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Waldorf Garden Property



Tsing Yi Square Property



Centre de Laguna Property



Lido Garden Property



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THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

Approval in-principle has been obtained from Singapore Exchange Securities Trading Limited (the "SGX-ST") for the Equity Fund Raising (as defined herein) as well as for the listing and quotation of the new units in Fortune Real Estate Investment Trust (the "New Units") to be issued for the purpose of the Equity Fund Raising and the units in Fortune Real Estate Investment Trust ("Units") to be issued to the Manager (as defined herein) in payment of its Acquisition Fee (as defined herein) on the Main Board of the SGX-ST. The SGX-ST's in-principle approval is not an indication of the merits of the Equity Fund Raising, the Acquisitions (as defined herein), the New Units, Fortune Real Estate Investment Trust ("Fortune REIT") and the waivers granted by the SGX-ST as described in the section of this Circular headed "Terms of the Equity Fund Raising".

The SGX-ST assumes no responsibility for the correctness of any statements made, opinions expressed or reports contained in this Circular.



Fortune Real Estate Investment Trust
(Constituted in the Republic of Singapore pursuant to a trust deed dated 4 July 2003)

Managed By

ARA ASSET MANAGEMENT (SINGAPORE) LIMITED



OFFER AND PLACEMENT OF 318,796,148 NEW UNITS AT AN ISSUE PRICE OF HK\$6.23 FOR EACH NEW UNIT (THE "ISSUE PRICE") BY WAY OF:

- (A) A PREFERENTIAL OFFERING OF 48,327,178 NEW UNITS TO SINGAPORE REGISTERED UNITHOLDERS (AS DEFINED HEREIN) ON A NON-RENOUNCEABLE BASIS OF ONE NEW UNIT FOR EVERY 10 EXISTING UNITS HELD AS AT 5.00PM ON 13 JUNE 2005 (THE "PREFERENTIAL OFFERING BOOKS CLOSURE DATE") (FRACTIONS OF A UNIT TO BE DISREGARDED) AND SUBJECT TO THE ROUNDING MECHANISM (AS DEFINED HEREIN) (THE "PREFERENTIAL OFFERING");
- (B) AN OFFERING OF 12,000,000 NEW UNITS TO RETAIL INVESTORS IN SINGAPORE THROUGH THE AUTOMATED TELLER MACHINES ("ATMS") OF DBS BANK LTD (INCLUDING POSB) ON A "FIRST-COME, FIRST-SERVED" BASIS (THE "ATM OFFERING"); AND
- (C) A PLACEMENT OF 258,468,970 NEW UNITS TO INSTITUTIONAL AND OTHER INVESTORS (INCLUDING FOCUS EAGLE INVESTMENTS LIMITED) (THE "PRIVATE PLACEMENT" AND TOGETHER WITH THE PREFERENTIAL OFFERING AND THE ATM OFFERING, THE "EQUITY FUND RAISING").

Financial Adviser for the Equity Fund Raising



Joint Bookrunners and Underwriters for the Equity Fund Raising



IMPORTANT DATES AND TIMES

- Opening date and time for the Preferential Offering : **Acceptance Form** (as defined herein) and **ATM - 16 June 2005 at 9.00am**
- Closing date and time for the Preferential Offering : **Acceptance Form - 21 June 2005 at 4.45pm**
ATM - 21 June 2005 at 9.30pm
- Opening date and time for the ATM Offering : **16 June 2005 at 11.00am**
- Closing date and time for the ATM Offering : **21 June 2005 at 12.00noon** (subject to an earlier closure, at the discretion of DBS Bank Ltd (in consultation with the Manager), in the event that the New Units under the ATM Offering are fully taken up)

NOTICE TO UNITHOLDERS AND INVESTORS

No person has been authorised to give any information or make any representation in connection with the Equity Fund Raising other than those contained in this Circular and, if given or made, such information or representation must not be relied upon as having been authorised by Fortune REIT, ARA Asset Management (Singapore) Limited (in its capacity as manager of Fortune REIT, the “**Manager**”), HSBC Institutional Trust Services (Singapore) Limited (in its capacity as trustee of Fortune REIT, the “**Trustee**”) or the Joint Bookrunners and Underwriters (as defined herein). Save as expressly stated in this Circular, nothing contained herein is, or may be relied upon as, a promise or representation as to the future performance or policies of Fortune REIT or the Manager. Neither the delivery of this Circular nor the issue of the New Units shall, in any circumstances, constitute a representation or give rise to any implication that there has been no material change in the affairs of Fortune REIT or in any of the information contained herein since the date of this Circular. Where such changes occur after the date of this Circular and are material and required to be disclosed by law and/or the SGX-ST, the Manager will announce such changes to the SGX-ST. All unitholders of Fortune REIT (“**Unitholders**”) and investors should take note of any such announcement and, upon the release of such announcement, shall be deemed to have notice of such changes.

This Circular may not be used for the purpose of, and does not constitute, an offer, invitation or solicitation in any jurisdiction or in any circumstances in which such offer, invitation or solicitation is unlawful or unauthorised, or to any person to whom it is unlawful to make such offer, invitation or solicitation. In addition, no action has been or will be taken in any jurisdiction that would permit a public offering of the New Units or the possession, circulation or distribution of this Circular or any other material relating to Fortune REIT or the New Units in any jurisdiction where action for that purpose is required. The New Units may not be offered or sold, directly or indirectly, and neither this Circular nor any other offering material or advertisements in connection with the New Units may be distributed or published in or from any country or jurisdiction except, in each case, under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

No information in this Circular should be considered to be business, legal or tax advice regarding an investment in the New Units and/or the Units.

DBS Bank Ltd (“**DBS Bank**”), The Hongkong and Shanghai Banking Corporation Limited, J.P. Morgan (S.E.A.) Limited and UBS AG, acting through its business group, UBS Investment Bank (together, the “**Joint Bookrunners and Underwriters**”), make no representation, warranty or recommendation whatsoever as to the merits of the Equity Fund Raising, the New Units, the Acquisitions, Fortune REIT or any other matter related thereto or in connection therewith. Nothing in this Circular or the accompanying documents shall be construed as a recommendation to accept or purchase the New Units. Prospective purchasers or subscribers of the New Units should rely on their own investigation, appraisal and determination of the merits of investing in Fortune REIT and shall be deemed to have done so.

This Circular and the accompanying documents have been prepared solely for the purposes of the Equity Fund Raising and may not be relied upon for any other purposes.

The New Units have not been and will not be registered under the U.S. Securities Act of 1933 (as amended) (the “**Securities Act**”) and, subject to certain exceptions, may not be offered or sold within the United States (as defined in Regulation S under the Securities Act (“**Regulation S**”)).

The distribution of this Circular and the placement of the New Units in certain jurisdictions may be prohibited or restricted by law. Persons who come into possession of this Circular and/or its accompanying documents are required by the Manager and the Joint Bookrunners and Underwriters to inform themselves of, and observe, any such prohibitions and restrictions.

The audited financial statements of Fortune REIT for the financial year ended 31 December 2004 and the unaudited financial statements of Fortune REIT for the period from 1 January 2005 to 31 March 2005 (the “**Financial Statements**”) shall be deemed to be incorporated in, and to form part of, this Circular.

The Financial Statements incorporated herein by reference are current only as at the date of such Financial Statements and the incorporation by reference of the Financial Statements shall not create any implication that there has been no change in the affairs of Fortune REIT since the dates thereof or that the information contained therein is current as at any time subsequent to their dates.

Any statement contained therein shall be deemed to be modified or superseded for the purposes of this Circular to the extent that a subsequent statement contained herein modifies or supersedes that statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Circular. In addition, any statement contained in such Financial Statements shall be deemed to be superseded for the purpose of this Circular to the extent that a discussion contained herein relating to the same subject matter omits such statement. Any such statement omitted shall not be deemed to constitute a part of this Circular.

A copy of the Financial Statements is available for inspection upon appointment during normal business hours at the registered office of the Manager at 9 Temasek Boulevard, #09-01 Suntec Tower 2, Singapore 038989, from the date of this Circular up to and including the date falling three months after the date of this Circular.

Prospective investors are advised to obtain and read the documents incorporated by reference herein before making their investment decision in relation to the New Units.

Any discrepancies in the tables, charts and graphs included in this Circular between the listed amounts and totals thereof are due to rounding.

IMPORTANT NOTICE

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

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

The past performance of Fortune REIT is not necessarily indicative of the future performance of Fortune REIT.

This Circular contains forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in these forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income, changes in operating expenses (including employee wages, benefits and training costs), property expenses and governmental and public policy changes. Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under paragraph k(ii) of the Offer Information Statement in **Annexure A** of this Circular.

You are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's current view of future events. All forecasts are based on the Issue Price and on the Manager's assumptions as explained in **Appendix 3** of the Offer Information Statement in **Annexure A** of this Circular. Actual yields will vary accordingly for investors who purchase Units in the secondary market at a market price higher or lower than the Issue Price. The major assumptions are certain expected levels of property rental income and property expenses over the relevant periods, which are considered by the Manager to be appropriate and reasonable as at the date of this Circular. The forecast financial performance of Fortune REIT is not guaranteed and there is no certainty that it can be achieved. Investors should read the whole of this Circular for details of the forecasts and consider the assumptions used and make their own assessment of the future performance of Fortune REIT before deciding whether to subscribe for or purchase the New Units.

CORPORATE INFORMATION

Directors of the ARA Asset Management (Singapore) Limited (the manager of Fortune Real Estate Investment Trust)	Mr Chiu Justin Kwok Hung (Chairman) Mr Lim Hwee Chiang (Chief Executive Officer) Mr Ip Tak Chuen Edmond Ms Yeung Eirene Mr Lim Lee Meng (Independent Director) Mr Cheng Moses Mo Chi (Independent Director) Mrs Sng Sow-Mei (Phoon Sui Moy alias Poon Sow Mei) (Independent Director)
Registered office of ARA Asset Management (Singapore) Limited	9 Temasek Boulevard #09-01 Suntec Tower 2 Singapore 038989
Trustee of Fortune Real Estate Investment Trust	HSBC Institutional Trust Services (Singapore) Limited 21 Collyer Quay #14-01 HSBC Building Singapore 049320
Unit Registrar and Unit Transfer Office	Lim Associates (Pte) Ltd 10 Collyer Quay #19-08 Ocean Building Singapore 049315
Financial Adviser for the Equity Fund Raising	DBS Bank Ltd 6 Shenton Way DBS Building Tower One Singapore 068809
Joint Bookrunners and Underwriters for the Equity Fund Raising	DBS Bank Ltd 6 Shenton Way DBS Building Tower One Singapore 068809 The Hongkong and Shanghai Banking Corporation Limited 21 Collyer Quay #03-01 HSBC Building Singapore 049320 J.P. Morgan (S.E.A.) Limited 168 Robinson Road 17th Floor, Capital Tower Singapore 068912 UBS AG, acting through its business group UBS Investment Bank 5 Temasek Boulevard #18-00 Suntec Tower Five Singapore 038985
Legal Adviser for the Equity Fund Raising and to the Manager	Allen & Gledhill One Marina Boulevard #28-00 Singapore 018989

Legal Adviser to the Manager and the Trustee as to Hong Kong law	Baker & McKenzie 14th Floor, Hutchison House 10 Harcourt Road Hong Kong
Legal Adviser to the Financial Adviser and Joint Bookrunners and Underwriters	Linklaters Allen & Gledhill Pte Ltd One Marina Boulevard #28-00 Singapore 018989
Legal Adviser to the Trustee as to Singapore law	Shook Lin & Bok 1 Robinson Road #18-00 AIA Tower Singapore 048542
Independent Accountants	Deloitte & Touche, Certified Public Accountants 6 Shenton Way #32-00 DBS Building Tower Two Singapore 068809
Reviewer of the Profit Forecast	Deloitte & Touche Corporate Finance Pte Ltd 6 Shenton Way #32-00 DBS Building Tower Two Singapore 068809
Independent Tax Consultant for the Acquisitions and the Equity Fund Raising	KPMG Tax Services Pte Ltd 16 Raffles Quay #22-00 Hong Leong Building Singapore 048581
Independent Property Consultant for Retail Market Overview	Savills (Hong Kong) Limited 23rd Floor Two Exchange Square Central Hong Kong
Independent Valuers	Chesterton Petty Ltd 16th Floor CITIC Tower 1 Tim Mei Avenue Hong Kong
	Vigers Appraisal & Consulting Limited 10/F The Grande Building 398 Kwun Tong Road Kowloon Hong Kong
Building Surveyor	Vigers Building Consultancy Ltd 10/F The Grande Building 398 Kwun Tong Road Kowloon Hong Kong

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SUMMARY OF THE EQUITY FUND RAISING

The following is a summary of the principal terms and conditions of the Equity Fund Raising and is derived from, and should be read in conjunction with, the full text of this Circular, and is qualified in its entirety by reference to information appearing elsewhere in this Circular. Meanings of defined terms may be found in the Glossary on pages 19 to 23 of this Circular.

