,000,000	800,000
<b>Amortisation of goodwill/negative goodwill as stated in the Pro Forma Consolidated Profit and Loss Statements . . . . .</b>	<u>900,000</u>	<u>900,000</u>	<u>2,000,000</u>	<u>800,000</u>
<b>Manager's base fees . . . . .</b>	—	—	—	—
<i>Adjustments:</i>				
Incorporate Fortune REIT's manager's base fees . . . . .	(4,416,000)	(4,416,000)	(5,378,250)	(2,456,250)
<b>Manager's base fees as stated in the Pro Forma Consolidated Profit and Loss Statements . . . . .</b>	<u>(4,416,000)</u>	<u>(4,416,000)</u>	<u>(5,378,250)</u>	<u>(2,456,250)</u>
<b>Trust expenses . . . . .</b>	—	—	—	—
<i>Adjustments:</i>				
Incorporate Fortune REIT's trustee's fees. . . . .	(441,600)	(441,600)	(537,825)	(245,625)
Incorporate Fortune REIT's other trust expenses . . . . .	(2,000,000)	(2,000,000)	(2,000,000)	(500,000)
	(2,441,600)	(2,441,600)	(2,537,825)	(745,625)
<b>Trust expenses as stated in the Pro Forma Consolidated Profit and Loss Statements . . . . .</b>	<u>(2,441,600)</u>	<u>(2,441,600)</u>	<u>(2,537,825)</u>	<u>(745,625)</u>

**(C) PRO FORMA CONSOLIDATED PROFIT AND LOSS STATEMENTS (cont'd)****PRO FORMA ADJUSTMENTS (cont'd)**

	Year ended 31/12/2000	Year ended 31/12/2001	Year ended 31/12/2002	Three months ended 31/03/2003
	HK\$	HK\$	HK\$	HK\$
<b>Finance costs</b> . . . . .	(47,643,880)	(35,588,750)	(27,958,630)	(7,828,767)
<i>Adjustments:</i>				
Reverse finance costs to shareholders . . .	47,643,880	35,588,750	27,958,630	7,828,767
Incorporate finance costs of Fortune REIT's borrowing structure. . . . .	(17,355,000)	(14,685,000)	(20,977,500)	(7,425,000)
	30,288,880	20,903,750	6,981,130	403,767
Finance costs as stated in the Pro Forma Consolidated Profit and Loss Statements . . . . .	(17,355,000)	(14,685,000)	(20,977,500)	(7,425,000)
<b>Taxation — current</b> . . . . .	(1,518,855)	(1,599,516)	(3,857,752)	(1,394,261)
<i>Adjustments:</i>				
Incorporate taxation on net operating profit of The Household Center . . . . .	—	—	(324,576)	—
Tax effect on other pro forma adjustments of revenue and expenses . . .	(5,385,803)	(6,384,112)	(5,370,300)	(733,181)
	(5,385,803)	(6,384,112)	(5,694,876)	(733,181)
Taxation — current as stated in the Pro Forma Consolidated Profit and Loss Statements . . . . .	(6,904,658)	(7,983,628)	(9,552,628)	(2,127,442)
<b>Taxation — deferred</b> . . . . .	—	—	—	(2,150,916)
<i>Adjustments:</i>				
Provide deferred tax on tax losses and temporary differences . . . . .	(3,108,312)	(3,486,484)	(1,791,145)	422,834
Taxation — deferred as stated in the Pro Forma Consolidated Profit and Loss Statements . . . . .	(3,108,312)	(3,486,484)	(1,791,145)	(1,728,082)

## (D) PRO FORMA CONSOLIDATED CASH FLOW STATEMENT

The Pro Forma Consolidated Cash Flow Statement for the year ended 31 December 2002 prepared for inclusion in the Prospectus is presented below. The assumptions used to prepare the Pro Forma Consolidated Cash Flow Statement are consistent with those described in Bases of Preparation of Pro Forma Financial Information.

	HK\$
<b>Operating activities</b>	
Profit before taxation . . . . .	68,290,925
Adjustments for:	
Manager's base fees . . . . .	5,378,250
Amortisation of negative goodwill . . . . .	(2,000,000)
Borrowing costs . . . . .	20,977,500
Operating profit before working capital changes . . . . .	92,646,675
Increase in working capital	
Trade and other receivables . . . . .	(5,280,784)
Trade and other payables . . . . .	15,986,068
Changes in working capital . . . . .	10,705,284
Cash generated from operation . . . . .	103,351,959
Tax paid . . . . .	(5,514,350)
<b>Cash flows from operating activities</b> . . . . .	97,837,609
<b>Cash flows from investing activities</b>	
Purchase of investment property . . . . .	(1,697,512,577)
<b>Financing activities</b>	
Proceeds from issue of new units (net of issue costs) . . . . .	1,177,268,448
Distribution to unitholders . . . . .	(47,613,472)
Proceeds from borrowings . . . . .	545,000,000
Borrowing costs paid . . . . .	(20,977,500)
<b>Cash flows from financing activities</b> . . . . .	1,653,677,476
<b>Net increase in cash and cash equivalents</b> . . . . .	54,002,508
<b>Cash and cash equivalents at beginning of the year</b> . . . . .	2,519,924
<b>Cash and cash equivalents at end of the year</b> . . . . .	56,522,432

### Non Cash Transaction

Approximately 1,132,263 units at HK\$4.75 per unit were assumed to have been issued for settlement of manager's base fee (see section (G)(a)).

## (E) PRO FORMA CONSOLIDATED BALANCE SHEET

The Pro Forma Consolidated Balance Sheet as at 31 December 2002 prepared for inclusion in this Prospectus is presented below. The assumptions used to prepare the Pro Forma Consolidated Balance Sheet are consistent with those described in the Bases of Preparation of Pro Forma Financial Information.

	HK\$	HK\$
<b>Current assets</b>		
Cash . . . . .	56,522,432	
Trade and other receivables <sup>(1)</sup> . . . . .	9,974,749	
Deferred tax assets . . . . .	975,943	
	67,473,124	
<b>Non-current assets</b>		
Investment properties . . . . .	3,275,000,000	
Negative goodwill . . . . .	(144,018,788)	
	3,130,981,212	
<b>Total assets</b> . . . . .		3,198,454,336
<b>Current liabilities</b>		
Trade and other payables <sup>(2)</sup> . . . . .	54,113,766	
Provision for taxation . . . . .	2,264,467	
	56,378,233	
<b>Non-current liabilities</b>		
Borrowings . . . . .	990,000,000	
Deferred tax liabilities . . . . .	23,057,988	
	1,013,057,988	
<b>Total liabilities</b> . . . . .		1,069,436,221
<b>Net assets</b> . . . . .		2,129,018,115
<b>Unitholders' equity</b>		
Issued equity . . . . .		2,237,864,650
Unit issue costs <sup>(3)</sup> . . . . .		(108,846,535)
<b>Total unitholders' equity</b> . . . . .		2,129,018,115

### Notes:

- (1) Trade and other receivables comprise rental receivables, miscellaneous receivables, utility and other deposits.
- (2) Trade and other payables comprise tenants' and security deposits, rental received in advance, creditors and accruals.
- (3) Unit issue costs comprise the following:

	HK\$
Listing and perusal fee . . . . .	95,000
Professional and other fees <sup>(i)</sup> . . . . .	47,786,187
Underwriting and selling commission <sup>(ii)</sup> . . . . .	43,810,348
Miscellaneous expenses <sup>(iii)</sup> . . . . .	17,155,000
	108,846,535

## **(E) PRO FORMA CONSOLIDATED BALANCE SHEET (cont'd)**

### **Notes:**

- (i) Includes (a) financial advisory fees, solicitors' fees and fees for the reporting accountants, the tax consultant, the independent property valuers and other professional fees; and (b) selling commission for the Cornerstone Units (net of any applicable discounts) payable to the Underwriter.
- (ii) The Underwriter will receive commissions of up to an aggregate amount of HK\$43.8 million for the Offering, assuming that the Upsize Option and Over-allotment Option are exercised in full and based on the maximum subscription price of the Offering Price Range (HK\$4.75 per Unit).
- (iii) Includes cost of prospectus production and certain other expenses incurred or to be incurred in connection with the issue.

## **(F) SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted by Fortune REIT, which have been consistently applied in preparing the Pro Forma Financial Information set out in this report, are as follows:

### **(a) Basis of Pro Forma Financial Information preparation**

The Pro Forma Financial Information, expressed in Hong Kong dollars, are prepared on the historical cost convention, modified to include the revaluation of investment properties and are drawn up in accordance with the measurement principles of Singapore Statements of Accounting Standard and bases set out in Section B.

### **(b) Basis of consolidation**

The Pro Forma Financial Information incorporates the financial statements of the Trust and enterprises controlled by Fortune REIT made up to 31 December each year. Control is achieved when Fortune REIT has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. All significant intercompany transactions and balances between group enterprises are eliminated on consolidation.

### **(c) Financial assets**

Financial assets include cash and bank balances, trade and other receivables. Trade and other receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

### **(d) Financial liabilities and equity**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Financial liabilities include trade and other payables and borrowings. Trade and other payables are stated at their nominal value. Borrowings are recorded at the proceeds received, net of transaction costs. Finance costs are accounted for on an accrual basis (effective yield method) and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Equity instruments are recorded at the fair value of the consideration received, net of direct issue costs. Dividends on units are recognised in Unitholders' equity in the period in which they are declared.

### **(e) Investment properties**

Investment properties are held on a long-term basis for investment potential and income. Investment properties are stated at annual valuation performed by independent professional valuers on an open market value for existing use basis. The surplus or deficit on revaluation (net of deferred tax where applicable) is taken to the asset revaluation reserve except when the total of the reserve is not sufficient to cover a deficit, in which case the amount by which the deficit exceeds the amount in the asset revaluation reserve is charged to the profit and loss statement. The asset revaluation reserve is released to the profit and loss statement as and when the related revalued property is sold.

**(f) Negative goodwill**

Negative goodwill represents the excess of fair value of the Trust's share of the net assets acquired over the cost of acquisition. Negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that can be reliably measured, but does not represent identifiable liabilities, the portion of negative goodwill is recognised in the profit and loss statement when the future losses and expenses are incurred. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss statement over the remaining weighted average useful lives of those assets. Negative goodwill in excess of the fair value of those assets is recognised in the profit and loss statement immediately.

**(g) Revenue recognition**

Rental income is recognised, on a straight-line basis, over the terms of the respective leases.

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 is accrued on a time proportion basis by reference to the principal outstanding and at the interest rates applicable, on an effective yield basis.

**(h) Borrowing costs**

Borrowing costs are recognised as an expense in the period in which they are incurred.

**(i) Taxation**

Tax expense is determined on the basis of tax effect accounting, using the liability method, and it is applied to all significant temporary differences arising between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit.

Deferred tax is charged or credited to the profit and loss statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same tax authority.

**(j) Operating lease**

Rental income on operating leases is charged to profit and loss statement on a straight-line basis over the lease terms. Penalty payments on early termination, if any, are recognised in the profit and loss statement.

**(k) Unit issue costs**

Estimated costs relating to the establishment, initial public offering and listing of Fortune REIT are charged against the Unitholders' Funds.

## **(G) TRUSTEE AND MANAGEMENT FEES**

### **(a) Property management fees**

Under the Property Management Agreement, the Property Manager will receive from the Property Companies a fee of 3% per annum of gross revenue less charge-out collections and car park income of each property for the provision of property management services and lease management services.

Gross revenue is the aggregate of base rental income, charge-out collections and all income accruing or resulting from the operation of the Properties including licence fees, turnover rent, car park revenues and other revenues.

### **(b) Trustee's fees**

The Trustees' fees are 0.03% per annum of the value of the 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 service:

#### **Base fee**

Under the Trust Deed, the Manager will receive a base fee from Fortune REIT at 0.3% per annum of the value of the Properties. The base fee will be paid quarterly and in the form of units in the first five years after the Units are listed on the Singapore Exchange Securities Trading Limited, and thereafter the fee will be settled by cash.

#### **Performance fee**

Under the Trust Deed, the Manager will receive a performance fee from the Property Companies at 3% of the net property income of the Property Companies with certain adjustments.

Net property income consists of gross revenue (as defined in section (G)(a)) less property operating expenses. 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, and other property operating expenses.

**Appendix IV**  
**Independent Property Valuation Summary Reports**



International Property Consultants

Chesterton Petty Ltd  
16/F CITIC Tower  
1 Tim Mei Avenue  
Central  
Hong Kong

Tel 2840 1177  
Fax 2840 0600

Our Ref GV/CC/ES/cl/03-0446(1-5)

7 July 2003

ARA Asset Management (Singapore) Ltd (as Manager of Fortune REIT)  
7 Temasek Boulevard  
#12-03 Suntec City Tower 1  
Singapore 038987

Bermuda Trust (Singapore) Limited (as Trustee of Fortune REIT)  
20 Raffles Place  
Ocean Towers #13-01/05  
Singapore 048620

Dear Sirs

**OPEN MARKET VALUATION OF THE FOLLOWING PROPERTIES**

- (1) THE SHOPPING CENTRE OF THE METROPOLIS (THE METROPOLIS MALL), 6-10 METROPOLIS DRIVE, KOWLOON, HONG KONG**
- (2) THE SHOPPING CENTRE OF BAYSHORE TOWERS (MA ON SHAN PLAZA), MA ON SHAN SHATIN, NEW TERRITORIES, HONG KONG**
- (3) THE SHOPPING CENTRE OF NOB HILL (THE HOUSEHOLD CENTER), 8 KING LAI PATH, KWAI CHUNG, NEW TERRITORIES, HONG KONG**
- (4) VARIOUS PORTIONS IN THE SHOPPING CENTRE OF EAST ASIA GARDENS (SMARTLAND), 16 TSUEN WAH STREET, TSUEN WAN, NEW TERRITORIES, HONG KONG**
- (5) THE SHOPPING CENTRE OF JUBILEE GARDEN (JUBILEE COURT SHOPPING CENTRE), 2-18 LOK KING STREET, SHATIN, NEW TERRITORIES, HONG KONG**

This valuation has been prepared for the purposes of inclusion in the Prospectus to be issued in relation to the initial public offer of the Fortune Real Estate Investment Trust ("Fortune REIT").

In accordance with your instructions for us to value the above-mentioned properties, we confirm that we have carried out inspection, 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 open market values of these properties as at 31 May 2003.

Our valuation is our opinion of the open market value which we would define as intended to mean "the best price at which the sale of an interest in property would have been completed unconditionally for cash consideration on the date of valuation, assuming:

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Bermuda Trust (Singapore) Limited  
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- (a) a willing seller;
- (b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the sale;
- (c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;
- (d) that no account is taken of any additional bid by a prospective purchaser with a special interest; and
- (e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion".

Our valuation has been made on the assumption that the owners sell the properties in the open market without the benefit of any deferred term contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the values of the properties. However in respect of The Metropolis Mall, we have taken into account the Property Top Up Payment under the Rental Guarantee Deed. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the properties and no forced sale situation in any manner is assumed in our valuation.

Where applicable, information such as the title particulars, land area, ownership and tenure has been obtained from searches carried out at the Land Registry of Hong Kong. We have also relied on the information provided by the owners of the properties on matters such as gross rental areas, tenancy details, ground lease expiry, ground rent, annual value, etc. All information provided to us is treated as correct and we accept no responsibility for subsequent changes in information and reserve the right to change our opinion of value if any other information provided were to materially change.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the properties, nor for any expenses or taxation which may be incurred in effecting a sale. It is assumed that the properties are free from any major or material encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

We have inspected the exterior of the properties and where possible, we have also inspected the interior of the premises. 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 these properties are free from rot, infestation or any other structural defect. No tests were carried out to any of the services.

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 ARA Asset Management (Singapore) Ltd  
 Bermuda Trust (Singapore) Limited  
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In arriving at our opinion of value, we have considered the prevailing market conditions, especially those pertaining to the retail sectors of the property market. The valuation methods adopted to arrive at our opinion of value are the Investment Method, Direct Comparison Method and Discounted Cash Flow Analysis. Each method has been used as a check against the other.

A summary of our opinion of the Open Market Value for each property is given below:-

Property	Approximate Gross Floor Area (sq ft)	No. of Parking Lots	Valuation as at 31 May 2003 (HK\$)	IRR (%)	Terminal Yield (%)
The Metropolis Mall	344,055	179	1,560,000,000	7.9	6.4
Ma On Shan Plaza	319,560	290	970,000,000	8.3	6.8
The Household Center	100,599	43	243,000,000	8.8	7.3
Smartland	125,446	67	265,000,000	8.4	6.9
Jubilee Court Shopping Centre	172,179	97	237,000,000	8.8	7.3
Grand Total	1,061,839	676	3,275,000,000		

Valuation certificates for individual properties are attached to this letter.

This valuation summary is for the use of the members of the Due Diligence Committee, established for the purpose of the initial public offering of Fortune REIT, ARA Asset Management (Singapore) Limited (the Manager), the board of directors of the Manager, the Trustee, the underwriter to the initial public offering and the debt providers of Fortune REIT for acquisition purposes. No responsibility is accepted to any other party for the whole or any part of its contents.

We have prepared this valuation summary which appears in this Prospectus and specially disclaim liability to any person in the event of any omission from or false or misleading statement included in the Prospectus, other than in respect of the information provided within the valuation reports and summary. We do not make any warranty or representation as the accuracy of the information in any part of the Prospectus other than as expressly made or given in this valuation summary.

We have relied upon the property data supplied by owners of the properties which we assume to be true and accurate. We take no responsibility for inaccurate data supplied by the Vendor Companies (as defined in the Prospectus) and subsequent conclusions derived from such data.

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The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, unbiased professional analyses, opinions and conclusions. We have no present or prospective interest in the subject properties and are not a related corporation of nor do we have a relationship with the Manager, the Underwriter or other party/parties whom the Fortune REIT is contracting with. The valuers' compensation is not contingent upon the reporting of a predetermined value or direction in value that favours the cause of the Vendor Companies, 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 these valuations are authorised to practise as valuers and have the necessary expertise and experience in valuing similar types of properties.

Yours faithfully  
For and on behalf of  
Chesterton Petty Limited



Charles C K Chan  
MSc FRICS FHKIS MCI Arb RPS(GP)  
Executive Director

Enc

**VALUATION CERTIFICATE**

Address of Property : The Metropolis Mall  
 6-10 Metropolis Drive  
 Kowloon  
 Hong Kong

Number of Parking Lots : 179

Lot Number : Kowloon Inland Lot No. 11077

Tenure : From 14 February 1997 to 30 June 2047

Registered Owner : Vision Million Limited

Brief Description : The Property comprises the three levels of retail premises on the L7, L8 and L9 Floors (known as The Metropolis Mall) and 179 parking lots on the L5 to L6 Floors of the multi-storey podium of a comprehensive development known as The Metropolis. The Metropolis comprises a 15-storey office, two blocks of serviced apartments with 662 units and a hotel of 690 rooms constructed on a podium of shopping arcades and ancillary car parks.

The main entrance of the subject shopping centre is located on the L7 Floor which is connected to the KCRC Hung Hom Terminal by a covered footbridge and leads immediately to a pedestrian hall. Vertical access for patronage between the three levels of arcade is served by various pairs of escalators and passenger lifts.

Each level of the shopping centre is roughly in the shape of a trapezium with shop units arranged in two or three parallel rows longitudinally with larger-space users positioned at both ends. A food court is located on the L8 Floor.

Gross Floor Area : Approximately 344,055 sq ft

Date of Completion : 31 March 2001

Current Occupancy Rate : 55.3% (as at 31 March 2003)

Annual Value : Approximately HK\$43,000,000

Town Planning Zoning : Other Specified Uses annotated "Commercial Development and Freight Yard"

Open Market Value : HK\$1,560,000,000  
 as at 31 May 2003

**VALUATION CERTIFICATE**

Address of Property : Ma On Shan Plaza  
 Bayshore Towers  
 608 Sai Sha Road  
 Ma On Shan  
 Shatin  
 New Territories  
 Hong Kong

Number of Parking Lots : 290

Lot Number : Sha Tin Town Lot No. 382

Tenure : From 6 December 1991 to 30 June 2047

Registered Owner : Poko Shine Limited

Brief Description : The Property comprises the entire shopping centre on Levels 2 and 3 as well as 290 parking lots on the Basement Floor of a five-storey podium (including a Basement, Ground Floor and Level 1), known as Ma On Shan Plaza, of a commercial/residential development known as The Bayshore Towers.

The subject shopping centre is built above a level of carparking/public light-bus terminal/lay-by level on the Ground Floor and a carparking level on Level 1. The main entrance of the subject shopping centre is located on the Ground Floor which leads to the Level 2 arcade mainly via two pairs of escalators, two scenic lifts, two staircases abutting a main road and a number of internal staircases. Apart from the linkages from the Ground Floor, two air-conditioned covered footbridges on the Level 2 connecting to its neighbouring arcade contribute pedestrian flows to the Property. Vertical access within Levels 2 and 3 of the shopping centre is also served by four pairs of escalators and various staircases and passenger lifts.

Upon completion of the Ma On Shan Station of KCRC's Ma On Shan Rail in late 2004, the station entrances will be linked with the main atrium of Level 2 of the Property.

Gross Floor Area : Approximately 319,560 sq ft

Date of Completion : 24 December 1994

Current Occupancy Rate : 94.6% (as at 31 March 2003)

Annual Value : Approximately HK\$64,000,000  
Town Planning Zoning : Commercial/Residential  
Open Market Value : HK\$970,000,000  
as at 31 May 2003

**VALUATION CERTIFICATE**

Address of Property : The Household Center  
 Nob Hill  
 8 King Lai Path  
 Kwai Chung  
 New Territories  
 Hong Kong

Number of Parking Lots : 43

Lot Number : Kwai Chung Town Lot No. 474

Tenure : 50 years from 17 July 1998 to 16 July 2048

Beneficial Owner : Art Full Resources Limited

Brief Description : The Property comprises three levels of retail premises on the Ground, 1st and 2nd Floors (known as The Household Center) and 43 parking lots on the Mezzanine Floor of the four-storey podium of a commercial/residential development known as Nob Hill.

The main entrance of the subject shopping centre is located on the Ground Floor with side entrance. The main entrance leads to a pedestrian hall where a pair of escalators is provided for vertical access to the 1st Floor. Vertical access between the 1st and 2nd Floors is served by a further pair of escalators.

Gross Floor Area : Approximately 100,599 sq ft

Date of Completion : 28 June 2002

Current Occupancy Rate : 95.7% (as at 31 March 2003)

Annual Value : Approximately HK\$17,500,000

Town Planning Zoning : Residential (Group A Sub-group 1)

Open Market Value : HK\$243,000,000  
 as at 31 May 2003

**VALUATION CERTIFICATE**

Address of Property : Smartland, various portions in the shopping centre of  
 East Asia Gardens  
 16 Tsuen Wah Street  
 Tsuen Wan  
 New Territories  
 Hong Kong

Number of Parking Lots : 67

Lot Number : Tsuen Wan Town Lot No. 247

Tenure : From 1 July 1898 as extended until 30 June 2047

Registered Owner : Quick Switch Limited

Brief Description : 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) and 67 parking lots on the Basement Floor of a  
 four-storey podium (including the Basement), known as  
 Smartland, (80.9% shares of the commercial portion of  
 East Asia Gardens).

The subject shopping centre is generally of "L" shape  
 comprising two phases of different decorative conditions.  
 The main entrance of the subject shopping centre is  
 located on the Ground Floor with other three side  
 entrances. The main entrance and the side entrances  
 lead to their respective pedestrian halls where a pair of  
 escalators is provided in each pedestrian hall for vertical  
 access to the upper retail floors. Vertical access within  
 the shopping centre is also served by various staircases  
 and passenger lifts.

Gross Floor Area : Approximately 125,446 sq ft

Date of Completion : 11 June 1981

Current Occupancy Rate : 95.3% (as at 31 March 2003)

Annual Value : Approximately HK\$20,000,000

Town Planning Zoning : Commercial/Residential

Open Market Value : HK\$265,000,000  
 as at 31 May 2003

**VALUATION CERTIFICATE**

Address of Property : Jubilee Court Shopping Centre  
 Jubilee Garden  
 2-18 Lok King Street  
 Fo Tan  
 Shatin  
 New Territories  
 Hong Kong

Number of Parking Lots : 97

Lot Number : Sha Tin Town Lot No. 87

Tenure : From 1 July 1898 as extended until 30 June 2047

Registered Owner : Yee Pang Realty Limited

Brief Description : The Property mainly comprises a free-standing seven-storey shopping centre and carpark building with retail spaces located on the 1st to 7th Floors and 97 parking lots on the 1st Floor.

The main entrance of the subject shopping centre is located on the 1st Floor abutting the main private driveway of Jubilee Garden and it leads to the entrance lobby at the 2nd Floor via a pair of escalators as well as various staircases. A pair of escalators is provided for vertical access to the 3rd Floor where the shopping arcade is located. Access from 3<sup>rd</sup> to 6<sup>th</sup> Floors of the centre is served by various escalators while the 7th Floor is accessible by various staircases. The vertical circulation of the shopping centre is also serviced by four passenger lifts from the 1st to 6th Floors whilst the 7th Floor is only served by two passenger lifts. An entrance on the 3rd Floor opens directly to the podium level of the adjacent Jubilee Garden.

The Property also comprises a wet market on the 1st Floor of the podium of Jubilee Garden adjacent to the subject shopping centre. The wet market is accessible via a covered walkway leading to the main driveway of the development.

Gross Floor Area : Approximately 172,179 sq ft

Date of Completion : 8 May 1986

Current Occupancy Rate : 97.9% (as at 31 March 2003)

Annual Value : Approximately HK\$20,000,000

Town Planning Zoning : Other Specified Uses annotated "Railway Depot Comprehensive Development Area"

Open Market Value as at 31 May 2003 : HK\$237,000,000

**Appendix V**  
**Independent Taxation Report**



**KPMG Tax Services**

16 Raffles Quay #22-00  
Hong Leong Building  
Singapore 048581

P. O. Box 448  
Robinson Road  
Singapore 900848

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Our ref DH/LO/T25  
Contact Leonard Ong  
Telephone 6213 2038

Bermuda Trust (Singapore) Limited  
20 Raffles Place  
#13-01/05 Ocean Tower  
Singapore 048620

7 July 2003

Dear Sirs

**THE TAXATION REPORT**

This letter has been prepared at the request of ARA Asset Management (Singapore) Limited (the “Manager”) for inclusion in the prospectus (the “Prospectus”) to be issued in relation to the initial public offering of Fortune Real Estate Investment Trust (“Fortune REIT”) and the listing of Units in Fortune REIT on the Singapore Exchange Securities Trading Limited.

The purpose of this letter is to provide prospective purchasers of the units in Fortune REIT with an overview of the Singapore income tax consequences of the acquisition, ownership and disposal of the Units. This letter principally addresses purchasers who hold the Units as investment assets. Purchasers who acquire the Units for dealing purposes should consult their own tax advisers concerning the tax consequences of their particular situation.

This letter is not a tax advice and does not attempt to describe comprehensively all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Units. Prospective purchasers of the Units should consult their own tax advisers concerning the tax consequences of their particular situation. Prospective purchasers who are not Singapore tax residents, in particular, are advised to consult their own tax advisers to take into account the tax laws of their respective countries of residence and the existence of any tax treaty which their country of residence may have with Singapore.

This letter is based on the Singapore and Hong Kong income tax laws and the relevant interpretations thereof, current as at the date of this letter, all of which are subject to change, possibly with retrospective effect.

Words and expressions defined in the Prospectus have the same meaning in this letter. In addition, unless the context requires otherwise, words in the singular include the plural and vice versa and words of one gender include the other gender.



KPMG Tax Services Pte Ltd, a company incorporated under the Singapore Companies Act, is associated with KPMG, the Singapore member firm of KPMG International, a Swiss association

## **THE GENERAL PRINCIPLES OF TAXATION OF A PROPERTY COMPANY IN HONG KONG**

A company deriving rental income from the letting of real properties situated in Hong Kong is considered to be carrying on a trade or business in Hong Kong. Such a company has to be either incorporated in Hong Kong or registered as a foreign company in Hong Kong.

A company deriving rental income from the letting of real properties situated in Hong Kong is assessable to Hong Kong profits tax on the net rental income at the prevailing tax rate, which is currently 17.5%. Net rental income is the gross rental income after deduction of all expenses necessarily incurred in earning the rental income, tax depreciation on commercial real properties and plant and equipment used in the generation of the rental income.

Pursuant to the Exemption of Profits Tax (Interest Income) Order, interest income accruing on or after 22 June 1998 on deposits placed with an authorised financial institution in Hong Kong is exempt from Hong Kong profits tax provided such deposits are not used to secure banking facilities. Other interest income sourced in Hong Kong will continue to be subject to Hong Kong profits tax.

Hong Kong does not impose tax on capital gains. Gains realised from the disposal of real properties situated in Hong Kong are however assessable to Hong Kong profits tax if the gains are derived from the carrying on of a trade or business in the buying and selling of real properties.

A company incorporated in Hong Kong or registered as a foreign company may distribute all or part of its revenue reserves as dividends to its shareholders. Such dividends are not assessable to Hong Kong tax and Hong Kong does not impose withholding tax on the distribution of dividends payable to shareholders who are not residents of Hong Kong.

## **THE GENERAL PRINCIPLES OF TAXATION OF A TRUST IN SINGAPORE**

The income of a Trust derived from or accrued in Singapore is chargeable to Singapore income tax. In addition, income earned outside Singapore and received or deemed received in Singapore is also chargeable to Singapore income tax. With effect from 1 June 2003, income in the form of foreign dividends, branch profits and services income earned from jurisdictions with a headline tax of at least 15.0% will be exempt from Singapore income tax when received or deemed received by persons resident in Singapore.

There is no capital gains tax in Singapore. However, gains from the sale of investments are chargeable to tax if such gains are derived from a trade or business of dealing in investments.

Singapore income tax is imposed on all income chargeable to tax after deduction of the allowable expenses incurred and the tax depreciation claimed on assets used in the generation of the income. Such income of the Trust is assessed to tax in the name of the trustee at the prevailing corporate tax rate, which is currently 22.0%. The tax paid by the trustee is imputed to be the tax paid by the beneficiaries (the "imputed tax"). The net income after accounting for the tax payable may be distributed to the beneficiaries in the proportion of their respective share of the Trust income.

The beneficiaries are chargeable to Singapore income tax on any distributions made by the Trust. Tax will be imposed on the regrossed amount of distributions received (i.e. the amount of distributions and the proportionate amount of the imputed tax) at their applicable tax rates. Under the provisions of Section 46(1)(b) of the Income Tax Act, Chapter 134, a tax credit will be granted to the beneficiaries on the imputed tax.

## THE TAX RULING

Fortune REIT has obtained a Tax Ruling from the Ministry of Finance (the “MOF”) dated 10 June 2003 confirming the Singapore tax consequences of Fortune REIT, and that of the Unitholders, in relation to dividend distributions receivable from Poko Shine Limited, Yee Pang Realty Limited and Art Full Resources Limited (i.e. the “Hong Kong incorporated companies”) and from Quick Switch Limited and Vision Million Limited (i.e. the “British Virgin Islands incorporated companies”) (collectively referred to as the “Property Companies”).

Fundamental to the Tax Ruling is also the confirmation that Fortune REIT will be regarded as a tax resident of Singapore for income tax purposes as its Trustee and Manager are present in Singapore. In accordance with the Tax Ruling, the Singapore taxation of Fortune REIT and that of the Unitholders are described below.

## SINGAPORE TAXATION OF FORTUNE REIT

### Tax-Exempt Income

Fortune REIT will be exempt from Singapore income tax on the dividends received from the Hong Kong and the British Virgin Islands incorporated companies that are distributed out of income (including interest income 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-Exempt Income”).

The exemption on such dividends received from the Hong Kong incorporated companies is applicable by virtue of the Tax Exemption on Foreign Sourced Dividends incentive as announced by the Minister for Finance in his 2003 Budget Statement and clarified by the IRAS in a Circular dated 21 May 2003. For such dividends received from the British Virgin Islands incorporated companies, the exemption is applicable by virtue of the provisions of Section 13(8) of the Income Tax Act. As these dividends are exempt from Singapore income tax and do not form part of Fortune REIT’s Statutory Income, Fortune REIT may distribute such income, after deduction of its tax-deductible expenses, to the Unitholders free of tax deducted at source.

### Taxable Income

Fortune REIT will be chargeable to Singapore income tax on dividends received from the Property Companies 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, except for gains from the sale of investments in the Property Companies that have been confirmed by the Inland Revenue Authority of Singapore (the “IRAS”) to be capital gains (the “Taxable Income”).

After deduction of an allocated portion of the allowable expenses, Fortune REIT’s net Taxable Income will be assessable to Singapore income tax in the name of the Trustee at the prevailing corporate income tax rate, which is currently 22.0%. 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.

### Non-Taxable Capital Gains

Fortune REIT is not assessable to Singapore income tax on the gains from the disposal of investments in the Property Companies that have been confirmed by IRAS to be capital gains (the “Non-Taxable Capital Gains”). Such gains may be distributed to Unitholders free from tax deducted at source.