- Equity Fund Raising : The offer and issue of 318,796,148 New Units by Fortune REIT to existing Unitholders and new investors by way of the Preferential Offering, the ATM Offering and the Private Placement.
- Issue Price : HK\$6.23 for each New Unit, payable in full on acceptance and/or application.
- Preferential Offering : 48,327,178 New Units offered to Singapore Registered Unitholders at the Issue Price on a non-renounceable basis of one New Unit for every 10 Existing Units held as at the Preferential Offering Books Closure Date (fractions of a Unit to be disregarded) and subject to the Rounding Mechanism.

Where a Singapore Registered Unitholder's provisional allocation of New Units under the Preferential Offering is other than an integral multiple of 1,000 Units, it will be increased to such number which, when added to the Singapore Registered Unitholder's unitholding as at the Preferential Offering Books Closure Date (being the date on which the Transfer Books and Register of Unitholders of Fortune REIT will be closed to determine the provisional allocations of Singapore Registered Unitholders under the Preferential Offering), results in an integral multiple of 1,000 Units (the "**Rounding Mechanism**"). For example, a Singapore Registered Unitholder with 2,500 Units as at the Preferential Offering Books Closure Date will be provisionally allocated with 500 New Units under the Preferential Offering (increased from the 250 New Units allocated based on the ratio of one New Unit for every 10 Existing Units held as at the Preferential Offering Books Closure Date) so that, should such Singapore Registered Unitholder decide to accept his provisional allocation of New Units, he will own a total of 3,000 Units.

It should be noted that in the case of Units held by Singapore Registered Unitholders through nominee companies, the Rounding Mechanism will be applied at the level of the aggregate Units held in the securities accounts of such nominee companies with The Central Depository (Pte) Limited ("**CDP**"). As such, Singapore Registered Unitholders whose Units are held through such nominee companies will not enjoy the benefit of the Rounding Mechanism on an individual level.

THE PROVISIONAL ALLOCATIONS OF NEW UNITS CANNOT BE RENOUNCED IN FAVOUR OF A THIRD PARTY OR TRADED ON THE SGX-ST.

Acceptance of and payment for New Units under the Preferential Offering may be effected, in whole or in part, via Acceptance Forms or through the ATMs of DBS Bank (including POSB ATMs) and the other Participating Banks (a list of the Participating Banks is set out in **Annexure D** of this Circular), and must be made in accordance with the “Procedures for Acceptance of and Payment for New Units under the Preferential Offering by Singapore Registered Unitholders” set out in **Annexure B** of this Circular.

Unitholders eligible to participate in the Preferential Offering : Only Singapore Registered Unitholders have been provisionally allocated New Units under the Preferential Offering.

ATM Offering : 12,000,000 New Units offered at the Issue Price to retail investors in Singapore through the ATMs of DBS Bank (including POSB ATMs) on a “first-come, first-served” basis.

All applications under the ATM Offering must be made in accordance with the “Terms, Conditions and Procedures for Application of New Units under the ATM Offering” set out in **Annexure C** of this Circular. The minimum application under the ATM Offering is 1,000 Units. An applicant may apply for a larger number of New Units under the ATM Offering in integral multiples of 1,000 Units, subject to a maximum of 1,000,000 New Units per applicant. Only one application for the New Units under the ATM Offering may be made for the benefit of one person. Multiple applications for New Units under the ATM Offering will not be accepted.

The Issue Price (in Hong Kong dollars) payable by, the subscribers under the ATM Offering will be the Singapore dollars equivalent of the Issue Price, such amount being S\$1.34, based on the fixed exchange rate of HK\$1.00 = S\$ 0.2156.

Private Placement : The placement of 258,468,970 New Units at the Issue Price to institutional and other investors (including Focus Eagle Investments Limited (“**Focus Eagle**”)).

Re-allocations : New Units offered under the Preferential Offering which are not taken up by Singapore Registered Unitholders for any reason will be aggregated and sold, at the discretion of the Joint Bookrunners and Underwriters to satisfy excess demand for New Units under the Private Placement to the extent that there is such excess demand.

In the event that the New Units offered under the ATM Offering are not fully taken up, the number of such New Units that are not taken up will be made available to satisfy excess demand for New Units under the Private Placement to the extent that there is such excess demand.

Any excess demand for the New Units under the Private Placement will be satisfied only to the extent that New Units offered under the Preferential Offering and/or the ATM Offering are not taken up and are re-allocated to the Private Placement.

Status of the New Units : The New Units will, upon issue, rank *pari passu* in all respects with the Existing Units, including the right to any distributions which may be paid for the period from the day the New Units are issued to 31 December 2005 as well as all distributions thereafter.

For the avoidance of doubt, the New Units will not be entitled to participate in the distribution of any tax-exempt income accrued by Fortune REIT prior to the issue of New Units.

Underwriting : Save for the ATM Offering and the Units proposed to be placed to Focus Eagle under the Preferential Offering and the Private Placement, the Equity Fund Raising is underwritten by the Joint Bookrunners and Underwriters at the Issue Price. The ATM Offering is underwritten by DBS Bank at the Issue Price.

INDICATIVE TIMETABLE

<u>Event</u>	<u>Date and Time</u>
Opening date and time for the Preferential Offering	: Acceptance Form and ATM – 16 June 2005 at 9.00 a.m.
Closing date and time for the Preferential Offering	: Acceptance Form – 21 June 2005 at 4.45 p.m. ATM – 21 June 2005 at 9.30 p.m.
Opening date and time for the ATM Offering	: 16 June 2005 at 11.00 a.m.
Closing date and time for the ATM Offering	: 21 June 2005 at 12.00 noon (subject to an earlier closure, at the discretion of DBS Bank (in consultation with the Manager), in the event that the New Units under the ATM Offering are fully taken up)
Last date and time for trading on a “cum” basis in respect of the Rescheduled Distribution	: 22 June 2005 at 5.00 p.m.
Commencement of trading on an “ex” basis in respect of the Rescheduled Distribution	: 23 June 2005 from 9.00 a.m.
Date on which the Transfer Books and Register of Unitholders of Fortune REIT will be closed to determine the Unitholders entitled to the Rescheduled Distribution	: 27 June 2005 at 5.00 p.m.
Date and time of commencement of trading of the New Units on the SGX-ST	: 28 June 2005 at 2.00 p.m.
Date of payment of the Rescheduled Distribution	: On or around 17 August 2005

INTRODUCTION

1. Unitholders' Approval

At the extraordinary general meeting of Unitholders held on 1 June 2005 (the "EGM"), the Unitholders passed, *inter alia*, an Extraordinary Resolution approving the issue of such number of New Units at the Issue Price so as to raise up to an aggregate of HK\$1,986.1 million in gross proceeds under an equity fund raising exercise.

2. The Equity Fund Raising

Accordingly, the Manager is issuing 318,796,148 New Units at the Issue Price for the purpose of the Equity Fund Raising. The Equity Fund Raising consists of:

- (i) the Preferential Offering of 48,327,178 New Units at the Issue Price to Singapore Registered Unitholders on a non-renounceable basis of one New Unit for every 10 Existing Units held as at the Preferential Offering Books Closure Date (fractions of a Unit to be disregarded) and subject to the Rounding Mechanism;
- (ii) the ATM Offering of 12,000,000 New Units at the Issue Price¹ to retail investors in Singapore through the ATMs of DBS Bank (including POSB ATMs) on a "first-come, first-served" basis; and
- (iii) the Private Placement of 258,468,970 New Units at the Issue Price to institutional and other investors (including Focus Eagle).

3. Underwriting

The placement agreement dated 15 June 2005 (the "Placement Agreement") entered into between the Manager and the Joint Bookrunners and Underwriters provides that the Equity Fund Raising (save for the ATM Offering and the Units proposed to be placed to Focus Eagle under the Preferential Offering and the Private Placement) is underwritten at the Issue Price by the Joint Bookrunners and Underwriters, and the ATM Offering is underwritten at the Issue Price by DBS Bank. The Placement Agreement may be terminated by the Joint Bookrunners and Underwriters at any time prior to the delivery of the Units upon the occurrence of certain events. Upon the occurrence of certain force majeure events, the Placement Agreement may be terminated in whole or only in relation to the ATM Offering and the Private Placement.

¹ Such amount being S\$1.34 based on the fixed exchange rate of HK\$1.00 = S\$0.2156.

TERMS OF THE EQUITY FUND RAISING

1. The Preferential Offering

48,327,178 New Units under the Preferential Offering are being offered to Singapore Registered Unitholders at the Issue Price on a non-renounceable basis of one New Unit for every 10 Existing Units held as at the Preferential Offering Books Closure Date (fractions of a Unit to be disregarded) and subject to the Rounding Mechanism.

Acceptance of the provisional allocations of New Units may be effected via Acceptance Forms or through the ATMs of the Participating Banks.

As the Preferential Offering is made on a non-renounceable basis, the provisional allocations of New Units cannot be renounced in favour of a third party or traded on the SGX-ST.

Singapore Registered Unitholders, including Restricted Placees (such as the directors of the Manager (the “**Directors**”), their immediate family¹ and Substantial Unitholders²), can accept their provisional allocations of New Units under the Preferential Offering in full or in part but may not apply for excess New Units thereunder. Restricted Placees who are Singapore Registered Unitholders are permitted to accept their provisional allocations of New Units under the Preferential Offering as the SGX-ST has granted a waiver from the requirements under Rule 812(1) of the Listing Manual of the SGX-ST (the “**Listing Manual**”).

The provisional allocations to Singapore Registered Unitholders will be subject to the Rounding Mechanism. For example, a Singapore Registered Unitholder with 2,500 Units as at the Preferential Offering Books Closure Date will be provisionally allocated 500 New Units under the Preferential Offering (increased from the 250 New Units allocated based on the ratio of one New Unit for every 10 Existing Units under the Preferential Offering) so that, should such Singapore Registered Unitholder decide to accept his provisional allocation of New Units, he will own a total of 3,000 Units.

It should be noted that in the case of Units held by Singapore Registered Unitholders through nominee companies, the Rounding Mechanism will be applied at the level of the aggregate Units held in the securities accounts of such nominee companies with CDP. As such, Singapore Registered Unitholders whose Units are held through such nominee companies will not enjoy the benefit of the Rounding Mechanism on an individual level.

The making of the Preferential Offering may be prohibited or restricted in certain jurisdictions under their relevant securities laws. Thus, for practical reasons and in order to avoid any violation of the securities legislation applicable in countries (other than Singapore) where Unitholders may have their CDP-registered addresses, the Preferential Offering will not be extended to Unitholders whose CDP-registered addresses are outside Singapore and who have not, at least five Market Days prior to the Preferential Offering Books Closure Date, provided CDP with addresses in Singapore for the service of notice and documents. Unitholders whose CDP-registered addresses are outside Singapore and who wish to participate in the Preferential Offering will have to provide CDP with addresses in Singapore for the service of notice and documents at least five Market Days prior to the Preferential Offering Books Closure Date.

The offer, allocation and issue of the New Units pursuant to the Preferential Offering are governed by the terms and conditions of this Circular and the Acceptance Form. Acceptance of and payment for the New Units under the Preferential Offering must be made in accordance with the “Procedures for Acceptance of and Payment for New Units under the Preferential Offering by Singapore Registered Unitholders” set out in **Annexure B** of this Circular.

¹ The spouse, children, adopted children, step-children, siblings and parents of the Directors.

² A Unitholder with an interest in one or more Units constituting not less than 5.0% of all outstanding Units.

2. The ATM Offering

The 12,000,000 New Units under the ATM Offering will be offered at the Issue Price to retail investors in Singapore through the ATMs of DBS Bank (including POSB ATMs) on a “first-come, first-served” basis and all applications under the ATM Offering must be made in accordance with the “Terms, Conditions and Procedures or Application of New Units under the ATM Offering” set out in **Annexure C** of this Circular. The minimum application under the ATM Offering is for 1,000 New Units. An applicant may apply for a larger number of New Units under the ATM Offering in integral multiples of 1,000 Units, subject to a maximum of 1,000,000 New Units per applicant. Only one application for the New Units under the ATM Offering may be made for the benefit of one person. Multiple applications for the New Units under the ATM Offering will not be accepted.

The Issue Price (in Hong Kong dollars) payable by the subscribers under the ATM Offering will be the Singapore dollars equivalent of the Issue Price, such amount being S\$1.34, based on the fixed exchange rate of HK\$1.00 = S\$ 0.2156.

Subject to exceptions described below, Singapore Registered Unitholders (except those who are Restricted Placees) may also, in addition to accepting their provisional allocations of New Units under the Preferential Offering, apply for New Units under the ATM Offering and the Private Placement. Notwithstanding the foregoing, the Directors and their immediate family may apply for New Units under the ATM Offering as the SGX-ST’s waiver of the requirements under Rule 812(1) of the Listing Manual also extends to allowing such applications by the Directors and their immediate family.

3. The Private Placement

The 258,468,970 New Units under the Private Placement will be privately placed by the Joint Bookrunners and Underwriters at the Issue Price to institutional and other investors.

The SGX-ST has, on 28 September 2004, waived the requirement under Rule 812(1) of the Listing Manual to allow the Manager to place New Units to DBS Bank group and The Capital Group of Companies, Inc (both of which are Substantial Unitholders) under the Private Placement without the requirement of Unitholders’ approval at an extraordinary general meeting to enable them to maintain their respective proportionate pre-placement unitholdings (in percentage terms) as at the Latest Practicable Date, after taking into account the New Units subscribed by them under the Preferential Offering. Subject to the foregoing and certain other requirements, including the requirement that the Manager certifies the independence of each such Substantial Unitholder, the Joint Bookrunners and Underwriters may place New Units to these Substantial Unitholders under the Private Placement.

SGX-ST has also waived Rule 812(1) of the Listing Manual, and Unitholders’ approval was obtained at the EGM, for a placement of New Units to Focus Eagle (a Substantial Unitholder) where the number of New Units to be placed to Focus Eagle under the Private Placement is no more than what would be required to maintain its proportionate pre-placement unitholding (in percentage terms) as at the Latest Practicable Date, after taking into account its entitlement to the New Units under the Preferential Offering. Subject to this restriction, the Joint Bookrunners and Underwriters may place New Units to Focus Eagle under the Private Placement.

If applicable, Fortune REIT will make an announcement of any placement of New Units to DBS Bank group, The Capital Group Companies, Inc and Focus Eagle under the Private Placement.

4. Re-allocations

New Units offered under the Preferential Offering which are not taken up by Singapore Registered Unitholders for any reason will be aggregated and sold, at the discretion of the Joint Bookrunners and Underwriters, to satisfy excess demand for New Units under the Private Placement to the extent that there is such excess demand.

In the event that the New Units offered under the ATM Offering are not fully taken up, the number of New Units that are not taken up will be made available to satisfy excess demand for New Units under the Private Placement to the extent that there is such excess demand.

Any excess demand for the New Units under the Private Placement will be satisfied only to the extent that New Units offered under the Preferential Offering and/or the ATM Offering are not taken up and are re-allocated to the Private Placement.

5. Undertaking by Focus Eagle

Focus Eagle, which owns an aggregate of 129,685,000 Units as at 10 May 2005, being the latest practicable date prior to the printing of the circular to Unitholders dated 13 May 2005 (comprising approximately 27.2% of the Existing Units), has given an undertaking to the Joint Bookrunners and Underwriters, the Trustee (as trustee of Fortune REIT) and the Manager to (i) apply for and take up its full entitlement of New Units under the Preferential Offering and (ii) apply for and take up such number of Units under the Private Placement as may be necessary to maintain its proportionate pre-placement unitholding (in percentage terms) as at 10 May 2005 (after taking into consideration its entitlement to New Units under the Preferential Offering).

6. Status of the New Units

The New Units will, upon issue, rank *pari passu* in all respects with the Existing Units, including the right to any distributions which may be paid for the period from the day the New Units are issued to 31 December 2005 as well as all distributions thereafter.

For the avoidance of doubt, New Units will not be entitled to participate in the distribution of any tax-exempt income accrued by Fortune REIT prior to the issue of New Units.

FOREIGN SELLING RESTRICTIONS

The following placement limitations apply in relation to the Equity Fund Raising:

General

This Circular may not be used for the purpose of, and does not constitute, an offer, invitation or solicitation in any jurisdiction or in any circumstances in which such offer, invitation or solicitation is unlawful or unauthorised, or to any person to whom it is unlawful to make such offer, invitation or solicitation. In addition, no action has been or will be taken in any jurisdiction that would permit a public offering of the New Units or the possession, circulation or distribution of this Circular or any other material relating to Fortune REIT or the New Units in any jurisdiction where action for that purpose is required. The New Units may not be offered or sold, directly or indirectly, and neither this Circular nor any other offering material or advertisement in connection with the New Units may be distributed or published in or from any country or jurisdiction except, in each case, in circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction. No information in this Circular should be considered to be business, legal or tax advice regarding an investment in the New Units and/or the Units.

This Circular has been prepared without taking into account the objectives, financial situation or needs of any particular investor. It is important that each investor read the whole of this Circular and consider whether an investment in the New Units and/or the Units is appropriate in the light of his own objectives, financial situation and needs and he should seek professional advice before making a decision to invest in the New Units and/or the Units.

United States of America

The New Units have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except in accordance with Regulation S under the Securities Act ("Regulation S") or pursuant to an exemption from the registration requirements of the Securities Act.

The New Units are being offered and sold outside of the United States in reliance on Regulation S. In addition, until 40 days after the commencement of the Equity Fund Raising, an offer or sale of New Units within the United States by a dealer that is not participating in the Equity Fund Raising may violate the registration requirements of the Securities Act.

United Kingdom

The New 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 this Circular is not being distributed to, and must not be passed on to, the general public in the United Kingdom.

The communication of this Circular is only being made by persons authorised to carry on regulated activities under the Financial Services and Markets Act 2000 ("Authorised Persons") to (or if to an unrestricted audience of recipients, directed only at) (a) overseas persons; (b) those persons falling within both Articles 14 or 22 of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 ("CIS Exemptions Order") and Articles 19 or 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 ("Financial Promotion Exemptions Order"); or (c) any person to whom it may otherwise lawfully be made.

By way of explanation, the following persons fall within Articles 14 and 22 of the CIS Exemptions Order and Articles 19 and 49 of the Financial Promotions Exemptions Order:

- persons having professional experience in participating in unregulated collective investment schemes;
- a body corporate which has more than 20 members or which is a subsidiary undertaking of an 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 which has or is a member of the same group as an undertaking which has, or any, 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 persons and whose responsibilities include him or her participating in unregulated schemes.

Any investment or investment activity to which this Circular 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 Articles 14 or 22 of the CIS Exemptions Order and Articles 19 or 49 of the Financial Promotions Exemptions Order. Expressions of interest resulting from this Circular will only be responded to if received from persons falling within Articles 14 or 22 of the CIS Exemptions Order and Articles 19 or 49 of the Financial Promotions Exemptions Order.

Hong Kong

Unless permitted to do so by the securities laws of Hong Kong, no person may issue, or have in its possession for the purposes of issue, the Circular or any other invitation, advertisement or document relating to the Equity Fund Raising, 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 other than with respect to the New Units which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and rules made thereunder.

France

This Circular does not constitute an offer of financial instruments (within the meaning of the French Monetary and Financial Code) nor a solicitation to enter into a transaction involving financial instruments. Fortune REIT may not be considered as a collective investment scheme under French law, and interests issued by Fortune REIT may not benefit from the private placement exemptions since they may not be viewed as financial instruments under French law. Neither the Circular, which has not been submitted to the Autorité des marchés financiers, nor any information contained therein nor any offering material relating to the interests of Fortune REIT, may be distributed or caused to be distributed to the public in France.

Germany

The New Units have not been and will not be publicly offered in Germany and, accordingly, no securities sales prospectus (Verkaufsprospekt) for a public offering of the New Units in Germany in accordance with the Securities Sales Prospectus Act of 9 September 1998, as amended (Wertpapier-Verkaufsprospektgesetz, the "Prospectus Act"), has been or will be published or circulated in the Federal Republic of Germany.

The New Units will only be offered and sold in the Federal Republic of Germany in accordance with the provisions of the Prospectus Act and any other laws applicable in the Federal Republic of Germany governing the issue, sale and offering of securities.

Any resale of the New Units in the Federal Republic of Germany (i) may only be made in accordance with the provisions of the Prospectus Act and any other laws applicable in the Federal Republic of Germany governing the sale and offering of securities and (ii) might result in the relevant offeror being obliged to file and publish a securities sales prospectus in compliance with the Prospectus Act.

Further, the Units have not been registered for distribution under the German Investment Act (Investmentgesetz). Accordingly, the New Units will only be offered to clients with which the offeror already has an existing investment relationship.

Netherlands

The New Units may not be offered, have not been offered and will not be offered, directly or indirectly in the Netherlands as part of their initial distribution or as part of any re-offering, other than to persons whose ordinary business or profession:

- is to trade or invest in securities (which includes banks, securities firms, investment institutions, insurance companies, pension funds, other institutional investors and treasury departments and finance companies of large enterprises);
- involves the acquisition and disposal of investment objects of the same kind as the property or a substantial part of the property in which Fortune REIT invests,

in either case within the meaning of article 1 of the Regulation dated 9 October 1990, as amended, issued pursuant to article 14 of the Netherlands Investment Institutions Supervision Act (*Wet toezicht beleggingsinstellingen*).

Japan

The New Units offered outside of Japan have not been and will not be registered under the Securities and Exchange Law of Japan (the "SEL") and the Investment Trust and Investment Company Law of Japan (the "ITICL"). Accordingly, New Units will not, directly or indirectly, be offered or sold in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the SEL and the ITICL and other relevant laws and regulations of Japan.

Australia

This Circular has not been lodged with the Australian Securities and Investments Commission, and is not a disclosure document or product disclosure statement for the purposes of Australian law.

The provision of this Circular to any person in Australia does not constitute an offer of the New Units to that person or an invitation to that person to subscribe for the New Units unless the recipient is a person to whom an offer of the New Units may be made in Australia without the need for a product disclosure statement under Chapter 7.9 of the Corporations Act 2001 (Cwlth). This Circular is not, and under no circumstances is to be construed as, an advertisement or a public offering of the New Units in Australia. Fortune REIT is not registered as a managed investment trust scheme in Australia, and no securities commission or similar authority in Australia has reviewed or in any way passed upon this document or the merits of investing in the New Units. The New Units may not be resold in Australia within a period of 12 months after the date of issue otherwise than on a basis excluded from disclosure in accordance with sections 1012D or 1012DA of the Corporations Act 2001 (Cwlth).