## SINGAPORE TAXATION OF THE UNITHOLDERS

### **Basis of Assessment**

Unitholders are assessable to Singapore income tax on distributions received for the year of assessment corresponding to the year of assessment to which the income of Fortune REIT relates. This means that if a distribution is made out of Fortune REIT's income for the financial period ending 31 December 2003, forming Fortune REIT's basis period for the year of assessment 2004, the Unitholders will be assessable to Singapore income tax on such distribution in the year of assessment 2004 regardless of when the distribution is actually received.

### **Tax-Exempt Income**

Unitholders receiving distributions made by Fortune REIT out of Tax-Exempt Income will not be assessable to Singapore income tax on the distributions received.

### **Taxable Income**

Unitholders receiving distributions made out of Fortune REIT's Taxable Income will be assessable to Singapore income tax on the distributions received at their applicable income tax rates. Tax will be assessed on the regrossed amount (i.e. the amount of the distribution received and the proportionate amount of the imputed tax) at the rate of tax applicable to the Unitholders. The imputed tax (i.e. the tax paid by the Trustee and imputed to be the tax paid by the Unitholders) is available as a credit against the Singapore income tax payable by the Unitholders on the regrossed amount of the distributions. Where the imputed tax is higher than the tax payable by the Unitholders, the IRAS will refund the excess to the Unitholders. Unitholders are required to declare in their income tax returns the regrossed amount of the distributions received.

### **Non-Taxable Capital Gains**

Unitholders receiving distributions made out of Non-Taxable Capital Gains will not be assessable to Singapore income tax on the distributions received, except where the Unitholders hold the Units as trading assets.

### **Profits on Sale of Units**

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.

### **Terms and Conditions of the Tax Ruling**

There are certain terms and conditions attached to the Tax Ruling granted by the MOF. Where these terms and conditions cannot be satisfied, the MOF has expressly reserved the rights to review, amend and revoke the Tax Ruling either in part or in whole at any time.

Yours faithfully



Nicholas Miao  
Director

## Appendix VI

### Terms, Conditions and Procedures for Application for and Acceptance of the Units in Singapore

Applications are invited for subscription of the Units on the terms and conditions set out below and on the relevant Application Forms or, as the case may be, the Electronic Applications (as defined below).

Investors applying for Offer Units (as defined below) by way of Offer Units Application Forms or ATM Electronic Applications (as defined below) or Internet Electronic Applications (as defined below) are required to pay the equivalent in Singapore dollars of the maximum subscription price of HK\$4.75 per Unit (such amount being S\$1.07 based on the fixed exchange rate of HK\$1.00 = S\$0.2253) on application, subject to a refund of the full amount or, as the case may be, the balance of the application monies (in each case without interest or any share of revenue or other benefit arising therefrom) where (i) an application is rejected or accepted in part only, or (ii) the Offering does not proceed for any reason, or (iii) the Offering Price is less than the maximum subscription price for each Unit, or (iv) the investor is eligible for the Volume Discount, in the equivalent in Singapore dollars based on the same fixed exchange rate.

Investors applying for the Placement Units (as defined below) are required to pay, in Hong Kong dollars for each Unit applied for, the subscription price specified by the investor in the Placement Units Application Form (being a price within the Offering Price Range) (the "Specified Price") in the case of an application by way of a Placement Units Application Form, and the maximum subscription price of HK\$4.75 in the case of an application by way of an Internet Placement Application (as defined below), subject in each case to a refund of the full amount or, as the case may be, the balance of the application monies (in each case without interest or any share of revenue or other benefit arising therefrom) where (i) an application is rejected or accepted in part only, or (ii) the Offering does not proceed for any reason, or (iii) the Offering Price is less than the Specified Price (in the case of an application by way of a Placement Unit Application Form (as defined below)) or the maximum subscription price for each Unit (in the case of an application by way of an Internet Placement Application) or (iv) the investor is eligible for the Volume Discount, in Hong Kong dollars.

- (1) Your application must be made in lots of 1,000 Units or integral multiples thereof. Your application for any other number of Units will be rejected.
- (2) You may apply for the Units only during the period commencing on 28 July 2003 and expiring on 6 August 2003 (assuming this to be the Price Determination Date, which is subject to change). The expiration of such period may be extended or shortened to such date and/or time as the Manager may agree with the Global Co-ordinator, subject to all applicable laws and regulations and the rules of the SGX-ST.
- (3)
  - (a) Your application for the Units offered in the Public Offer (the "Offer Units") may be made by way of the printed **WHITE** Offer Units Application Forms or by way of Automated Teller Machines ("ATMs") belonging to the Participating Banks ("ATM Electronic Applications") or the Internet Banking ("IB") websites of the relevant Participating Banks ("Internet Electronic Applications").
  - (b) Your application for the Units offered in the Placement Tranche (the "Placement Units") other than the Internet Placement Units (as defined below) may be made by way of the printed **BLUE** Placement Units Application Forms available through DBS Bank ("Placement Units Application Forms").
  - (c) Your application for Placement Units may also be made by way of the Internet website of DBS-TD Waterhouse (Singapore) Pte Ltd ("DBS-TDW") at "www.dbstdwaterhouse.com" ("Internet Placement Applications", which, together with ATM Electronic Applications and Internet Electronic Applications, shall be referred to as "Electronic Applications"), if you have a trading account with DBS-TDW. Placement Units applied for by way of Internet Placement Applications shall hereinafter be referred to as "Internet Placement Units".
  - (d) You may not use your CPF funds to apply for the Units.

- (4) **Only one application may be made for the benefit of one person for the Offer Units in his own name. Multiple applications for the Offer Units will be rejected except in the case of applications by approved nominee companies where each application is made on behalf of a different beneficiary.**

A person may not submit multiple applications for the Offer Units via the Offer Units Application Form or via ATM Electronic Applications or Internet Electronic Applications. A person who is submitting an application for the Offer Units by way of the Offer Units Application Form may not submit another application for the Offer Units by way of an ATM Electronic Application or Internet Electronic Application and *vice versa*.

A person, other than an approved nominee company, who is submitting an application for the Offer Units in his own name should not submit any other applications for the Offer Units, whether on a printed Application Form or through an ATM Electronic Application or Internet Electronic Application, for any other person. Such separate applications will be deemed to be multiple applications and shall be rejected.

Joint or multiple applications for the Offer Units shall be rejected. Persons submitting or procuring submissions of multiple applications for the Offer Units may be deemed to have committed an offence under the Penal Code, Chapter 224 of Singapore and the Securities and Futures Act and such applications may be referred to the relevant authorities for investigation. Multiple applications or those appearing to be or suspected of being multiple applications, other than as provided herein, will be liable to be rejected at the discretion of the Manager.

A person may make one or more applications for Placement Units (whether via the Placement Units Application Forms or the Internet Placement Applications) and/or make a single application for the Offer Units (except that approved nominee companies may make multiple applications where each application is made on behalf of a different beneficiary).

Investors who successfully subscribe for an aggregate of more than 20,000,000 Units, in a single application, as principal, will receive the Volume Discount of 2.0% to the Offering Price.

- (5) Applications from any person under the age of 21 years, undischarged bankrupts, sole-proprietorships, partnerships or non-corporate bodies, joint Securities Account holders of CDP and from applicants whose addresses (furnished in their printed Application Forms or, in the case of ATM Electronic Applications and Internet Applications, contained in the records of the relevant Participating Banks, as the case may be) bear post office box numbers will be rejected.

In addition, applicants who wish to apply for the Internet Placement Units through the website of DBS-TDW (a) must not be corporations, sole-proprietorships, partnerships or any other business entities; (b) must be over the age of 21 years; (c) must not be undischarged bankrupts; (d) must apply for the Internet Placement Units in Singapore; (e) must have a mailing address in Singapore; and (f) must be customers who maintain trading accounts with DBS-TDW.

- (6) The existence of a trust will not be recognised. Any application by a trustee or trustees must be made in his/her or their own name(s) and without qualification or, where the application is made by way of a printed Application Form by a nominee, in the name(s) of an approved nominee company or approved nominee companies after complying with paragraph (7) below.
- (7) Nominee applications may only be made by approved nominee companies. Approved nominee companies are defined as banks, merchant banks, finance companies, insurance companies, licensed securities dealers in Singapore and nominee companies controlled by them. Applications made by nominees other than approved nominee companies will be rejected.
- (8) If you are not an approved nominee company, you must maintain a Securities Account in your own name at the time of your application. If you do not have an existing Securities Account in your own name at the time of application, your application will be rejected (if you apply by way of an Application Form) or you will not be able to complete your application (if you apply by way of an Electronic Application).

- (9) If you have an existing Securities Account but fail to provide your Securities Account number or provide an incorrect Securities Account number in section B of the Application Form or in your Electronic Application, as the case may be, your application is liable to be rejected.
- (10) Subject to paragraph (11) below, your application is liable to be rejected if your particulars such as name, National Registration Identity Card (“NRIC”) or passport number, nationality and permanent residence status and Securities Account number provided in your Application Form, or in the records of the relevant Participating Bank or DBS-TDW at the time of your Electronic Application, as the case may be, differ from those particulars in your Securities Account as maintained by CDP. If you have more than one individual direct Securities Account, your application shall be rejected.
- (11) If your address as stated in the Application Form or, in the case of an Electronic Application, contained in the records of the relevant Participating Bank or DBS-TDW, as the case may be, is different from the address registered with CDP, you must inform CDP of your updated address promptly, failing which the notification letter on successful allocation from CDP will be sent to your address last registered with CDP.
- (12) This Prospectus and its accompanying Application Forms have not been registered in any jurisdiction other than in Singapore. The distribution of this Prospectus and its accompanying Application Forms may be prohibited or restricted (either absolutely or unless various securities requirements, whether legal or administrative, are complied with) in certain jurisdictions under the relevant securities laws of those jurisdictions. Without limiting the generality of the foregoing, neither this Prospectus (including the Application Forms) nor any copy thereof may be taken or transmitted into the United States or Canada or published or distributed, directly or indirectly, in the United States or Canada or to any U.S. person (as defined in Regulation S under the Securities Act (“Regulation S”)) and they do not constitute an offer of securities for sale into the United States or any jurisdiction in which such offer is not authorised or to any person to whom it is unlawful to make such an offer. The Units have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”) and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S). The Units are being offered and sold outside the United States to non-U.S. persons (including institutional and other investors in Singapore) in reliance on Regulation S. There will be no public offer of Units in the United States. Any failure to comply with this restriction may constitute a violation of U.S. securities laws.

The Manager reserves the right to reject any applications for Units where the Manager believes or has reason to believe that such applications may violate the securities laws of any jurisdiction.

No person in any jurisdiction outside Singapore receiving this Prospectus or its accompanying Application Forms may treat the same as an offer or invitation to subscribe for any Units unless such an offer or invitation could lawfully be made without compliance with any regulatory or legal requirements in those jurisdictions.

- (13) The Manager reserves the right to reject any application which does not conform strictly to the instructions set out in the Application Forms and this Prospectus or which does not comply with the instructions for Electronic Applications or with the terms and conditions of this Prospectus or, in the case of an application by way of an Application Form, which is illegible, incomplete, incorrectly completed or which is accompanied by an improperly drawn up or improper form of remittance.
- (14) The Manager further reserves the right to treat as valid any applications not completed or submitted or effected in all respects in accordance with the instructions set out in the Application Forms or the instructions for Electronic Applications or the terms and conditions of this Prospectus, and also to present for payment or other processes all remittances at any time after receipt and to have full access to all information relating to, or deriving from, such remittances or the processing thereof.

Without prejudice to the rights of the Manager, DBS Bank, as agent of the Manager, has been authorised to accept, for and on behalf of the Manager, such other forms of application, as DBS Bank may (in consultation with the Manager) deem appropriate.

- (15) The Manager reserves the right to reject or to accept, in whole or in part, or to scale down or to ballot any application, without assigning any reason therefor except in respect of applications which have been balloted but subsequently rejected, and neither the Manager nor any of the Underwriters will entertain any enquiry and/or correspondence on the decision of the Manager. This right applies to applications made by way of Application Forms and by way of Electronic Applications and by such other forms of application as the Underwriters may, in consultation with the Manager, deem appropriate. In deciding the basis of allotment, the Manager will give due consideration to the desirability of allotting the Units to a reasonable number of applicants with a view to establishing an adequate market for the Units.
- (16) It is expected that CDP will send to you, at your own risk, within 15 Market Days after the closing date for the Public Offer and Placement Tranche (for the purposes of this Appendix VI, the "Closing Date"), and subject to the submission of valid applications and payment for the Units and the Offering Price being agreed upon between the Global Co-ordinator and the Manager and the completion of the Offering, a statement of account stating that your Securities Account has been credited with the number of Units allocated to you. This will be the only acknowledgement of application monies received and is not an acknowledgement by the Manager. You irrevocably authorise CDP to complete and sign on your behalf as transferee or renounee any instrument of transfer and/or other documents required for the issue or transfer of the Units allocated to you. This authorisation applies to applications made both by way of printed Application Forms and by way of Electronic Applications.

The Units may be reallocated between the Placement Tranche and the Public Offer in the event of excess applications in one and a deficit in applications in the other.

- (17) You irrevocably authorise CDP to disclose the outcome of your application, including the number of Units allocated to you pursuant to your application, to the authorised operators.
- (18) Any reference to "you" or the "applicant" in this Appendix VI shall include a person, a corporation, an approved nominee company and trustee applying for the Offer Units whether by way of an Offer Units Application Form or by way of an ATM Electronic Application or an Internet Electronic Application, or a person applying for the Placement Units by way of a Placement Units Application Form or by way of an Internet Placement Application.
- (19) By completing and delivering an Application Form and, in the case of an ATM Electronic Application, by pressing the "Enter" or "OK" or "Confirm" or "Yes" key or any other relevant key on the ATM or, in the case of an Internet Electronic Application or Internet Placement Application, by clicking "Submit" or "Continue" or "Yes" or "Confirm" or any other button on the IB website screen or the DBS-TDW website screen in accordance with the provisions herein, you:
  - (a) irrevocably agree and undertake to subscribe for and accept the number of Units specified in your application (or such smaller number for which the application is accepted) and agree that you will accept such number of Units as may be allocated to you, in each case on the terms of, and subject to the conditions set out in, this Prospectus and the Trust Deed;
  - (b) agree that in the event of any inconsistency between the terms and conditions for application set out in this Prospectus and those set out in the website of DBS-TDW, or the IB websites or ATMs of the Participating Banks, the terms and conditions set out in this Prospectus shall prevail;
  - (c) in the case of an application by way of an Offer Units Application Form, an ATM Electronic Application or an Internet Electronic Application, agree that the equivalent in Singapore dollars of the aggregate maximum subscription price for the Units applied for is due and payable to the Manager upon application;

- (d) in the case of an application by way of an Internet Placement Application, agree that the aggregate maximum subscription price for the Units applied for is due and payable to the Manager upon application;
  - (e) in the case of an application by way of a Placement Units Application Form, agree that the aggregate subscription price specified by you in the Placement Units Application Form for the Units (being a price within the Offering Price Range) is due and payable to the Manager upon application and that, if you do not specify any subscription price, the subscription price for each Placement Unit applied for shall be HK\$4.75 which shall be due and payable to the Manager upon application;
  - (f) warrant the truth and accuracy of the information contained, and representations and declarations made, in your application, and acknowledge and agree that such information, representations and declarations will be relied on by the Manager in determining whether to accept your application and/or whether to allocate any Units to you; and
  - (g) agree and warrant that, if the laws of any jurisdictions outside Singapore are applicable to your application, you have complied with all such laws and neither the Manager nor any of the Underwriters will infringe any such laws as a result of the acceptance of your application.
- (20) Acceptance of applications will be conditional upon, *inter alia*, the Manager being satisfied that:
- (a) permission has been granted by the SGX-ST to deal in and for quotation of all the Units on the Official List of the SGX-ST; and
  - (b) the Underwriting Agreement referred to on page 189 of this Prospectus has become unconditional and has not been terminated.
- (21) Additional terms and conditions for applications by way of Application Forms are set out in the section “Additional Terms and Conditions for Applications Using Printed Application Forms” on pages A-45 to A-49 of this Prospectus.
- (22) Additional terms and conditions for applications by way of Electronic Applications are set out in the section “Additional Terms and Conditions for Electronic Applications” on pages A-49 to A-57 of this Prospectus.
- (23) The Singapore dollar equivalent of the maximum subscription price of an Offer Unit payable by an investor applying for an Offer Unit is S\$1.07, which has been determined on a fixed exchange rate of HK\$1.00 = S\$0.2253. All payments in respect of any application for Offer Units, and all refunds where (a) an application is rejected or accepted in part only, or (b) the Offering does not proceed for any reason, or (c) the Offering Price is less than the maximum subscription price for each Unit, or (d) the investor is eligible for the Volume Discount, shall be made in the equivalent in Singapore dollars based on the aforesaid exchange rate.
- (24) The subscription price specified by the investor in the Placement Units Application Form must be a price in Hong Kong dollars within the Offering Price Range. A Placement Units Application Form which specifies a subscription price below the Offering Price Range shall be rejected. All payments in respect of any application for Placement Units, and all refunds where (a) an application is rejected or accepted in part only, or (b) the Offering does not proceed for any reason, or (c) the Offering Price is less than the Specified Price (in the case of an application by way of a Placement Units Application Form) or the maximum subscription price for each Unit (in the case of an application by way of an Internet Placement Application) or (d) the investor is eligible for the Volume Discount, shall be made in Hong Kong dollars.
- (25) No application will be held in reserve.
- (26) This Prospectus is dated 28 July 2003. No Units will be allocated on the basis of this Prospectus later than 12 months after the date of this Prospectus.

### **Additional Terms and Conditions for Applications Using Printed Application Forms**

Applications by way of an Application Form shall be made on and subject to the terms and conditions of this Prospectus, including but not limited to the terms and conditions appearing below as well as those set out under the section on “Terms, Conditions and Procedures for Application for and Acceptance of the Units in Singapore” on pages A-40 to A-57 of this Prospectus as well as the Trust Deed.

- (1) Applications for the Offer Units must be made using the printed **WHITE** Offer Units Application Forms and printed **WHITE** official envelopes “A” and “B”, accompanying and forming part of this Prospectus, and applications for the Placement Units must be made using the **BLUE** Placement Units Application Forms, accompanying and forming part of this Prospectus.

Without prejudice to the rights of the Manager, DBS Bank, as agent of the Manager, has been authorised to accept, for and on behalf of the Manager, such other forms of application, as DBS Bank may (in consultation with the Manager) deem appropriate.

Your attention is drawn to the detailed instructions contained in the respective Application Forms and this Prospectus for the completion of the Application Forms which must be carefully followed. The Manager reserves the right to reject applications which do not conform strictly to the instructions set out in the Application Forms and this Prospectus or to the terms and conditions of this Prospectus or which are illegible, incomplete, incorrectly completed or which are accompanied by improperly drawn remittances.

- (2) You must complete your Application Forms in English. Please type or write clearly in ink using **BLOCK LETTERS**.
- (3) You must complete all spaces in your Application Forms except those under the heading “FOR OFFICIAL USE ONLY” and you must write the words “NOT APPLICABLE” or “N.A.” in any space that is not applicable.
- (4) Individuals, corporations, approved nominee companies and trustees must give their names in full. If you are an individual, you must make your application using your full name as it appears on your identity card (if you have such an identification document) or in your passport and, in the case of corporations, in your full names as registered with a competent authority. If you are not an individual, you must complete the Application Form under the hand of an official who must state the name and capacity in which he signs the Application Form. If you are a corporation completing the Application Form, you are required to affix your Common Seal (if any) in accordance with your Memorandum and Articles of Association or equivalent constitutive documents of the corporation. If you are a corporate applicant and your application is successful, a copy of your Memorandum and Articles of Association or equivalent constitutive documents must be lodged with the Manager’s Unit Registrar and Unit Transfer Office. The Manager reserves the right to require you to produce documentary proof of identification for verification purposes.
- (5)
  - (a) You must complete Sections A and B and sign page 1 of the Application Forms.
  - (b) You are required to delete either paragraph 6(c) or 6(d) on page 1 of the Application Forms. Where paragraph 6(c) is deleted, you must also complete Section C of the Application Forms with particulars of the beneficial owner(s).
  - (c) If you fail to make the required declaration in paragraph 6(c) or 6(d), as the case may be, on page 1 of the Application Forms, your application is liable to be rejected.

- (6) You (whether an individual or a corporate applicant, whether incorporated or unincorporated and wherever incorporated or constituted) will be required to declare whether you are a citizen or permanent resident of Singapore or a corporation in which citizens or permanent residents of Singapore or any body corporate constituted under any statute of Singapore have an interest in the aggregate of more than 50.0% of the issued share capital of or interests in such corporation. If you are an approved nominee company, you are required to declare whether the beneficial owner of the Units is a citizen or permanent resident of Singapore or a corporation, whether incorporated or unincorporated and wherever incorporated or constituted, in which citizens or permanent residents of Singapore or any body corporate incorporated or constituted under any statute of Singapore have an interest in the aggregate of more than 50.0% of the issued share capital of or interests in such corporation.
- (7) You may apply and make payment for your application for the Units using cash only. In case of an application for Offer Units, each application must be accompanied by a remittance in Singapore currency for the full amount payable at the equivalent in Singapore dollars of the maximum subscription price of S\$1.07 for each Offer Unit, in respect of the number of Offer Units applied for. The remittance must be in the form of a **BANKER'S DRAFT** or **CASHIER'S ORDER** or **POSB CASHIER'S ORDER** drawn on a bank in Singapore, made out in favour of "**FORTUNE REIT SGD UNIT ISSUE ACCOUNT**" crossed "A/C PAYEE ONLY", with the name, Securities Account number and address of the applicant written clearly on the reverse side. Applications not accompanied by any payment or accompanied by any other form of payment will not be accepted. No combined Banker's Draft, Cashier's Order or POSB Cashier's Order for different Securities Accounts shall be accepted. Remittances bearing "NOT TRANSFERABLE" or "NON-TRANSFERABLE" crossings will be rejected.

Each application for Placement Units must be accompanied by a remittance in Hong Kong currency for the full amount payable at the Specified Price in the case of an application by way of a Placement Units Application Form, and the maximum subscription price of HK\$4.75 in the case of an application by way of an Internet Placement Application, in respect of the number of Placement Units applied for, in the form of a **BANKER'S DRAFT** drawn on a bank in Hong Kong, made out in favour of "**FORTUNE REIT HKD UNIT ISSUE ACCOUNT**" crossed "A/C PAYEE ONLY", with the name, Securities Account number and address of the applicant written clearly on the reverse side. You may alternatively remit your application monies by electronic transfer to the account of DBS Bank, Shenton Way Branch, Current Account number 0003-000531-01-0-022, in favour of "**FORTUNE REIT HKD UNIT ISSUE ACCOUNT**" for the number of Placement Units applied for by 8 a.m. on 6 August 2003 or such other date(s) and time(s) as the Manager may agree with the Global Co-ordinator. Applicants who remit their application monies via electronic transfer should send a copy of the telegraphic transfer advice slip to DBS Bank Ltd, 6 Shenton Way, #36-01 DBS Building Tower One, Singapore 068809, for the attention of Equity Capital Markets, to arrive by 8 am on 6 August 2003 or such later date(s) and time(s) as the Manager may agree with the Global Co-ordinator. Applications not accompanied by any payment or accompanied by any other form of payment may not be accepted. No combined Banker's Draft for different Securities Accounts shall be accepted. Remittances bearing "NOT TRANSFERABLE" or "NON-TRANSFERABLE" crossings will be rejected.

No acknowledgement of receipt will be issued for applications and application monies received.

- (8) Monies paid in respect of unsuccessful applications are expected to be returned (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post within 14 Market Days after the Closing Date (or such shorter period as the SGX-ST may require) at your own risk. Where your application is rejected or accepted in part only or if the Offering does not proceed for any reason, the full amount or the balance of the application monies (including the excess monies arising from the difference between the Offering Price and (a) the maximum subscription price or (b) (in the case of an application by way of a Placement Units Application Form) the Specified Price, should the Offering Price be lower than the maximum subscription price or the Specified Price (as the case may be) and/or if you are eligible for any Volume Discount, the excess monies arising from such Volume Discount), as the case may be, will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk within 14 Market Days after the Closing Date, PROVIDED THAT the remittance accompanying such application which has been presented for payment or other processes has been honoured and the application monies received in the designated unit issue account.
- (9) Capitalised terms used in the Application Forms and defined in this Prospectus shall bear the meanings assigned to them in this Prospectus.
- (10) By completing and delivering the Application Forms, you agree that:
- (a) in consideration of the Manager having distributed the Application Forms to you and agreeing to close the Offering at 8 a.m. on 6 August 2003 or such other time or date as the Manager may agree with the Global Co-ordinator:
    - (i) your application is irrevocable;
    - (ii) your remittance will be honoured on first presentation and that any monies returnable may be held pending clearance of your payment without interest or any share of revenue or other benefit arising therefrom; and
    - (iii) you represent and agree that you are not a U.S. person (within the meaning of Regulation S);
  - (b) all applications, acceptances or contracts resulting therefrom under the Offering shall be governed by and construed in accordance with the laws of Singapore and that you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;
  - (c) in respect of the Units for which your application has been received and not rejected, acceptance of your application shall be constituted by written notification by or on behalf of the Manager and not otherwise, notwithstanding any remittance being presented for payment by or on behalf of the Manager;
  - (d) the Manager may return (without interest or any share of revenue or other benefit arising therefrom) the excess monies arising from the difference between the Offering Price and (i) the maximum subscription price or (ii) (in the case of an application by way of a Placement Units Application Form) the Specified Price, should the Offering Price be lower than the maximum subscription price or the Specified Price (as the case may be) and/or (where applicable) arising from the Volume Discount, by ordinary post, at the applicant's risk, within 14 Market Days after the Closing Date, PROVIDED THAT the remittance accompanying such application which has been presented for payment or other processes has been honoured and the application monies received in the designated unit issue account;
  - (e) you will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of your application;
  - (f) reliance is placed solely on information contained in this Prospectus and that none of the Manager, the Trustee, any of the Underwriters, the Sponsor or any other person involved in the Offering shall have any liability for any information not so contained;
  - (g) you consent to the disclosure of your name, NRIC/passport number, address, nationality, permanent resident status, Securities Account number, and Unit application amount to our Unit Registrar, CDP, Securities Clearing Computer Services (Pte) Ltd ("SCCS"), SGX-ST, the Manager, the Trustee and the Underwriters (the "Relevant Parties"); and

- (h) you irrevocably agree and undertake to purchase the number of Units applied for as stated in the Application Form or any smaller number of such Units that may be allocated to you in respect of your application. In the event that the Manager decides to allocate any smaller number of such Units or not to allocate any Units to you, you agree to accept such decision as final.

#### **Procedures Relating to Applications for the Offer Units by Way of Printed Application Forms**

- (1) Your application for the Offer Units by way of printed Application Forms **MUST** be made using the **WHITE** Offer Units Application Forms and **WHITE** official envelopes “A” and “B”.
- (2) You must:
  - (a) enclose the **WHITE** Offer Units Application Form, duly completed and signed, together with the correct remittance for the full amount payable at the equivalent in Singapore dollars of the maximum subscription price of S\$1.07 based on the fixed exchange rate of HK\$1.00 = S\$0.2253 for each Offer Unit, in respect of the number of Offer Units applied for, in accordance with the terms and conditions of the Prospectus, in the **WHITE** official envelope “A” provided;
  - (b) in appropriate spaces on the **WHITE** official envelope “A”:
    - (i) write your name and address;
    - (ii) state the number of Offer Units applied for;
    - (iii) tick the relevant box to indicate the form of payment; and
    - (iv) affix adequate Singapore postage;
  - (c) seal the **WHITE** official envelope “A”;
  - (d) write, in the special box provided on the larger **WHITE** official envelope “B” addressed to DBS Bank Ltd, 6 Shenton Way, #36-01 DBS Building Tower One, Singapore 068809, the number of Offer Units you have applied for; and
  - (e) insert the **WHITE** official envelope “A” into the **WHITE** official envelope “B”, seal **WHITE** official envelope “B”, affix adequate Singapore postage on **WHITE** official envelope “B” (if despatching by ordinary post) and thereafter **DESPATCH BY ORDINARY POST OR DELIVER BY HAND** the documents at your own risk to DBS Bank Ltd, 6 Shenton Way, #36-01 DBS Building Tower One, Singapore 068809, so as to arrive by 8 a.m. on 6 August 2003 or such other date(s) and time(s) as the Manager may agree with the Global Co-ordinator. Local Urgent Mail or Registered Post must **NOT** be used.
- (3) Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances or which are not honoured upon their first presentation are liable to be rejected.
- (4) **ONLY ONE APPLICATION** should be enclosed in each envelope. No acknowledgement of receipt will be issued for any application or remittance received.

#### **Procedures Relating to Applications for the Placement Units by Way of Printed Application Forms**

- (1) Your application for the Placement Units by way of printed Application Forms must be made using the **BLUE** Placement Units Application Forms.
- (2) The completed and signed **BLUE** Placement Units Application Form and your remittance, in accordance with the terms and conditions of this Prospectus, in Hong Kong dollars for the full amount payable at the Specified Price for each Unit, in respect of the number of Placement Units applied for, with your name, Securities Account number and address clearly written on the reverse side, must be enclosed and sealed in an envelope to be provided by you. You must affix adequate postage on the envelope (if despatching by ordinary post) and thereafter the sealed envelope must be **DESPATCHED BY ORDINARY POST OR DELIVERED BY HAND** at your own risk to DBS Bank Ltd, 6 Shenton Way, #36-01 DBS Building Tower One, Singapore 068809, to arrive by 8 a.m. on 6 August 2003 or such other date(s) and time(s) as the Manager may agree with the Global Co-ordinator. Local Urgent Mail or Registered Post must **NOT** be used.

- (3) Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances or which are not honoured upon their first presentation are liable to be rejected.
- (4) ONLY ONE APPLICATION should be enclosed in each envelope. No acknowledgement of receipt will be issued for any application or remittance received.

#### **Additional Terms and Conditions for Electronic Applications**

Your Electronic Application shall be made on the terms and subject to the conditions of this Prospectus, including but not limited to, the terms and conditions appearing below and those set out under the section “Terms, Conditions and Procedures for Application for and Acceptance of the Units in Singapore” on pages A-40 to A-57 this Prospectus and the Trust Deed.

- (1) The procedures for Electronic Applications are set out on the ATM screens of the relevant Participating Banks (in the case of ATM Electronic Applications), the IB website screens of the relevant Participating Banks (in the case of Internet Electronic Applications) and the website of DBS-TDW (in the case of Internet Placement Applications). Currently, DBS Bank and the UOB Group are the only Participating Banks through which the Internet Electronic Applications may be made.
- (2) For illustration purposes, the procedures for Electronic Applications through ATMs and the IB website of DBS Bank and the procedures for Internet Placement Applications through the website of DBS-TDW (together the “Steps”) are set out on pages A-54 to A-57 of this Prospectus. The Steps set out the action that you must take at ATMs or the IB website of DBS Bank or the website of DBS-TDW to complete an Electronic Application. The actions that you must take at the ATMs or the IB websites of the other Participating Banks are set out on the ATM screens or the IB website screens of the relevant Participating Banks.
- (3) Please read carefully the terms of this Prospectus, the Steps and the terms and conditions for Electronic Applications set out below before making an Electronic Application. Any reference to “you” or the “Applicant” in the Additional Terms and Conditions for Electronic Applications and the Steps shall refer to you making an application for the Offer Units through an ATM of a relevant Participating Bank or the IB website of a relevant Participating Bank or an application for Internet Placement Units through the website of DBS-TDW.
- (4) If you are making an ATM Electronic Application:
  - (a) You must have an existing bank account with and be an ATM cardholder of one of the Participating Banks. An ATM card issued by one Participating Bank cannot be used to apply for Units at an ATM belonging to other Participating Banks.
  - (b) You must ensure that you enter your own Securities Account number when using the ATM card issued to you in your own name. If you fail to use your own ATM card or do not key in your own Securities Account number, your application will be rejected. If you operate a joint bank account with any of the Participating Banks, you must ensure that you enter your own Securities Account number when using the ATM card issued to you in your own name. Using your own Securities Account number with an ATM card which is not issued to you in your own name will render your Electronic Application liable to be rejected.
  - (c) Upon the completion of your ATM Electronic Application transaction, you will receive an ATM transaction slip (“Transaction Record”), confirming the details of your ATM Electronic Application. The Transaction Record is for your retention and should not be submitted with any printed Application Form.

- (5) If you are making an Internet Electronic Application:
- (a) you must have an existing bank account with, and a User Identification (“User ID”) as well as a Personal Identification Number (“PIN”) given by, the relevant Participating Bank;
  - (b) you must ensure that the mailing address of your account selected for the application is in Singapore and you must declare that the application is being made in Singapore. Otherwise, your application is liable to be rejected. In this connection, you will be asked to declare that you are in Singapore at the time when you make the application; and
  - (c) upon the completion of your Internet Electronic Application through the IB website of DBS Bank, there will be an on-screen confirmation (“Transaction Completed Screen”) of the application which can be printed out by you for your record. This printed record of the Transaction Completed Screen is for your retention and should not be submitted with any printed Application Form.
- (6) If you are making an Internet Placement Application:
- (a) you must have an existing trading account with, and a User ID as well as a password given by, DBS-TDW;
  - (b) you must ensure that the mailing address of your account selected for the application is in Singapore and you must declare that you are in Singapore. Otherwise, your application is liable to be rejected; and
  - (c) upon the completion of your Internet Placement Application, there will be a Confirmation Screen which can be printed out by you for your record. This printed record of the Confirmation Screen is for your retention and should not be submitted with any printed Application Form.
- (7) In connection with your Electronic Application, you are required to confirm statements to the following effect in the course of activating the Electronic Application:
- (a) that you have read, understood and agreed to all the terms and conditions of application for the Units and this Prospectus prior to effecting the Electronic Application and agree to be bound by the same;
  - (b) that you consent to the disclosure of your name, NRIC or passport number, address, nationality, permanent resident status, Securities Account number, CPF Investment Account number (if applicable) and Unit application amount (the “Relevant Particulars”) from your account with the relevant Participating Bank or DBS-TDW, as the case may be, to the Relevant Parties; and
  - (c) where you are applying for the Offer Units, that this is your only application for the Offer Units and it is made in your name and at your own risk.