CONSEQUENTIAL ADJUSTMENT TO THE DISTRIBUTION PERIOD OF FORTUNE REIT

Fortune REIT's policy is to distribute its tax-exempt income (if any) on a half-yearly basis to the Unitholders. The next distribution originally scheduled to take place was to be in respect of Fortune REIT's tax-exempt income for the period from 1 January 2005 to 30 June 2005 (the "**Scheduled Distribution**"). However, in conjunction with the Equity Fund Raising, the Manager will declare, in lieu of the Scheduled Distribution, a distribution of Fortune REIT's tax-exempt income for the period from 1 January 2005 to the day immediately prior to the date on which New Units are issued (the "**Rescheduled Distribution**"). The Manager expects the completion of the Acquisitions and the issue of New Units to be on or around 28 June 2005. In the event that there is any delay in the completion and issue of New Units, the distribution period may extend beyond 30 June 2005 and the Manager will notify the Unitholders by way of a public announcement to the SGX-ST. The next distribution following the Rescheduled Distribution will comprise Fortune REIT's tax-exempt income for the period from the day that New Units are issued to 31 December 2005. Half-yearly distributions will resume after that.

The Rescheduled Distribution is intended to ensure that Fortune REIT's tax-exempt income derived from investments acquired before the issue of New Units is only distributed in respect of the Units in issue prior to the issue of New Units, and is being implemented as a means to ensure fairness to holders of the Existing Units. By implementing the Rescheduled Distribution, Fortune REIT's tax-exempt income accrued up to the day immediately preceding the issue of New Units (which, at that point, would have been entirely attributable to the investments represented by the Existing Units) will only be distributed in respect of the Existing Units.

It is the Manager's current expectation that the quantum of the distribution per Existing Unit under the Rescheduled Distribution will be between 16.20 HK cents and 16.70 HK cents. The Manager currently expects to make payment of the Rescheduled Distribution on or around 17 August 2005.

For the avoidance of doubt, New Units issued pursuant to the Equity Fund Raising will not be entitled to participate in the distribution of any tax-exempt income accrued by Fortune REIT prior to the issue of New Units.

PURPOSE OF THE EQUITY FUND RAISING AND USE OF THE NET PROCEEDS

The Manager intends to use the proceeds of the Equity Fund Raising to partly finance the acquisitions (the “**Acquisitions**”) of the six properties located in Hong Kong comprising the City One Shatin Property, the Waldorf Garden Property, the Tsing Yi Square Property, the Centre de Laguna Property, the Lido Garden Property and the Rhine Garden Property (collectively, the “**Properties**”, and each a “**Property**”).

The total estimated acquisition costs of the Properties amount to HK\$3,568.5 million, comprising the aggregate purchase consideration (“**Aggregate Purchase Consideration**”) for the Properties (HK\$3,439.0 million) subject to adjustments for the consolidated net current assets/current liabilities of Mightypattern Limited and Waldorf Realty Limited¹, applicable stamp duty (HK\$23.9 million), the acquisition fee (approximately HK\$34.4 million) payable to the Manager pursuant to the trust deed dated 4 July 2003 constituting Fortune REIT (the “**Trust Deed**”) and other estimated fees and expenses (including professional fees, the front-end fee payable under the Facilities (as defined below) and expenses) incurred or to be incurred by the Manager in connection with the Acquisitions (approximately HK\$71.2 million).

The Manager intends to finance the balance of the costs of the Acquisitions through secured facilities aggregating HK\$2,650.0 million (the “**Facilities**”) which Fortune REIT is expected to obtain for the purposes of the Acquisitions, the refinancing of Fortune REIT’s existing debt and general working capital.

Further details about the use of the net proceeds from the Equity Fund Raising and the additional borrowings secured by the Manager can be found in paragraph (f) of the Offer Information Statement in **Annexure A** of this Circular.

¹ As two of the Properties, namely the City One Shatin Property and the Waldorf Garden Property, will be acquired through the acquisition of the entire issued share capital of Mightypattern Limited (the company which indirectly owns the City One Shatin Property) and Waldorf Realty Limited (the company which directly owns the Waldorf Garden Property), the Aggregate Purchase Consideration will be subject to adjustment for the consolidated net current assets/current liabilities of Mightypattern Limited and Waldorf Realty Limited respectively.

OFFER INFORMATION STATEMENT

The Manager has prepared the Offer Information Statement dated 15 June 2005 which is included in this Circular as **Annexure A**. The Offer Information Statement was lodged with the Monetary Authority of Singapore on 15 June 2005. The Monetary Authority of Singapore takes no responsibility for the contents of the Offer Information Statement or this Circular as a whole.

QUOTATION AND DEALINGS

Upon listing and quotation on the Main Board of the SGX-ST, the New Units will be traded under the book-entry (scripless) settlement system. All dealings in, and transactions (including transfers) of the New Units effected through the SGX-ST and/or CDP shall be made in accordance with the "Terms and Conditions for Operations of Securities Accounts with CDP" (as the same may be amended from time to time), copies of which are available from CDP.

CONSENTS

Each of Deloitte & Touche, Certified Public Accountants, as the independent accountants of Fortune REIT (the **“Independent Accountants”**) and Deloitte & Touche Corporate Finance Pte Ltd, as the reviewer of the Profit Forecast (the **“Reviewer of the Profit Forecast”**), has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and, respectively, the Independent Accountants’ Report on the Profit Forecast and the DTCF’s Report on the Profit Forecast (the **“DTCF’s Statement”**) and all references thereto, in the form and context in which they are included in this Circular. KPMG Tax Services Pte Ltd, the independent tax consultant (the **“Independent Tax Consultant”**), Savills (Hong Kong) Limited (the **“Independent Property Consultant”**), Chesterton Petty Ltd (**“Chesterton”**) and Vigers Appraisal & Consulting Limited (**“Vigers Appraisal”**), as the independent valuers (the **“Independent Valuers”**), and Vigers Building Consultancy Ltd, as the building surveyor, have each given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and all references thereto, in the form and context in which they are included in this Circular.

RESPONSIBILITY STATEMENTS

The Directors collectively and individually accept responsibility for the accuracy of the information given in this Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and opinions expressed in this Circular are fair and accurate in all material respects as at the date of this Circular and there are no material facts the omission of which would make any statement in this Circular misleading in any material respect. Where information has been extracted or reproduced from published or otherwise publicly available sources, the sole responsibility of the Directors has been to ensure through reasonable enquiries that such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this Circular.

The forecast financial information set out in **Appendix 3** of the Offer Information Statement in **Annexure A** of this Circular has been stated by the Directors after due and careful enquiry.

DOCUMENTS ON DISPLAY

Copies of the following documents are available for inspection during normal business hours at the registered office of the Manager at 9 Temasek Boulevard, #09-01 Suntec Tower 2, Singapore 038989, from the date of this Circular up to and including the date falling three months after the date of this Circular:

- (i) the Financial Statements;
- (ii) the Placement Agreement;
- (iii) the letter of undertaking dated 11 May 2005 issued by Focus Eagle setting out the undertaking by Focus Eagle described in the section of this Circular entitled “Terms of the Equity Fund Raising — 5. Undertakings by Focus Eagle”;
- (iv) the written consent of each of the Independent Accountants, the Reviewer of the Profit Forecast, the Independent Tax Consultant, the Independent Property Consultant and the Independent Valuers referred to in the section of this Circular entitled “Consents”;
- (v) the Independent Accountants’ Report on the Profit Forecast;
- (vi) the DTCF’s Statement;
- (vii) the Retail Market Overview and the full report thereto by the Independent Property Consultant;
- (viii) the full valuation report dated 10 May 2005 on the Properties issued by Chesterton stating the valuation of the Properties as at 31 January 2005;
- (ix) the full valuation report dated 10 May 2005 on the Properties issued by Vigers Appraisal stating the valuation of the Properties as at 31 January 2005;
- (x) the Chesterton Summary Valuation Report;
- (xi) the Vigers Appraisal Summary Valuation Report;
- (xii) the valuation report on the Properties (dated 22 March 2005) issued by Chesterton stating the valuation of the Properties as at 31 December 2004;
- (xiii) the valuation report of the Properties (dated 22 March 2005) issued by Vigers Appraisal stating the valuation of the Properties as at 31 December 2004;
- (xiv) the Chesterton Individual Property Summary Report and Chesterton Summary City One Shatin Property Asset Enhancement Report dated 10 May 2005 on the City One Shatin Property issued by Chesterton; and
- (xv) the building survey reports on the Properties by Vigers Building Consultancy Ltd.

The Trust Deed will also be available for inspection at the registered office of the Manager for so long as Fortune REIT is in existence.

GLOSSARY

For the purpose of this Circular, the following definitions apply throughout unless the context otherwise requires or otherwise stated:

Acceptance Form	:	The official printed acceptance form to be used for the purpose of the Preferential Offering and which forms part of this Circular
Acquisitions	:	The proposed acquisitions of the Properties by Fortune REIT
Aggregate Purchase Consideration	:	The total purchase consideration of HK\$3,439.0 million for the Properties (before adjustment for the consolidated net current assets/current liabilities of each of Mightypattern Limited and Waldorf Realty Limited)
ATM	:	Automated teller machine
ATM Offering	:	The offering of 12,000,000 New Units at the Issue Price (such amount being S\$1.34, based on the fixed exchange rate of HK\$1.00 to S\$0.2156) to retail investors in Singapore through the ATMs of DBS Bank (including POSB) on a “first-come, first-served” basis
Centre de Laguna Property	:	The property comprising the commercial area on the Ground Floor of the commercial development known as “Centre De Laguna”, and the kindergarten of Blocks 32 to 38 of Laguna City located at the junction of Cha Kwo Ling Road and Sin Fat Road, Kowloon, Hong Kong
CDP	:	The Central Depository (Pte) Limited
Chesterton	:	Chesterton Petty Ltd
Chesterton Summary Valuation Report	:	The summary of the valuation report dated 10 May 2005 on the Properties issued by Chesterton
City One Shatin Property	:	<p>The property comprising the following commercial portion and car parking spaces at City One Shatin, Shatin, New Territories, Hong Kong:</p> <ul style="list-style-type: none">(a) the free standing commercial podium known as Ngan Shing Commercial Centre (Commercial Block A) on the Ground Floor, 4th Floor and the Roof;(b) the free standing commercial podium known as City One Plaza (Commercial Block B) on the Ground Floor, 1st Floor and portion of the Roof, Roof Garden, Centre Garden and kiosks thereof;(c) the wet market and kindergarten below residential tower blocks 34–36 on the Ground Floor only;(d) various single shops and non-domestic units dispersed throughout the development on the Ground Floor of 12 individual residential tower blocks; and(e) 986 car parking spaces within the development of which 314 car parking spaces are located on the 1st Floor of Commercial Block A, 671 car parking spaces on the 2nd and 3rd Floors of City One Plaza (Commercial Block B) and a car parking space on the 1st Floor of the residential tower blocks 34–36 of the development

DBS Bank	:	DBS Bank Ltd
Directors	:	The directors of the Manager
DTCF's Statement	:	The Deloitte & Touche Corporate Finance Pte Ltd's Report on the Profit Forecast as set out in Appendix 5 of the Offer Information Statement in Annexure A of this Circular
EGM	:	The extraordinary general meeting of Unitholders held on 1 June 2005
Equity Fund Raising	:	The placement of 318,796,148 New Units at the Issue Price by the Joint Bookrunners and Underwriters by way of the Preferential Offering, the ATM Offering and the Private Placement
Existing Properties	:	The Metropolis Mall, Ma On Shan Plaza, The Household Center, Smartland and Jubilee Court Shopping Centre
Existing Units	:	The 476,130,822 outstanding Units as at the Latest Practicable Date
Extraordinary Resolution	:	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
Facilities	:	The secured facilities aggregating HK\$2,650.0 million comprising a HK\$2,385.0 million term loan facility and a HK\$265.0 million revolving credit facility, each for a term of five years, arranged by DBS Bank and The Hongkong and Shanghai Banking Corporation Limited
Focus Eagle	:	Focus Eagle Investments Limited
Fortune REIT	:	Fortune Real Estate Investment Trust
HK\$ and HK cents	:	Hong Kong Dollars and Hong Kong Cents
Hong Kong	:	The Hong Kong Special Administrative Region of the People's Republic of China
Independent Accountants	:	Deloitte & Touche, Certified Public Accountants
Independent Accountants' Report on the Profit Forecast	:	The report by the Independent Accountants on the Profit Forecast for Fortune REIT for the financial year ending 31 December 2005 as set out in Appendix 4 of this Circular
Independent Property Consultant	:	Savills (Hong Kong) Limited
Independent Tax Consultant	:	KPMG Tax Services Pte Ltd
Independent Valuers	:	Chesterton and Vigers Appraisal
Issue Price	:	HK\$6.23, being the issue price per New Unit under the Equity Fund Raising
Joint Bookrunners and Underwriters	:	DBS Bank, The Hongkong and Shanghai Banking Corporation Limited, J.P. Morgan (S.E.A.) Limited and UBS AG, acting through its business group UBS Investment Bank

Latest Practicable Date	:	10 June 2005, being the latest practicable date prior to the printing of this Circular
Lido Garden Property	:	The property comprising 12 shop units on a portion on the Ground Floor at the northern fringe of the side boundary of the commercial/residential development called "Lido Garden" located at No. 41–63 Castle Peak Road, Sham Tseng, Tsuen Wan, New Territories, Hong Kong
Listing Manual	:	The Listing Manual of the SGX-ST
Manager	:	ARA Asset Management (Singapore) Limited, in its capacity as manager of Fortune REIT
Market Day	:	A day on which the SGX-ST is open for trading in securities
New Units	:	The new Units to be issued by Fortune REIT for placement under the Equity Fund Raising
Participating Banks	:	DBS Bank (including POSB), Oversea-Chinese Banking Corporation Limited as well as United Overseas Bank Limited and its subsidiary, Far Eastern Bank Limited
Placement Agreement	:	The placement agreement dated 15 June 2005 entered into between the Manager and the Joint Bookrunners and Underwriters in relation to the Equity Fund Raising
Preferential Offering	:	The preferential offering of 48,327,178 New Units at the Issue Price by the Joint Bookrunners and Underwriters to Singapore Registered Unitholders on a non-renounceable basis of one New Unit for every 10 Existing Units held as at the Preferential Offering Books Closure Date (fractions of a Unit to be disregarded) and subject to the Rounding Mechanism
Preferential Offering Books Closure Date	:	13 June 2005 at 5.00 p.m., being the date and time on which the Transfer Books and Register of Unitholders of Fortune REIT were closed to determine the provisional allocations of Singapore Registered Unitholders under the Preferential Offering
Private Placement	:	The placement of 258,468,970 New Units at the Issue Price by the Joint Bookrunners and Underwriters to institutional and other investors (including Focus Eagle)
Profit Forecast	:	The summary of Fortune REIT's forecast net property income and distributable income for the financial year ending 31 December 2005 as set out in Appendix 3 of the Offer Information Statement in Annexure A of this Circular.
Properties	:	The six properties located in Hong Kong comprising the City One Shatin Property, the Waldorf Garden Property, the Tsing Yi Square Property, the Centre de Laguna Property, the Lido Garden Property and the Rhine Garden Property (each a " Property ")
Restricted Places	:	(a) The Directors and Substantial Unitholders (b) The spouse, children, adopted children, step-children, siblings and parents of (i) the Directors and (ii) Substantial Unitholders

		(c) Substantial shareholders, related companies (as defined in Section 6 of the Companies Act, Chapter 50 of Singapore), associated companies and sister companies of the Substantial Unitholders
		(d) Corporations in which the Directors and the Substantial Unitholders have an aggregate interest of at least 10.0%
		(e) Any person who, in the opinion of the SGX-ST, falls within categories (a) to (d) above
Rescheduled Distribution	:	The proposed distribution of Fortune REIT's tax-exempt income for the period from 1 January 2005 to the day immediately prior to the date the New Units are issued, in lieu of the Scheduled Distribution
Retail Market Overview	:	The report by the Independent Property Consultant on the Hong Kong retail property market dated 10 May 2005
Reviewer of the Profit Forecast	:	Deloitte & Touche Corporate Finance Pte Ltd
Rhine Garden Property	:	The property comprising various retail portions on the Ground Floor of the 3-storey podium of a commercial/residential development with ancillary car parking and recreational facilities known as "Rhine Garden" located at No. 38 Castle Peak Road, Sham Tseng, Tsuen Wan, New Territories, Hong Kong
Rounding Mechanism	:	Where a Singapore Registered Unitholder's provisional allocation of New Units under the Preferential Offering is other than an integral multiple of 1,000 Units, the increase in the provisional allocation of New Units to the Unitholder by such number which, when added to the Unitholder's unitholding as at the Preferential Offering Books Closure Date, results in an integral multiple of 1,000 Units
Scheduled Distribution	:	The original scheduled distribution of Fortune REIT's tax-exempt income for the period from 1 January 2005 to 30 June 2005
Securities Account	:	Securities account maintained by a Depositor with CDP
SGX-ST	:	Singapore Exchange Securities Trading Limited
Singapore Registered Unitholders	:	Unitholders as at the Preferential Offering Books Closure Date other than those whose CDP-registered addresses were outside Singapore and who had not, at least five Market Days prior to the Preferential Offering Books Closure Date, provided CDP with addresses in Singapore for the service of notices and documents
Substantial Unitholders	:	A Unitholder with an interest in one or more Units constituting not less than 5.0% of all outstanding Units
Trust Deed	:	The trust deed constituting Fortune REIT dated 4 July 2003 entered into between the Trustee (as trustee of Fortune REIT) and the Manager
Trustee	:	HSBC Institutional Trust Services (Singapore) Limited, in its capacity as trustee of Fortune REIT

Tsing Yi Square Property	:	The property comprising 48 shops on the Ground Floor, 29 shops on the 1st Floor and 27 car parking spaces on the basement of a commercial/residential development known as “Tsing Yi Garden” located at No. 7–19 Tsing Luk Street, Tsing Yi, New Territories, Hong Kong
Unit	:	A unit representing an undivided interest in Fortune REIT
Unitholder	:	A Depositor whose Securities Account is credited with Unit(s)
Vigers Appraisal	:	Vigers Appraisal & Consulting Limited
Vigers Appraisal Summary Valuation Report	:	The summary of the valuation report dated 10 May 2005 on the Properties by Vigers Appraisal
Waldorf Garden Property	:	The property comprising the following shops and car parking spaces located at No. 1 Tuen Lee Street, Tuen Mun, New Territories, Hong Kong: <ul style="list-style-type: none"> (a) a retail floor on Level 3 of a 4-storey commercial/parking/recreational podium of a residential development known as “Waldorf Garden”; (b) 73 car parking spaces with two car parking spaces located on Level 1 of the podium, 67 car parking spaces on Level 2 and four lorry parking spaces on Level 1; (c) Bicycle Parking Area on Level 1; and (d) Bicycle Parking Area on Level 2
%	:	Per centum or percentage

The term “Depositor” shall have the meaning ascribed to it in Section 130A of the Companies Act, Chapter 50 of Singapore.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall, where applicable, include corporations.

Any discrepancies in the tables, charts and graphs included in this Circular between the listed amounts and totals thereof are due to rounding.

Any reference in this Circular to any enactment is a reference to that enactment for the time being amended or re-enacted.

Any reference to a time of day in this Circular shall be a reference to Singapore time unless otherwise stated.

The exchange rates used in this Circular are for reference only. No representation is made that any Hong Kong dollar amounts could have been or could be converted into Singapore dollar amounts at any of the exchange rates used in this Circular, at any other rate or at all.

**PARTICULARS TO BE INCLUDED
IN AN OFFER INFORMATION STATEMENT**

OFFER INFORMATION STATEMENT

A copy of this Offer Information Statement has been lodged with the Monetary Authority of Singapore (the “**Authority**”). The Authority assumes no responsibility for the contents of this Offer Information Statement. Lodgment of this Offer Information Statement with the Authority does not imply that the Securities and Futures Act, Chapter 289 of Singapore, or any other legal or regulatory requirements, have been complied with. The Authority has not, in any way, considered the merits of the units being offered, or in respect of which an invitation is made, for investment.

FORTUNE REAL ESTATE INVESTMENT TRUST

(Constituted in the Republic of Singapore
pursuant to a trust deed dated 4 July 2003)

Date of lodgment: 15 June 2005

In this Offer Information Statement, capitalised terms not otherwise defined herein have the meaning given to them in the Glossary on pages 49 to 56 of this Offer Information Statement.

In the Offer Information Statement, provide the following information:

(a) the address of the registered office of the manager of the Fund (the “Manager”);

The registered office of the Manager, ARA Asset Management (Singapore) Limited, is at 9 Temasek Boulevard, #09-01 Suntec Tower 2, Singapore 038989.

(b) the business carried on and to be carried on by the Fund and the general development of the business since inception of the Fund, indicating any material change in the affairs of the Fund since the last annual report;

Business carried on by the Fund and the general development of the business since inception of the Fund

Fortune Real Estate Investment Trust (“**Fortune REIT**”) is a Singapore-based unit trust listed on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) with the investment objective of investing in real estate and real estate-related assets. Fortune REIT was formed primarily to own and invest in a portfolio of retail shopping malls located in Hong Kong through the ownership of 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’s portfolio of assets currently consists of five retail malls spread across Kowloon and the New Territories in Hong Kong, namely, The Metropolis Mall, Ma On Shan Plaza, The Household Center, Smartland and Jubilee Court Shopping Centre (together, the “**Existing Properties**”), all of which are held indirectly through companies which have been set up primarily to hold and own the Existing Properties (together, the “**Existing Property Companies**”).

Fortune REIT aims to produce stable distributions for unitholders of Fortune REIT (“**Unitholders**”) and to achieve long-term growth in the net asset value per unit in Fortune REIT (“**Unit**”). 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.

The Manager does not expect the business currently carried on by Fortune REIT to change in any material aspect for the foreseeable future.

The general development of the business of Fortune REIT since its inception is set out below:

<u>Date</u>	<u>Significant developments</u>
4 July 2003	: The inception of Fortune REIT pursuant to a trust deed dated 4 July 2003 (the “ Trust Deed ”).
12 August 2003	: Listing of the Units on SGX-ST.
19 November 2003	: The Manager announced Fortune REIT’s financial results for the financial period from 13 August 2003 to 30 September 2003.
27 January 2004	: The Manager announced Fortune REIT’s financial results for the financial period from 13 August 2003 to 31 December 2003.

<u>Date</u>	<u>Significant developments</u>
27 January 2004	: The Manager announced Fortune REIT's distribution for the period from 13 August 2003 to 31 December 2003 and the books closure date.
27 January 2004	: The Manager announced the independent valuations as at 31 December 2003 of the Existing Properties.
12 May 2004	: The Manager announced Fortune REIT's first quarter financial results for the period from 1 January 2004 to 31 March 2004.
27 July 2004	: The Manager announced Fortune REIT's half year financial results for the period from 1 January 2004 to 30 June 2004.
27 July 2004	: The Manager announced Fortune REIT's half-year distribution for the period from 1 January 2004 to 30 June 2004.
10 November 2004	: The Manager announced Fortune REIT's financial results for the period from 1 January 2004 to 30 September 2004.
27 January 2005	: The Manager announced Fortune REIT's financial results for the financial year ended 31 December 2004.
27 January 2005	: The Manager announced Fortune REIT's half-year distribution for the period from 1 July 2004 to 31 December 2004.
27 January 2005	: The Manager announced the independent valuations as at 31 December 2004 of the Existing Properties.
24 March 2005	: The Manager announced that HSBC Institutional Trust Services (Singapore) Limited (in its capacity as trustee of Fortune REIT, the " Trustee ") has entered into separate conditional sale and purchase agreements in connection with the proposed acquisitions of the City One Shatin Property, the Waldorf Garden Property, the Tsing Yi Square Property, the Centre de Laguna Property, the Lido Garden Property and the Rhine Garden Property (collectively, the " Properties ") from Fortune Port Group Limited (" Fortune Port ").
10 May 2005	: The Manager announced Fortune REIT's first quarter financial results for the period from 1 January 2005 to 31 March 2005.
13 May 2005	: The Manager issued a circular to Unitholders in connection with the extraordinary general meeting of Unitholders (" EGM ") to be convened on 1 June 2005 to seek Unitholders' approvals for, <i>inter alia</i> , the issue of such number of new Units (" New Units ") so as to raise up to an aggregate of HK\$1,986.1 million in gross proceeds under an equity fund raising exercise to partly finance the acquisitions of the Properties (as defined below) (the " Acquisitions ").
1 June 2005	: The Manager announced that all resolutions proposed at the EGM were passed by Unitholders.