Your application will not be successfully completed and cannot be recorded as a completed transaction unless you press the “Enter” or “OK” or “Confirm” or “Yes” or any other relevant key in the ATM or click “Confirm” or “OK” or “Submit” or “Continue” or “Yes” or any other relevant button on the website screen. By doing so, you shall be treated as signifying your confirmation of each of the above three statements. In respect of paragraph (7)(b) above, your confirmation, by pressing the “Enter” or “OK” or “Confirm” or “Yes” or any other relevant key or by clicking “Confirm” or “OK” or “Submit” or “Continue” or “Yes” or any other relevant button, shall signify and shall be treated as your written permission, given in accordance with the relevant laws of Singapore, including Section 47(2) of the Banking Act, Chapter 19 of Singapore, to the disclosure by that Participating Bank or DBS-TDW, as the case may be, of the Relevant Particulars of your account(s) with that Participating Bank to the Relevant Parties.

- (8) By making an Electronic Application, you confirm that you are not applying for the Offer Units or Placement Units as a nominee of any other person and that any Electronic Application that you make for the Offer Units is the only application made by you as the beneficial owner. You shall make only one Electronic Application for the Offer Units and shall not make any other application for the Offer Units whether at the ATMs of any Participating Bank or the IB websites of the relevant Participating Banks, as the case may be, or on an Offer Units Application Form. Where you have made an application for the Offer Units on an Application Form, you must not make an ATM Electronic Application or Internet Electronic Application for the Offer Units and *vice versa*.

You must have sufficient funds in your bank account with your Participating Bank at the time you make your ATM Electronic Application or Internet Electronic Application, failing which such Electronic Application will not be completed. Any ATM Electronic Application or Internet Electronic Application which does not conform strictly to the instructions set out in this Prospectus or on the screens of the ATM or on the IB website of the relevant Participating Bank, as the case may be, through which your ATM Electronic Application or Internet Electronic Application is being made shall be rejected.

- (9) You may apply and make payment for your application for the Offer Units in Singapore dollars through any ATM or IB website of your Participating Bank (as the case may be) by authorising your Participating Bank to deduct the full amount payable from your bank account(s) with such Participating Bank.
- (10) If you make an Internet Placement Application through the website of DBS-TDW, you must have sufficient funds in your nominated Automatic Payment account with an Automatic Payment Facility (direct debit/credit authorisation or “GIRO”) with DBS-TDW. Your application will be rejected if there are insufficient funds in your account for DBS-TDW to deduct the full amount payable from your account for your application.
- (11) You irrevocably agree and undertake to subscribe for and to accept the number of Offer Units or Placement Units (as the case may be) applied for as stated on the Transaction Record or the Transaction Completed Screen or the Confirmation Screen or any lesser number of such Offer Units or Placement Units (as the case may be) that may be allocated to you in respect of your Electronic Application. In the event that the Manager decides to allocate any lesser number of such Offer Units or Placement Units (as the case may be) or not to allocate any Offer Units or Placement Units (as the case may be) to you, you agree to accept such decision as final. If your Electronic Application is successful, your confirmation (by your action of pressing the “Enter” or “OK” or “Confirm” or “Yes” or any other relevant key on the ATM or clicking “Confirm” or “OK” or “Submit” or “Continue” or “Yes” or any other relevant button on the website screen) of the number of Offer Units or Placement Units (as the case may be) applied for shall signify and shall be treated as your acceptance of the number of Offer Units or Placement Units (as the case may be) that may be allocated to you and your agreement to be bound by the Trust Deed.
- (12) The Manager will not keep any application in reserve. Where your Electronic Application is rejected or unsuccessful, the full amount of the application monies will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to your account with your Participating Bank or if you have applied for the Internet Placement Units through DBS-TDW, by ordinary post or such other means as DBS-TDW may agree with you, at your risk, within 14 Market Days after the Closing Date (or such shorter period as the SGX-ST may require) provided that the remittance in respect of such application which has been presented for payment or other processes has been honoured and the application monies have been received in the designated unit issue account.

Where the Offering does not proceed for any reason, it is expected that the full amount of the application monies will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to your account with your Participating Bank or if you have applied for the Internet Placement Units through DBS-TDW, by ordinary post or such other means as DBS-TDW may agree with you, at your risk, within three Market Days (but in any event not later than 14 Market Days) after the Closing Date or the discontinuation of the Offering, as the case may be, provided that the remittance in respect of such application which has been presented for payment or other processes has been honoured and the application monies have been received in the designated unit issue account.

Where your Electronic Application is accepted in full or in part only, the balance of the application monies, if any, (including the excess monies arising from the difference between the Offering Price and the maximum subscription price should the Offering Price be lower than the maximum subscription price and/or if you are eligible for any Volume Discount, the excess monies arising from such Volume Discount), as the case may be, will be returned (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to your account with your Participating Bank or if you have applied for the Internet Placement Units through DBS-TDW, by ordinary post or such other means as DBS-TDW may agree with you, at your risk, within 14 Market Days after the Closing Date provided that the remittance in respect of such application which has been presented for payment or other processes has been honoured and the application monies received in the designated unit issue account.

Responsibility for timely refund of application monies (whether from unsuccessful or partially successful Electronic Applications, Volume Discount or otherwise) lies solely with the respective Participating Banks and with DBS-TDW (as the case may be). Therefore, you are strongly advised to consult your Participating Bank or DBS-TDW as to the status of your Electronic Application and/or the refund of any money to you from an unsuccessful or partially successful Electronic Application and/or (if applicable) from any Volume Discount, to determine the exact number of Units, if any, allocated to you before trading the Units on the SGX-ST. None of the SGX-ST, CDP, SCCS, the Participating Banks, DBS-TDW, the Manager, the Trustee or any of the Underwriters assumes any responsibility for any loss that may be incurred as a result of you having to cover any net sell positions or from buy-in procedures activated by the SGX-ST.

- (13) If your ATM Electronic Application is unsuccessful, no notification will be sent by the relevant Participating Bank.

If your Internet Electronic Application is unsuccessful, no notification will be sent by such Participating Bank or DBS-TDW.

It is expected that successful applicants who applied for Internet Placement Units through the website of DBS-TDW will be notified of the results of their applications through the website of DBS-TDW no later than the evening of the day immediately prior to the commencement of trading of the Units on the SGX-ST.

Applicants who make ATM Electronic Applications through the following banks may check the provisional results of their ATM Electronic Applications as follows:-

Bank	Telephone	Available at	Operating Hours	Service expected from
DBS Bank	1800-339 6666 (for POSB Account Holders)  1800-111 1111 (for DBS Account Holders)	Internet Banking or Internet Kiosk  <a href="http://www.dbs.com">http://www.dbs.com</a> <sup>(1)</sup>	24 hours a day	Morning after the balloting day
OCBC	1800-363 3333	ATM	ATM/Phone Banking: 24 hours a day	Morning after the balloting day
UOB Group	1800-222 2121	ATM (Other Transactions — “IPO Enquiry”)  <a href="http://www.uobgroup.com">www.uobgroup.com</a> <sup>(1) (2)</sup>	ATM/Phone Banking: 24 hours a day  Internet Banking: 24 hours a day	Morning after the balloting day  Morning after the balloting day

**Notes:**

- (1) Applicants who have made Internet Electronic Applications through the IB website of DBS Bank or UOB Group may also check the result of their applications through the same channels listed in the table above in relation to ATM Electronic Applications made at the ATMs of DBS Bank or UOB Group.
- (2) Applicants who have made Electronic Applications through the ATMs or the IB website of UOB Group may check the results of their applications through UOB Personal Internet Banking, UOB ATMs or UOB Phone Banking services.

- (14) ATM Electronic Applications shall close at 8 a.m. on 6 August 2003 or such other date(s) and time(s) as the Manager may agree with the Global Co-ordinator. All Internet Electronic Applications and Internet Placement Applications must be received by 8 a.m. on 6 August 2003, or such other date(s) and time(s) as the Manager may agree with the Global Co-ordinator. Internet Electronic Applications and Internet Placement Applications are deemed to be received when they enter the designated information system of the relevant Participating Bank or DBS-TDW, as the case may be.
- (15) You are deemed to have irrevocably requested and authorised the Trustee or the Manager to:
- (a) register the Offer Units or Placement Units, as the case may be, allocated to you in the name of CDP for deposit into your Securities Account;
  - (b) return or refund (without interest or any share of revenue earned or other benefit arising therefrom) the application monies, (i) should your Electronic Application be rejected or unsuccessful, by automatically crediting your bank account with your Participating Bank or if you have applied for the Internet Placement Units through DBS-TDW, by ordinary post or such other means as DBS-TDW may agree with you, at your risk, with the relevant amount within 14 Market Days after the Closing Date, or such shorter period as the SGX-ST may require, or (ii) if the Offering does not proceed for any reason, by automatically crediting your bank account with your Participating Bank or if you have applied for the Internet Placement Units through DBS-TDW, by ordinary post or such other means as DBS-TDW may agree with you, at your risk, with the relevant amount, expected to be within three Market Days (but in any event not later than 14 Market Days) after the Closing Date or the discontinuation of the Offering, as the case may be, provided that the remittance in respect of such application which has been presented for payment or other processes has been honoured and application monies received in the designated trust unit issue account; and
  - (c) return or refund (without interest or any share of revenue or other benefit arising therefrom) the balance of the application monies (including the excess monies arising from the difference between the Offering Price and (i) the maximum subscription price or (ii) (in the case of an application by way of a Placement Units Application Form) the Specified Price, should the Offering Price be lower than the maximum subscription price or the Specified Price (as the case may be) and/or, if you are eligible for any Volume Discount, the excess monies arising from such Volume Discount), should your Electronic Application be accepted or accepted in part only, by automatically crediting your bank account with your Participating Bank or if you have applied for Internet Placement Units through DBS-TDW, by ordinary post or such other means as DBS-TDW may agree with you, at your risk, with the relevant amount within 14 Market Days after the Closing Date provided that the remittance in respect of such application which has been presented for payment or other processes has been honoured and application monies received in the designated unit issue account.
- (16) You irrevocably agree and acknowledge that your Electronic Application is subject to risks of electrical, electronic, technical and computer-related faults and breakdown, fires, acts of God and other events beyond the control of the Participating Banks, DBS-TDW, the Manager and the Global Co-ordinator, and in any such event, if the Manager, the Global Co-ordinator, DBS-TDW and/or the relevant Participating Bank do not receive your Electronic Application, or data relating to your Electronic Application or the tape or any other devices containing such data is lost, corrupted or not otherwise accessible, whether wholly or partially for whatever reason, you shall be deemed not to have made an Electronic Application and you shall have no claim whatsoever against the Trustee, the Manager, the Global Co-ordinator and/or the relevant Participating Bank or DBS-TDW for the Offer Units or Placement Units, as the case may be, applied for or for any compensation, loss or damage.

- (17) The existence of a trust will not be recognised. Any Electronic Application by a trustee or trustees must be made in his/her/their own name(s) and without qualification. The Manager shall reject any application by any person acting as nominee.
- (18) All your particulars in the records of your Participating Bank or DBS-TDW at the time you make your Electronic Application shall be deemed to be true and correct and your Participating Bank or DBS-TDW and the Relevant Parties shall be entitled to rely on the accuracy thereof. If there has been any change in your particulars after making your Electronic Application, you must promptly notify your Participating Bank or DBS-TDW (as the case may be).
- (19) You should ensure that your personal particulars as recorded by both CDP and the relevant Participating Bank or DBS-TDW (as the case may be) are correct and identical. Otherwise, your Electronic Application is liable to be rejected. You should promptly inform CDP of any change in address, failing which the notification letter on successful allocation will be sent to your address last registered with CDP.
- (20) By making and completing an Electronic Application, you are deemed to have agreed that, in consideration of the Global Co-ordinator making available the Electronic Application facility, through the Participating Banks and DBS-TDW acting as agents of the Manager at the ATMs and at the IB websites of the relevant Participating Banks and the website of DBS-TDW:
- (a) your Electronic Application is irrevocable;
  - (b) your Electronic Application, the acceptance by the Manager and the contract resulting therefrom under the Offering shall be governed by and construed in accordance with the laws of Singapore and you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;
  - (c) none of the Manager, the Global Co-ordinator, the Participating Banks or DBS-TDW shall be liable for any delays, failures or inaccuracies in the recording, storage or in the transmission or delivery of data relating to your Electronic Application to the Trustee, Manager or CDP due to breakdowns or failure of transmission, delivery or communication facilities or any risks referred to in paragraph (16) above or to any cause beyond their respective controls;
  - (d) in respect of the Units for which your Electronic Application has been successfully completed and not rejected, acceptance of your Electronic Application shall be constituted by written notification by or on behalf of the Manager and not otherwise, notwithstanding any payment received by or on behalf of the Manager;
  - (e) you will not be entitled to exercise any remedy for rescission for misrepresentation at any time after acceptance of your application; and
  - (f) reliance is placed solely on information contained in this Prospectus and that none of the Manager, the Trustee, any of the Underwriters or any other person involved in the Offering shall have any liability for any information not so contained.

#### **Steps for Electronic Applications through ATMs of DBS Bank (including POSB)**

Instructions for ATM Electronic Applications will appear on the ATM screens of the respective Participating Bank. For illustration purposes, the steps for making an ATM Electronic Application through a DBS Bank or POSB ATM are shown below. Certain words appearing on the screen are in abbreviated form (“A/c”, “amt”, “appln”, “&”, “I/C”, “No.”, “SGX” and “Max” refer to “Account”, “amount”, “application”, “and”, “NRIC”, “Number”, “SGX-ST” and “Maximum”, respectively). Instructions for ATM Electronic Applications on the ATM screens of Participating Banks (other than DBS Bank (including POSB ATMs)) may differ slightly from those represented below.

- Step
- 1: Insert your personal DBS Bank or POSB ATM Card.
  - 2: Enter your Personal Identification Number.
  - 3: Select “CASHCARD & MORE SERVICES”.
  - 4: Select “ESA-IPO SHARE/INVESTMENT”.
  - 5: Select “ELECTRONIC SECURITY APPLN (IPOS/BOND/ST-NOTES)”.

- 6: Read and understand the following statements which will appear on the screen:
  - THE OFFER OF SECURITIES (OR UNITS OF SECURITIES) WILL BE MADE IN, OR ACCOMPANIED BY, A COPY OF THE PROSPECTUS/DOCUMENT OR PROFILE STATEMENT (AND IF APPLICABLE, A COPY OF THE REPLACEMENT OR SUPPLEMENTARY PROSPECTUS/DOCUMENT OR PROFILE STATEMENT) WHICH CAN BE OBTAINED FROM ANY DBS/POSB BRANCH IN SINGAPORE AND, WHERE APPLICABLE, THE VARIOUS PARTICIPATING BANKS DURING BANKING HOURS, SUBJECT TO AVAILABILITY.
  - ANYONE WISHING TO ACQUIRE THESE SECURITIES (OR UNITS OF SECURITIES) SHOULD READ THE PROSPECTUS/DOCUMENT OR PROFILE STATEMENT (AS SUPPLEMENTED OR REPLACED, IF APPLICABLE) BEFORE SUBMITTING HIS APPLICATION WHICH WILL NEED TO BE MADE IN THE MANNER SET OUT IN THE PROSPECTUS/DOCUMENT OR PROFILE STATEMENT (AS SUPPLEMENTED OR REPLACED, IF APPLICABLE). A COPY OF THE PROSPECTUS/DOCUMENT OR PROFILE STATEMENT, AND IF APPLICABLE, A COPY OF THE REPLACEMENT OR SUPPLEMENTARY PROSPECTUS/DOCUMENT OR PROFILE STATEMENT HAS BEEN LODGED WITH AND REGISTERED BY THE MONETARY AUTHORITY OF SINGAPORE WHO ASSUMES NO RESPONSIBILITY FOR ITS OR THEIR CONTENTS.
- 7: Select “FORTUNE” to display details.
- 8: Press the “ENTER” key to acknowledge:
  - You have read, understood and agreed to all terms of the application and the Prospectus/Document or Profile Statement, and if applicable, the Replacement or Supplementary Prospectus/Document or Profile Statement.
  - You consent to disclose your name, NRIC/Passport No., address, nationality, CDP Securities A/c No., and securities application amount from your Bank Account(s) to Unit registrars, SGX, SCCS, CDP, CPF, issuer/vendor(s).
  - For FIXED and MAX price securities application, this is your only application and it is made in your own name and at your own risk.
  - The maximum price for each unit is payable in full on application and subject to refund if the final price is lower.
  - For TENDER securities application, this is your only application at the selected tender price and it is made in your own name and at your own risk.
  - You are not a U.S. Person as referred to in the Prospectus/Document or Profile Statement, and if applicable, the Replacement or Supplementary Prospectus/Document or Profile Statement.
- 9: Select your nationality.
- 10: Select the DBS Bank account (Autosave/Current/Savings/Savings Plus) or the POSB account (current/savings) from which to debit your application monies.
- 11: Enter the number of securities you wish to apply for using cash.
- 12: Enter or confirm (if your CDP Securities Account number has already been stored in the Bank’s records) your own 12-digit CDP Securities Account number.
- 13: Check the details of your Unit application, your NRIC or passport number and CDP Securities Account number and number of securities on the screen and press the “ENTER” key to confirm application.
- 14: Remove the Transaction Record for your reference and retention only.

### Steps for Internet Electronic Application through the IB Website of DBS Bank

For illustrative purposes, the steps for making an Internet Electronic Application through the DBS Bank IB website are shown below. Certain words appearing on the screen are in abbreviated form (“A/C”, “amt”, “&”, “I/C”, “SGX” and “No.” refer to “Account”, “Amount”, “and”, “NRIC”, “SGX-ST” and “Number”, respectively).

- Step 1: Click on to DBS Bank website (www.dbs.com).
- 2: Login to Internet banking.
- 3: Enter your User ID and PIN.
- 4: Select “Electronic Security Application”.
- 5: Click “Yes” to proceed and to warrant, *inter alia*, that you are currently in Singapore, have observed and complied with all applicable laws and regulations and that your mailing address for DBS Internet Banking is in Singapore.
- 6: Select your country of residence and click “I Confirm”.
- 7: Click on “FORTUNE” and click the “Submit” button.
- 8: Click “I Confirm” to confirm, *inter alia*:
- You have read, understood and agreed to all terms of application and the Prospectus/ Document or Profile Statement and if applicable, the Supplementary or Replacement Prospectus/Document or Profile Statement.
  - You consent to disclose your name, NRIC or Passport No., address, nationality, CDP Securities A/c No., CPF Investment A/c No. (if applicable) and securities application amount from your DBS/POSB Account(s) to registrars of securities, SGX, SCCS, CDP, CPF Board and issuer/vendor(s).
  - You are not a U.S. Person (as such term is defined in Regulation S under the United States Securities Act of 1933, as amended).
  - This application is made in your own name and at your own risk.
  - For FIXED/MAX price securities application, this is your only application. For TENDER price securities application, this is your only application at the selected tender price.
- 9: Fill in details for Unit application and click “Submit”.
- 10: Check the details of your Unit application, your NRIC or passport number and click “OK” to confirm your application.
- 11: Print the Confirmation Screen (optional) for your reference and retention only.

### Steps for Internet Placement Applications through the website of DBS-TDW

For illustrative purposes, the steps for making an application through the website of DBS-TDW is shown below:

- Step 1: Access the website at [www.dbstdwaterhouse.com](http://www.dbstdwaterhouse.com).
- 2: Login with User ID and password.
- 3: Click on to the IPO Centre hyperlink to go to the IPO Section.
- 4: Click on the IPO Issue hyperlink.
- 5: Click “Yes” to represent and warrant, *inter alia*, that you are in Singapore and you are not a U.S. person (as such term is defined in Regulation S under the United States Securities Act of 1933, as amended).
- 6: Confirm the IPO you are applying for and its details by clicking on the “Next” button.
- 7: Click “Yes” and click “Submit” to confirm, *inter alia*:
- You have read, understood and agreed to the terms and conditions set out in the Prospectus/Document or Profile Statement including the notes and instructions for completion of this Application Form and that this application has been made in accordance with the Prospectus/Document or Profile Statement and such notes and instructions.
  - You have read and understood the disclaimers.
  - You have read, understood and agreed to the “APPLICATION TERMS AND CONDITIONS” and the “GENERAL TERMS AND DISCLAIMERS”.
  - You consent to disclose your name, NRIC or passport number, address, nationality and permanent resident status, CDP Securities A/c No., CPF Investment A/c No. (if applicable) and securities application amount from your account with DBS-TDW to the Issuer and the Manager, registrars of securities, SGX, SCCS, CDP and CPF (as applicable).
  - This application is made in your own name and at your own risk.
  - You understand that these are not deposits or other obligations of or guaranteed or insured by DBS-TDW and are subject to investment risks, including the possible loss of the principal amount invested.
- 8: Fill in amount of securities applied for and click “Submit”.
- 9: Check and verify the details of your securities application and your personal particulars on the screen.
- 10: Enter your password and click “Submit” to continue.
- 11: Click on “Application Status” to check your IPO application details.
- 12: Print page for your reference and retention only.

**Appendix VII**  
**Retail Market Overview and Individual Asset Summary Report**



7<sup>th</sup> July 2003

ARA Asset Management (Singapore) Limited  
(As Manager of Fortune REIT)  
7 Temasek Boulevard  
#12-03 Suntec City Tower 1  
Singapore 038987

**FPDSavills (Hong Kong) Limited**  
23/F Two Exchange Square  
Central  
Hong Kong  
EA Licence: C-002450  
Telephone: (852) 2842 4400  
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Bermuda Trust (Singapore) Limited  
(As Trustee of Fortune REIT)  
20 Raffles Place  
#13-01/05 Ocean Towers  
Singapore 048620



Dear Sirs,

**RETAIL MARKET OVERVIEW AND INDIVIDUAL ASSET REPORTS**

As requested we have prepared a Retail Market Overview for ARA Asset Management (Singapore) Limited ("ARA") which includes an overview of the retail sector in Hong Kong. We have also undertaken an assessment of the five shopping centres to be included in the Fortune Real Estate Investment Trust in the form of Individual Asset Reports. The five shopping centres are: The Metropolis Mall in Hung Hom; Ma On Shan Plaza in Ma On Shan; The Household Center in Kwai Chung; Smartland in Tsuen Wan; and Jubilee Court Shopping Centre in Fo Tan.

Our Retail Market Overview and Individual Asset Reports dated 7<sup>th</sup> July 2003 comprise 40 and 166 pages respectively and are based on information available as at 31<sup>st</sup> March 2003. This letter summarises the key findings from these reports.

The key findings from our Retail Market Overview are detailed below:

**General Overview of the Hong Kong Retail Market**

Retailing was Hong Kong's second largest industry (after the import and export trade) in terms of number of employees in Q4/2002<sup>1</sup>. In 2002, retail sales reached HK\$176.8 billion. Hong Kong's 55,000 retail outlets<sup>2</sup> cover a range of different formats – department stores, warehouse-style hypermarkets, supermarkets, convenience stores, speciality shops, traditional independently-run shops, home shopping operations (including mail order) and, increasingly, franchise operations. Hong Kong's approximately 110 franchise operations run almost 2,000 outlets<sup>3</sup>, and although the majority have originated locally, international players include McDonald's, Body Shop and Benetton. In recent years, the number of shopping centres has grown in Hong Kong's new

<sup>1</sup> Source: Quarterly Report on General Household Survey October to December 2002, Census and Statistics Department, Hong Kong Government.

<sup>2</sup> Source: Business and Consumer Services in Hong Kong, Trade Partners UK.

<sup>3</sup> Source: Business and Consumer Services in Hong Kong, Trade Partners UK.

satellite towns, and information technology is now widely applied in store operation and management.

### ***Structural Change in Hong Kong***

The growth of Hong Kong's retail sector over recent years has reflected the growth of the service sector of the economy. With the relocation of manufacturing industries to southern China from the late 70s, the level of the manufacturing sector's contribution to the local economy has declined dramatically over the past 20 years. During the period between 1980 and 2001, service sector productivity increased 10-fold, contributing approximately 87 per cent of local (nominal) GDP in 2001. Of this, the size of the "Wholesale, Retail and Import/Export Trades, Restaurants and Hotels" sub-sector increased by around 10 times contributing approximately 27 per cent of local (nominal) GDP in 2001.

This structural change from a low value manufacturing based economy towards a high value-added services based economy has also increased income, and therefore spending power of Hong Kong residents, resulting in strong retail market growth. The stock of private commercial<sup>4</sup> premises doubled between 1980 and 2002, an increase of approximately 50 million sq.ft. to a total of 99 million sq.ft. by the end of 2002.

Hong Kong has benefited greatly from its close proximity to mainland China, and its ability to tap into the vast resources and population which is on its doorstep. Being located in the international time zone between Asia and Europe has also helped Hong Kong to become a global financial centre. With the added advantage of having a natural deep-water harbour, Hong Kong has become a gateway for trade into mainland China and in 2001, it was the world's busiest container port in terms of throughput and the ninth largest trading centre in the world in terms of trade values.

The service sector is now a key component of the Hong Kong economy and the insurance, real estate and business services in Hong Kong have made it one of the most important financial centres in the world. Wages in Hong Kong started to rise in the 1980s at the same time as China opened its doors to foreign investment, and it became possible to relocate manufacturing industries into China to take advantage of lower costs. Today products are still usually imported into Hong Kong from mainland China before being re-exported to overseas markets.

Together with Hong Kong's geographical attributes, its "laissez-faire" approach to the economy has allowed rapid and sustained growth. The economy proves attractive to foreign investors for several key reasons: Hong Kong has a low tax environment; an educated and skilled labour force; a sound legal and financial framework; a fully convertible and secure currency; and a highly efficient transport and communications network. Despite earlier concerns, the 1997 handover of Hong Kong to China was completed successfully and the territory's political environment is currently stable.

### ***Fewer Retail Facilities than other Economies in the Region***

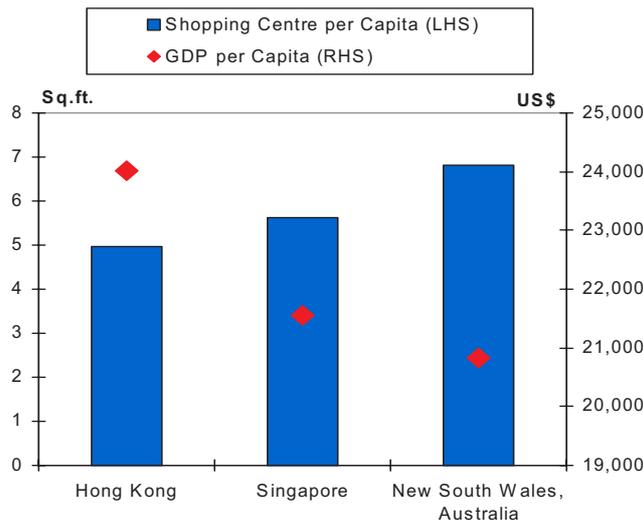
Given this rapid structural change, retail facilities have so far failed to keep pace with the growing wealth of Hong Kong residents compared with other similar centres in the region. A rough

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<sup>4</sup> Defined by the Rating and Valuation Department, Hong Kong Government as retail premises and other premises designed or adapted for commercial use, with the exception of purpose-built offices and car parking space.

comparison between GDP per capita and per person shopping centre stock in major developed economies in the region is presented below:

**GDP and Shopping Centre Stock Per Capita, Regional Comparison<sup>5</sup>, 2002**



Source: FPD Savills Research

FX rates (as at 31<sup>st</sup> December, 2002):

- (1) US\$1 = HK\$7.8
- (2) US\$1 = AU\$1.78
- (3) US\$1 = SG\$1.74

It can be seen that, while Hong Kong’s wealth measured by GDP per capita is comparatively high, this is not supported by comparable retail facilities.

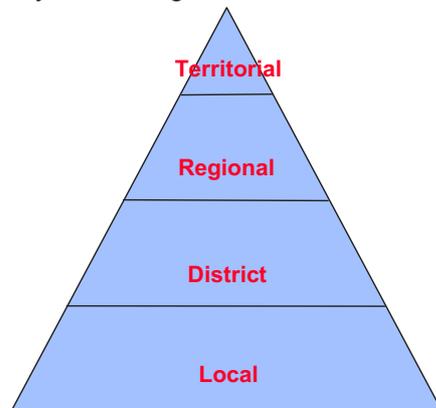
**The Pattern of Retail Provision**

Hong Kong has developed a retail network to cater for the growing consumption needs of local residents and tourists. Retailing in tourist areas such as Central on Hong Kong Island and Tsimshatsui, Kowloon is geared towards the high end market and caters for high income groups and tourists. In older districts such as Wanchai on Hong Kong Island and Mongkok, Kowloon, retailing is oriented towards middle-income groups and local residents in neighbouring areas. Retailing in new towns within the New Territories, such as Shatin and Tseung Kwan O, focuses on residents in public and private housing estates within the immediate and neighbouring areas.

A basic hierarchy of retailing centres in Hong Kong can be defined by the size of the centre, the size of catchment it serves, the range of shops located in that centre and the availability of other attractions and facilities.

<sup>5</sup> Hong Kong Shopping centre stock is estimated by counting major developers’ shopping centres (single ownership) of above 100,000 sq.ft. Shopping centre stock in Singapore is estimated by assuming 90 per cent of private retail space is in shopping centre format. Shopping centre stock of New South Wales is according to FPD Savills (Australia) office’s own estimate, which covers Super Regional, Major Regional, Regional, Sub-regional and Neighbourhood Centres.

A basic hierarchy of retailing areas has evolved in Hong Kong:



Territorial Centres serve the entire population of Hong Kong as well as tourists. They also provide territory-wide entertainment and have a significant amount of commercial floor space provision. Examples include Festival Walk in Kowloon Tong and Pacific Place in Admiralty, both are located above major public transport interchanges comprising both roads and rail links.

Regional Centres are also characterised by significant areas of retail space but fulfil a regional function, serving a catchment population of about 250,000 to 1,000,000. They are dominated by one main shopping centre between 500,000 and 1 million sq.ft. in size. Regional Centres are typically found in the larger new towns or major suburban locations. Examples include Telford Plaza in Kowloon Bay and Tuen Mun Town Plaza in Tuen Mun.

As medium-scale shopping centres serving individual district, District Centres are typically of around 200,000 to 500,000 sq.ft. in size. Examples of such centres include Discovery Park in Tsuen Wan and Plaza Hollywood in Diamond Hill. Providing a larger range of goods and services compared with Local Centres, District Centres cater for the comprehensive needs of residents in a district by offering necessity goods and community services as well as comparison goods, such as fashion and furniture, and a wider range of services, such as food & beverage and entertainment.

Given their larger catchment populations, District Centres are more reliant on strong transport infrastructure if their customer base is to be fully exploited. Such centres usually enjoy close proximity to several modes of transport including buses, taxis and private cars as well as (in some cases) rail linkages via either the Kowloon Canton Railway, Mass Transit Railway or light rail.

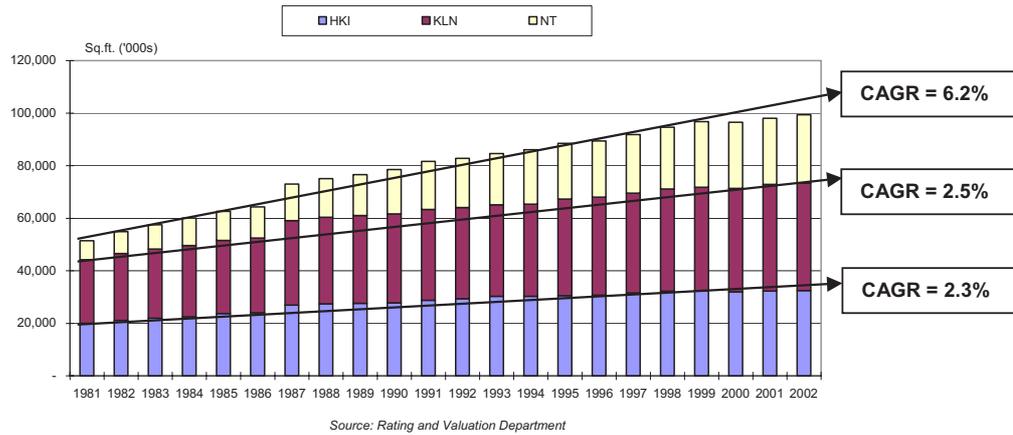
Local Centres are sustained by neighbourhood catchments whose residents purchase daily shopping items (provided by supermarkets, local restaurants, “mom and pop” stores, fast food outlets, convenience stores, stationers etc.) and use community services such as pre-school education, specialised tuition or religious foundations in the local centres. The tenants of such centres typically enjoy stable incomes and tend to occupy for longer periods, developing a loyal and frequent customer base among the local population.