Fortune REIT has an opportunity to enlarge its portfolio with the Acquisitions. The Manager is in favour of the Acquisitions, as it believes that the inclusion of the Properties in Fortune REIT's property portfolio will be beneficial to Fortune REIT and its Unitholders.

The Manager's rationale for the Acquisitions is set out in **Appendix 1** of this Offer Information Statement. In addition, detailed information about the Properties and certain pro forma financial information relating to the Acquisitions can be found in **Appendix 2** of this Offer Information Statement.

Material changes in the affairs of the Fund since the last annual report

Save as disclosed herein, there have been no material changes in the affairs of Fortune REIT since its annual report for the financial year ended 31 December 2004.

(c) the description of, and number of units being offered by the Fund;

The Manager proposes to issue 318,796,148 New Units at the issue price of HK\$6.23 per New Unit (the “**Issue Price**”).

Certain information about the status of the New Units and Fortune REIT’s distribution periods are set out below.

Consequential Adjustment to the Distribution Period

Fortune REIT’s policy is to distribute its tax-exempt income (if any) on a half-yearly basis to the Unitholders. The next distribution originally scheduled to take place was to be in respect of Fortune REIT’s tax-exempt income for the period of 1 January 2005 to 30 June 2005 of Fortune REIT (the “**Scheduled Distribution**”). However, in conjunction with the Equity Fund Raising, the Manager will declare, in lieu of the Scheduled Distribution, a distribution of Fortune REIT’s tax-exempt income for the period from 1 January 2005 to the day immediately prior to the date on which New Units are issued (the “**Rescheduled Distribution**”). The next distribution following the Rescheduled Distribution will comprise Fortune REIT’s tax-exempt income for the period from the day that New Units are issued (expected to be on or around 28 June 2005) to 31 December 2005. Half-yearly distributions will resume after that.

The Rescheduled Distribution is intended to ensure that Fortune REIT’s tax-exempt income derived from investments acquired before the New Units are issued is only distributed in respect of the Units in issue prior to the issue of New Units (the “**Existing Units**”), and is being implemented as a means to ensure fairness to holders of the Existing Units. By implementing the Rescheduled Distribution, Fortune REIT’s tax-exempt income accrued up to the day immediately preceding the issue of New Units (which, at that point, would have been entirely attributable to the investments represented by the Existing Units) will only be distributed in respect of the Existing Units.

It is the Manager’s current expectation that the quantum of the distribution per Existing Unit under the Rescheduled Distribution will be between 16.20 HK cents and 16.70 HK cents. The Manager currently expects to make payment of the Rescheduled Distribution on or around 17 August 2005.

For the avoidance of doubt, New Units issued pursuant to the Equity Fund Raising will not be entitled to participate in the distribution of any tax-exempt income accrued by Fortune REIT prior to the issue of New Units.

Status of the New Units Issued Pursuant to the Equity Fund Raising

The New Units will, upon issue, rank *pari passu* in all respects with the Existing Units, including the right to any distributions which may be paid for the period from the Issue Date to 31 December 2005 as well as all distributions thereafter.

For the avoidance of doubt, the New Units will not be entitled to participate in the Rescheduled Distribution.

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- (d) **the offer price, any discount or commission given to the underwriter (if any), and the estimated net proceeds on an aggregate basis to be derived by the Fund from the sale of the units being offered; if it is not possible to state the offer price or the discount or commission, the method by which it is to be determined must be explained;**
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Issue price	:	HK\$6.23 per New Unit
Underwriting and selling commissions	:	Up to HK\$27.8 million
Other fees and expenses (including professional fees, the front-end fee payable under the Facilities and expenses)	:	Approximately HK\$43.4 million
Stamp Duty	:	HK\$23.9 million
Estimated net proceeds (being the gross proceeds from the Equity Fund Raising less the estimated maximum amount of underwriting and selling commissions, stamp duty as well as the other fees and expenses (including professional fees, the front-end fee payable under the Facilities (as defined below) and expenses) incurred by Fortune REIT in connection with the Equity Fund Raising)	:	Approximately HK\$1,891.0 million

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- (e) **the range of the closing market price during the 90 days preceding the latest practicable date prior to the lodgment of the Offer Information Statement (“Latest Practicable Date”);**
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Range of closing market price during the 90-day period preceding the Latest Practicable Date (31 January 2005 to 10 June 2005)	:	Between HK\$6.05 per Unit and HK\$6.90 per Unit
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- (f) **the principal purposes for which the estimated net proceeds to be derived by the Fund from the sale of the units being offered are intended to be used and the approximate amount intended to be used for each such purpose; if any material amounts of other funds are to be used in conjunction with the proceeds for such purposes, the amounts and sources of such other funds;**
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The principal purposes for which the estimated net proceeds to be derived by the Fund from the sale of the units being offered are intended to be used and the approximate amount intended to be used for each such purpose

The Manager intends to use the proceeds of the Equity Fund Raising to partly finance the Acquisitions.

The total estimated acquisition costs of the Properties amount to HK\$3,568.5 million, comprising the aggregate purchase consideration (“**Aggregate Purchase Consideration**”) for the Properties (HK\$3,439.0 million) subject to adjustments for the consolidated net current assets/current liabilities of Mightypattern Limited and Waldorf Realty Limited¹, applicable stamp duty

¹ As two of the Properties, namely the City One Shatin Property and the Waldorf Garden Property, will be acquired through the acquisition of the entire issued share capital of Mightypattern Limited (the company which indirectly owns the City One Shatin Property) and Waldorf Realty Limited (the company which directly owns the Waldorf Garden Property), the Aggregate Purchase Consideration will be subject to adjustment for the consolidated net current assets/current liabilities of Mightypattern Limited and Waldorf Realty Limited respectively.

(HK\$23.9 million), the acquisition fee (approximately HK\$34.4 million)² payable to the Manager pursuant to the “Trust Deed” and other estimated fees, the front-end fee payable under the Facilities and expenses (including professional fees and expenses) incurred or to be incurred by the Manager in connection with the Acquisitions (approximately HK\$71.2 million).

The amount and sources of such other funds to be used in conjunction with the proceeds derived by the Fund from the sale of the units

The Manager intends to finance the balance of the costs of the Acquisitions through secured facilities aggregating HK\$2,650.0 million (the “**Facilities**”) which Fortune REIT is expected to obtain for the purposes of the Acquisitions, the refinancing of Fortune REIT’s existing debt and general working capital.

On completion of the Acquisitions, the Existing Property Companies and the Property Companies which, indirectly or directly, own the Existing Properties and the Properties are expected to have in place the Facilities aggregating HK\$2,650.0 million comprising a HK\$2,385.0 million term loan facility and a HK\$265.0 million revolving credit facility, each for a term of five years. The Facilities will be initially drawn to approximately HK\$2,498.0 million with the term loan fully drawn on completion of the Acquisitions.

(g) the place where the Fund was constituted and the date of constitution;

Fortune REIT was constituted in Singapore on 4 July 2003 pursuant to the Trust Deed.

(h) the names and addresses of the directors of the Manager as at the Latest Practicable Date;

The names and addresses of the directors of the Manager (the “**Directors**”) are set out in **Appendix 6** of this Offer Information Statement.

(i) the unitholders’ fund and borrowings of the Fund, as of the Latest Practicable Date showing:

- (i) in the case of the unitholders’ fund, the number of units issued and outstanding; or**
 - (ii) in the case of borrowings, the total amount of the borrowings outstanding, together with the rate of interest (whether fixed or floating) payable thereon;**
-

(i) Unitholders’ Fund

As at the Latest Practicable Date, there were 476,130,822 Units issued and outstanding.

(ii) Borrowings

As at the Latest Practicable Date, Fortune REIT has drawn down an aggregate amount of HK\$902.0 million under its existing omnibus unsecured credit facility aggregating HK\$1,100 million comprising a HK\$900.0 million term loan facility and a HK\$200.0 million revolving loan facility. The loans made under the existing omnibus unsecured credit facility currently bear interest at Hong Kong Interbank Offer Rate (“**HIBOR**”) plus a margin of 0.60% per annum. The Manager has fixed the interest rate for the existing facility using interest rate swaps and as at the Latest Practicable Date, the weighted average interest rate for the period from 1 January 2005 to the Latest Practicable Date is 2.55%. The existing facility will be refinanced by the Facilities. The Facilities will be initially drawn to approximately

² The acquisition fee is payable to the Manager in Units.

HK\$2,498.0 million with the term loan fully drawn on completion of the Acquisitions. Each loan made under the Facilities will bear interest at the HIBOR plus a margin. The margin is 0.28% for the first year, 0.30% for the second year, 0.34% for the third year, 0.36% for the fourth year and 0.42% for the fifth year. The Manager expects to fix the interest rate for the Facilities using interest rate swaps of varying tenors which is likely to result in at least 50.0% of the outstanding amount under the Facilities being on a fixed interest rate basis. The Facilities will be secured by, *inter alia*, a mortgage over the Existing Properties and the Properties.³

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- (j) **the manner in which the units being offered are to be distributed, giving particulars of any outstanding or proposed underwriting, including the name and address of each underwriter;**
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The Equity Fund Raising

The Equity Fund Raising consists of:

- (i) the preferential offering of 48,327,178 New Units at the Issue Price to Singapore Registered Unitholders on a non-renounceable basis of one New Unit for every 10 Existing Units held as at the Preferential Offering Books Closure Date, (fractions of a Unit to be disregarded) and subject to the Rounding Mechanism (the “**Preferential Offering**”);
- (ii) the offering of 12,000,000 New Units at the Issue Price⁴ to retail investors in Singapore through the automated teller machines (“**ATMs**”) of DBS Bank Ltd (including POSB) on a “first-come, first-served” basis (the “**ATM Offering**”); and
- (iii) the private placement of 258,468,970 New Units at the Issue Price to institutional and other investors (including Focus Eagle Investments Limited) (the “**Private Placement**”).

DBS Bank Ltd (“**DBS Bank**”) has been appointed as the financial adviser for the Equity Fund Raising, and together with The Hongkong and Shanghai Banking Corporation Limited, J.P. Morgan (S.E.A.) Limited and UBS AG, acting through its business group, UBS Investment Bank (together, the “**Joint Bookrunners and Underwriters**”) have been appointed as joint bookrunners and underwriters for the Equity Fund Raising.

The addresses of the Joint Bookrunners and Underwriters are as follows:

- (i) DBS Bank Ltd
6 Shenton Way
DBS Building Tower One
Singapore 068809
- (ii) The Hongkong and Shanghai Banking Corporation Limited
21 Collyer Quay
#03-01 HSBC Building
Singapore 049320
- (iii) J.P. Morgan (S.E.A.) Limited
168 Robinson Road
17th Floor, Capital Tower
Singapore 068912
- (iv) UBS AG, acting through its business group, UBS Investment Bank
5 Temasek Boulevard
#18-00 Suntec Tower Five
Singapore 038985

³ In the case of Waldorf Garden Property, the mortgage over such Property will be executed if and when the letter of consent for such mortgage is obtained from the Registrar General (Land Officer) under the terms of the applicable Government Lease.