### ***Total Stock, Distribution and Supply***

Private Commercial Premises totalled 99 million sq.ft. at the end of 2002. More than 40 per cent of the private commercial stock in Hong Kong is located in Kowloon while Hong Kong Island and

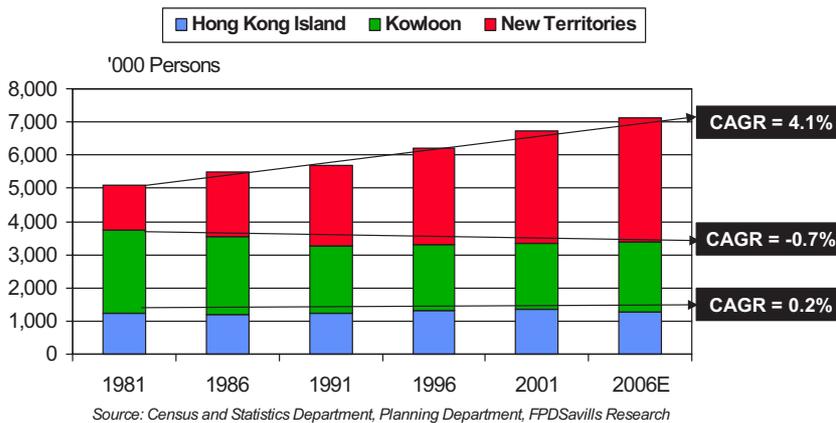
the New Territories have shares of around 33 and 26 per cent, respectively. Whilst the compound annual growth rate (“CAGR”) of overall private commercial stock between 1981 and 2002 was 3.2 per cent, growth was primarily driven by the rapid expansion of the New Territories sub-market as shown in the chart below. This trend is strongly related to the Hong Kong Government’s urban development policy.

**Private Commercial Stock by District, 1981 to 2002**



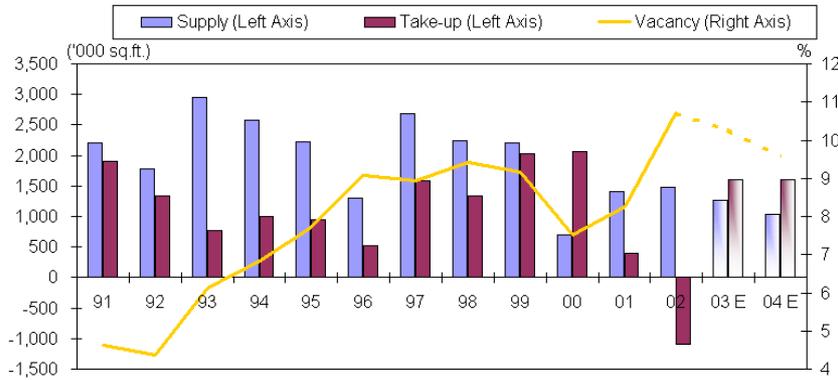
New town projects were initiated in 1973 and Tsuen Wan, Shatin and Tuen Mun were chosen to become the first new towns. At present, there are nine developed new towns in the New Territories, housing approximately 3.2 million people, or 47 per cent of the total population of Hong Kong. Improving infrastructure, better quality of life and relatively lower living costs have attracted people to live in these originally rural areas. The charts below highlight population growth in the New Territories over recent years.

**Population by District, 1981 to 2006 (Estimate)**



The supply of new private commercial premises averaged 2.3 million sq.ft.<sup>6</sup> per annum between 1981 and 2002. The emergence of large shopping centres led to increased vacancy rates from the early 1990s. Take-up<sup>7</sup> averaged 1.6 million sq.ft. per annum between 1982 and 2002. Increased take-up was noted after the 1997 financial crisis compared with the early 1990s. Supply in 2003 is estimated at approximately 1.3 million sq.ft. of new private commercial premises which is below the long-term average annual take-up of 1.6 million sq.ft.

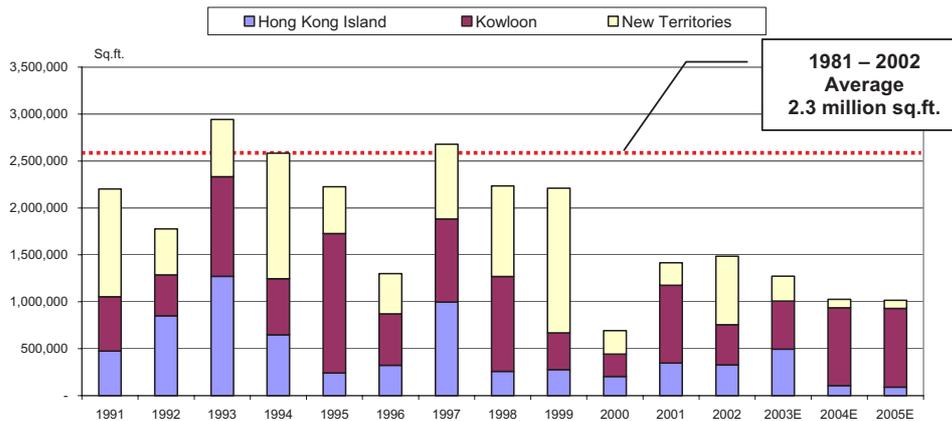
**Supply, Take-up and Vacancy, 1991 to 2004 (Estimate)**



Source: Rating and Valuation Department, FPD Savills Research

According to the Rating and Valuation Department, the majority of new supply will come on stream in Kowloon, largely driven by various urban redevelopment projects in Mongkok and Tsimshatsui as well as various comprehensive developments in the West Kowloon reclamation area.

**Private Commercial Supply by District, 1991 to 2005 (Estimate)**



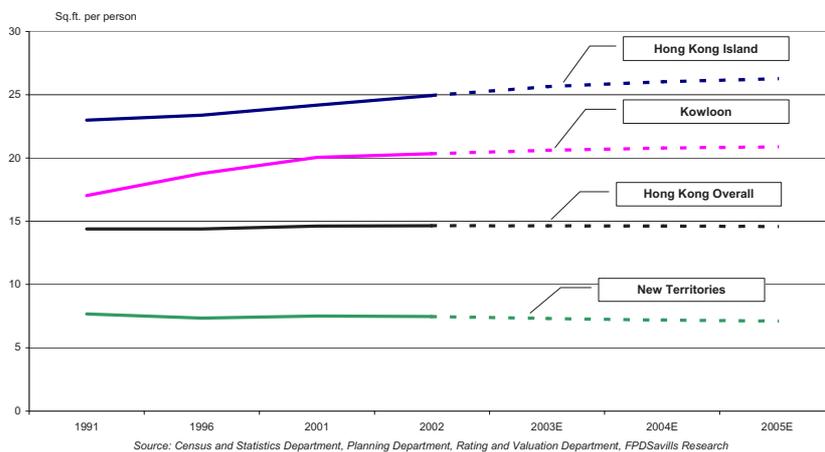
Source: Rating and Valuation Department, FPD Savills Research

<sup>6</sup> By Internal Floor Area. The Rating and Valuation Department defines Internal Floor Area as the area of all enclosed space of the unit measured to the internal face of enclosing external and/or party walls.

<sup>7</sup> Take-up represents the net increase in occupied floor space in the year. The figures are derived by adding the completion in that year to the vacancy figures at the beginning of the year, then subtracting the year's demolition and the year end vacancy figures.

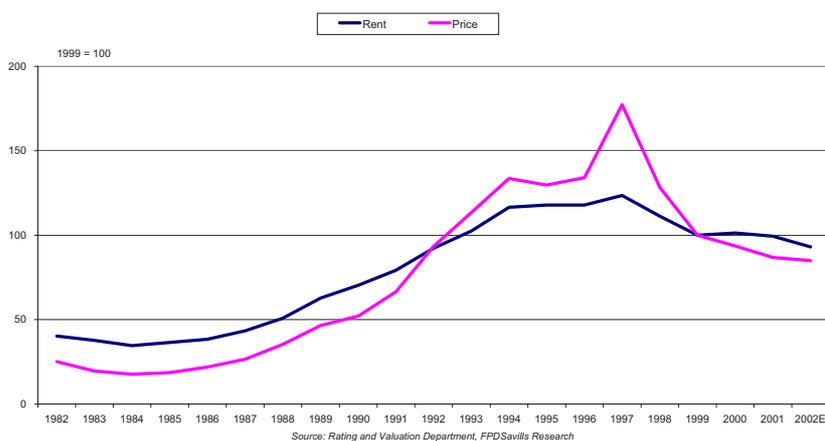
With strong population growth, private commercial stock per person in the New Territories has not changed much over the years. The chart below records private commercial stock per capita by district. It is clear that the New Territories has generally been below the overall territory average. In 2002, per capita stock in the New Territories stood at approximately 7.5 sq.ft., compared with 24.9, 20.3 and 14.6 sq.ft. for Hong Kong Island, Kowloon and the territory overall, respectively. Looking at the supply forecasts as well as Government's most recent population projections<sup>8</sup>, by 2005, under-provision of retail space in the New Territories will not improve. Per capita stock in the New Territories is estimated to reach 7.1 sq.ft. in 2005, or a decrease of 5 per cent from 2002. Per capita stock in Kowloon is expected to increase by 3 per cent to 20.9 sq.ft. in 2005. Hong Kong Island, however, will experience greater competition as a result of gradual depopulation and per capita stock is expected to increase by 5 per cent to 26.3 sq.ft. in 2005.

**Private Commercial Stock Per Capita, 1991 to 2005 (Estimate)**



**Rents and Prices**

**Historical Retail Rental and Price Movements, 1982 to 2002 (Estimate)**

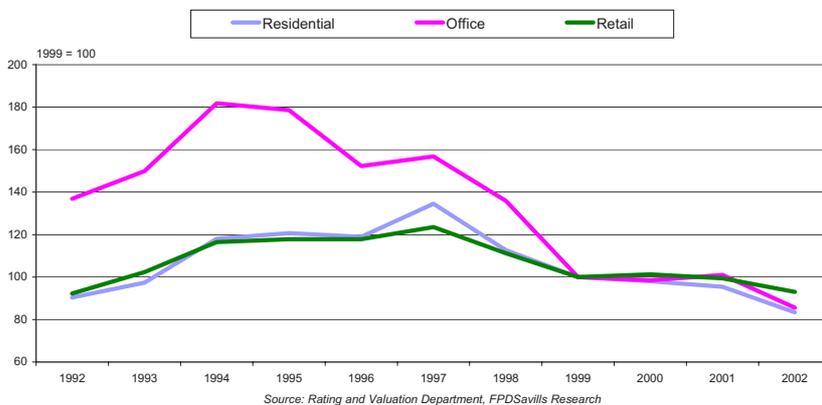


<sup>8</sup> According to "Projections of Population Distribution 2002 – 2011", Planning Department, HK Government.

The implementation of the US dollar peg as well as the conclusion of the Sino-British Joint Declaration in the early 1980s kicked off a property boom in Hong Kong. Retail rents started to rise from 1984 boosted by strong economic growth. Unlike other sectors, rents for retail premises did not stop growing during the downturn of the 1989 Tiananmen Square to 1991 Gulf War period. Growth for the period between 1984 and 1995 totalled 240 per cent, or an average of 8.3 per cent per annum. More marginal growth has been noted since then (0 per cent for 1996 and 4.8 per cent for 1997). Rents plunged along with the financial crisis, dropping by 19 per cent from 1997 to 1999. The rebounding stock market and strong economic growth gave some momentum and rents saw a modest 1 per cent increase during 2000. However, the bursting of the dot.com bubble, increasingly uncertain global/local economic prospects as well as the unstable geo-political situation subsequently suppressed rents, which fell by 8.1 per cent during 2001 and 2002.

Prices grew along with rising rents from 1984 but have been rising more swiftly since the early 1990s, fuelled by negative real interest rates. A total increase of 650 per cent was recorded over the 1984 to 1994 asset inflation era, 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 1997 financial crisis and prices have dropped by 52 per cent during the period to 2002.

**Residential, Office and Retail Rental Indices, 1992 to 2002**



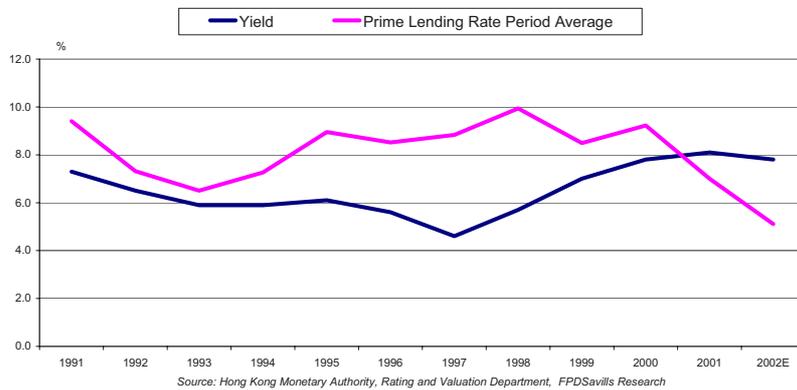
The retail sector has proved more resilient compared with the residential and office sectors during the market downturn and the table below highlights the stable performance of the retail sector over the past 10 years. Rents of all sectors peaked in 1997 and fell thereafter and the decline of retail rents was the least amongst the three sectors. Retail is also the only sector to have achieved a positive annual rental change over the past 10 years. In addition, the retail sector has shown less volatility compared with the other two sectors as the largest single year fall over the past 10 years was 10 per cent (1999), compared with 16 per cent for residential (1998) and 26 per cent for office (1999).

**Rental Changes of Different Sectors**

	Residential	Office	Retail
<b>From 1997 to 2002</b>	-38.0%	-45.4%	-24.7%
<b>Average Annual Change between 1992 and 2002</b>	-0.19%	-3.66%	0.36%
<b>Biggest Annual Fall over the Past 10 Years (Year Recorded)</b>	-16.28% (1998)	-26.42% (1999)	-10.07% (1999)

Source: Rating and Valuation Department, FPD Savills Research

**Retail Yields and Prime Lending Rates (Period Average), 1991 to 2002 (Estimate)**

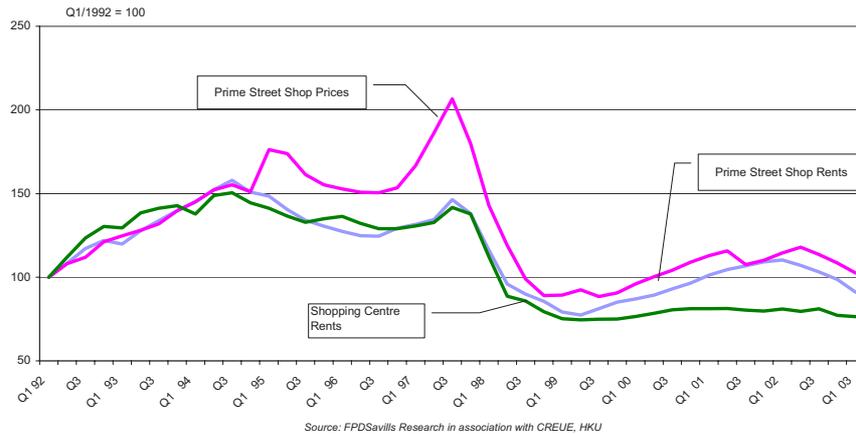


Average yields from retail premises rose sharply after the 1997 financial crisis and stood at 8.1 per cent at the end of 2001 according to the Rating and Valuation Department. Although declining rents cut yields to an average of 7.8 per cent at the end of 2002, they were still higher than purchases from other property sub-sectors and hence attracted investment interest. It is also important to note that retail rental yields have been below the prime lending rate throughout the 1990s, however, the trend was reversed in 2000 to 2001 when interest rates dropped significantly. The said average yield at the end of 2002 recorded a 2.7 percentage point premium over the average prime Hong Kong lending rate of 5.1 per cent in 2002. This positive yield carry is an important driver of investment activity.

It is important to note that the above rental and price indices, as well as the yield figures, were produced by the Rating and Valuation Department of the Hong Kong Special Administrative Region Government to measure overall market performance. They are different from the FPD Savills Property Indices which focus on prime stock, defined as Territorial, Regional and District Centres<sup>9</sup>.

<sup>9</sup> Definition detailed above.

## FPDSavills Retail Indices, Q1/1992 to Q1/2003



As mentioned, our index monitors prime market stock, which has recorded varied movements compared with the overall market. A trend of polarisation (rents and prices in prime areas have outperformed the overall market) has been noted, however, since the 1997 financial crisis.

### Comparison between Value Changes of Prime Locations and Overall Market

	Prime Streets	Shopping Centres	Overall Market <sup>10</sup>
<b>Rental Changes (%)</b>			
<b>1992 – 1997</b>	+23.0	+16.5	+33.8
<b>1997 – 1999</b>	-41.3	-44.8	-19.0
<b>1999 – 2002</b>	+29.8	+6.4	-6.9
<b>Price Changes (%)</b>			
<b>1992 – 1997</b>	+67.6	n/a	+90.0
<b>1997 – 1999</b>	-51.2	n/a	-43.5
<b>1999 – 2002</b>	+25.9	n/a	-15.1

Source: Rating and Valuation Department, FPDSavills Research

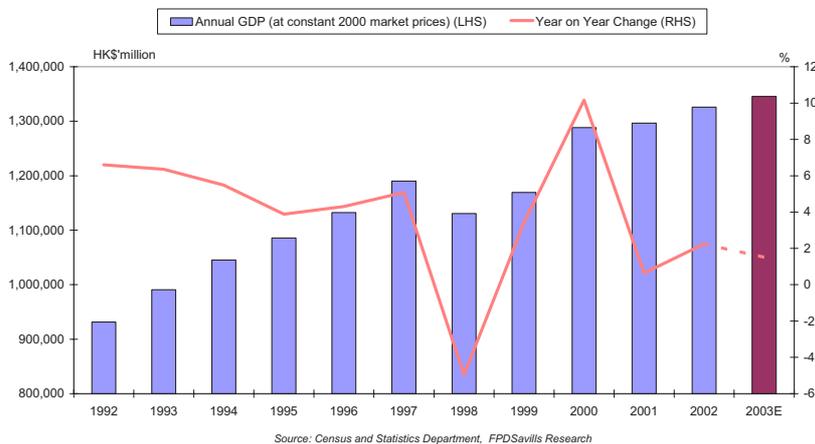
Reasons for this polarisation trend are manifold. The first concerns retailers' responses to the sluggish market conditions. Retail sales have fallen, in terms of value, by 1.3 and 4.3 per cent over 2001 and 2002, respectively, reflecting a generally tough business environment for retailers. In view of this, retailers are keen to be located in 'key' areas where pedestrian flow is guaranteed. This attitude has increased competition for space in prime streets and prominent centres, supporting rents and occupancies in these areas against the slow economic environment. Another reason is the implementation of various pedestrianisation schemes in prime areas. These projects have proved successful in concentrating pedestrians in prime areas, giving landlords in these areas greater pricing power. Moreover, prime shopping areas are more exposed to overseas visitors and are in a position to directly benefit from the influx of high-spending visitors from mainland China.

<sup>10</sup> As measured by the Rating and Valuation Department's "Private Retail" indices.

**Fundamental Analysis**

Despite the effects of the bursting property and dot.com bubble, Hong Kong’s fundamentals remain strong. Per capita GDP in 2002 stood at US\$24,000 which was amongst the highest in the world. In 2001, it was ranked the ninth largest trading entity in the world in terms of trade values. As at 2001, Hong Kong operated the busiest container port in the world in terms of throughput, as well as one of the busiest airports in terms of numbers of passengers and volume of international cargo handled. In addition, in 2001, it was the world’s tenth largest banking centre in terms of external banking transactions, and the seventh largest foreign exchange market in terms of turnover. Its stock market was Asia’s second largest in terms of market capitalisation<sup>11</sup> after Japan in 2001.

**Real GDP, 1992 to 2003 (Estimate)**



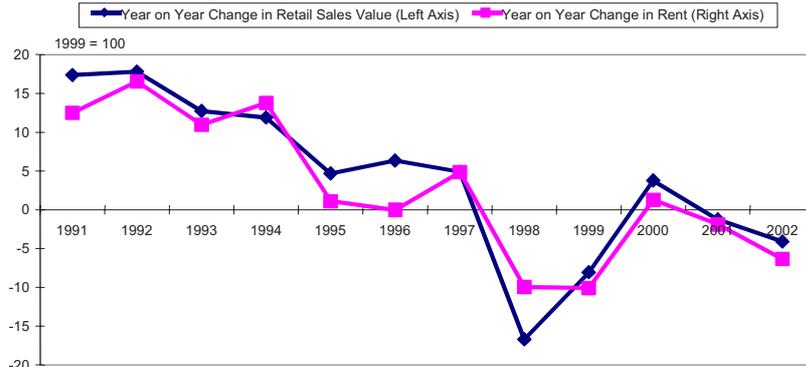
The Hong Kong economy, following a distinct slowdown in 2001, revived progressively under the impetus of the external sector in the course of 2002. Total exports of goods reverted from decline in the first quarter to positive growth in the second quarter, and then rose sharply in the third quarter and further in the fourth quarter. Exports of services recorded an even stronger performance than exports of goods, and the growth rate likewise accelerated through the year. There was a broad-based surge in inbound tourism, offshore trade and transportation services. Overall, real GDP grew by 2.3 per cent during 2002, compared to 0.6 per cent in 2001. However, the advent of Severe Acute Respiratory Syndrome (“SARS”) should act to moderate GDP growth in 2003.

**Retail Sales**

The importance of retail sales values for retail property values is unquestionable. The figures indirectly reflect retailers’ profitability, therefore their ability to pay rent. A study of retail sales values and retail rents over the last decade justifies this view by revealing a strong statistical correlation between the two (correlation coefficient = 0.91), presented graphically below.

<sup>11</sup> Extract from “Hong Kong 2001”, Information Services Department, Hong Kong Government.

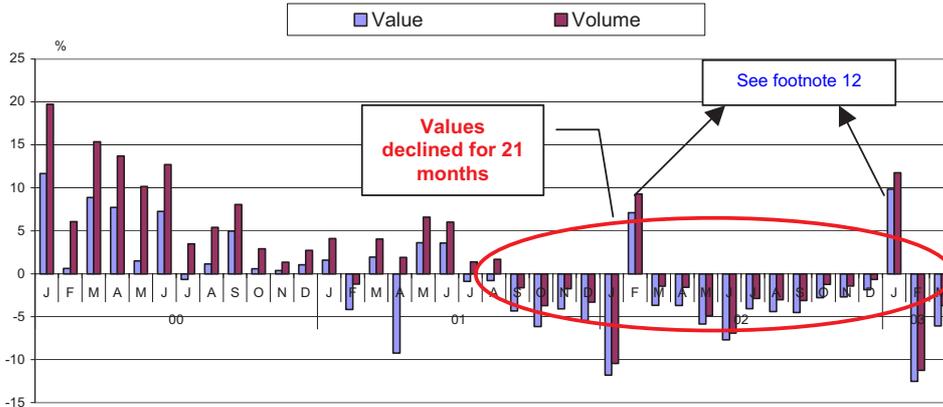
**Retail Sales vs Retail Rents, 1991 to 2002**



Source: Rating and Valuation Department, Census and Statistics Department, FPD Savills Research

As mentioned above, local consumer spending remained subdued through most of 2001 and 2002. Private consumption expenditure fell by 1.6 per cent in real terms in 2002, compared to a moderate increase of 1.4 per cent in 2001. As shown in the chart below, total retail sales values have experienced negative growth for the 21 months to March 2003<sup>12</sup>.

**Retail Sales, January 2000 to March 2003**



Source: Census and Statistics Department, FPD Savills Research

Consumers were generally less willing to spend given concerns over prevailing employment and income conditions as well as with the distinct fall-off in the asset markets resulting in a negative wealth effect. Residential prices have fallen by around 50 per cent<sup>13</sup> from the 1997 peak and a substantial rebound is not expected in the near term. By the end of 2002, more than 76,000

<sup>12</sup> Chinese New Year in either January or February, should be rationalised by analysing the January and February figures as a whole. Adjusted findings show that value and volume fell by 3.6 and 1.9 per cent in January and February 2002, while value and volume fell by 0.8 and increased by 0.8 per cent in January and February 2003 compared with a year ago.

<sup>13</sup> Source: Rating and Valuation Department, HK Government.

residential mortgage loans were in negative equity<sup>14</sup> and this number will increase if prices continue their downward trend.

There is no doubt about the significance of job security on retail spending. A strong negative correlation between unemployment rates and retail rents (correlation coefficient = -0.85), and between unemployment rates and retail sales (correlation coefficient = -0.78) have also been noted in the data sample between 1991 and 2002.

Whilst retail sales overall have declined, certain sub-sectors have proved more robust, such as supermarkets, department stores, medicines and cosmetics (convenience goods).

As Hong Kong's economy remains troubled by prospects of a US recovery, the implications of the War on Terror and SARS, luxury goods have been hardest hit while necessity goods have been less affected.

### ***Strong Re-exports***

According to the merchandise trade statistics<sup>15</sup>, Hong Kong's total exports of goods registered a notable growth of 8.6 per cent in real terms in 2002. Continued robust demand in mainland China and a resurgence in intra-regional trade, coupled with revived import absorption in the conventional overseas markets, were key factors underpinning the sharp rebound in Hong Kong's exports in 2002. Improvement in Hong Kong's external price competitiveness brought about by a weaker US dollar also rendered an additional boost.

### ***Tourism***

Tourism has played a significant role over the past few years and visitor spending on shopping alone represented 8 per cent of total retail sales in 2001. The number of visitor arrivals registered a new high in 2002 to reach 16.6 million, or an increase of 21 per cent year on year.

Tourism growth in Hong Kong has been primarily driven by an influx of visitors from the PRC in recent years. They represented more than 40 per cent of total arrivals in 2002. They were also highest among all nationalities in terms of per capita spending, accounting for 40 per cent of total tourism receipts in 2001.

### ***Severe Acute Respiratory Syndrome's Impact on Hong Kong's Retail Market***

While SARS has had a negative impact on certain industries, such as airlines, transport, restaurants and hotels, some industries have been less affected than others. Demand for daily necessities from local suburban malls has proven to be more durable. Supermarkets, often the anchor tenants of local suburban malls, registered rising sales as more people chose to eat and spend time at home. Sales of healthcare products and traditional Chinese medicine have also risen.

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<sup>14</sup> Hong Kong Monetary Authority's estimate as at December 2002 was 76,686. However, its estimates were derived from first mortgages only. Loans of second mortgages and other private/public co-financing schemes have not been included.

<sup>15</sup> Source: Census and Statistics Department, Hong Kong Government.

## **Outlook**

The overall average retail rental rate in Hong Kong is expected to fall by 6 per cent in 2003 and increase by 1 per cent in 2004. Longer-term growth from 2005 to 2007 will be estimated by the 20-year compound annual growth rate ("CAGR") between 1982 and 2002 (equivalent to 4.3 per cent per annum).

Average retail rents in Kowloon are expected to under-perform the overall market marginally. Hong Kong Island is expected to under-perform due mainly to the intensified competition, while the New Territories is expected to outperform, given the strong population growth and the relatively low supply levels in the New Territories.

The outlook for the related rental market in Hong Kong will be affected by a combination of the following positive and negative factors:

### **Positives**

- New infrastructure such as East and West Rail will make travelling to Hong Kong much easier for mainland Chinese
- The resolution of the war in Iraq and the resultant decline in oil prices
- Export / re-export growth and its wealth effect
- Lower US interest rates and the result of weaker HK dollar and lower costs
- The prospect of a US economic recovery
- China's accession to the WTO

### **Negatives**

- The on-going "War on Terror"
- Uncertain timing of US recovery
- Government deficit resulting in more taxation
- Impact of SARS

The key findings from our Individual Asset Reports of the five shopping centres are detailed below:

### **Portfolio Summary**

The subject portfolio comprises five shopping centres in total located in Kowloon and the New Territories of Hong Kong.

Three of the centres, namely The Household Center, Jubilee Court Shopping Centre and Smartland, are Local Centres, while the remaining two, namely The Metropolis Mall and Ma On Shan Plaza, are District Centres.

The Metropolis Mall also has a potential mainland Chinese catchment as the centre benefits from KCR East Rail, which crosses the border with Shenzhen at Lo Wu.

All the centres are supported by Hong Kong's extensive transport infrastructure, in particular the Kowloon-Canton Railway<sup>16</sup> ("KCR") and the Mass Transit Railway<sup>17</sup> ("MTR") networks.

### Future Railway Links



Source: KCRC

To varying degrees the centres will benefit from future extensions to the rail networks currently underway or under planning.

Both Local and District Centres in Hong Kong are underpinned by stable demand from local catchments and are relatively well insulated from the rental volatility seen in more prime centres.

All five centres are well positioned in their local markets and face no significant direct competition, both currently and going forward.

### ***The Metropolis Mall***

The Metropolis Mall is located in Kowloon to the west of Metropolis Drive and east of the KCR Hung Hom Station. Completed in 2001, it forms part of The Metropolis, a 1.4 million sq.ft.

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<sup>16</sup> KCR operates domestic as well as cross-boundary passenger railway services to the mainland China boundary at Lo Wu.

<sup>17</sup> MTR operates underground transit railway services with 49 stations covering most of the territory's urban areas.

comprehensive development comprising a 690-room hotel, a 15-storey office, 662 serviced apartments and the mall. The three-level mall has a total gross rentable area of 332,168 sq.ft. (exclusive of car parks) and provision has been made for 141 car parks and 38 coach parking spaces.

- As a new mall with the first tenancy commenced on 20<sup>th</sup> August 2002, The Metropolis Mall continues to market itself to retailers and had achieved approximately 55 per cent occupancy by March 2003.
- This District Centre serves a local catchment of residents, hotel guests, concert goers, students and office workers but also draws on the much wider catchment accessible via KCR East Rail, including mainland Chinese visitors.
- The Metropolis Mall is expected to benefit from the completion of Ma On Shan Rail (2004), the Central to Shatin link (2008/2009) as well as the Kowloon Southern Link (2008/2009) and the East Rail Tsimshatsui Extension (2004). KCR East Rail crosses the border with southern China at Lo Wu and mainland Chinese tourist numbers continue to grow at a rate far in excess of any other nationality (recording 55 per cent growth in 2002 year on year), although this trend has been temporarily moderated by the SARS virus. Specific figures are not yet available.
- In the immediate vicinity, two new hotels are scheduled to be completed in 2005. The Metropolis Mall stands adjacent to one of Kowloon's most significant transport interchanges (KCR Hung Hom Station) and a major bus terminus complements the development.
- As a newly completed centre, there is little scope for major changes to enhance cashflow although two areas could be improved. Promotional activities and advertising could both be pursued more aggressively while the trade mix could be more closely targeted at the important mainland China market as this catchment grows in importance.
- We believe that we have identified a suitable and durable tenant mix for the remaining unlet space in The Metropolis Mall. On each level we have established a theme, an anchor tenant and a clustering of trades suitable for the catchment, both local and mainland Chinese. These themes are set out in our Individual Asset Report for The Metropolis Mall.
- In summary, by subdividing some of the vacant areas and reducing them in size, by theming each level and by targeting key demand groups, we would expect unit rental rates to increase across each level. This should coincide with an aggressive promotional and advertising campaign, which we understand is currently being planned.
- Once The Metropolis Mall has reached full maturity and a critical mass in two to three years, and with the benefit of increased KCR East Rail passenger volumes, through the Tsimshatsui and Ma On Shan Links, and the completion of two new hotels in the vicinity, a strong uplift in rentals could be expected.

Forecast annual rental change for The Metropolis Mall is as follows:

Year	Year on Year Change
H2/2003	-2.6%
2004	3.0%
2005	7.5%
2006	4.3%
2007	4.3%
Q1/2008	1.1%

Source: FPD Savills Research

### **Ma On Shan Plaza**

Ma On Shan Plaza is located north of Sai Sha Road between its junction with On Chiu Street and On Yuen Street in Ma On Shan, New Territories. It is part of the Bayshore Towers development of 1,102 residential units completed in 1994. The two-level centre has a total gross rentable area of 310,084 sq.ft. (exclusive of car parks) and provision has been made for 290 car parks.

- Ma On Shan Plaza is a District Centre which forms a significant part of the town centre of Ma On Shan, a well established new town of 55,000 households or 194,000 residents.
- Some 8,900 residents are expected to be added to the catchment population over 2003 and 2004 from new residential developments such as Mountain Shore (1,124 units), Ocean View (911 units) and La Costa (600 units) when they are fully occupied.
- As a District Centre, while the majority of the tenants (approximately 70 per cent by gross rentable area) offer necessities and community services (including education, food & beverage and real estate services), approximately 29 per cent of Ma On Shan Plaza is occupied by retailers offering mainly comparison goods such as fashion, footwear etc.
- The Park'N Shop located on level 3 is the largest in the Ma On Shan area, occupying 56,348 sq.ft., and successfully draws consumers into Ma On Shan Plaza. Maxim's Chinese Restaurant (49,014 sq.ft.), also on level 3, is a major chain restaurant operator as well as a very popular local eatery.
- Public transport facilities are established and include a bus depot a two-minute walk from Ma On Shan Plaza.
- Ma On Shan Plaza will benefit from a direct bridge link to Ma On Shan Station upon its completion in Q4/2004 which should result in enhanced footfall within Ma On Shan Plaza.
- Links to Hong Kong's core business districts will be improved with the access to KCR East Rail afforded by Ma On Shan Rail.
- Ma On Shan Plaza would benefit from enhancement works to capitalise on increasing pedestrian flow while improving the image of Ma On Shan Plaza.

- Works could include common area renovation, an extensive refurbishment of the food court, the creation of new retail space and re-configurations of existing shops. Ma On Shan Plaza has maintained a healthy 94 per cent occupancy over the first three months of 2003.

Forecast annual rental change for Ma On Shan Plaza is as follows:

Year	Year on Year Change
H2/2003	0.0%
2004	4.0%
2005	5.3%
2006	4.3%
2007	4.3%
Q1/2008	1.1%

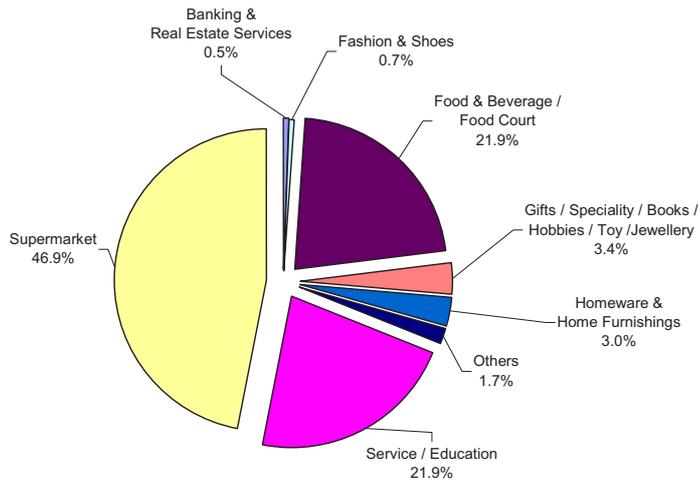
Source: FPD Savills Research

### ***The Household Center***

The Household Center is located north of Ching Cheung Road at its junction with Lai King Hill Road, Kwai Chung, New Territories. It comprises part of the new Nob Hill residential project of 696 units completed in June 2002. The three-level shopping centre has a total gross rentable area of 91,779 sq.ft. (exclusive of car parks) and provision has been made for 43 car parks.

- The Household Center caters to a total residential catchment population of 14,542 persons located in public and private housing estates nearby.
- The working catchment comprises mostly hospital staff who currently number around 4,471 and the occupation of Nob Hill will bring an additional 2,200 middle-income residents (household income of around HK\$23,000 per month) to the neighbourhood when fully occupied.
- As a Local Centre, approximately 91 per cent of tenants by gross rentable area cater for necessity shopping and community services (including food & beverage and education) and an approximate average of 96 per cent occupancy was recorded over the first three months of 2003.

**Trade Mix by Leased Gross Rentable Area, 31<sup>st</sup> March 2003**



Source: Cheung Kong Holdings, FPD Savills Research

- Park’N Shop, the largest supermarket in western Kowloon (including Shamshuipo, Cheung Sha Wan, Lai Chi Kok, Mei Foo and the new Kowloon reclamation area) (41,178 sq.ft.), draws from a wider catchment and brings additional footfall to The Household Center.
- The development is located in a district which is emerging as an increasingly important transport node incorporating West Rail Mei Foo Station (scheduled for completion in September 2003, Kowloon-Canton Railway Corporation (“KCRC”) and Route 9, a road link between Tsing Yi and Shatin via Kwai Chung and Lai Chi Kok (scheduled for completion in 2007, Highways Department).
- Nob Hill itself stands above a bus terminus providing services to both Tsimshatsui and Hong Kong Island and MTR Mei Foo Station is within a 10-minute walk.
- As a newly completed development, The Household Center is modern and well designed and faces no significant local competition.
- Opened at the end of 2002, no major capital expenditure is required or expected in the near future.
- Local Centres such as The Household Center are well insulated from market downturns given their reliance on necessity shopping.

Forecast annual rental change for The Household Center is as follows:

Year	Year on Year Change
H2/2003	0.0%
2004	0.5%
2005	3.3%
2006	3.3%
2007	3.3%
Q1/2008	0.8%

Source: FPD Savills Research

### Smartland

Smartland is located west of Texaco Road at its junction with Tsuen Fu Street in Tsuen Wan, New Territories. It comprises part of the East Asia Gardens development of 336 residential units completed in 1981. Smartland has a total gross rentable area of 123,544 sq.ft. (exclusive of car parks) and provision has been made for 67 car parks.

- Smartland forms part of a popular Local Centre serving a strong local catchment of 68,211 residents and a working population of 15,000 persons.
- The development benefits from its proximity to a Jockey Club as well as the adjacent 1,026-room Panda Hotel.
- The area is well served by public transport and the MTR Tai Wo Hau Station is within a five-minute walk, while the MTR Tsuen Wan Station is within a ten-minute walk.
- A new residential project, New Haven (658 units completed in 2002) will add approximately 1,900 residents to the immediate vicinity of the centre when fully occupied. As at 31<sup>st</sup> March, 2003, 499 units have been sold.
- Reflecting its catchment, approximately 82 per cent of Smartland's total gross rentable area comprises trades catering for daily necessities and community services (including food & beverage, education and services). Smartland is surrounded by street shops and faces no single identifiable threat – the larger malls in Tuen Mun are located further north 15 to 20 minutes walking distance across busy roads.
- Footfall in the centre will benefit from the mid-2003 opening of an Immigration Department office of around 13,000 sq.ft. on the second floor.
- Occupancy over the first three months of 2003 has been high and has averaged a strong 95 per cent.
- Improvements could be made to the centre, particularly to external signage, entrances and the park area. Some adjustment to the current trade mix may also be beneficial with the creation

of a 'Food Street' theme on the Tsuen Wing Street side and the introduction of a fast food operator to some of the space currently occupied by Watson's.

Forecast annual rental change for Smartland is as follows:

Year	Year on Year Change
H2/2003	0.0%
2004	1.5%
2005	3.3%
2006	3.3%
2007	3.3%
Q1/2008	0.8%

Source: FPD Savills Research

### **Jubilee Court Shopping Centre**

Jubilee Court Shopping Centre is located on the east side of Lok King Street, near its junction with Lok Shun Path in Fo Tan, New Territories. It comprises part of Jubilee Garden which totals 2,260 residential units in nine high rise towers completed in May 1986. The seven-level centre has a total gross rentable area of 170,616 sq.ft. (exclusive of car parks) and provision has been made for 97 car parks.

- Jubilee Court Shopping Centre is located in Fo Tan, a district of Shatin New Town in the New Territories. Shatin, the second largest of Hong Kong's nine new towns, has been developed since 1973 and had a population of around 443,800 people in 2001<sup>18</sup>.
- With a residential catchment of 30,125 persons and a working catchment of a further 15,000, this Local Centre is underpinned by strong neighbourhood demand.
- An additional 4,800 residents are expected to enter the catchment area by 2007.
- In mid-2003 a new 12,645 sq.ft. Immigration Department office is scheduled to open to the public on the fourth floor, enhancing pedestrian flow into the centre.
- By gross rentable area, approximately 86 per cent of the current tenant mix offers daily necessities and community services (including education and food & beverage). Almost half the development is devoted to service and educational facilities and Jubilee Court enjoys an exceptionally high occupancy rate of 97 per cent (January to March 2003), with end-March 2003 registering 98 per cent.
- The nearest retail centre is Plaza Ascot, a three to five-minute walk from Jubilee Court. In terms of trade mix there are few conflicts and the two centres offer a good match of retailers.

<sup>18</sup> Population Census 2001.

- The large external area given over to signage means that the centre is well exposed visually, helped by the fact that Jubilee Court occupies a prominent location overlooking the Shatin Racecourse.
- Road linkages to the property will be improved in 2004 with the completion of the Lok Shun Path to Tai Po Road link while the East Rail Tsimshatsui Extension (2004) will considerably improve the accessibility of the core commercial district of Tsimshatsui.
- Jubilee Court Shopping Centre is already well-served by public transport as KCR Fo Tan Station is a two-minute walk from Jubilee Court Shopping Centre.
- As an older development, Jubilee Court Shopping Centre would benefit from some refurbishment, both general improvements as well as the creation of new retail areas to exploit what is currently 'unutilised space'.
- There are three locations which can be better utilised. These include areas on level 1 and level 2 which could be converted into retail shops and the large common area on level 3 which could easily accommodate several kiosks.
- With its stable tenant mix and necessity shopping and community services bias, we expect stable rental development over the next five years.

Forecast annual rental change for Jubilee Court Shopping Centre is as follows:

<b>Year</b>	<b>Year on Year Change</b>
H2/2003	0.0%
2004	0.5%
2005	3.3%
2006	3.3%
2007	4.3%
Q1/2008	0.8%

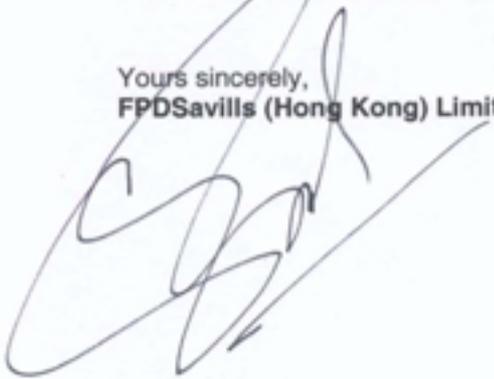
*Source: FPD Savills Research*

**Limitations on Report**

FPDSavills (Hong Kong) Limited stresses that the forecasts outlined in our Retail Market Overview and Individual Asset Reports 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 we draw your attention to this.

FPDSavills (Hong Kong) Limited therefore can give no assurance that the forecasts outlined in the Retail Market Overview and Individual Asset Reports will be achieved.

Yours sincerely,  
**FPDSavills (Hong Kong) Limited**



**Simon Smith**  
Senior Director  
Research Department

**Appendix VIII**  
**Property Funds Guidelines**

**1. Scope and Definitions**

1.1 These Guidelines apply to a collective investment scheme that invests or proposes to invest in real estate and real estate-related assets (hereinafter referred to as “a property fund”). The scheme may or may not be listed on the Singapore Exchange (“SGX”). An investment in real estate may be by way of direct ownership or a shareholding in an unlisted company whose sole purpose is to hold/own real estate.

1.2 For the purposes of this Appendix:

- (a) **Associate of any director** includes
- (i) any member of his immediate family<sup>1</sup>;
  - (ii) the trustee, acting in its capacity as a trustee, of any property fund of which the director or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
  - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 25% or more.
- (b) **Cash equivalent items** means instruments or investments of such high liquidity and safety that they are as good as cash.
- (c) **Controlling unitholder** means a person who, together with (where applicable) –
- (A) its ultimate/immediate holding company;
  - (B) its subsidiary;
  - (C) its associated company;
  - (D) its fellow subsidiary;
  - (E) where it is an associated company of another company, say, Company X — a subsidiary of Company X<sup>2</sup>;
  - (F) its fellow associated company;
  - (G) an associated company of its immediate holding company;
  - (H) a subsidiary<sup>3</sup> of the entity in sub-paragraph (B), (D) or (E); and
  - (I) an associated company of the entity in sub-paragraph (B), (D) or (E),
- either
- (i) hold 15% or more of the units in the property fund (MAS may determine that such a person is not a controlling unitholder); or
  - (ii) hold less than 15% of the units in the property fund but in fact exercise control over the property fund.

For the avoidance of doubt, the number of units in the property fund held by a person and persons listed in (A) to (I) should be aggregated in determining if the units held amount to 15% or more of the total units in the property fund.

- (d) **Deposited property** means the value of the property fund’s total assets based on the latest valuation.

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<sup>1</sup> This refers to his wife, child, adopted child, stepchild, brother, sister and parent.

<sup>2</sup> Where the sponsor/promoter, Manager or adviser is an associated company of more than one company, say, Company X and Company Y, all the subsidiaries of either Company X or Company Y will be considered as interested parties.

<sup>3</sup> This term is capable of successive application. For example, Company A is a subsidiary of the promoter of the fund. If Company B is a subsidiary of Company A, and Company C is a subsidiary of Company B, then Company B and Company C (and so on) will be considered as interested parties.

- (e) **Desktop valuation** means a valuation based on transacted prices/yields of similar real estate assets, without a physical inspection of the property.
- (f) **Interested party includes:**
  - (i) the sponsor/promoter of the property fund (if different from the manager)<sup>4</sup>;
  - (ii) the manager of the property fund;
  - (iii) the adviser to the property fund;
  - (iv) in the case of a property fund which is established as a company, the directors of the property fund;
  - (v) a director, other than an independent director, of the sponsor/promoter, Manager or adviser (or an associate of any such director);
  - (vi) a controlling unitholder; or
  - (vii) in respect of the sponsor/promoter, Manager or adviser or controlling unitholder —
    - (A) its ultimate/immediate holding company;
    - (B) its subsidiary;
    - (C) its associated company;
    - (D) its fellow subsidiary;
    - (E) where it is an associated company of another company, say, Company X — a subsidiary of Company X<sup>5</sup>;
    - (F) its fellow associated company;
    - (G) an associated company of its immediate holding company;
    - (H) a subsidiary<sup>6</sup> of the entity in sub-paragraph (B), (D) or (E); or
    - (I) an associated company of the entity in sub-paragraph (B), (D) or (E).
- (g) **Real estate-related assets** means listed or unlisted debt securities and listed shares of or issued by property corporations, mortgage-backed securities, other property funds, and assets incidental to the ownership of real estate (e.g. furniture).

## 2. Listing on the Stock Exchange

- 2.1 Unless the Authority is satisfied that there is a ready market for the shares of a property fund established as a company, such a company should be listed on the SGX.
- 2.2 Where a property fund constituted as a trust is listed on the SGX, the Manager can, upon application under section 306 of the SFA, be considered for exemption from the requirement to redeem units for participants. Where an exemption is given, the property fund's marketing material should contain a clear statement to the effect that participants will have no right to request the Manager to redeem their units, and a warning to prospective investors that being listed on the SGX does not guarantee a liquid market for these units.

## 3. The Board of Directors

- 3.1 This section applies *only* to property funds which are established as companies.
- 3.2 A property fund, whether listed or unlisted, should have a Board of Directors (“BOD”) with at least 2 independent members.

<sup>4</sup> For the avoidance of doubt, an entity acting merely as a marketing or sales agent will not be considered a sponsor/promoter.

<sup>5</sup> Where the sponsor/promoter, Manager or adviser is an associated company of more than one company, say, Company X and Company Y, all the subsidiaries of either Company X or Company Y will be considered as interested parties.

<sup>6</sup> This term is capable of successive application. For example, Company A is a subsidiary of the promoter of the fund. If Company B is a subsidiary of Company A, and Company C is a subsidiary of Company B, then Company B and Company C (and so on) will be considered as interested parties.

- 3.3 For the purpose of paragraph 3.2, a director is considered independent only if he does not have a relationship with the property fund's manager which, in the opinion of the Authority, would interfere with the exercise of proper judgement in carrying out his duties as a director.

#### **4. The Manager of a Property Fund**

4.1 The Manager should:

- (a) have at least 5 years of experience in managing property funds;
- (b) appoint, with the approval of the trustee/BOD, an adviser(s) who has/have at least 5 years of experience in investing in and/or advising on real estate; or
- (c) employ persons who have at least 5 years of experience in investing in and/or advising on real estate.

4.2 Where the Manager has appointed an adviser pursuant to paragraph 4.1(b), that adviser need not be independent of the Manager, and may act as agent in seeking out buyers/sellers of real estate or in managing the property fund's real estate assets. However, where the adviser has been appointed as the marketing agent for a property, that adviser may recommend the property fund to purchase that property only if:

- (a) the adviser has disclosed to the Manager that it is the marketing agent for that property; and
- (b) the adviser is not related to the Manager in a manner described in paragraph 1.2(f)(vii).

4.3 Where a commission or fee is paid by the property fund to the adviser in its capacity other than as adviser, such commission or fee paid should not be at more than market rates.

#### **5. Diversification of Investments**

Unless it is stated clearly in the prospectus that the property fund will not have a diversified portfolio of real estate, a property fund should be reasonably diversified in terms of the type(s) of real estate (e.g. residential/commercial/industrial), location/country and/or the number of real estate investments, as appropriate, taking into account the type and size of the scheme, its investment objectives, and the prevailing market conditions.

#### **6. Interested-party Transactions**

6.1 A property fund may, at the first public launch/offer of the scheme and any time after (but not during) 12 months from the first public launch/offer of the scheme,

- acquire assets from or sell assets to interested parties; or
- invest in securities<sup>7</sup> of or issued by interested parties,

if:

- (a) adequate disclosures are made in the prospectus (if it is at the first launch/offer of the property fund) or circular (if it is during the life of the property fund), stating –
  - (i) the identity of the interested parties and their relationships;
  - (ii) the details of the assets to be acquired or sold, including a description of these assets and location of the real estate assets;
  - (iii) the prices at which these assets are to be acquired or sold;
  - (iv) the details of the valuations performed (including the names of the valuers, the methods used to value these assets and the dates of the valuations) and their assessed values;
  - (v) the current/expected rental yield (if any);

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<sup>7</sup> A mortgage-backed security issued by a special purpose vehicle does not come within the ambit of this paragraph.

- (vi) the minimum amount of subscriptions to be received, if the transaction(s) is/are conditional upon the property fund receiving the stated amount of subscriptions; and
  - (vii) any other matters that may be relevant to a prospective investor in deciding whether or not to invest in the property fund or that may be relevant to a participant in deciding whether or not to approve the proposed transaction(s);
- (b) for transaction(s) entered into at the first launch/offer of the property fund, the scheme has entered into agreements to buy those assets at the prices specified in sub-paragraph (a)(iii) from the interested parties. If the transaction(s) is/are conditional upon the property fund receiving a stated minimum amount of subscriptions, the agreements should reflect this;
  - (c) an independent valuation of each of those real estate assets, using both discounted cash flow analysis and comparable property analysis, has been conducted in accordance with paragraphs 9.1 to 9.8. Where the valuer uses only one of the above methods, he should explain why the other method was not used as well; and
  - (d) each of those assets is acquired from the interested parties at a price not more than the assessed value under sub-paragraph (a)(iv), or sold to interested parties at a price not less than the assessed value under sub-paragraph (a)(iv).
- 6.2 In addition to paragraph 6.1, a property fund that acquires assets from or sells assets to interested parties during the life of the scheme after 12 months of the first launch/offer of the scheme should:
- (a) where the transaction is equal to or greater than 3% of the property scheme's NAV, announce<sup>8</sup> the transaction immediately; or
  - (b) where the transaction is equal to or greater than 5% of the property fund's NAV, obtain a majority vote at a participants' meeting and announce the transaction immediately. A person who has an interest, whether commercial, financial or personal, in the outcome of the transaction, other than in his capacity as a participant, will not be allowed to vote on the resolution approving the transaction. There should be an opinion rendered by an Independent Expert stating whether or not the transaction is on normal commercial terms and whether the transaction is prejudicial to participants, based on an assessment of the impact of the transaction on the property fund on an overall basis. The Independent Expert should also draw the participants' attention to any possible disadvantages of the transaction.
- 6.3 For the purpose of paragraph 6.2, the value of all transactions with the same interested party<sup>9</sup> during the current financial year should be aggregated. If the aggregate value of all transactions with the same interested party during the current financial year is:
- (a) equal to or greater than 3% of the property fund's NAV, the requirement in paragraph 6.2(a) will apply to the latest transaction and all future transactions entered into with that interested party during that financial year; or
  - (b) equal to or greater than 5% of the property fund's NAV, the requirements in paragraph 6.2(b) will apply to the latest transaction and all future transactions entered into with that interested party during that financial year.
- 6.4 For the purpose of paragraphs 6.1 to 6.6, the agreement(s) to buy or sell the assets should be completed:
- (a) where the interested-party transaction is entered into at the first launch/offer of the property fund, within 6 months of the close of the first launch/offer; or

<sup>8</sup> For listed property trusts, announcements should be made to the exchange for public release as stated in SGX's listing requirements. For unlisted property trusts, announcements should be made either through paid advertisements in at least one newspaper that is circulated widely in Singapore, or by sending a circular to participants.

<sup>9</sup> For this purpose, a company, its subsidiary companies, its associated companies, and all their directors, chief executive officers and substantial shareholders are regarded as one party.

- (b) where the interested-party transaction is entered into after 12 months from the first launch/offer and:
  - (i) the transaction is less than 5% of the property fund's NAV, within 6 months of the date of the agreement; or
  - (ii) the transaction is equal to or greater than 5% of the property fund's NAV, within 6 months of the date of the participants' approval referred to in paragraph 6.2(b); or
- (c) where there is more than one interested-party transaction entered into during the current financial year and the latest transaction results in the 5% threshold referred to in paragraph 6.3(b) being exceeded, within 6 months of the date of participants' approval in respect of that latest transaction.

6.5 An Independent Expert for the purpose of paragraphs 6.1 to 6.6 should:

- (a) not receive payments of more than \$200,000 aggregated over the current financial year from the Manager, adviser or other party/parties whom the property fund is transacting with. For the avoidance of doubt, this does not include fees paid by the property fund to the Independent Expert for rendering an opinion on the interested-party transaction(s);
- (b) not be a related corporation as defined in the Interpretation Section of the CIS Code or have a relationship with the Manager, adviser or other party/parties whom the property fund is transacting with which, in the opinion of the trustee/BOD, would interfere with the Independent Expert's ability to render an independent and professional opinion on the fairness and reasonableness of the transaction(s);
- (c) disclose to the trustee/BOD any pending business transactions, contracts under negotiation, other arrangements with the Manager, adviser or other party/parties whom the property fund is transacting with and other factors that would interfere with the Independent Expert's ability to render an independent and professional opinion on the fairness and reasonableness of the transaction(s). The trustee/BOD should then take such disclosure into account when deciding whether the person concerned is sufficiently independent to act as the Independent Expert for the interested-party transaction(s); and
- (d) have the necessary expertise and experience, in the opinion of the trustee/BOD, to form an opinion on the fairness and reasonableness of such transactions.

6.6 Paragraphs 6.1 to 6.5 do not prohibit a property fund from engaging an interested party as property management agent or marketing agent for the scheme's properties provided that any fees or commissions paid to the interested party are at not more than market rates.

## 7. Permissible Investments

7.1 Subject to the restrictions and requirements in paragraphs 8.1 to 8.7, a property fund may only invest in:

- (a) Real estate, be it freehold, leasehold and/or as joint owner, and whether in or outside Singapore<sup>10</sup>;
- (b) Real estate-related assets, wherever the issuers/assets/securities are incorporated/located/issued/traded;
- (c) Listed or unlisted debt securities and listed shares of or issued by local or foreign non-property corporations;
- (d) Government securities (issued on behalf of the Singapore Government or governments of other countries) and securities issued by a supra-national agency or a Singapore statutory board; and
- (e) Cash and cash equivalent items.

<sup>10</sup> In respect of investments in Singapore, a property trust should comply with the provisions of the Residential Property Act.

- 7.2 A property fund may invest in local or foreign assets, subject to the terms of its trust deed or its memorandum and articles of association. Where an investment in a foreign real estate asset is made, the Manager should ensure that the investment complies with all the applicable laws and requirements in that foreign country, for example, those relating to foreign ownership and good title to that real estate.
- 7.3 When investing in leasehold properties, the Manager should consider the remaining term of the lease, the objectives of the property fund, and the lease profile of the property fund's existing property portfolio.
- 7.4 When investing in real estate as a joint owner (in the case of direct ownership) or a shareholder (in the case of an unlisted company), the Manager should take into account whether the property fund can divest its investment within a reasonable period of time and, in the case of real estate, at a reasonable price as defined in paragraph 9.5.
- 7.5 Financial derivatives may only be used for the purpose of:
- (a) hedging existing positions in a portfolio; or
  - (b) EPM, provided that derivatives are not used to gear the overall portfolio.

## **8. Restrictions and Requirements on Investments/Activities**

- 8.1 A property fund should not engage or participate in property development activities whether on its own, in a joint venture with others, or by investing in unlisted property development companies. For this purpose, property development activities do not include refurbishment, retrofitting and renovations.
- 8.2 A property fund should not invest in vacant land and mortgages (except for mortgage-backed securities). Subject to paragraph 8.1, this prohibition does not prevent a property fund from buying real estate to be built on vacant land that has been approved for development.
- 8.3 A property fund should comply with the following restrictions/requirements:
- (a) Subject to paragraph 8.6, at least 35% of the property fund's deposited property should be invested in real estate. A new scheme will be given 24 months from the close of the first launch/offer to comply with this requirement;
  - (b) At least 70% of the property fund's deposited property should be invested, or proposed to be invested, in real estate and real estate-related assets;
  - (c) Investments in uncompleted<sup>11</sup> non-residential property developments in Singapore or uncompleted property developments outside Singapore should not exceed 20% of the property fund's deposited property;
  - (d) In paragraph 8.3(c), not more than 10% of the property fund's deposited property can be invested in uncompleted property developments by a single developer<sup>12</sup>; and

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<sup>11</sup> An uncompleted property is one that has not been granted a Temporary Occupation Permit or equivalent by the relevant authorities.

<sup>12</sup> For the purpose of this paragraph, the value of the investment refers to the contracted purchase price and not the value of progress payments made to date.

- (e) For investments in listed or unlisted debt securities and listed shares of or issued by property and non-property corporations (local or foreign) and other locally-registered/incorporated property funds, not more than 5% of the property fund's deposited property can be invested in any one issuer's securities or any one manager's funds. A corporation and its subsidiary companies are regarded as one issuer or manager.
- 8.4 In particular, investments in other property funds under paragraph 8.3(e) should not be made with a view to circumventing the letter or spirit of the prohibition on interested-party transactions set out in paragraphs 6.1 to 6.6.
- 8.5 The investment restrictions/requirements in paragraphs 8.3(c), (d) and (e) are applicable at the time the transactions are entered into. A property fund is not required to divest any assets that breach the restrictions/requirements if such breaches were a result of:
- (a) the appreciation or depreciation of the value of the property fund's assets;
  - (b) any redemption of units or distributions made from the property fund; or
  - (c) in respect of investments in listed shares of or issued by property and non-property corporations (local or foreign), any changes in the total issued nominal amount of securities arising from rights, bonuses or other benefits that are capital in nature.
- 8.6 Where as a result of divestment or new issue of units by the property fund, a scheme's investments in real estate fall below 35% of its deposited property, the scheme should increase the proportion of its real estate investments to 35% within:
- (a) 12 months if the real estate investments fall to a level between 20% and 35% of the property fund's deposited property; or
  - (b) 24 months if the real estate investments fall below 20% of the property fund's deposited property.
- 8.7 Para 8.6 would not apply if:
- (a) in the case of divestment, the property fund offers to return (by way of redemption above the 10% minimum required in paragraph 10.7) or distributes *at least* 70% of the proceeds of the divestment in cash within 12 months (in the case of paragraph 8.6(a)) and 24 months (in the case of paragraph 8.6(b));
  - (b) in the case of a new issue of units, the property fund offers to return *at least* 70% of the subscription moneys received from such new issue within 12 months (in the case of paragraph 8.6(a)) and 24 months (in the case of paragraph 8.6(b)); or
  - (c) in the case of either divestment or new issue of units, the property fund is in the process of being wound up.

## **9. Valuation of the Property Fund's Real Estate Investments**

- 9.1 A full valuation of each of the property fund's real estate assets should be conducted by a valuer *at least* once a year, in accordance with any applicable Code of Practice for asset valuations.
- 9.2 Where the Manager proposes to issue new units for subscription or redeem existing units, a valuation of all the scheme's real estate assets should be conducted by a valuer *unless* the asset(s) has/have been valued not more than 6 months ago (based on the date of the valuation report). In the case of a property fund constituted as a trust, where the manager offers to redeem units more than once a year (in accordance with paragraphs 11.1 to 11.10), only one of these redemption offers should be based on a full valuation; the other redemption offer(s) may be based on desktop valuations.

- 9.3 A valuer for the purpose of paragraph 9, be it for a full or desktop valuation, should:
- (a) not receive payments of more than \$200,000 aggregated over the current financial year from the Manager, adviser or the other party/parties whom the property fund is contracting with. For the avoidance of doubt, this does not include fees paid by the property fund to the valuer for valuation work undertaken for the scheme;
  - (b) not be a related corporation of or have a relationship with the Manager, adviser or other party/parties whom the property fund is contracting with which, in the opinion of the trustee/BOD, would interfere with the valuer's ability to give an independent and professional valuation of the property;
  - (c) disclose to the trustee/BOD any pending business transactions, contracts under negotiation, other arrangements with the Manager, adviser or other party/parties whom the property fund is contracting with and other factors that would interfere with the valuer's ability to give an independent and professional valuation of the property. The trustee/BOD should then take such disclosure into account when deciding whether the person concerned is sufficiently independent to act as the valuer for the property fund;
  - (d) be authorised under any law of the state or country where the valuation takes place to practice as a valuer;
  - (e) have the necessary expertise and experience in valuing properties of the type in question and in the relevant area; and
  - (f) not value the same property for more than 2 consecutive years.
- 9.4 For the avoidance of doubt, an adviser appointed by the Manager pursuant to paragraph 4.1(b) should not value the properties that it recommends to be bought or sold by the property fund. However, that adviser may value the property after it has been acquired by the scheme.
- 9.5 Subject to paragraph 6.1(d) in respect of interested-party transactions, a property fund should purchase or sell real estate assets at a reasonable price. A "reasonable price" means:
- (a) in the case of acquisitions, a price not more than 110% of the value assessed in a valuation report (valuer to be commissioned by the scheme) which is not more than 6 months old; or
  - (b) in the case of disposals, a price not less than 90% of the value assessed in a valuation report (valuer to be commissioned by the scheme) which is not more than 6 months old.
- 9.6 For the purpose of paragraph 9.5, the date of acquisition or disposal means the date of the sale and purchase agreement. Where there is more than one valuation conducted by more than one valuer for the same real estate asset, the Manager should use the average of the assessed values.
- 9.7 Where a real estate asset is to be bought or sold at a price other than that specified in paragraph 9.5, *prior approval* should be obtained from the trustee/BOD.
- 9.8 Notwithstanding paragraphs 9.1 and 9.2, a valuation of the property fund's real estate assets may be conducted if the trustee/BOD or Manager is of the opinion that it is in the best interest of participants to do so.

## **10. Borrowing Limits**

- 10.1 Borrowings may be used for investment or redemption purposes. A property fund may mortgage its assets to secure such borrowings.
- 10.2 The total borrowings of a property fund should not exceed 35% of the fund's deposited property.

- (a) New borrowings not intended for the purchase of new property should not be incurred if doing so would result in the total borrowings of the property fund exceeding 35% of the deposited property immediately before the borrowing is incurred.
- (b) If the borrowings are to be used to fund partly or wholly the purchase of a new property, the value of the deposited property used for determining the 35% limit may include the value of the new property that is being purchased, provided that:
  - (i) the borrowings are incurred on the same day as that on which the purchase of the property is completed; OR if the borrowings are incurred before the purchase of the property is completed, those borrowings are kept in a separate bank account that is established and kept by the property fund solely for the purpose of depositing such monies;
  - (ii) the monies raised by such borrowings are utilised solely for the purchase of the property including related expenses such as stamp duties, legal fees and fees of experts and advisers (all of which must be determined on an arm's length basis) and for no other purpose; and
  - (iii) if borrowings are incurred before the new property is purchased and the manager subsequently becomes aware or ought reasonably to have become aware that the purchase will not take place, the manager must return the monies raised by such borrowings as soon as practicable.

10.3 The borrowing limit is not considered to be breached if due to circumstances beyond the control of the manager the following occurs:

- (a) a depreciation in the asset value of the property fund; or
- (b) any redemption of units or payments made from the property fund.

If the borrowing limit is exceeded as a result of (a) or (b) above, the manager should not incur additional borrowings.

10.4 Notwithstanding paragraph 10.2, a property fund may borrow more than 35% of the fund's deposited property if:

- (a) all the borrowings (including the new borrowings) by the property fund are made via borrowings<sup>13</sup> which are rated at least A (including any sub-categories or gradations therein) by Fitch Inc., Moody's or Standard and Poor's taking into account the new borrowings; or
- (b) the credit rating of the property fund itself is at least A (including any sub-categories or gradations therein) by Fitch Inc., Moody's or Standard and Poor's taking into account the new borrowings.

10.5 If the ratings in 10.4(a) and (b) subsequently fall below A (including any sub-categories or gradations therein) due to property market conditions which lead to a fall in property values or income, no corrective action need be taken, but the property fund should not incur additional borrowings.

10.6 The property fund should not change the composition of its properties after the borrowings are incurred if doing so would result in a downgrade of the ratings to below A (including any sub-categories or gradations therein) by Fitch Inc., Moody's or Standard and Poor's.

10.7 Where the requisite ratings in 10.4(a) and (b) are proposed to be obtained through a credit enhancement (e.g. a guarantee), MAS should be consulted in advance.