⁴ Such amount being S\$1.34 based on the fixed exchange rate of HK\$1.00 = S\$0.2156.

Underwriting by the Joint Bookrunners and Underwriters

Under the placement agreement dated 15 June 2005 (the “**Placement Agreement**”) entered into between the Manager and the Joint Bookrunners and Underwriters, the Equity Fund Raising (save for the ATM Offering and the Units proposed to be placed to Focus Eagle Investments Limited (“**Focus Eagle**”) under the Preferential Offering and the Private Placement) is underwritten at the Issue Price by the Joint Bookrunners and Underwriters, and the ATM Offering is underwritten at the Issue Price by DBS Bank. The Placement Agreement may be terminated by the Joint Bookrunners and Underwriters at any time prior to the delivery of the Units upon the occurrence of certain events. Upon the occurrence of certain force majeure events, the Placement Agreement may be terminated in whole or only in relation to the ATM Offering and the Private Placement.

Additional information on the Preferential Offering

Acceptance of the provisional allocations of New Units may be effected in whole or in part via Acceptance Forms or through the ATMs of the Participating Banks (a list of the Participating Banks is set out in **Annexure D** of this Circular).

As the Preferential Offering is made on a non-renounceable basis, the provisional allocations of New Units cannot be renounced in favour of a third party or traded on the SGX-ST.

The Preferential Offering will be open to Singapore Registered Unitholders from 9.00 a.m. on 16 June 2005 and will close at (i) 4.45 p.m. on 21 June 2005 for acceptances of provisional allocations of New Units effected via Acceptance Forms and (ii) 9.30 p.m. on 21 June 2005 for acceptances of provisional allocations of New Units effected through the ATMs of the Participating Banks.

Singapore Registered Unitholders, including Restricted Placees (such as the Directors, their immediate family⁵ and Substantial Unitholders⁶), can accept their provisional allocations of New Units under the Preferential Offering in full or in part but may not apply for excess New Units thereunder. Restricted Placees who are Singapore Registered Unitholders are permitted to accept their provisional allocations of New Units under the Preferential Offering as the SGX-ST has granted a waiver from the requirements under Rule 812(1) of the Listing Manual of the SGX-ST (the “**Listing Manual**”).

Where a Singapore Registered Unitholder’s provisional allocation of New Units under the Preferential Offering is other than an integral multiple of 1,000 Units, it will be increased to such number which, when added to the Unitholder’s unitholdings as at the Preferential Offering Books Closure Date, results in an integral multiple of 1,000 Units (the “**Rounding Mechanism**”). For example, a Singapore Registered Unitholder with 2,500 Units as at the Preferential Offering Books Closure Date will be provisionally allocated with 500 New Units under the Preferential Offering (increased from the 250 New Units allocated based on the ratio of one New Unit for every 10 Existing Units under the Preferential Offering) so that, should such Singapore Registered Unitholder decide to accept his provisional allocation of New Units, he will own a total of 3,000 Units.

⁵ The spouse, children, adopted children, step-children, siblings and parents of the Directors.

⁶ A Unitholder with an interest in one or more Units constituting not less than 5.0% of all outstanding Units.

It should be noted that in the case of Units held by Singapore Registered Unitholders through nominee companies, the Rounding Mechanism will be applied at the level of the aggregate Units held in the securities accounts of such nominee companies with CDP. As such, Singapore Registered Unitholders whose Units are held through such nominee companies will not enjoy the benefit of the Rounding Mechanism on an individual level.

The making of the Preferential Offering may be prohibited or restricted in certain jurisdictions under their relevant securities laws. Thus, for practical reasons and in order to avoid any violation of the securities legislation applicable in countries (other than Singapore) where Unitholders may have their CDP-registered addresses, the Preferential Offering will not be extended to Unitholders whose CDP-registered addresses are outside Singapore and who have not, at least five Market Days prior to the Preferential Offering Books Closure Date, provided CDP with addresses in Singapore for the service of notice and documents. Unitholders whose CDP-registered addresses are outside Singapore and who wish to participate in the Preferential Offering will have to provide CDP with addresses in Singapore for the service of notice and documents at least five Market Days prior to the Preferential Offering Books Closure Date.

New Units under the Preferential Offering that are not taken up by Singapore Registered Unitholders for any reason will be aggregated and sold at the discretion of the Joint Bookrunners and Underwriters, to satisfy excess demand for New Units under the Private Placement to the extent that there is such excess demand.

Additional information on the ATM Offering

The ATM Offering will be open to the public from 11.00 a.m. on 16 June 2005 and will close at 12.00 noon on 21 June 2005, subject to an earlier closure at the discretion of DBS Bank (in consultation with the Manager) in the event that the New Units offered under the ATM Offering are fully taken up.

The 12,000,000 New Units under the ATM Offering will be offered at the Issue Price (such amount being S\$1.34 based on the fixed exchange rate of HK\$1.00 = S\$0.2156) to retail investors in Singapore through the ATMs of DBS Bank (including POSB ATMs) on a “first-come, first-served” basis. The minimum application under the ATM Offering is for 1,000 New Units. An applicant may apply for a larger number of New Units under the ATM Offering in integral multiples of 1,000 Units, subject to a maximum of 1,000,000 New Units per applicant. Only one application for the New Units under the ATM Offering may be made for the benefit of one person. Multiple applications for the New Units under the ATM Offering will not be accepted.

Subject to the exceptions described below, Singapore Registered Unitholders (except those who are Restricted Placees) may also, in addition to accepting their provisional allocations of New Units under the Preferential Offering, apply for New Units under the ATM Offering and the Private Placement. Notwithstanding the foregoing, the Directors and their immediate family may apply for New Units under the ATM Offering as the SGX-ST’s waiver of the requirements under Rule 812(1) of the Listing Manual also extends to allowing such applications by the Directors and their immediate family.

To the extent that the New Units offered under the ATM Offering are not fully taken up, the number of New Units that are not taken up will be made available to satisfy excess demand for New Units under the Private Placement to the extent that there is such excess demand.

Additional information on the Private Placement

The SGX-ST has, on 28 September 2004, waived the requirement under Rule 812(1) of the Listing Manual to allow the Manager to place New Units to DBS Bank group and The Capital Group of Companies, Inc (both of which are Substantial Unitholders) under the Private Placement without the requirement of Unitholders’ approval at an extraordinary general meeting to enable them to maintain their respective proportionate pre-placement unitholdings (in percentage terms) as at the Latest Practicable Date, after taking into account the New Units subscribed by them under the Preferential Offering. Subject to the foregoing and certain other requirements including

the requirement that the Manager certifies the independence of each such Substantial Unitholder, the Joint Bookrunners and Underwriters may place New Units to these Substantial Unitholders under the Private Placement.

The SGX-ST has also waived Rule 812(1) of the Listing Manual, and Unitholders' approval was obtained at the EGM, for a placement of New Units to Focus Eagle (a Substantial Unitholder) where the number of New Units to be placed to Focus Eagle under the Private Placement is no more than what would be required to maintain its proportionate pre-placement unitholding (in percentage terms) as at the Latest Practicable Date, after taking into account its entitlement to the New Units under the Preferential Offering. Subject to this restriction, the Joint Bookrunners and Underwriters may place New Units to Focus Eagle under the Private Placement.

If applicable, Fortune REIT will make an announcement of any placement of New Units to DBS Bank group, The Capital Group Companies, Inc and Focus Eagle under the Private Placement.

Any excess demand for the New Units under the Private Placement will be satisfied only to the extent that New Units offered under the Preferential Offering and/or the ATM Offering are not taken up and are re-allocated to the Private Placement.

(k) the income, prospects and distributions of the Fund, together with:

- (i) the following information in respect of the Fund for the financial period commencing from 4 July 2003 (being the day of inception of the Fund) to 31 December 2004 (being the date on which the last audited balance sheet of the Fund was made up) in the following format:**

Period	Net investment income before tax (HK\$'000)	Income available for distribution to Unitholders⁽¹⁾ (HK\$'000)	Extraordinary items (HK\$'000)	Distribution per Unit (HK cents)
4 July 2003 to 31 December 2003	69,562	58,910	Nil	12.43
1 January 2004 to 31 December 2004	184,046	158,756	Nil	33.40

Note:

- (1) The income available for distribution to Unitholders is derived from net profit of the Fund after adjustment for appropriate trust expenses.

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- (ii) a statement as to the financial and business prospects of the Fund, together with any material information which will be relevant thereto, including all special business factors or risks (if any) which are unlikely to be known or anticipated by the general public and which could materially affect profits; and**
-

Retail Market Trend in Hong Kong

The Manager has commissioned Savills (Hong Kong) Limited (the “**Independent Property Consultant**”) to prepare a report dated 10 May 2005 on the Hong Kong retail property market (the “**Retail Market Overview**”).

According to the Retail Market Overview, the current state of Hong Kong's overall economy has been boosted by various factors, such as the growing number of tourist arrivals from mainland China, closer economic integration with China, reduced unemployment rates and recovering domestic consumer confidence.

The improving economy has helped the Hong Kong retail market to rebound strongly since August 2003. Total retail sales values and volumes have recorded positive increases on a year on year basis for 17 consecutive months since August 2003.

Considering the robust Hong Kong economy and retail market, the Manager believes that there is potential for future upward adjustment of rental rates for the Properties if the improvement continues.

Strategies of the Manager

The Manager's key objectives are to deliver stable distributions and to achieve long-term growth in the net asset value ("NAV") per Unit. The Manager intends to accomplish these objectives by ensuring that Fortune REIT continues to own a range of quality retail properties with strong and stable cash flow without over-exposing Fortune REIT's property portfolio to any particular sub-sector, building or tenant. To meet these objectives, the strategy of the Manager can be broadly summarised as follows:

- **Asset Enhancement Growth Strategy:** in order to increase yields and returns from the properties owned by Fortune REIT, the Manager will consider a combination of additions to and/or optimisation of retail space in the properties.
- **Organic Growth Strategy:** to actively manage the properties owned by Fortune REIT in order to improve their occupancy levels and Net Property Income.
- **Acquisition Growth Strategy:** to selectively acquire additional properties that meet the Manager's investment criteria which include the location of the properties, stability of cash flow and yield enhancement.
- **Financing Strategy:** to employ an appropriate debt and equity financing strategy in order to optimise the yield and return to Unitholders.

The Manager believes that the Acquisitions are in line with its objectives and acquisition growth strategy and the Properties are expected to be significant and valuable additions to Fortune REIT's current property portfolio.

Barring any unforeseen circumstances, the Manager remains optimistic about the financial and business prospects of Fortune REIT for the year 2005.

Profit Forecast

The table in **Appendix 3** on pages 106 to 107 of this Offer Information Statement summarises Fortune REIT's forecast consolidated profit and loss statement for the financial year ending 31 December 2005 (the "**Profit Forecast**").

The Profit Forecast should be read together with the accompanying assumptions and sensitivity analysis in **Appendix 3** of this Offer Information Statement, the Independent Accountants' Report on the Profit Forecast (the "**Independent Accountants' Report on the Profit Forecast**") by Deloitte & Touche, Certified Public Accountants (the "**Independent Accountants**") in **Appendix 4** of this Offer Information Statement and Deloitte & Touche Corporate Finance Pte Ltd's Report on the Profit Forecast (the "**DTCF's Statement**") in **Appendix 5** of this Offer Information Statement.

Other Material Information — special business factors or risks (if any) which are unlikely to be known or anticipated by the general public and which could materially affect profits

The Manager is an associate of Cheung Kong (Holdings) Limited ("CKHL"). There are potential conflicts of interest between Fortune REIT, the Manager and CKHL

CKHL, its subsidiaries and associates (including ARA Asset Management Limited, 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 as well as portfolio management. In addition, certain members of the board of directors of the Manager are representatives of CKHL. Furthermore, Goodwell-Fortune Property Services Limited, which is a subsidiary of CKHL, is the property manager of the Existing Properties (the “**Property Manager**”) and will be similarly appointed as the property manager of the Properties (save for the City One Shatin Property) to assist the Manager 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.