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<sup>13</sup> Bonds, notes, syndicated loans, bilateral loans or other debt. Bonds/notes may be issued, directly by the fund or indirectly via a special purpose vehicle.

## 11. Redemption Requirements

- 11.1 This section applies *only* to property funds which are constituted as trusts.
- 11.2 Where a listed property fund provides for redemption, units should be redeemed in accordance with paragraphs 11.4 and 11.5. Such an offer to redeem units should be made known publicly to investors through the SGX at least 14 calendar days before the offer is posted.
- 11.3 In respect of unlisted property funds, Managers should offer to redeem units *at least* once a year in accordance with paragraphs 11.4 and 11.5.
- 11.4 Any offer to redeem units pursuant to paragraph 11.2 or 11.3 should be sent to participants with adequate notice, and should state:
- (a) the indicative price at which each unit will be redeemed;
  - (b) the period during which the offer will remain open (this period should last for *at least* 21 calendar days, but in no case should it remain open for more than 35 calendar days, after the offer is made);
  - (c) the assets and/or borrowings that will be used to satisfy the minimum amount of redemption requests stipulated in paragraph 11.5 or a greater amount proposed by the Manager, as the case may be. In the case of non-cash assets, the amount of money that is expected to be available from the sale of such assets should be stated;
  - (d) subject to the minimum amount stipulated in paragraph 11.5, that if the money available (from cash, sale of non-cash assets and/or borrowings earmarked in sub-paragraph (c)), is insufficient to satisfy all redemption requests, the requests are to be satisfied on a pro-rata basis. For this purpose, no redemption requests made pursuant to the offer may be satisfied until after the close of the offer period;
  - (e) that the actual price at which the units will eventually be redeemed (as determined by reference to the latest valuations available of the property fund's portfolio of assets after deducting appropriate transaction costs) may differ from the indicative price in sub-paragraph (a) due to changes in the values of the property fund's assets during the offer period;
  - (f) that the participant should elect, at the same time, whether or not he wishes to proceed with the redemption if his entire redemption request cannot be met; and
  - (g) that redemption requests made pursuant to the offer will be satisfied within 30 calendar days after the closing date of the offer. Such period may be extended to 60 calendar days after the closing date of the offer if the Manager satisfies the trustee/BOD that such extension is in the best interest of the property fund. The redemption period may be extended beyond 60 calendar days after the closing date of the offer if such extension is approved by participants.
- 11.5 In respect of any offer to redeem units pursuant to paragraphs 11.2, 11.3 and 11.6, *at least* 10% of the property fund's deposited property should be offered. Where the total amount of redemption requests received by the Manager is for less than 10%, all redemption requests should be met in full.
- 11.6 Subject to paragraph 11.8, where a property fund listed on the SGX:
- (a) has been suspended from trading for *at least* 60 consecutive calendar days; or
  - (b) has been delisted from the SGX;
- the Manager should, within 30 calendar days from the date of the specified event, offer to redeem units in accordance with paragraphs 11.4 and 11.5.

- 11.7 In the case of the specified event in paragraph 11.6(a), the Manager should announce such offer publicly not later than the 16th calendar day after the date of the specified event. For the purpose of paragraph 11.6(b), the offer should remain open for such period (of between 21 and 35 calendar days) as stipulated by the Manager or until such time as the units resume trading on the SGX, whichever is the earlier. This should be specifically disclosed in the offer notice to participants.
- 11.8 Where trading suspension in the units of a listed property fund is lifted within 30 calendar days after the date of the specified event in paragraph 11.6(a), the Manager need not proceed to make an offer to redeem the units, or if the Manager has announced an offer to redeem before trading suspension is lifted, the offer can be withdrawn. This should be specifically disclosed in the offer notice to participants.
- 11.9 Where trading suspension in the units of a listed property fund is lifted after the offer period to redeem units has commenced, the Manager should satisfy all redemption requests which have been received prior to the date the trading suspension is lifted. For the avoidance of doubt, the Manager will not be obliged to satisfy those redemption requests received after the date the trading suspension is lifted. This should be specifically disclosed in the offer notice to participants<sup>14</sup>.
- 11.10 Where a listed property fund continues to be suspended indefinitely or has been delisted from the SGX, the Manager should offer to redeem units *at least* once a year after the first offer to redeem units as specified in paragraph 11.6 has closed, i.e. the property fund will be treated as an unlisted property fund after such closing date.

## 12. Disclosure Requirements

- 12.1 Paragraph 4.2(b), 7.1 and 7.2 of the CIS Code (in respect of the preparation and content of semi-annual reports and semi-annual performance statements) will not apply to a property fund.
- 12.2 An annual report should be prepared by the manager at the end of each financial year, disclosing:
- (a) details of all real estate transaction(s) entered into during the year, including the identity of the buyer(s)/seller(s), purchase/sale price(s), and their valuation(s) (including the method(s) used to value the asset(s));
  - (b) details of all the property fund's real estate assets, including the location of such assets, their purchase prices and latest valuations, rentals received and occupancy rates, and/or the remaining term(s) of the property fund's leasehold property(ies) (where applicable);
  - (c) in respect of the other assets of a property fund, details of the:
    - (i) 10 most significant holdings (including the amount and percentage of fund size at market valuation); and
    - (ii) distribution of investments in dollar and percentage terms by country, asset class (e.g. equities, mortgage-backed securities, bonds, etc.) and by credit rating of all debt securities (e.g. "AAA", "AA", etc.);
  - (d) details of the property fund's exposure to derivatives, including the amount (i.e. net total aggregate value of contract prices) and percentage of derivatives investment of total fund size and at market valuation;
  - (e) details of the property fund's investment in other property funds, including the amount and percentage of total fund size invested in;
  - (f) details of borrowings of the property fund;

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<sup>14</sup> See Annex VIII(A) for some examples illustrating how the requirements in paragraphs 11.6 to 11.9 work in relation to a listed property fund that has been continuously suspended from trading for 60 calendar days.

- (g) the total operating expenses of the property fund, including all fees and charges paid to the Manager, adviser and interested parties (if any), and taxation incurred in relation to the scheme's real estate assets;
- (h) the performance of the property fund in a consistent format, covering various periods of time (e.g. 1-year, 3-year, 5-year or 10-year) whereby:
  - (i) in the case of an unlisted property fund, such performance is calculated on an "offer to bid" basis over the period<sup>15</sup>; or
  - (ii) in the case of a listed property fund, such performance is calculated on the change in the unit price transacted on the stock exchange over the period<sup>16</sup>.

Calculation of scheme performance should include any dividends/distributions made assuming that they were reinvested into the property fund on the day they were paid out<sup>17</sup>;

- (i) its NAV per unit at the beginning and end of the financial year; and
- (j) where the property fund is listed, the unit price quoted on the exchange at the beginning and end of the financial year, the highest and lowest unit price and the volume traded during the financial year.

12.3 The Third Schedule of the SFR requires the prospectus to disclose the risks specific to investing in property funds. Some examples of such risks (list is not exhaustive; to be explained in relation to the property fund being offered, where appropriate) include the following:

- (a) *Diversification* — Property funds tend to be less well-diversified than general securities fund.
- (b) *High gearing* — Property funds tend to be more highly geared than general securities funds. This could be risky if interest rates rise sharply.
- (c) *Valuation* — Property valuation, which affects the offer price of units in a property fund, is subjective.
- (d) *Illiquidity of properties* — The underlying properties in a property fund are often illiquid. Property may have to be sold to make distributions if market conditions change, or to meet redemptions if the fund is unlisted or delisted; the property fund may be unable to do this expediently where the need arises.

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<sup>15</sup> For the purpose of comparing the property trust's performance with an index or other property funds, such comparisons should be made based on the requirements set out in Regulation 25 of the Securities and Futures (Offers of Investments) (Collective Investment Schemes) Regulations 2002.

<sup>16</sup> This should be based on the closing price on the last day of the preceding reporting period (or in the case of a new fund, the opening price on the first day of trading) compared with the closing price on the last day of the current period.

<sup>17</sup> The price at which dividends/distributions are assumed to be reinvested should be the bid price (in the case of an unlisted property fund) or the closing price of the unit traded on SGX (in the case of a listed property fund) on the ex-dividend or ex-distribution date.

## Annex VIII(A):

### Property Funds Guidelines

#### The Requirement to Redeem Units of a Listed Property Fund that has been Continuously Suspended from Trading for 60 Calendar Days

##### Date

D/MM/YY	The first day when units of a listed property fund are suspended from trading on the SGX.
D + 60 days	On the 60th day that units of the listed property fund have been continuously suspended, the requirement in paragraph 11.6(a) is triggered.
D + 76 days	The last day for the Manager to announce publicly that an offer to redeem units will be made in 14 days' time, in compliance with paragraph 11.6(a).
D + 90 days	The last day for the Manager to make an offer to redeem units, i.e. the offer period should begin by this date, as required by paragraph 11.6(a).
D + 111 days	The offer to redeem units should be open at least until this date (assuming the units continue to be suspended from trading on the SGX), i.e. the offer should remain open for at least 21 days, <u>but</u> in no case should it remain open for more than 35 days.
D + 141 days	The last day for the Manager to pay those participants who have requested redemptions during the offer period [assuming the offer period is open for the minimum 21 days stipulated in paragraph 11.4(b)], <i>unless</i> the payment period has been extended with the approval of the trustee/BOD or participants, as the case may be.

The above timeline governs redemptions set out in paragraphs 11.6(a), 11.7 to 11.9 of these Guidelines, i.e. for a listed property fund that has been continuously suspended from trading for 60 calendar days. The following examples illustrate how the timeline works in various scenarios.

##### Scenario 1:

Where trading suspension in the units of a listed property fund is lifted between the period (D + 60 days) and (D + 76 days):

- the Manager need not announce or make an offer to redeem units.

##### Scenario 2:

Where trading suspension in the units of a listed property fund is lifted between the period (D + 76 days) and (D + 90 days), i.e. after the Manager has announced its offer to redeem units:

- the Manager need not proceed to make an offer to redeem units, or if the Manager has announced an offer to redeem before trading suspension is lifted, the offer can be withdrawn.

##### Scenario 3:

Where trading suspension in the units of a listed property fund is lifted between the period (D + 90 days) and (D + 111 days), i.e. after the offer period to redeem units has commenced:

- the Manager will be obliged to satisfy all such redemption requests as have been received prior to the date the trading suspension is lifted.

Scenario 4:

Where trading suspension in the units of a listed property fund is lifted after (D + 111 days), i.e. after the close of the offer period:

- the offer period (either in full or pro-rated if the requests received are more than the minimum amount stipulated in paragraph 11.5).

## Appendix IX

### Proposed Layout Plans for Asset Enhancements

The proposed alteration and amendment works and proposed layout plans for Ma On Shan Plaza are indicative proposals by the Manager and are subject to change by the Manager and subject to approval by the relevant authorities.

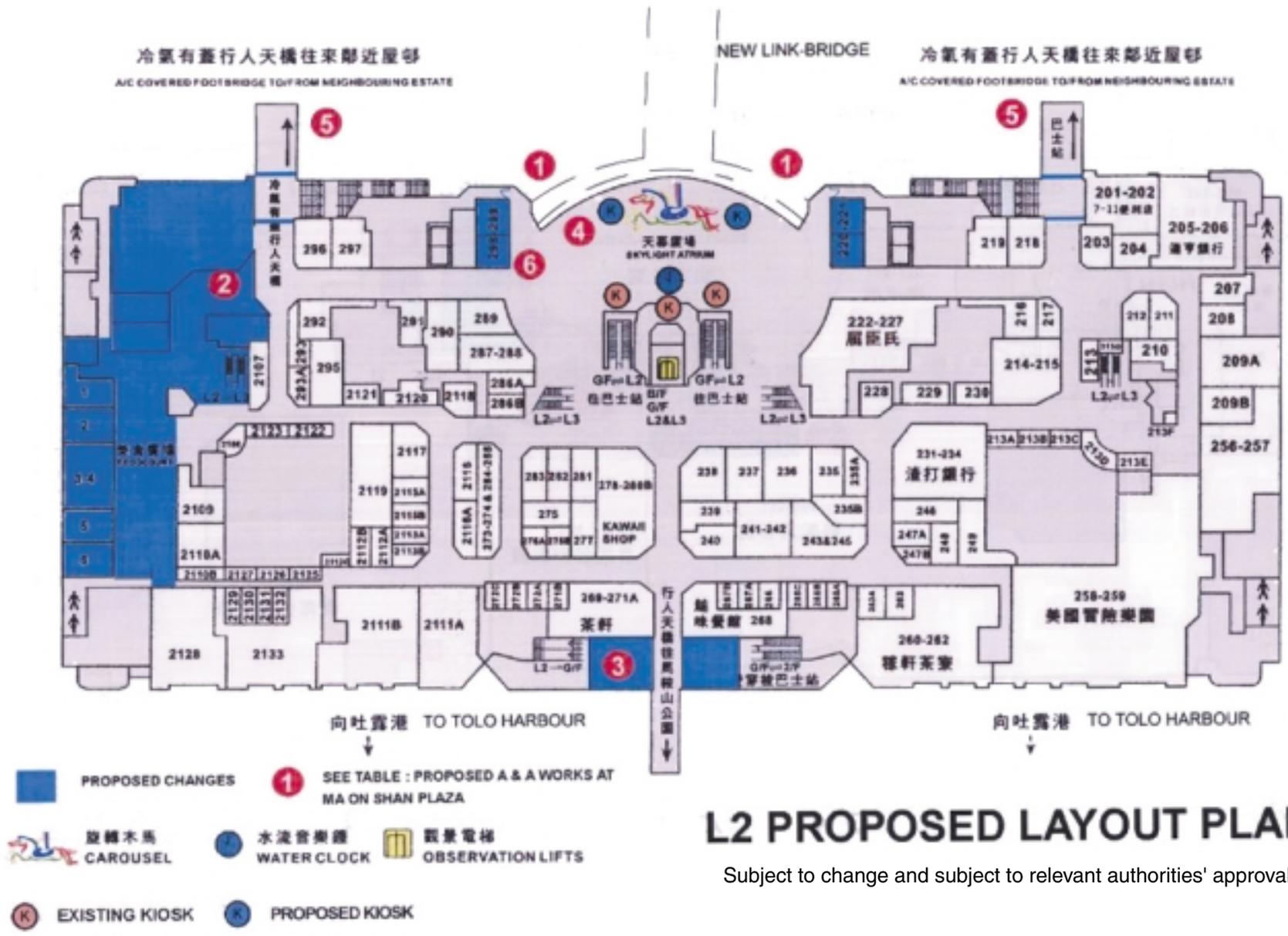
**Table — Proposed Alteration and Amendment (“A & A”) works at Ma On Shan Plaza**

Location	Existing Layout	Proposed Changes	Changes in Rentable Area (Approx.)
<b>Level 2</b>			
1.	<ul style="list-style-type: none"> <li>● Curtain wall</li> </ul>	<ul style="list-style-type: none"> <li>● New link-bridge from Ma On Shan Rail to Ma On Shan Plaza</li> </ul>	—
2.	<ul style="list-style-type: none"> <li>● Shops 2100–2103</li> <li>● Shops 2106 and 2105A-C</li> </ul>	<ul style="list-style-type: none"> <li>● New food court with food outlets</li> </ul>	+ 60m <sup>2</sup>
3.	<ul style="list-style-type: none"> <li>● Podium</li> </ul>	<ul style="list-style-type: none"> <li>● New open fronted café including outdoor seating</li> </ul>	+ 150m <sup>2</sup>
4.	<ul style="list-style-type: none"> <li>● Atrium</li> </ul>	<ul style="list-style-type: none"> <li>● Two new kiosks</li> </ul>	+ 4.5m <sup>2</sup>
5.	<ul style="list-style-type: none"> <li>● Tempered glass doors</li> </ul>	<ul style="list-style-type: none"> <li>● Demolish tempered glass doors and install A/C air curtains</li> </ul>	—
6.	<ul style="list-style-type: none"> <li>● Shops 298, 299, 220 and 221</li> </ul>	<ul style="list-style-type: none"> <li>● Relocate the fire doors</li> <li>● Set back shop front of shops 220 and 221 to reduce area by approx. 22.5m<sup>2</sup></li> <li>● Set back shop front of shops 298 &amp; 299 to reduce area by approx. 22.5m<sup>2</sup></li> <li>● Sub-divide the set-back shop Units 220, 221, 298 and 299 (approx. 45m<sup>2</sup> per unit)</li> </ul>	— –22.5m <sup>2</sup> –22.5m <sup>2</sup> —
	<ul style="list-style-type: none"> <li>● All shop fronts and circulation corridors</li> </ul>	<ul style="list-style-type: none"> <li>● New shop signage (e.g. shop signage and graphic box and shop directories etc.)</li> <li>● New recessed lighting system with paint</li> </ul>	— —

**Table — Proposed Alterations and Amendments (“A & A”) works at Ma On Shan Plaza**

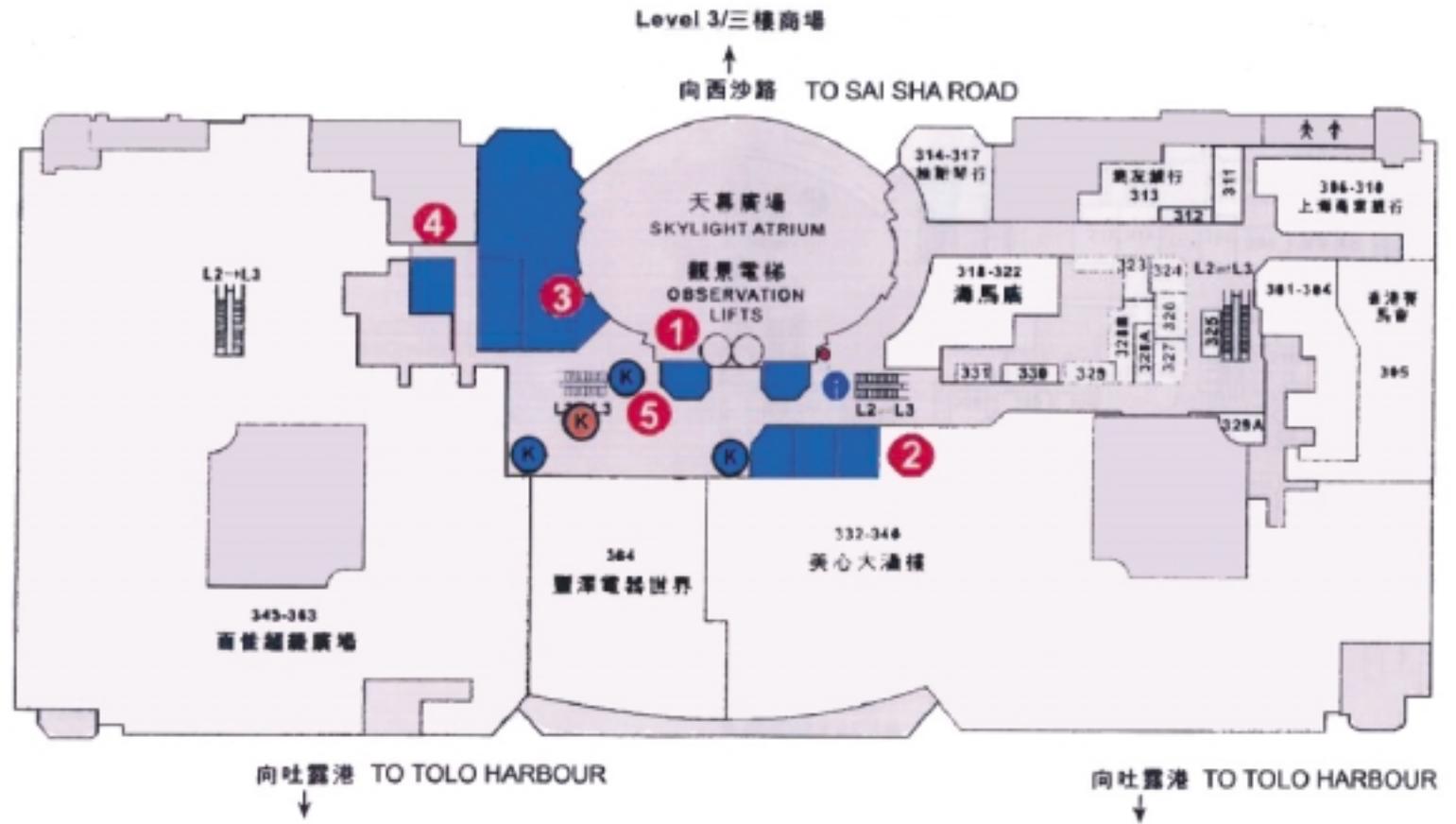
<b>Location</b>	<b>Existing Layout</b>	<b>Proposed Changes</b>	<b>Changes in Rentable Area (Approx.)</b>
<b>Level 3</b>			
1.	<ul style="list-style-type: none"> <li>● Atrium voids</li> </ul>	<ul style="list-style-type: none"> <li>● New slabs and two new shops (approx. 40m<sup>2</sup> per unit)</li> </ul>	+ 80m <sup>2</sup>
2.	<ul style="list-style-type: none"> <li>● Maxims Chinese Restaurant Banquet room</li> </ul>	<ul style="list-style-type: none"> <li>● Sub-divide into three shops (approx. 17.5m<sup>2</sup> per unit)</li> </ul>	+ 50m <sup>2</sup>
3.	<ul style="list-style-type: none"> <li>● Shops 341, 342 and 342A</li> </ul>	<ul style="list-style-type: none"> <li>● One large shop formed by merging shops 341, 342, 342A and adjacent circulation area (approx. 390m<sup>2</sup>)</li> </ul>	+ 55m <sup>2</sup>
4.	<ul style="list-style-type: none"> <li>● Portion of shop 341</li> </ul>	<ul style="list-style-type: none"> <li>● Leasing office</li> </ul>	—
5.	<ul style="list-style-type: none"> <li>● Space in front of shop 364</li> <li>● All shop fronts and circulation corridors</li> </ul>	<ul style="list-style-type: none"> <li>● Three new kiosks</li> </ul>	+ 3m <sup>2</sup>
		<ul style="list-style-type: none"> <li>● New shop signage (e.g. shop signage and graphic box and shop directories etc.)</li> </ul>	—
		<ul style="list-style-type: none"> <li>● New recessed lighting system with paint</li> </ul>	—
		<b>Total Changes in Floor Area</b>	<b>+ 357.5m<sup>2</sup></b>
		<b>Total Estimated Cost of Works (2005)</b>	<b>HKS 8,195,000</b>

Notes: Area is measured at the centre-line of the wall of the shop division or similar, and excludes all circulation and services areas.



## L2 PROPOSED LAYOUT PLAN

Subject to change and subject to relevant authorities' approval



- i 詢問處  
INFORMATION COUNTER
- K PROPOSED KIOSK
- K EXISTING KIOSK

## L3 PROPOSED LAYOUT PLAN

Subject to change and subject to relevant authorities' approval

## Appendix X

### Tenancies and Licences with Related Parties

Properties	Related Parties	Unit	Area (GRA)	Date of Agt	Monthly Rent/ Licence Fee (HK \$)	Market Monthly Rent/ Licence Fee (HK\$)	Yearly Rent/ Licence Fee (HK \$)	Rent-Free/Licence Fee-Free Period	Current Monthly Rental/ Licence Fee per sq ft	Term (Yr)	Option to Renew	Expiry Date
The Household Center	A.S. Watson Group (HK) Ltd T/A Park'N Shop Superstore	Whole 2/F	41,178	29/5/2003	* I) 1/8/2002 - 31/1/2004 : \$420,000.00 or 4% monthly Gross Receipts, whichever is higher * II) 1/2/2004 - 31/7/2005 : \$500,000.00 or 4% monthly Gross Receipts, whichever is higher	* \$412,000.00	* 1/8/02 - 31/12/02 = \$40,645.16 * 2003 = \$5,040,000.00 * 2004 = \$5,920,000.00 * 1/1/05 - 31/7/05 = \$3,500,000.00 or 4% monthly Gross Receipts, whichever is higher	1/8/02 - 28/12/02 (150 days)	\$10.20	3	2 Options: 1st : 3 yrs at OMR < = HK\$600,000 pm 2nd: 3 yrs at OMR < = 120% of preceding rent Or 4% monthly Gross Receipts	31/7/2005
	Hutchison Telephone Co Ltd	Antennae space, 1/F & 3/F	0	1/7/2003@@	\$8,000.00	\$8,000.00	\$96,000.00	N/A	—	2	—	30/6/2005
	Central More Limited	G06, G/F	538	1/7/2003@@	\$21,520.00	\$21,000.00	\$258,240.00	N/A	\$40.00	—	—	month-to-month
	A.S. Watson Group (HK) Ltd T/A Park'N Shop Superstore	Fan Room, 2/F	~0	1/9/2002@@	*\$1,000.00 per annum (\$83.4 per mth)	\$80.00	*\$1,000.00 per annum	N/A	—	2 yrs & 11 mths	—	31/7/2005
The Metropolis Mall	Hutchison Telephone Co Ltd	L7, L8 & L9 - Ceiling	0	5/12/2002	# \$20,000.00	# \$20,000.00	# \$240,000.00	N/A	—	2	—	30/11/2004
	Best Partner Resources Ltd T/A Koptiam	Shops 807-813 & 857	31,966	12/9/2002	I) 1/9/2002 - 31/8/2003 : \$416,000.00 II) 1/9/2003 - 31/8/2004 : \$520,000.00 III) 1/9/2004 - 31/8/2005 : \$624,000.00 plus 8 % of the Excess Amount of Quarterly Gross Receipts over \$16,425,000.00	\$420,000.00 plus 8% of the Excess Amount of Quarterly Gross Receipts over \$16,425,000.00	1/9/02 - 31/12/02 = \$416,000.00 2003 = \$5,408,000.00 2004 = \$6,656,000.00 1/1/05 - 31/8/05 = \$4,992,000.00 plus 8% of the Excess Amount of Quarterly Gross Receipts over \$16,425,000.00	1/9/02 - 30/11/02 (3 mths)	\$13.01	3	2 Options: 1st: 3 yrs at OMR but not less than \$624,000 & not more than \$748,800 2nd : 3 yrs at OMR but not less than preceding rent & not more than 120% of preceding rent plus 8% of the Excess Amount of Quarterly Gross Receipts over \$16,425,000	31/8/2005
	Best Partner Resources Ltd T/A Koptiam	Advert SC82, L8	656	18/12/2002	\$3,000.00	\$3,000.00	\$36,000.00	N/A	\$4.57	2 yrs & 8 mths	—	31/8/2005
	A.S. Watson Group (HK) Ltd T/A Fortress Digital	Shop 772	1,627	29/5/2003	* \$32,540.00 or 4% monthly Gross Receipts, whichever is higher	* \$32,700.00 or 4% monthly Gross Receipts, whichever is higher	* 21/2/03 - 31/12/03 = \$334,697.14 * 2004 = \$294,307.83 * 2005 = \$326,949.53 * 1/1/06 - 31/1/06 = \$32,540.00 or 4% monthly Gross Receipts, whichever is higher	I) 21/2/2004 - 20/5/2004 II) 21/2/2005 - 20/4/2005 (5 mths) * Licence Period : 21/12/2002 - 20/2/2003	\$20.00	2 yrs & 11 mths & 11 days	3 yrs at OMR but not more than 120% of preceding rent (i.e. \$39,048) or 4% monthly Gross Receipts	31/1/2006
	Match Power Investment Ltd	Shops 951-952	31,383	24/9/2002	**\$502,128.00	**\$500,000.00	\$6,025,536.00	N/A	\$16.00	—	—	month-to-month

Properties	Related Parties	Unit	Area (GRA)	Date of Agt	Monthly Rent/ Licence Fee (HK \$)	Market Monthly Rent/Licence Fee (HK\$)	Yearly Rent/ Licence Fee (HK \$)	Rent-Free/Licence Fee-Free Period	Current Monthly Rental/ Licence Fee per sq ft	Term (Yr)	Option to Renew	Expiry Date
The Metropolis Mall	Vigour Ltd	Shop 953	14,713	18/12/2002	**\$235,408.00	**\$234,000.00	\$2,824,896.00	N/A	\$16.00	—	—	month-to-month
	Vigour Ltd	Shop 773	1,211	7/5/2003	**\$19,376.00	**\$20,000.00	\$232,512.00	N/A	\$16.00	—	—	month-to-month
	Hutchison Telecommunications Retail Services Ltd. T/A 3	Shop 720A & 1 lightbox ##	509	7/4/03 (Offer Letter)	*\$10,180.00	*\$10,000.00	*1/8/03-31/12/03 = NIL *2004 = \$111,980.00 *1/1/05-31/7/05 = \$71,260.00	1/8/2003-31/1/2004 ***Licence Period: 16/5/2003 - 31/7/2003	\$20.00	2	—	31/7/2005
	Citybase Property Management Ltd.	Shop 856A	3,905	3/4/03 (Offer Letter)	** I) 15/5/2003 - 14/5/2004 : \$39,050.00 II) 15/5/2004 - 14/5/2005 : \$42,955.00 III) 15/5/2005 - 14/5/2006 : \$46,860.00	**\$39,000.00	**15/5/03-31/12/03 = \$255,126.67 2004 = \$454,474.81 2005 = \$497,371.03 1/1/06 - 14/5/06 = \$208,602.58	I) 15/5/2003 - 14/6/2003 II) 15/5/2004 - 14/6/2004 III) 15/5/2005 - 14/6/2005 ^ Licence Period : 15/4/2003 - 14/5/2003	\$10.00	3	—	14/5/2006
	A.S. Watson Group (HK) Ltd. T/A Watson's	Shops 719 & 720B	2,475	1/7/2003@@	* \$38,000.00	*\$38,000.00	\$456,000.00	N/A	\$15.35	2	—	30/6/2005
	A.S. Watson Group (HK) Ltd T/A Park'N Shop	Shops 729-733	6,376	29/5/2003	* \$69,000.00 or 5% monthly Gross Receipts, whichever is higher	*\$66,000.00 or 5% monthly Gross Receipts, whichever is higher	* 16/10/02 - 31/12/02 = \$0 * 2003 = \$656,612.90 * 2004 = \$828,000.00 * 1/1/05 - 31/10/05 = \$690,000.00 or 5% monthly Gross Receipts, whichever is higher	16/10/2002 - 15/3/2003 (5 mths)	\$10.82	3 yrs & 16 days	3 yrs at OMR or 5% monthly Gross Receipts	31/10/2005
Smartland	A.S. Watson Group (HK) Ltd T/A Watson's	Shop 7, G/F	3,477	13/3/2002 (Offer Letter)	* \$45,500.00	*\$42,300.00	* \$546,000.00	N/A	\$13.09	3	1st option : 3 yrs at OMR but not more than 115% of preceding rent; 2nd option : 3 yrs at OMR but not more than 115% of preceding rent	4/1/2005
	A.S. Watson Group (HK) Ltd T/A Watson's	Banners A3, B3 & C3	0	5/1/2002@@	### \$500.00	### \$500.00	\$6,000.00	N/A	—	3	—	4/1/2005
	A.S. Watson Group (HK) Ltd T/A PARK'N SHOP	G31-32, G/F F201, 1/F	32,142	7/9/2002 (Offer Letter)	* \$198,233.00 or 4% monthly Gross Receipts, whichever is higher	*\$195,000.00 or 4% monthly Gross Receipts, whichever is higher	* \$2,378,796.00 or 4 % monthly Gross Receipts, whichever is higher	N/A	\$6.17	3	—	31/7/2005
	A.S. Watson Group (HK) Ltd T/A PARK'N SHOP	P58, Basement	0	3/9/2002	\$3,500.00	\$3,500.00	\$42,000.00	N/A	—	1	—	2/9/2003
	A.S. Watson Group (HK) Ltd T/A PARK'N SHOP	Banners A2, B2 & C2	0	15/7/2002	### \$500.00	### \$500.00	\$6,000.00	N/A	—	3 yrs & 17 days	—	31/7/2005

Properties	Related Parties	Unit	Area (GRA)	Date of Agt	Monthly Rent/ Licence Fee (HK \$)	Market Monthly Rent/Licence Fee (HKS)	Yearly Rent/ Licence Fee (HK \$)	Rent-Free/Licence Fee-Free Period	Current Monthly Rental/ Licence Fee per sq ft	Term (Yr)	Option to Renew	Expiry Date
Ma On Shan Plaza	Hutchison Telephone Co Ltd	A350, IRS System	^^0	29/10/1999^^^	\$140,000.00	\$130,000.00	\$1,680,000.00	N/A	—	5	3 yrs at OMR	31/3/2004
	Hutchison Telephone Co Ltd	A351, IRS System	^^0	29/10/1999^^^	^ \$40,000.00	\$37,000.00	^ \$480,000.00	N/A	—	5	3 yrs at OMR	31/3/2004
	ESD Services Ltd	Electronic Kiosk, L3	^^0	1/11/2000	@ \$2,500.00	@\$2,500.00	@ 18/10/00 - 31/12/00 = \$5,000.00 @ 2001 = \$30,000.00 @ 2002 = \$30,000.00 @ 1/1/03 - 17/10/03 = \$23,870.97	18/10/2000 - 31/10/2000	—	3	—	17/10/2003
	A.S. Watson Group (HK) Ltd T/A Fortress	Ad. Signs A219 & A224	0	8/8/2001	# \$1,000.00	# \$1,000.00	# \$12,000.00	N/A	—	2 yrs & 11 mths	—	7/7/2004
	A.S. Watson Group (HK) Ltd T/A Fortress	Shop 364	11,690	24/8/2001	* \$150,000.00	*\$156,000.00	* \$1,800,000.00	N/A	\$12.83	3	2 Options: 1st: 3 yrs at OMR but not less than \$150,000 & not more than \$195,000 2nd: 3 yrs at OMR but not less than preceding rent & not more than 120% of preceding rent	7/7/2004
	A.S. Watson Group (HK) Ltd T/A Watson's	Shops 222-227, L2	5,447	24/8/2001	\$120,000.00	\$115,000.00	\$1,440,000.00	N/A	\$22.03	3	2 Options: 1st: 3 yrs at OMR but not less than preceding rent (i.e. \$120,000) & not more than 120% of preceding rent (i.e. \$144,000) 2nd: 3 yrs at OMR but not less than preceding rent & not more than 120% of preceding rent	15/8/2004
	A.S. Watson Group (HK) Ltd T/A PARK'N SHOP	Shops 343-363	56,348	01/06/2002	* \$601,050.00 or 4% monthly Gross Receipts, whichever is higher	*\$610,000.00 or 4% monthly Gross Receipts, whichever is higher	* \$7,212,600.00 or 4% monthly Gross Receipts, whichever is higher	N/A	\$10.67	3	3 yrs at OMR not less than \$601,050 & not more than \$781,365 or 4% Gross Receipts	9/8/2004
	A.S. Watson Group (HK) Ltd T/A PARK'N SHOP	Ad. Signs A233, P243, P244, P247 & P248	0	10/8/2001	* \$2,000.00	*\$2,000.00	* \$24,000.00	N/A	—	3	—	9/8/2004
A.S. Watson Group (HK) Ltd T/A PARK'N SHOP	Banner 2, Advertising Signs A104, A241, A242, PB01 & P269	0	10/8/2001	* \$1,216.00	*\$1,200.00	* \$14,592.00	N/A	—	3	—	9/8/2004	

Properties	Related Parties	Unit	Area (GRA)	Date of Agt	Monthly Rent/ Licence Fee (HK \$)	Market Monthly Rent/Licence Fee (HKS)	Yearly Rent/ Licence Fee (HK \$)	Rent-Free/Licence Fee-Free Period	Current Monthly Rental/ Licence Fee per sq ft	Term (Yr)	Option to Renew	Expiry Date
Jubilee Court Shopping Centre	Hutchison Telephone Co Ltd	Roof & Parapet Wall, 7/F	0	1/11/2002	\$16,200.00	\$16,000.00	\$194,400.00	N/A	—	3	—	31/10/2005
	A.S. Watson Group (HK) Ltd	Shop 702A, 7/F	5,195	23/12/2002	\$25,776.00	\$27,000.00	\$309,312.00	N/A	\$4.96	1 yr & 6 mths	—	30/6/2004
	A.S. Watson Group (HK) Ltd T/A PARK'N SHOP	Shop 329, 3/F	8,229	20/4/2002	* \$102,900.00 or 4% monthly Gross Receipts, whichever is higher	*\$102,000.00 or 4% monthly Gross Receipts, whichever is higher	* \$1,234,800.00 or 4% monthly Gross Receipts, whichever is higher	N/A	\$12.50	3 yrs & 16 days	—	31/8/2004
	A.S. Watson Group (HK) Ltd T/A PARK'N SHOP	LBG008, G/F (Lightbox)	0	16/8/2001	\$300.00	\$300.00	\$3,600.00	N/A	—	3 yrs & 16 days	—	31/8/2004

Remarks:

OMR = open market rent

\* Inclusive of Government rent

\*\* Inclusive of promotional levy

\*\*\* Licence period (i.e. 16/5/03-31/7/03) was granted before the tenancy commenced. During the licence period, payment of rent, management fee, promotional levy, air-conditioning fee, government rent and rates are waived by the landlord.

# Inclusive of Government rates and rent

## The landlord assigned one advertising lightbox to tenant free of charge.

### Inclusive of Government rates

^^ Licence period (i.e. 15/4/03-14/5/03) was granted before the tenancy commenced. During the licence period, payment of rent, management fee, promotional levy, air-conditioning fee are waived by the landlord but tenant shall bear the government rent and rates.

^^ The area forms part of the common area and is therefore not part of the GRA.

^^^ One Licence Agreement covering both A350 & A351 but 2 separate billings (see \*\*\*\*)

^ The amount will be set off from the project management fee under Unit A350, IRS System

~ Licence period was granted before the tenancy commenced. During the licence period, only the management fee, air-conditioning fee, promotional levy, government rent and rates and other outgoings are payable by tenant.

@ Inclusive of management fee, Air-conditioning charges, Government rates & rent and electricity charges

@@ Date of commencement

## Appendix XI

### List of Present and Past Principal Directorships of Directors and Executive Officers of the Manager over the Last Five Years Preceding 31 May 2003

Name	Current Directorships	Past Directorships
<b>Directors</b>		
Mr Chiu Justin Kwok Hung	Advancing Stock Limited Agrila Limited ARA Asset Management (HK) Limited ARA Asset Management Limited ARA Asset Management (Singapore) Limited ARRA Development S.A. Art Full Resources Limited Aylmer Profits Limited Ayrshire Investment Limited Bandick Limited Bayshore Property Management Limited Beautiland Company Limited Becogate Limited Beijing Net-Infinity Technology Development Co., Ltd Best Partner Resources Limited Biro Investment Limited Bright Sign Services Limited Carton International Limited Cheuk Kin Investment Company Limited Cheung Kong (Bermuda) Limited Cheung Kong Center Property Management Limited Cheung Kong (China Housing Development) Limited Cheung Kong (China Property Development) Limited Cheung Kong (Holdings) Limited Cheung Kong Development Company Limited Cheung Kong Enterprises Holdings Limited Cheung Kong Property Development Limited Cheung Kong Property Management Limited Cheung Kong Real Estate Limited Cheung Kong Real Estate Agency Limited Citybase Property Management Limited	Citybase Service-Plus Limited (dissolved on 6/6/2003) Keen Earning International Limited (dissolved on 27/9/2002)

Name	Current Directorships	Past Directorships
Mr Chiu Justin Kwok Hung	Citytruth Property Management Limited Colour Sky International Limited Comina Investment Limited Concordia Property Management Limited Conestoga Limited Damen Limited Deerhill Bay Management Limited Delight Resources Limited Dor Palace Company Limited E-Park Parking Management Limited Elite Property Advisors Limited Foo Chung Realty Limited Foo Yik Estate Company Limited Galex Group Limited Germinish Company Limited Giga Resources Limited Glass Bead Limited Glenfield Investments Pte Ltd. Global Media Technology Limited Gold Braid Limited Goldwin Property Management Limited Goodwell Property Management Limited Goodwell Service-Plus Limited (in the process of deregistration) Gorich Idea Limited Gorich Profits Limited Grayhill Estates Limited Greats Assets Limited Harbourfront Landmark Management Limited Haskins Investments Limited Haynes Estates Limited Hilder Company Limited Horizon Concept Limited Houston Asset Management Limited In Favour Assets Limited Innonet (Holdings) Limited iVision International Limited J.A. Company Limited Jabrin Limited Japura Development Pte Ltd Japura Pte Ltd Jingcofield Limited Joynote Ltd Jurado Limited Kamos Limited	

Name	Current Directorships	Past Directorships
Mr Chiu Justin Kwok Hung	Kiangsu and Chekiang Residents (Hong Kong) Association Kingson Limited Kingswood Property Services Limited Laguna City Property Management Limited Laguna Verde Property Management Limited Lifestyle Plus Limited Loyal City Services Limited Manlai Court Property Management Company Limited Mantex Services Limited Maranta Estates Limited Maxon Investment Limited Mightypattern Limited Milo Top Development Limited Million Nice Development Limited Modern Warehouse Company Limited Montaco Limited Monte Vista Management Limited Mutual Luck Investment Limited Nob Hill Management Limited One Raffles Quay Pte Ltd Pako Wise Limited Paramatta Estate Management Limited Paramatta Real Estate Agency Limited Paramatta Investment Company Limited Pecan Co., Ltd Pine Fragrance Limited Pinelink Investment Limited Pofield Investments Limited Poko Shine Limited Portofino Management Limited Presion Limited Prompton Property Management Limited Property Enterprises Development (Singapore) Pte Ltd Prostar Resources Limited Quebocity Limited Raffles Quay Asset Management Pte Ltd Ramad Investments Limited Randash Investment Limited Renton International Limited Rumbold Investments Limited Sai Ling Realty Limited	

Name	Current Directorships	Past Directorships
Mr Chiu Justin Kwok Hung	Sceneway Property Management Limited Serwell Property Management Limited Silver Keen Company Limited Silver Sight Property Management Limited Smart Wise Resources Limited Splendid Well Limited Sprado Company Limited Tai Poon Company, Limited The Center (Car Parks) Limited The Center Commercial (B.V.I.) Limited The Center (Display Spaces) Limited The Center (Leasing Agent) Limited The Center (Sky Restaurant) Limited The Center (19) Limited The Center (20) Limited The Center (21) Limited The Center (22) Limited The Center (23) Limited The Center (25) Limited The Center (26) Limited The Center (27) Limited The Center (28) Limited The Center (29) Limited The Center (30) Limited The Center (31) Limited The Center (32) Limited The Center (33) Limited The Center (35) Limited The Center (36) Limited The Center (37) Limited The Center (38) Limited The Center (39) Limited The Center (42) Limited The Center (43) Limited The Center (45) Limited The Center (46) Limited The Center (47) Limited The Center (48) Limited The Center (49) Limited The Center (50) Limited The Center (51) Limited The Center (52) Limited The Center (53) Limited The Center (55) Limited The Center (56) Limited The Center (57) Limited The Center (58) Limited The Center (59) Limited The Center (61) Limited The Center (62) Limited	

Name	Current Directorships	Past Directorships
Mr Chiu Justin Kwok Hung	The Center (63) Limited The Center (65) Limited The Center (66) Limited The Center (67) Limited The Center (68) Limited The Center (69) Limited The Center (72) Limited The Center (75) Limited The Center (76) Limited The Center (77) Limited The Center 78 (No. 2) Limited The Metropolis Management Company Limited The Paramount Management Limited The Portofino (90) Limited The Portofino (92) Limited The Portofino (96) Limited The Portofino (98) Limited The Portofino (100) Limited The Portofino (102) Limited The Portofino (106) Limited The Portofino (108) Limited The Portofino (110) Limited The Portofino (112) Limited The Portofino (116) Limited The Portofino (118) Limited The Portofino (120) Limited The Portofino (121) Limited The Portofino (122) Limited The Portofino (123) Limited The Portofino (125) Limited The Portofino (126) Limited The Portofino (127) Limited The Portofino (128) Limited The Portofino (129) Limited The Portofino (130) Limited The Portofino (131) Limited The Portofino (132) Limited The Portofino (135) Limited The Portofino (136) Limited The Portofino (137) Limited The Portofino (139) Limited The Portofino (150) Limited The Portofino (151) Limited The Portofino (156) Limited The Portofino (157) Limited The Portofino (160) Limited The Portofino (161) Limited The Portofino (162) Limited The Portofino (163) Limited The Portofino (165) Limited The Portofino (166) Limited The Portofino (167) Limited The Portofino (170) Limited The Portofino (172) Limited	

Name	Current Directorships	Past Directorships
Mr Chiu Justin Kwok Hung	The Portofino (176) Limited The Portofino (178) Limited The Portofino (180) Limited The Portofino (188) Limited The Portofino (A1) Limited The Portofino (A2) Limited The Portofino (A3) Limited The Portofino (A5) Limited The Portofino (A6) Limited The Portofino (B1) Limited The Portofino (B2) Limited The Portofino (B3) Limited The Portofino (B5) Limited The Portofino (B6) Limited The Portofino (C2) Limited The Portofino (C3) Limited The Portofino (C5) Limited The Portofino (C6) Limited The Portofino (D1) Limited The Portofino (D2) Limited The Portofino (D3) Limited The Portofino (D5) Limited The Portofino (D6) Limited Thorogood Estates Limited Titanic Investments Limited Trendy Warehouse Company Limited Tsing-Ti Realty, Limited University Heights Management Company Limited Verda Max Limited Vigour Limited Vision Million Limited Vista Paradiso Property Management Limited Wah Tung Trading Company Limited Waldorf Realty Limited Webbland Limited Wisdom Champion Limited Wisdom Champion (12) Limited Wisdom Champion (15) Limited Wisdom Champion (16) Limited Wisdom Champion (17) Limited Wisdom Champion (18) Limited Wisdom Champion (19) Limited Wisdom Champion (20) Limited Wisdom Champion (21) Limited Wisdom Champion (22) Limited Wisdom Champion (23) Limited Wisdom Champion (25) Limited Wisdom Champion (26) Limited Wisdom Champion (27) Limited Wisdom Champion (28) Limited Wooco Investment S.A. Yee Pang Realty Limited	

<b>Name</b>	<b>Current Directorships</b>	<b>Past Directorships</b>
Mr Lim Hwee Chiang	ARA Asset Management Limited ARA Asset Management (Singapore) Limited ARA Asset Management (HK) Limited Teckwah Industrial Corporation Limited (formerly Teck Wah Paper Products Ltd) Teckwah China Corporation Pte Ltd TSM Resources Ltd The Land Manager (S) Pte Ltd LTT Investment Holdings Pte Ltd	Dynasty Pacific Homes (Lakeside) Pte Ltd Dynasty Pacific Homes (Lakeside 2) Pte Ltd China Homes Ltd Mandarin Ventures Pte Ltd (formerly Lot One Enterprise Ltd) GRA (Singapore) Pte Ltd West Kowloon Investment Limited ARMF (Singapore) Private Limited ARMF (TBP) Private Limited Retail Mall Management Pte Ltd Sim City Holdings Ltd Sim City 1 Ltd Sim City 2 Ltd Sim City 3 Ltd Sim City 4 Ltd Sim City 5 Ltd Sim City 6 Ltd Sim City 7 Ltd Sim City 8 Ltd Sim City 9 Ltd Sim City 10 Ltd Springleaf Property Holdings Ltd Springleaf 20 Ltd Springleaf 21 Ltd Springleaf 22 Ltd Anson Property Holdings Ltd Anson 5 Ltd Anson 5A Ltd Anson 6 Ltd Anson 6A Ltd Anson 7 Ltd Anson 7A Ltd Anson 8 Ltd Anson 8A Ltd Anson 9 Ltd Anson 9A Ltd Anson 10 Ltd Anson 10A Ltd Anson 11 Ltd Anson 11A Ltd Anson 12 Ltd Anson 12A Ltd Anson 13 Ltd Anson 13A Ltd Anson 14 Ltd Anson 14A Ltd Anson 15 Ltd Anson 15A Ltd Hancock Property Holdings Ltd Hancock 23 Ltd Hancock 24 Ltd Hancock 25 Ltd

Name	Current Directorships	Past Directorships
Mr Lim Hwee Chiang		Holland Hill Mansions Condominium Limited Holland Hill Mansions Condominium Unit #01-09 Ltd Holland Hill Mansions Condominium Unit #01-11 Ltd Holland Hill Mansions Condominium Unit #01-12 Ltd Holland Hill Mansions Condominium Unit #01-13 Ltd Holland Hill Mansions Condominium Unit #02-11 Ltd Holland Hill Mansions Condominium Unit #02-12 Ltd Holland Hill Mansions Condominium Unit #02-13 Ltd Holland Hill Mansions Condominium Unit #03-09 Ltd Holland Hill Mansions Condominium Unit #03-14 Ltd Holland Hill Mansions Condominium Unit #03-18 Ltd Holland Hill Mansions Condominium Unit #03-19 Ltd Holland Hill Mansions Condominium Unit #04-10 Ltd Holland Hill Mansions Condominium Unit #04-11 Ltd Holland Hill Mansions Condominium Unit #04-12 Ltd Holland Hill Mansions Condominium Unit #04-13 Ltd Holland Hill Mansions Condominium Unit #05-16 Ltd Holland Hill Mansions Condominium Unit #05-17 Ltd Holland Hill Mansions Condominium Unit #06-07 Ltd Holland Hill Mansions Condominium Unit #06-12 Ltd Holland Hill Mansions Condominium Unit #06-13 Ltd Holland Hill Mansions Condominium Unit #06-14 Ltd Holland Hill Mansions Condominium Unit #06-16 Ltd

Name	Current Directorships	Past Directorships
Mr Lim Hwee Chiang		Avalon Offshore Ltd Abundance Investments Ltd Acacia Premier Ltd Academy Offshore Ltd Accent Property Ltd Access Overseas Ltd Accord Properties Ltd Achieve Properties Ltd ACME Overseas Ltd Acorn Global Ltd Acre Offshore Ltd Acropolis Property Ltd Active Universal Ltd Acumen Properties Ltd Adept Ltd Advance Investments Ltd Alcove Properties Ltd Alp Alliance Ltd Alpen Investments Ltd Amber Select Ltd Anchorage Properties Ltd Apex Property Ltd ARC Properties Ltd Ardent Offshore Ltd Arete Properties Ltd ARM International Investment Ltd Aspire Investments Ltd Asset Properties Ltd Aster Offshore Ltd Atelier Investments Ltd Autumn Property Ltd Award Properties Ltd AWE Investments Ltd Azure Premier Ltd The Forbes Tower Condominium Unit 1001 Ltd The Forbes Tower Condominium Unit 1004 Ltd The Forbes Tower Condominium Unit 1005 Ltd The Forbes Tower Condominium Unit 1101 Ltd The Forbes Tower Condominium Unit 1104 Ltd The Forbes Tower Condominium Unit 1105 Ltd The Forbes Tower Condominium Unit 1201 Ltd The Forbes Tower Condominium Unit 1204 Ltd The Forbes Tower Condominium Unit 1205 Ltd The Forbes Tower Condominium Unit 1401 Ltd The Forbes Tower Condominium Unit 1404 Ltd

<b>Name</b>	<b>Current Directorships</b>	<b>Past Directorships</b>
Mr Lim Hwee Chiang		<p>The Forbes Tower Condominium Unit 1405 Ltd</p> <p>The Forbes Tower Condominium Unit 1501 Ltd</p> <p>The Forbes Tower Condominium Unit 1504 Ltd</p> <p>The Forbes Tower Condominium Unit 1505 Ltd</p> <p>The Forbes Tower Condominium Unit 1601 Ltd</p> <p>The Forbes Tower Condominium Unit 1604 Ltd</p> <p>The Forbes Tower Condominium Unit 1605 Ltd</p> <p>The Forbes Tower Condominium Unit 1701 Ltd</p> <p>The Forbes Tower Condominium Unit 1705 Ltd</p> <p>The Forbes Tower Condominium Unit 1801 Ltd</p> <p>The Forbes Tower Condominium Unit 1805 Ltd</p> <p>The Forbes Tower Condominium Unit 1901 Ltd</p> <p>The Forbes Tower Condominium Unit 1905 Ltd</p> <p>The Forbes Tower Condominium Unit 2001 Ltd</p> <p>The Forbes Tower Condominium Unit 2004 Ltd</p> <p>The Forbes Tower Condominium Unit 2005 Ltd</p> <p>The Forbes Tower Condominium Unit 2101 Ltd</p> <p>The Forbes Tower Condominium Unit 2104 Ltd</p> <p>The Forbes Tower Condominium Unit 2105 Ltd</p> <p>The Forbes Tower Condominium Unit 2201 Ltd</p> <p>The Forbes Tower Condominium Unit 2204 Ltd</p> <p>The Forbes Tower Condominium Unit 2205 Ltd</p> <p>The Forbes Tower Condominium Unit 2301 Ltd</p> <p>The Forbes Tower Condominium Unit 2304 Ltd</p> <p>The Forbes Tower Condominium Unit 2401 Ltd</p> <p>The Forbes Tower Condominium Unit 2404 Ltd</p> <p>The Forbes Tower Condominium Unit 2501 Ltd</p>

Name	Current Directorships	Past Directorships
Mr Lim Hwee Chiang		The Forbes Tower Condominium Unit 2504 Ltd The Forbes Tower Condominium Unit 2601 Ltd The Forbes Tower Condominium Unit 2604 Ltd The Forbes Tower Condominium Unit 2701 Ltd The Forbes Tower Condominium Unit 2704 Ltd The Forbes Tower Condominium Unit 2801 Ltd The Forbes Tower Condominium Unit 2804 Ltd The Forbes Tower Condominium Unit 2901 Ltd The Forbes Tower Condominium Unit 2904 Ltd The Forbes Tower Condominium Unit 2905 Ltd The Forbes Tower Condominium Unit 301 Ltd The Forbes Tower Condominium Unit 305 Ltd The Forbes Tower Condominium Unit 306 Ltd The Forbes Tower Condominium Unit 401 Ltd The Forbes Tower Condominium Unit 405 Ltd The Forbes Tower Condominium Unit 406 Ltd The Forbes Tower Condominium Unit 501 Ltd The Forbes Tower Condominium Unit 505 Ltd The Forbes Tower Condominium Unit 506 Ltd The Forbes Tower Condominium Unit 601 Ltd The Forbes Tower Condominium Unit 605 Ltd The Forbes Tower Condominium Unit 606 Ltd

Name	Current Directorships	Past Directorships
Mr Lim Hwee Chiang		The Forbes Tower Condominium Unit 701 Ltd The Forbes Tower Condominium Unit 705 Ltd The Forbes Tower Condominium Unit 706 Ltd The Forbes Tower Condominium Unit 801 Ltd The Forbes Tower Condominium Unit 804 Ltd The Forbes Tower Condominium Unit 805 Ltd The Forbes Tower Condominium Unit 901 Ltd The Forbes Tower Condominium Unit 904 Ltd The Forbes Tower Condominium Unit 905 Ltd Foodfare Catering Pte Ltd MLKI (Foodfare) Singapore Pte Ltd

Name	Current Directorships	Past Directorships
Mr Ip Tak Chuen Edmond	Abundant Luck Limited Action Advantage Limited Advanced Internet Services Limited Advancing Stock Limited Aesthetic Investments Limited Agosta Limited Agrila Limited Akerman Holdings Limited Albion Properties Limited Albion Residential Limited Albion Riverside Commercial Limited Alexis Company Limited All In Profit International Limited Allday Enterprises Limited Alpha Future Limited Alpine Profits Limited Alps Mountain Agent Limited Amassed Investments Limited Amityville Limited AMTD Financial Planning Limited ARA Asset Management (Singapore) Limited Arenal Limited ARRA International Limited Art Full Resources Limited Ascardo Limited Asian Equities Inc. Aspiration Land Investment Limited Assetview Investments Limited Astino Limited Asvick Investment Limited Auckland Profits Limited Australian Energy Holdings Limited Autocent Investments Limited Aylmer Profits Limited Ayrshire Investment Limited Bamco Investment Limited Bandick Limited Beautiland Company Limited Beauty Queen Limited Beijing Net-Infinity Technology Development Co., Ltd Beijing Oriental Plaza Co., Ltd. Beijing Planet Network Travel Information Technology Limited Beijing Super Channel Network Limited	Carton International Limited Casco Resources Limited (dissolved on 27/11/2001) CEF Capital Limited CEF New Asia Company Limited Changchao Power Company Limited Changhai Power Company Limited Changliao Fuel Supply Company Limited Changpu Power Company Limited Cheer Popular Investment Limited (dissolved on 9/8/2002) Citybase Service-Plus Limited (dissolved on 6/6/2003) CKI UK Water Finance Limited (dissolved on 17/12/2002) CKI UK Water Limited (dissolved on 17/12/2002) Concord Pacific-Grand Adex Developments Limited Concord Property Development Limited Crystal Marble Investment Limited (dissolved on 9/8/2002) Delta Wise International Limited (dissolved on 20/9/2002) Dragon Able International Limited (dissolved on 9/8/2002) ehealthcareasia Limited Falcon Sight Limited (dissolved on 4/4/2003) Far East Wagner (BVI) Limited First Bridge Limited (dissolved on 1/5/2002) First Pioneer Limited (dissolved on 1/5/2002) Flow Victory Limited Gold Gain Worldwide Limited (dissolved on 1/5/2002) Great Dynamic Investments Limited (dissolved on 7/6/1999) Great Mercury Limited (dissolved on 9/8/2002) Green Tech Consultants Limited (dissolved on 1/11/2001) Happy Talent Development Limited (dissolved on 9/8/2002) Hong Kong Property Services (Agency) Limited Hong Kong Property Services (Consultancy) Limited Hong Kong Property Services (Investment) Limited Hong Kong United Bus Limited Hong Sing Investments B.V.

Name	Current Directorships	Past Directorships
Mr Ip Tak Chuen Edmond	Belgravia Place Management Limited Bermington Investment Limited Best Yet Resources Limited Bestlead International Limited Better Growth Investment Limited Big City Investments N.V. Bignet Limited Biodirect Profits Limited biosecure Systems Limited biosecure ID Systems Limited Bio-World (Holdings) Limited Bio-World Holdings Limited Biocycle Resources Limited Bioedit Developments Limited Biotech Strategic (Holdings) Limited Biotech Strategic Holdings Limited Biro Finance Limited Biro Investment Limited Blue Quartz Limited BOC China Fund Limited Bolo Investment Limited Bonda Gold Limited Bonntile Industries (H.K.) Limited Bonson Resources Limited Boombay Limited Borneo Limited Bowstar Limited Brandish Victory Limited Bridgeview Profits Limited Bright Sign Services Limited Bristol Profits Limited Broadstairs International Limited Broadwell Profits Limited Brytel Investments Limited Building Management Security Communication Limited Bylite (Nominees) Limited Bytes Investments Limited Cable Med Group Limited Cabramatta Limited Cambonic International Limited Camco Investment Limited Campina Enterprises Limited Capital Million Group Limited Career Times Online Limited Cashmere Profits Limited Cashweb Profits Limited Castino Limited	Hong Sing European Holdings Pte Ltd (dissolved on 9/4/2003) iClaims21 Limited iHR21 Limited iStock21 Limited Jackpot International Limited (dissolved on 9/8/2002) Jocund Investments Limited (dissolved on 25/3/2003) Kash Rich Investments Limited (dissolved on 1/11/2001) Leading Point Investment Limited (dissolved on 1/11/2000) Leisten Pte Ltd Metro Broadcast Corporation Limited Millennia Biotechnology (Holdings) Limited (dissolved on 31/3/2003) Million Wealth Profits Limited (dissolved on 25/3/2003) Nanqiao Power Company Limited Nantang Power Company Limited Oriental Metals (Holdings) Company Limited Panorama International Limited Paul Y.-ITC Construction Holdings Limited Peak Victory Limited (dissolved on 1/11/2001) Prospering Assets Limited Richboard Limited (dissolved on 9/8/2002) Sanlux Holdings Limited Sellington Investment Limited (dissolved on 9/8/2002) Sky Strength Limited (dissolved on 9/8/2002) Smile Beauty Investment Limited Splendid Bright Investment Limited (dissolved on 9/8/2002) Strength Profit Limited (dissolved on 9/8/2002) Strong Position Enterprises Limited (dissolved on 9/8/2002) Sunning Well Investment Limited (dissolved on 9/8/2002) Sunparkal Investment Limited (dissolved on 9/8/2002) Superforce Resources Limited Target Winner Limited (dissolved on 25/4/2003) The Portofino (181) Limited (dissolved on 9/8/2002) The Portofino (183) Limited (dissolved on 9/8/2002)

Name	Current Directorships	Past Directorships
Mr Ip Tak Chuen Edmond	Catic International Holdings Limited Cavell Limited Cefasia Finance Limited CEF Holdings Limited Centerlin Investments Limited Century Global Profits Limited Century Sixty Limited Champful Limited Champion Launch International Limited Chang E Road Investment Company Limited Changgang Road Investment Company Limited Changhai Road Investment Company Limited Changli Road Investment Company Limited Changlian Road Investment Company Limited Changlyn Road Investment Company Limited Changpan Bei Dou Road Investment Company Limited Changping Cogeneration Dust Disposal Investment Company Limited Changping Cogeneration Fuel Supply Investment Company Limited Changping Cogeneration Investment Company Limited Changping Cogeneration Services Company Limited Changping Cogeneration Water Investment Company Limited Changping Electricity Company Limited Changping Energy Investment Company Limited Changqian Road Investment Company Limited Changqing Road Investment Company Limited Changshun Energy Investment 1 Company Limited Changshun Energy Investment 2 Company Limited Changshun Energy Investment 3 Company Limited Changtang Road Investment Company Limited Changting Road Investment Company Limited	The Portofino (C1) Limited (dissolved on 20/9/2002) The Portofino (Car Parking Spaces) Limited (dissolved on 20/9/2002) Top Quality Investments Limited Town Health International Holdings Company Limited Trasy Gold Ex Limited Triple Wise Limited (dissolved on 20/9/2002)

Name	Current Directorships	Past Directorships
Mr Ip Tak Chuen Edmond	Changwang Road Investment Company Limited Changxiang Wu Jia Ling Road Investment Company Limited Changxiang Wu Yi Road Investment Company Limited Chaoke Information Technology (BVI) Company Limited Chartex International Limited Chasterton Limited Chata Limited Chengdu Changdu Enterprise Development Co. Ltd. Chengdu Changtian Co., Ltd. Cherryred Group Limited Cheuk Kin Investment Company Limited Cheung Kong (Bermuda) Limited Cheung Kong Bond Finance Limited Cheung Kong (China Hotel) Limited Cheung Kong (China Housing Development) Limited Cheung Kong (China Infrastructure) Limited Cheung Kong (China Project Management) Limited Cheung Kong (China Property) Limited Cheung Kong (Developments) Limited Cheung Kong (Holdings) Limited Cheung Kong Advertising Company Limited Cheung Kong Capital Limited Cheung Kong Center Property Management Limited Cheung Kong China Enterprises Limited Cheung Kong China Infrastructure Limited Cheung Kong China Property Limited Cheung Kong Development Company Limited Cheung Kong Enterprises Limited Cheung Kong Enterprises Holdings Limited Cheung Kong Finance Cayman Limited	

Name	Current Directorships	Past Directorships
Mr Ip Tak Chuen Edmond	Cheung Kong Finance China Limited Cheung Kong Finance Company Limited — H.K. Cheung Kong Finance Company Limited — B.V.I. Cheung Kong Holdings (China) Limited Cheung Kong Hutchison Beijing Power Company Limited Cheung Kong Inc Cheung Kong Infrastructure (BVI) Limited Cheung Kong Infrastructure Finance (Australia) Pty Limited Cheung Kong Infrastructure Finance (BVI) Limited Cheung Kong Infrastructure Finance Company Limited Cheung Kong Infrastructure Holdings Limited Cheung Kong Infrastructure Holdings (Australia) Pty Ltd #Cheung Kong Infrastructure Holdings (Malaysian) Limited Cheung Kong International Limited — Bahama Cheung Kong International Limited — H.K. Cheung Kong International Limited — U.K. Cheung Kong International Limited N.V. Cheung Kong Investment (Singapore) Pte Limited Cheung Kong Investment Company Limited Cheung Kong Jet Corporation Limited Cheung Kong Jianghe Highway Company Limited Cheung Kong Jiangsha Highway Company Limited Cheung Kong Jingyang Housing Development Limited Cheung Kong Marketing Services Limited Cheung Kong Prime Properties Limited Cheung Kong Property Development Limited Cheung Kong Property Management Limited Cheung Kong Real Estate Limited	

Name	Current Directorships	Past Directorships
Mr Ip Tak Chuen Edmond	Cheung Kong Real Estate Agency Limited Cheung Kong Shanping Housing Development Limited Cheung Wo Hing Fung Enterprises Limited Cheungma Road Investment Company Limited Cheungyik Road Investment Company Limited China Cement Company (International) Limited Chinawide Profits Limited Chistar Investment Limited Choice Century Limited Chopin International Limited Citiland Investment Limited Citimax Limited # Citipower I Pty Ltd # Citipower II Pty Ltd # Citipower Pty City Day Investments Limited Citybase Property Management Limited Citytruth Property Management Limited CK Ascom Asia Power Communications Limited CK Ascom Asia Power Communications Holdings Limited CK Biotech Laboratory Limited CK Broadband Communications Limited CK Communications Limited CK Life Sciences Int'l., (Holdings) Inc. CK Life Sciences Int'l., Inc. CK Life Sciences Laboratory Limited CK Life Sciences Limited CK Power Communications Limited CK Technology Holdings Inc. CK Venture Capital Limited CKH Star Limited CKI Airport Finance Pty Ltd. CKI Airport Loan Notes (Australia) Pty Ltd. CKI China Enterprises Limited # CKI City Tunnel Investment (Malaysia) Limited CKI Materials Limited # CKI Power Development Limited	

Name	Current Directorships	Past Directorships
Mr Ip Tak Chuen Edmond	# CKI Power Distribution Limited # CKI Power (Malaysian) Limited CKI UK Water (BVI) Limited # CKI Utilities Development Limited # CKI Utilities Holdings Limited # CKI Utilities (Malaysian) Limited # CKI/HEI Electricity Distribution Holdings (Australia) Pty Ltd # CKI/HEI Electricity Distribution Pty Ltd. # CKI/HEI Electricity Distribution Two Pty Ltd. # CKI/HEI Power Holdings Limited # CKI/HEI Utilities Distribution Limited Cloudstar Investments Limited Coco Resources Limited Comax Resources Limited Comina Limited Comina Investment Limited Commercelink Profits Limited Community Realty Limited Concord Investments Company Limited Conestoga Limited Conroy Assets Limited Constellation Properties (Colorado), Inc. Continental Estates Sdn Bhd Continental Realty Limited Conwell Action Enterprises Limited Corpnet Technology Limited Cosmic Rays Investments Limited Cosmos Technology Limited Cotech Resources Limited Cotino Limited Cromwell Profits Limited (In Voluntary Liquidation) Cropland Investment Limited Crosscity Motorway Finance Pty Limited Crosscity Motorway Holdings Pty Limited Crosscity Motorway Nominees No. 1 Limited Crosscity Motorway Nominees No. 2 Limited Crosscity Motorway Pty Limited	

Name	Current Directorships	Past Directorships
Mr Ip Tak Chuen Edmond	Crownice Investment Limited Crownity Limited Croyland Investments Ltd Curvers Holdings Limited Dalton Blue Limited Datalink Enterprises Limited Datalink Resources Limited Damen Limited Daredon Assets Limited Deerhill Bay Management Limited Delight Resources Limited Dellian Developments Limited Delta First Investments Limited Diamond Profits Limited Dinmax Limited Directpoint Investments Limited Dobie Development S.A. Doko Limited Domatic International Limited Dongbei Road Investment 1 Company Limited Dongbei Road Investment 2 Company Limited Dongbei Road Investment 3 Company Limited Dorset Land Company Limited (In Voluntary Liquidation) Dor Palace Company Limited Dragon Beauty International Limited Dragon Champion Limited Dragon Holdings Limited Dragon River Limited Dragonsford Investment Limited Dreamsell Group Limited E-Capital Profits Limited E-Option Limited E-Park Parking Management Limited E-Security Electronics Engineering Limited E-Smart System Inc. E-Smart Technology Limited E-Total Profits Limited E-Vantage International Limited Eagle's Nest Limited Earnswell Holdings Limited East Hover Resources Limited East-West Exhibitions Pte Ltd Eastern Harbour Crossing Company Limited Eastway Venture Limited Ebony Limited	

Name	Current Directorships	Past Directorships
Mr Ip Tak Chuen Edmond	ECLink Electronic Network Systems (Shenzhen) Co., Ltd Effective Developments Limited Elephant Profits Limited Emerald Choice Limited Emino Limited Emma Better Limited Empero Limited Energetic Assets Limited #Envestra Limited Equisite Taste Investments Limited Erebus Investments Limited Errigal Investment Holdings Limited Estimated Return Investments Limited Even Market Investments Limited Eurasia Holdings Limited Eurostar Venture Limited Everwell Enterprises Limited Excel Technology International Holdings Limited External Sales Agency (HK) Limited Extra Permanent Limited Fabulous Sky Development Limited Famous Star Venture Limited Fantastic State Limited Ferrenby Limited Fiennes Associates Limited Filand Enterprises Limited Fine Bridge Profits Limited Fireball Enterprises Limited First Field Investment Limited Flextop Limited Flying Snow Limited Flystar Investment Limited Focus Eagle Investments Limited Foncom Limited Foo Chung Realty Limited Forecaster Limited Foris Investment Limited Fortech Resources Limited Fortune Bright Enterprises Limited Fortwin Investment Limited Fossiler Investments Limited Fountain Spray Limited Fumanda Limited Fusion System Limited Gadera Investments Limited Gainbo Limited	

Name	Current Directorships	Past Directorships
Mr Ip Tak Chuen Edmond	Gainley Limited Gainsmart Assets Limited Galaxy Power Investment Limited Galex Group Limited Galex Investment Limited Galian Star Limited Gamma Enterprises Limited Gamton Enterprises Limited Garbo Field Limited Genbo Limited Genero International Limited Germinish Company Limited Giga Investment Limited Giga Resources Limited Gina Resources Limited Gingerbread Investments Limited Glass Bead Limited Glasshouse Enterprises Limited Gleaming Profits Limited Glenfield Investments Pte Ltd Global Coin Limited Global IP Communications Limited Global Media Technology Limited Globeat Strategy Limited Goda International Limited Going Places Group Limited Gold Braid Limited Gold Colour Profits Limited Gold Gear Limited Gold Rainbow Int'l Limited Gold Season Investments Limited Gold Stream Resources Limited Goldcash International Limited Golden Beatles Assets Limited Golden Case Limited Golden Famous International Limited Golden Lagoon Inc. Golden Target Limited Goldgate Investment Limited Goldleaf Venture Limited Goldwin Property Management Limited Goldwise Limited Gonet Venture Limited Good Century Limited Good Energy Limited Goodwell Property Management Limited	

Name	Current Directorships	Past Directorships
Mr Ip Tak Chuen Edmond	Goodwell Service-Plus Limited (In The Process Of Deregistration) Goodyear Limited Gorich Idea Limited Gorich Profits Limited Gosula Limited Gotak Investment Limited Gotak Limited Gowrie Profits Limited Granlai Company Limited Grattan Resources Limited Grayhill Estates Limited Great Affluent Limited Great Cosmos International Limited Great Poka Limited Great Top International Limited Great World Resources Limited Greats Assets Limited Green Treasure Holdings Limited Gretton Hall Limited Guidefield Limited Gypsy Investments Limited Hainan Yangpu Land Development Co. Ltd. Haldaner Limited Hamada Limited Hamstar Profits Limited Hanny Holdings Limited Harbour Plaza Hotel Management Limited Harbour Plaza Hotel Management (International) Limited Harbour Plaza Metropolis Limited Harbour Plaza North Point Resources Limited Harbour Plaza Resort City (H.K.) Resources Limited Harbour Plaza Technical Assistance Services Limited Harbourfront Landmark Management Limited Harrowgate Investments Limited Harvest Fair Finance Limited Harvestime Holdings Limited Haskins Investments Limited Haswell Resources Limited Haunder Investments Limited Haynes Estates Limited Headway Profits Limited	

Name	Current Directorships	Past Directorships
Mr Ip Tak Chuen Edmond	# HEI Power Development Limited # HEI Power Distribution Limited # HEI Utilities Development Limited # HEI Utilities Holdings Limited Hero Star Venture Limited Herolink Limited Hester Properties Limited Hestonville Resources Limited Hey Darley Limited High Acceptation Limited High Perform Investments Limited Highbury International Limited Highmate Company Limited Hilder Company Limited Hilltop Venture Limited Hillwin Investment Limited Himax Investment Limited Himfield Limited Hincow Limited Hislop Resources Limited Hitech Profits Limited Honey Bear Holdings Limited Hong Kong Concord Holdings Limited Hong Kong Marina (Nominees) Limited Hong Kong Marina Limited Honmark Investment Limited Honourable Holdings Limited Honson Holdings Limited Honvast Limited Horbling Profits Limited Hornby Pacific Limited Hoshing Resources Limited Houston Asset Management Limited Hui Xian (B.V.I.) Limited Hui Xian (Cayman Islands) Limited Hui Xian Holdings Limited Hui Xian Investment Limited Hutchison LR Development Limited Hutchison LR Properties Limited Hyford Limited i21 Limited IBC (Barbados) International Limited IBC (Barbados) Investment Limited	

Name	Current Directorships	Past Directorships
Mr Ip Tak Chuen Edmond	iBusinessCorporation.com Holdings Limited iBusiness Corporation.com (Holdings) Limited iBusinessCorporation.com Limited iBusiness Corporation Limited Icofox Hong Kong Limited Icofox International Limited Info Century Limited iMarkets Limited iMarkets Commodities Limited iMarkets (Holdings) Limited iMarkets Structured Products Limited In Favour Assets Limited Individable Profits Limited Industrial Development Holdings Limited Inhand Profits Limited Inno Think Holdings Limited InnoDragon Inc (In The Process Of Dissolution) Inspection Profits Limited Interman Development Inc. iService21 Holdings Limited Isoba Limited Istar Venture Limited iTravel Limited iTravel (HK) Limited Ivory Limited J.A. Company Limited Jade Arch Investment Limited Jadeland Resources Limited Jadesun Enterprises Limited Japura Development Pte Ltd Japura Pte Ltd Jesswell Investments Limited Jethour International Limited Jetlead Investments Limited Jetrade Investment Limited Jiangling Water Plant Investment Company Limited Jiangshi Water Plant Investment Company Limited Jiangshun Jiangjun Water Plant Investment Company Limited Jiangshun Pingshan Water Plant Investment Company Limited Jiangyue Water Plant Investment Company Limited Jingcofield Limited Jingostar Investment Limited Joynote Ltd Jumbo Strategic Investment Limited	

Name	Current Directorships	Past Directorships
Mr Ip Tak Chuen Edmond	Juno Gold Profits Limited Juralco Limited Kalop Limited Kam Chin Investment S.A. Kam Loy Investment S.A. Kammer Development Limited Kamos Limited Kersley International Limited Kiadina Investments Limited Kido Profits Limited Kingson Limited Kingswood Property Services Limited Kintop Target Investment Limited Kismet Developments Limited Kobert Limited Koga Limited Konorus Investment Limited Korado Limited L.F. Holdings Limited LF Special Holdings Ltd. Laguna City Property Management Limited Laguna Verde Property Management Limited Lahiji Vale Limited Lake Dizin Limited Lalomy Limited Lapland Holdings Limited Laurstinus Limited Leading Arms Developments Limited Leckford Resources Limited Legend Power Ltd. Lema International Limited Li Ka Shing Shantou University Foundation Li Ka Shing Shantou University Foundation Company Limited Lico Investment Limited Lido Hotel Limited Life Vitality (Nominees) Limited Light Crown International Limited Lincore Limited Likson Investment Limited Lipton Finance S.A. Lipwin Resources Limited Liverton Investment Limited Lovell Park Limited Loyal City Services Limited Lucky Action Enterprises Limited	

Name	Current Directorships	Past Directorships
Mr Ip Tak Chuen Edmond	Luminstar Limited Maenhout Investments N.V. Magic Fortune Limited Maissemore Limited Majestic Glory Limited Mantex Services Limited Maraket Limited Maranta Estates Limited Market Model Investments Limited Marketon Investment Limited # Marregon (No. 2) Pty Ltd # Marregon Pty Ltd Marymount Limited Marymount Overseas Investment Limited Mass Success Investments Limited Master Power Holdings Limited Master View Enterprises Limited Masterland Investment Limited Mastronic Enterprises Limited Match Power Investment Limited Max Same Investment Limited Maxtech Gain Limited (In Voluntary Liquidation) Maxtone Investments Limited Maxyork Limited Mayspin Management Limited Maysprings Holdings Limited Meakin Group Limited Megawin International Limited Melville Park Development Pte Ltd Mercury Rising Limited Merry Finance Limited Merry Investments Limited Mesa Investment Limited Meta International Limited Metrofond Limited Midro Limited Mightycity Company Limited Milibow Assets Limited Milispeed Investments Limited Millen Investment Limited Million Gold Investments Limited Million Rise Investments Limited Milo Top Development Limited Mingo Investment Limited Mirabole Limited Miracle Star Advertising Limited Modern Perfect Developments Limited	

Name	Current Directorships	Past Directorships
Mr Ip Tak Chuen Edmond	Modern Warehouse Company Limited Moneywell Investments Limited Monopro Investment Limited Montaco Limited Monte Vista Management Limited More Pleasure International Limited Mosa Profits Limited Mosco Enterprises Limited Mountain Profits Limited Mountergate Limited mReferral Corporation (HK) Limited mReferral Corporation Limited mReferral Investment Limited Mudari Limited Multiwide Investments Limited Munrose Limited Muskegon Holdings Limited Mutual Luck Investment Limited MV Properties Limited Nanhai Road Investment 1 Company Limited Nanhai Road Investment 2 Company Limited Nanhai Road Investment 3 Company Limited Nanhai Road Investment 4 Company Limited Nanhai Road Investment 5 Company Limited Nanhai Road Investment 6 Company Limited Nanhai Road Investment 7 Company Limited Nanhai Road Investment 8 Company Limited Nanhai Road Investment 9 Company Limited Nanhai Road Investment 10 Company Limited Nanhai Road Investment 11 Company Limited Narada Investment Limited Nasco Venture Limited Net Fun Limited Netgo Resources Limited Network Travel Limited Network Travel Enterprises Limited New Profit Resources Limited New Stage Enterprises Limited New Stride Investment Limited	

Name	Current Directorships	Past Directorships
Mr Ip Tak Chuen Edmond	Newage Champion Limited (in voluntary liquidation) Newland Champion Limited Newport Profits Limited Newsbury Enterprises Limited Newton City Limited Nice Work Investments Limited Niceline Company Limited Niceway Profits Limited Nito International Limited Nob Hill Management Limited Noblecrown Investment Limited Nobleway Investment Limited Nority Investment Limited North American Investments Limited Ocean Wonder Limited Olivetto Limited Onwin Enterprises Limited Opal Charm Limited Opticard Profits Limited Orator Investment Limited Oriental Glass Holdings Limited Oriental Mountain Development Limited Oriental Time Investment Limited Oscar Resources Limited Ostobo Limited Outram Limited Oxford Blue Holdings Limited Oxford Investments Limited Pacific Atlantic Investment Limited Pacific Top Development Limited Pako Wise Limited Panford Investment Limited Panform Limited Pastille International Limited Pearl Wisdom Limited Penkilan Limited Perfect Idea Limited Perfect Target Enterprises Limited Perfect Weddings Limited Perricom Holdings Limited Pervasive Developments Limited Pescaito Group Limited Phonic Limited Pine Fragrance Limited Pleasant Town Limited Podar Investment Limited Pofield Investments Limited Pokin Limited	

Name	Current Directorships	Past Directorships
Mr Ip Tak Chuen Edmond	Poko Shine Limited Polycourt Limited Polytown Investments Limited Pomer International Limited Portofino Management Limited Potton Resources Limited Power Communications Limited Powercell Investment Limited PowerCom Holdings (H.K.) Limited PowerCom International Holdings Limited PowerCom Network China Limited PowerCom Network Hong Kong Limited PowerCom Network Indonesia Limited PowerCom Network Japan Limited PowerCom Network Malaysia Limited PowerCom Network New Zealand Limited PowerCom Network Singapore Limited # Powercor Australia Telecommunications Pty Ltd Powerlink Enterprises Limited Powerstar Limited Praying Mantis Limited Premier Property Limited Premiere Biotech Laboratory (Holdings) Limited Premiere Biotech Laboratory Limited Presion Limited priceline.com Incorporated Prima Enterprises Corp. Prime Pro Group Limited Primefair Investment Limited Primrose Profits Corp. Princeroad Limited Princessroad Limited Principal Developments Limited Prodes Company Limited Profit Growth Resources Limited Progress Future Limited Prompton Property Management Limited Property Enterprises Development (Singapore) Pte Ltd Proway Limited Punto Investment Limited Pyrope Assets Limited	

Name	Current Directorships	Past Directorships
Mr Ip Tak Chuen Edmond	Quartet Profits Limited Quebocity Limited Quick Switch Limited Rado Resources Limited Rainbow Bright Limited Ramad Investments Limited Rambus Limited Rasven Investments S.A. Raven Profits Limited Ready Mixed Concrete (China) Limited Realty Zone Developments Limited Reedy Profits Limited Renton International Limited Resort Clubs Limited Rhythmical Profits Limited Rich Rising Limited Rich Wealth Holdings Limited Richland Realty Limited Right Charm International Limited Richtop Holdings Limited Rigo Enterprises Limited Rigor Assets Limited Riverpearl Enterprises Limited Robas Limited Robo Investment Limited Roderick Profits Limited Roman Profits Limited Romefield Limited Rothwell Resources Limited Rubic International Limited Rumbold Investments Limited Ruotolo Investments Limited Ryleston Limited Ryona Holdings Limited Saba Resources Limited Sabara Enterprises Limited Sai Ling Realty Limited Sambo Property Limited Samwell Limited Sanco Resources Limited Sang Fai Investment Company Limited Sanwick Associates Limited Satiare Group Limited Sawston Developments Limited Sceneway Property Management Limited Seastar Developments Inc. Serwell Property Management Limited Shanghai Super Channel Network Limited Sheer Profit Enterprises Limited	

Name	Current Directorships	Past Directorships
Mr Ip Tak Chuen Edmond	Shentong (BVI) Network Technology Company Limited Shenyang Lido Business Co. Ltd. Shenyang Lido Car Park Co. Ltd. Shenyang Lido Hotel Co. Ltd. Sherlock Assets Limited Shieldfield Limited Shining Heights Profits Limited Shiner International Limited Shinna Limited Shinta Limited Shougang Concord International Enterprises Company Limited Sialake High Limited Sicec Management Pte Ltd Silktop Limited Silver Charm Limited Silver Keen Company Limited Silver Palace International Limited Silver Sight Property Management Limited Silver Sound Limited Silverware Development Corp Sima Investment Limited Sinclair Profits Limited Sino China Enterprises Limited Sino Vantage Limited Sinobond Investment Limited Smart Rainbow Limited Smart Time Holdings Limited Smartwise Investments Limited Southern Mount Limited Space Dragon Limited Spectacular Trading Limited (In Voluntary Liquidation) Special Cheer Investments Limited Speed Mark Profits Limited Spinebill Investments Limited Splendid Well Limited Spotlight Investment Limited Sprado Company Limited Standard Benefit Investments Limited Starball International Limited Starboard Profits Limited Starcom Venture Limited Starquest Investments Limited Steelmill Resources Limited Stocklink Limited Strategic (Holdings) Company Limited Sukvit Investments Limited Sun Castle Investments Limited	

Name	Current Directorships	Past Directorships
Mr Ip Tak Chuen Edmond	Sunbest International Limited Sunnylink Enterprises Limited # Suntec City Development Pte Ltd Suntec City Management Pte Ltd # Suntec Investment Pte Ltd Sunway Asia Limited Super Biz Limited Super Books Limited Super Cool Limited Super Cultural Limited Super Heaven Holdings Limited Super Medium Limited Super Science Limited Super Spider Limited Super Stocks Limited Super Travel Limited Super Web Limited Super Winner Development Limited Superfun Limited Superquest Holdings Limited T Advertising Limited T Advertising Holdings Limited T Holdings Development Limited T Holdings Limited T Sub Limited Tai Poon Company, Limited Talent Sun Limited Tallulah Belle Limited Tallywood Profits Limited Tangiers Enterprises Limited Team Asia Limited Terrier International Limited Tessien Incorporated Texcept Limited The Center (Car Parks) Limited The Center Commercial (B.V.I.) Limited The Center (Display Spaces) Limited The Center (Finance) Limited The Center (Holdings) Limited The Center International Limited The Center (Leasing Agent) Limited The Center (Sky Restaurant) Limited The Center (19) Limited The Center (20) Limited The Center (21) Limited The Center (22) Limited The Center (23) Limited The Center (25) Limited	

Name	Current Directorships	Past Directorships
Mr Ip Tak Chuen Edmond	The Center (26) Limited The Center (27) Limited The Center (28) Limited The Center (29) Limited The Center (30) Limited The Center (31) Limited The Center (32) Limited The Center (33) Limited The Center (35) Limited The Center (36) Limited The Center (37) Limited The Center (38) Limited The Center (39) Limited The Center (42) Limited The Center (43) Limited The Center (45) Limited The Center (46) Limited The Center (47) Limited The Center (48) Limited The Center (49) Limited The Center (50) Limited The Center (51) Limited The Center (52) Limited The Center (53) Limited The Center (55) Limited The Center (56) Limited The Center (57) Limited The Center (58) Limited The Center (59) Limited The Center (61) Limited The Center (62) Limited The Center (63) Limited The Center (65) Limited The Center (66) Limited The Center (67) Limited The Center (68) Limited The Center (69) Limited The Center (72) Limited The Center (75) Limited The Center (76) Limited The Center (77) Limited The Center 78 (No. 2) Limited The Lucky Dragon Development (H.K.) Limited The Paramount Management Limited The Portofino (100) Limited The Portofino (102) Limited The Portofino (106) Limited The Portofino (108) Limited The Portofino (110) Limited The Portofino (112) Limited The Portofino (116) Limited The Portofino (118) Limited The Portofino (120) Limited The Portofino (121) Limited	

Name	Current Directorships	Past Directorships
Mr Ip Tak Chuen Edmond	The Portofino (122) Limited The Portofino (123) Limited The Portofino (125) Limited The Portofino (126) Limited The Portofino (127) Limited The Portofino (128) Limited The Portofino (129) Limited The Portofino (130) Limited The Portofino (131) Limited The Portofino (132) Limited The Portofino (135) Limited The Portofino (136) Limited The Portofino (137) Limited The Portofino (139) Limited The Portofino (150) Limited The Portofino (151) Limited The Portofino (156) Limited The Portofino (157) Limited The Portofino (160) Limited The Portofino (161) Limited The Portofino (162) Limited The Portofino (163) Limited The Portofino (165) Limited The Portofino (166) Limited The Portofino (167) Limited The Portofino (170) Limited The Portofino (172) Limited The Portofino (176) Limited The Portofino (178) Limited The Portofino (180) Limited The Portofino (188) Limited The Portofino (90) Limited The Portofino (92) Limited The Portofino (96) Limited The Portofino (98) Limited The Portofino (A1) Limited The Portofino (A2) Limited The Portofino (A3) Limited The Portofino (A5) Limited The Portofino (A6) Limited The Portofino (B1) Limited The Portofino (B2) Limited The Portofino (B3) Limited The Portofino (B5) Limited The Portofino (B6) Limited The Portofino (C2) Limited The Portofino (C3) Limited The Portofino (C5) Limited The Portofino (C6) Limited The Portofino (D1) Limited The Portofino (D2) Limited The Portofino (D3) Limited The Portofino (D5) Limited The Portofino (D6) Limited Thorogood Estates Limited Throughput Limited	

Name	Current Directorships	Past Directorships
Mr Ip Tak Chuen Edmond	Tibon Limited Timerich Resources Limited Timor International Limited Tin Shui Wai Development Limited Tindor Limited Tom Centro Limited Tom Fashion Limited Tom Holdings Limited – Cayman Islands Tom Holdings Limited – H.K. Tom Media Limited Tom Nominees Limited Tom Outdoor Advertising Company Limited Tom Outdoor Media Group Limited Tom Payment Limited Tom Solutions Limited Tom Stocks Limited Tom Telecommunications Limited Tom Telecommunications Holdings Limited Tom.com (China) Investment Limited Tom.com Development Limited Tom.com Enterprises Limited Tom.com International Limited – B.V.I. Tom.com International Limited – H.K. TOM.COM LIMITED Tom.com Marketing Limited Tom.com Sports Development Limited Tomon Limited Top Brilliant Limited Top Dollar Limited Top Sails Limited Top Target Enterprises Limited Top Win Investment Limited Topa International Limited Toprow Investment Limited Topson Profits Limited Topstyle Enterprises Limited Tosbo Limited Tosca Enterprises Limited Towerich Limited Tradex Resources Limited Tremendous Wealth Limited Trendy Warehouse Company Limited Trilite (Nominees) Limited Triluck Assets Limited Trudeau Holdings Limited	

Name	Current Directorships	Past Directorships
Mr Ip Tak Chuen Edmond	<p>True Accent Limited  Trueway International Limited  Tsing-Yi Realty, Limited  Tullieres Limited  Tumia Investments Limited  U.S. Assets Limited  U.S. Assets Inc.  U.S. Assets Management, Inc.  U.S. Assets (Texas), Ltd., Inc.  Ultimate Happy Limited  Uni Lite Investment Limited  Uni-super Network Technology  (BVI) Company Limited  Unicenter Limited  Union Ford Investments Limited  Unitech Worldwide Limited  Uniton Development Limited  Universe Dragon Limited  University Heights Management  Company Limited  Univest Equity S.A.  Vastsino Assets Limited  Venniton Development Inc.  Verda Max Limited  Versa International Limited  Veteran Holdings Limited  Vigour Limited  Vinet Holdings Limited  Vision Million Limited  Vista Paradiso Property  Management Limited  Vistek Investment Limited  Wah Tung Trading Co Limited  Warble Limited  Wastpoly Limited  Waygone Investments Limited  Wealth Pleasure Limited  Wealthy Port Enterprises  Limited  Webbland Limited  Weeton Investments Limited  Wei Po Profits Limited  Well Karin Limited  Wellko Industrial (B.V.I.)  Limited  Wellko Industrial Limited  Wellko Management Services  Limited  Wenson Limited  White Rain Enterprises Limited  Wideplex Limited  Winbo Power Limited  Winchesto Finance Co Limited  Winfolk International Limited  Wingchem International Limited  Wingco Investment Limited  Wingham Limited</p>	

Name	Current Directorships	Past Directorships
Mr Ip Tak Chuen Edmond	Winlato Profits Limited Winplus Investment Limited Winrise Champion Limited Wintop Investment Limited Wisdom Champion Limited Wisdom Champion (12) Limited Wisdom Champion (15) Limited Wisdom Champion (16) Limited Wisdom Champion (17) Limited Wisdom Champion (18) Limited Wisdom Champion (19) Limited Wisdom Champion (20) Limited Wisdom Champion (21) Limited Wisdom Champion (22) Limited Wisdom Champion (23) Limited Wisdom Champion (25) Limited Wisdom Champion (26) Limited Wisdom Champion (27) Limited Wisdom Champion (28) Limited Wisdom Choice Investment Limited Wisdom March Investment Limited Wisdom Worth Development Limited Wise Method Limited Wit Profits Limited Wogan Holdings Limited Wonder Pacific Investment Limited Wondex Investment Limited World Focus Developments Limited World Trump Limited Worlder Jingbao Housing Development Limited Wormholt Limited Wringer Investments Limited Wynncor Limited Wythburn Investments Limited Yearbest Limited Yee Pang Realty Limited Yencon Profits Limited Yetcome Investments Limited Yick Ho Limited Yogishu Limited Yonsan Profits Limited Yuhuai Power Investment Company Limited Yujiang Power Investment Company Limited Yushan Power Investment Company Limited Zealand Limited Zulin Profits Limited	

<b>Name</b>	<b>Current Directorships</b>	<b>Past Directorships</b>
Ms Yeung Eirene	Allday Enterprises Limited AMTD Financial Planning Limited ARA Asset Management (Singapore) Limited Beijing Net-Infinity Technology Development Co., Ltd Canadian Eastern Finance Limited Canadian Eastern Nominees Limited CEF Holdings Limited Metro Broadcast Corporation Limited Multi-Metro Limited Po Kung Development Company Limited Serbo Limited iBusinessCorporation.com Holdings Limited iBusinessCorporation.com Limited iService21 Holdings Limited Smart Union Limited (In The Process Of Deregistration) Tamwill Limited	CEF Capital Limited i21 Limited
Mr Lim Lee Meng	ARA Asset Management (Singapore) Limited SF Consulting Pte Ltd Stone Forest Consulting Pte Ltd Stone Forest IT Pte Ltd Datapulse Technology Limited Teckwah Industrial Corporation Ltd Tye Soon Limited Eurotronic Group Ltd Stone Forest Limited Stone Forest Management Consultants Sdn Bhd Driston Investments Limited Stone Forest IT Limited Stone Forest Excel Education Inc. Pte. Ltd. Stone Forest Consulting Limited Stone Forest Pte Ltd Techwah China Corporation Pte Ltd	Dai-Ichi Consultancy Pte Ltd Stone Forest M&A Pte. Ltd. Supergreat International Pte Ltd EconPro Asia Pte. Ltd.

Name	Current Directorships	Past Directorships
Mr Cheng Mosses Mo Chi	ARA Asset Management (Singapore) Limited Action For Vision Eye Foundation Limited Aeroplax Limited Aeroplax Trading Limited Association of China Appointed Attesting Officers Ltd. Audio Video Interior Limited Beijing Capital International Airport Company Limited Chien Je Fu Benevolent Fund Limited China Mobile (Hong Kong) Limited China Online (Bermuda) Limited China Services (Hepatitis “Type B” Immunisation) Limited City Telecom (HK) Limited Fulltex Holdings Limited Guangdong Brewery Holdings Limited Guangdong Investment Limited Holidor Company Limited Hong Kong ICSEI 2000 Limited Howa Limited HKBU Holdings Limited Kader Holdings Company Limited K. Wah Construction Materials Limited Liu Chong Hing Investment Limited MLC Trustee (Hong Kong) Limited Pokfulam Development Company Limited Quality HealthCare Asia Limited Star Glory Corporation Limited Tian An China Investments Company Limited The Hong Kong Institute of Directors Limited The Rebirth Charity Foundation Limited Wen Lin Publishers Limited Wooco Nominees Limited Wooco Secretarial Services Limited	Silver Eagle Holdings Limited Eu Yan Sang (H.K.) Limited Millennium Group Limited City Telecom Holdings Limited Kowloon-Canton Railway Corporation FAI First Pacific Insurance Company Limited Pacific Challenge Holdings Limited Hong Kong Securities Clearing Company Limited The SEHK Options Clearing House Limited The Stock Exchange of Hong Kong Limited Sunny Win Limited Guangdong Building Industries Limited Action Faith Limited Hong Kong University Law Alumni Association Limited Firenze Limited Stockmartnet Holdings Limited

<b>Name</b>	<b>Current Directorships</b>	<b>Past Directorships</b>
Mrs Sng Sow-Mei (Phoon Sui Moy alias Poon Sow Mei)	ARA Asset Management (Singapore) Limited	Pidemco Land (HK) Pte Ltd Central Hill Limited Central Union Limited
<b>Executive Officers</b>		
Mr Lee King Hang	Nil	Nil
Ms Seow Bee Lian	V. Add Outsource & Consultancy Pte Ltd PACS Outsource & Consultancy Pte Ltd	Nil
Ms Chee Gillian	Nil	Nil
Ms Wong See Hang	Beijing Net-Infinity Technology Development Co., Ltd. Colour Sky International Limited Maxon Investment Limited Mightypattern Limited Million Nice Development Limited Paramatta Estate Management Ltd. Paramatta Investment Co., Ltd Paramatta Real Estate Agency Ltd. Pinelink Investment Limited Prostar Resources Limited Waldorf Realty Limited	Nil
Mr Ngo Yong-Wei Kelvin	Nil	Goodval Investments Pte Ltd
Mr Yung Yu Ming	Prinjade Equities Pty Ltd Prinjade Pty Ltd Jaykent Pty Ltd Koterise Pty Ltd	Nil

**Notes:**

# Alternate Director

**MANAGER OF FORTUNE REIT**

**ARA Asset Management (Singapore) Limited**

7 Temasek Boulevard  
#12-03 Suntec City Tower 1  
Singapore 038987

**GLOBAL CO-ORDINATOR, LEAD UNDERWRITER AND SOLE BOOKRUNNER**

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DBS Building Tower One  
Singapore 068809

**CO-MANAGERS**

**Citigroup Global Markets Singapore Pte. Ltd.**

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#39-02 Millenia Tower  
Singapore 039192

**Credit Suisse First Boston (Singapore) Limited**

36 Robinson Road  
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**UNIT REGISTRAR AND UNIT TRANSFER OFFICE**

**Lim Associates (Pte) Ltd**

10 Collyer Quay  
#19-08 Ocean Building  
Singapore 049315

**TRUSTEE**

**Bermuda Trust (Singapore) Limited**

20 Raffles Place  
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Singapore 048620

**LEGAL ADVISERS**

**Legal Adviser to the Offering and to the Manager  
as to Singapore law**

**Allen & Gledhill**  
36 Robinson Road  
#18-01 City House  
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**Legal Adviser to the Manager as to  
Hong Kong law**

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10th Floor, Alexandra House  
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**Legal Adviser to the Underwriters  
as to Singapore law**

**Freshfields Drew & Napier**  
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**Legal Adviser to the Trustee  
as to Singapore law**

**Shook Lin & Bok**  
1 Robinson Road  
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**Legal Adviser to the Underwriters  
as to Hong Kong law**

**Freshfields Bruckhaus Deringer**  
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Hong Kong

**Legal Adviser to the Sponsor and the Vendor  
Companies as to Hong Kong law**

**Baker & McKenzie**  
14th Floor, Hutchison House  
10 Harcourt Road  
Hong Kong

**AUDITORS/REPORTING ACCOUNTANTS**

**Deloitte & Touche**  
6 Shenton Way #32-00  
DBS Building Tower Two  
Singapore 068809

**Deloitte Touche Tohmatsu**  
26th Floor, Wing On Centre  
111 Connaught Road Central  
Hong Kong

**PROFIT FORECAST AND PROFIT  
PROJECTION REVIEWER**

**Deloitte & Touche Corporate Finance Pte Ltd**  
6 Shenton Way #32-00  
DBS Building Tower Two  
Singapore 068809

**TAX CONSULTANT**

**KPMG Tax Services Pte Ltd**  
16 Raffles Quay  
#22-00 Hong Leong Building  
Singapore 048581

**INDEPENDENT VALUER**

**Chesterton Petty Ltd**  
16th Floor CITIC Tower  
1 Tim Mei Avenue  
Hong Kong

**INDEPENDENT PROPERTY CONSULTANT**

**FPDSavills (Hong Kong) Limited**  
23rd Floor Two Exchange Square  
Central  
Hong Kong

**BUILDING SURVEYOR**

**Vigers Hong Kong Ltd**  
21/F Standard Chartered Bank Building  
4-4A Des Voeux Road Central  
Hong Kong



FORTUNE  
置富產業信託 REIT