CKHL 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 CKHL. There can be no assurance that conflicts of interest will not arise between Fortune REIT and CKHL in the future, including in relation to the acquisition of properties as well as competition for tenants within the Hong Kong market or that the interests of Fortune REIT will not be subordinated to those of CKHL in such circumstances.

Conflicts related to the acquisition of properties from Fortune Port

The Properties to be acquired by Fortune REIT consist of properties owned indirectly by a related corporation of the Manager. The Manager has obtained appraisal reports on each of the Properties as at 31 January 2005 from the Independent Valuers appointed by the Trustee and the purchase consideration of each Property is lower than the lower of the two valuations by the Independent Valuers. However, there can be no assurance that the terms of the Acquisitions and other terms and conditions relating to the purchase of the 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.

Fortune REIT’s ability to make distributions to Unitholders is dependent on the financial position of the Property Companies and the Existing Property Companies

It is intended that Fortune REIT own and operate the Properties and the Existing Properties through the Property Companies and the Existing Property Companies respectively. In order to meet its payment obligations and to pay distributions to Unitholders, Fortune REIT will be relying on the receipt of dividends and advances from the Property Companies and the Existing Property Companies. The ability of the Property Companies and the Existing Property Companies to make such payments may be restricted by, among other things, the Property Companies’ and the Existing Property Companies’ respective business and financial positions, the availability of distributable profits, applicable laws and regulations or the terms of agreements to which they are, or may become, a party.

There can be no assurances that any of the Property Companies or the Existing 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 and/or the Existing Property Companies in any financial year;
- losses arising from a revaluation of any of the Properties and/or the Existing Properties following any diminution in value of any of the relevant Properties and/or the Existing Properties. Such losses may become realised losses which would adversely affect the level of realised profits from which the relevant Property Company and/or the relevant Existing Property Company may distribute dividends;
- changes in accounting standards, taxation regulations, corporation laws and regulations relating thereto, in Hong Kong, Singapore and/or the British Virgin Islands, where the Property Companies and the Existing Property Companies are incorporated; and
- insufficient cash flows received by the Property Companies and the Existing Property Companies from the Properties and the Existing Properties.

The Acquisitions may be subject to risks associated with the acquisition of Properties and/or shares in property holding companies

While the Manager believes that reasonable due diligence have been conducted with respect to the Property Companies (in the case of Mightypattern Limited and Waldorf Realty Limited) and the Properties prior to their acquisitions, there can be no assurance that the Properties or the Property Companies will not have defects or deficiencies other than those disclosed in this Offer Information Statement. In addition, some of the Properties may not comply with certain regulatory requirements or may be in breach of laws and administrative regulations including those in relation to real estate that the due diligence carried out by the Manager did not uncover. As a result, Fortune REIT may incur additional financial or other obligations in relation to such defects or deficiencies.

The Properties are held by Fortune REIT through the Property Companies on long-term Government Leases and these leases contain certain provisions which may have an adverse effect on the financial condition and results of operations of Fortune REIT

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 (“**Hong Kong Government**”) such as 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 Hong Kong Government land.

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

One or more of Fortune REIT’s properties may be acquired compulsorily by the Hong Kong Government

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

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

Waiver by the Registrar General (Land Officer) is required for certain non-compliance with the Government Lease in respect of the Waldorf Garden Property

Under Special Condition 24(b)(v) of the Government Lease relating to the Waldorf Garden Property, Waldorf Realty Limited is not allowed to assign mortgage or underlet (except that Waldorf Realty Limited may underlet certain portions at Level 3 subject to certain conditions stated in the Government Lease being satisfied) or otherwise dispose of or part with possession of any of the undivided shares allocated to the communal areas and the whole of those retail shops at Level 3 save with the prior written consent of the Registrar General (Land Officer). Waldorf Realty Limited may assign the whole of the said undivided shares (but not a part thereof) to an incorporated company whose principal business is that of estate management and whose identity shall have received the prior written approval of the Registrar General (Land Officer) provided that such consent if given shall be subject to such conditions (if any) as the Registrar General (Land Officer) shall in his absolute discretion stipulate including the provision by Waldorf Realty Limited or the proposed assignee of a bank bond in favour of the Hong Kong Government in such sum, issued by such bank, in such form and upon such terms as the Registrar General (Land Officer) may approve or require for securing the performance by Waldorf Realty Limited of its obligations under Special Condition 25 of the Government Lease.

Waldorf Realty Limited is, however, pursuant to Special Condition 24(b) of the Government Lease, entitled to underlet the retail shops at Level 3 at a rack rent without premium for a term not exceeding seven years without a right of renewal, such underletting and the form of underlease in each case to have received the prior written consent of the Registrar General (Land Officer) who may impose such conditions (including the payment of a fee) in any such consent as he thinks fit.

By an Assignment dated 30 July 2003 and registered in the Tuen Mun New Territories Land Registry by Memorial No.1072650 and re-registered by Memorial No.1085404, Waldorf Realty Limited assigned, *inter alia*, the retail shops at Level 3 to Colour Sky International Limited, which on the same date mortgaged the said retail shops to The Hongkong and Shanghai Banking Corporation Limited. The aforesaid Assignment and mortgage had been reversed and/or discharged by Memorial Nos. 05022402420030 and 05022402420012 respectively.

Completion of the Acquisition of the Waldorf Garden Property is conditional upon Fortune Port delivering a letter from the Registrar General (Land Officer) of Hong Kong granting waiver to the non-compliance with Special Condition 24 of the Government Lease relating to the aforesaid Assignment and mortgage, and the creation of certain tenancies and licences. The Manager and the Trustee may waive any condition in relation to any regulatory approvals if they receive a satisfactory legal opinion from a reputable law firm in Hong Kong.

By a letter dated 11 May 2005, the District Lands Office (Tuen Mun Lands Department) (“**District Lands Office**”) has stated that a waiver letter to waive the abovementioned breaches for the aforesaid Assignment and mortgage is necessary and that a waiver letter and retrospective consent are required for the aforesaid tenancies and licences. The District Lands Office also states that any waivers and consent, if applied for, will be subject to administrative fees, consent fees and waiver fees.

Under the relevant sale and purchase agreement for the Waldorf Garden Property, Fortune Port has undertaken that, to the extent any conditions (including fines, fees and/or penalties) are imposed in relation to the waivers granted by the Registrar General (Land Officer), such conditions shall be fulfilled at the cost of Fortune Port.

While the Manager believes that, based on written advice from its solicitors, the risk of re-entry by the Hong Kong Government as a result of the aforesaid Assignment, mortgage, tenancies and licences is minimal, and that the Hong Kong Government at present appears to treat the aforesaid Assignment, mortgage, tenancies and license as those which call for waiver and retrospective consent subject to the submission of a formal application and payment of administrative fee, consent fee and waiver fee, until the issue of the formal written waiver by the District Lands Office, there is no assurance that the Hong Kong Government will grant such waiver and retrospective consent and not exercise its right of re-entry in respect of the Waldorf Garden Property.

The consent of the Registrar General (Land Officer) is required for the sale or mortgage of the Waldorf Garden Property by Waldorf Realty Limited

Also, under Special Condition 24(b)(v) of the Government Lease relating to the Waldorf Garden Property, Waldorf Realty Limited is not allowed to, *inter alia*, assign, mortgage or otherwise dispose of any of the undivided shares allocated to the communal areas and the whole of those retail shops at Level 3 save with the prior written consent of the Registrar General (Land Officer). Waldorf Realty Limited may assign the whole of the said undivided shares (but not a part thereof) to an incorporated company whose principal business is that of estate management and whose identity shall have received the prior written approval of the Registrar General (Land Officer) provided that such consent if given shall be subject to such conditions (if any) as the Registrar General (Land Officer) shall in his absolute discretion stipulate including the provision by Waldorf Realty Limited or the proposed assignee of a bank bond in favour of the Hong Kong Government in such sum, issued by such bank, in such form and upon such terms as the Registrar General (Land Officer) may approve or require for securing the performance by Waldorf Realty Limited of its obligations under Special Condition 25 of the Government Lease. There is no assurance that the Registrar General (Land Officer) will give its consent to any future assignment or mortgage of the Waldorf Garden Property by Waldorf Realty Limited or that the conditions imposed by it in granting such consent can be complied with by Waldorf Garden Realty Limited. If such consent is not granted or if the conditions imposed by the Registrar General (Land Officer) cannot be complied with Fortune REIT may not be able to sell or mortgage the Waldorf Garden Property for the benefit of the Unitholders.

Fortune REIT's operations and ownership of the Properties may be affected by the economic, political and legal environment in Hong Kong

As the Existing Properties and the Properties are located in Hong Kong, the performance of these properties, the financial condition of the Property Companies and, in turn, Fortune REIT's operations, *inter alia*, are dependent to a large extent on the economic growth and political stability in Hong Kong. Any adverse changes in the economic, political and legal environments in Hong Kong, including the outbreak of communicable diseases or political unrest, may have an adverse effect on Fortune REIT's financial performance and operating results. Specifically, where laws, policies and regulations in Hong Kong continue to evolve and change, such changes may ultimately have a positive or negative impact on Fortune REIT's business operations and financial results.

Fortune REIT is reliant on CKHL and certain 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 Existing Properties and the Properties

The Existing Properties

CKHL and Hutchison Whampoa Limited have undertaken (on a several basis in certain agreed proportion) pursuant to a rental guarantee deed to effect top-up payments to Vision Million Limited, the Existing Property Company in relation to The Metropolis Mall, to cover the differences (as stipulated in the deed) for a period of three years commencing from the date of listing of Fortune REIT in the event (i) the net property income (as adjusted according to the terms of the said deed) of Vision Million Limited is less than HK\$90,000,000 per annum and (ii) if net income derived from parking facilities is less than HK\$4,296,000 per annum.

CKHL has also provided certain indemnities to Poko Shine Limited, the Existing Property Company in relation to Ma On Shan Plaza, in respect of its obligations under the Government Lease on which Ma On Shan Plaza is held.

In addition, CKHL and Li Ka-Shing Unity Trustee Company Limited (in its capacity as trustee of The Li Ka-Shing Unity Trust) have, on a several basis in certain agreed proportion, provided (i) certain indemnities to Yee Pang Realty Limited, the Existing Property Company in relation to Jubilee Court Shopping Centre, in respect of its obligations under the Government Lease on which Jubilee Court Shopping Centre is held and its obligations as manager under a deed of mutual covenant and (ii) a put option in favour of the Trustee over all its shares in Yee Pang Realty Limited exercisable in certain limited circumstances.

Furthermore, in conjunction with the acquisitions of the Existing Property Companies, (i) CKHL and Hutchison Whampoa Limited have each, on a several basis in certain agreed proportion, guaranteed the performance by the vendor companies of the Existing Property Companies of certain tax indemnities given by the vendor companies of the Existing Property Companies and (ii) in relation to Yee Pang Realty Limited, CKHL and Li Ka-Shing Unity Trustee Company (in its capacity as trustee of The Li Ka-Shing Unity Trust) have guaranteed the performance by Yee Pang Realty Limited's vendor company of certain tax indemnities given by Yee Pang Realty Limited's vendor company.

Any failure by CKHL or the other parties to perform their respective obligations under any of the agreements, indemnities, guarantees and other arrangements in respect of the Existing Properties as described above may adversely affect Fortune REIT's cash flow and the amount of tax-exempt income it is able to distribute to Unitholders.

The Properties

The previous ultimate shareholders (which include CKHL) of Mightypattern Limited and Waldorf Realty Limited (being the Property Companies in relation to the City One Shatin Property and the Waldorf Garden Property, respectively), had, together with the original vendors of Mightypattern Limited and Waldorf Realty Limited (as the case may be), entered into separate deeds of tax covenant in favour of Fortune Port, covenanting to indemnify Fortune Port in respect of:

- (i) any liability of Mightypattern Limited or (as the case may be) Waldorf Realty Limited and/or any of their respective subsidiaries for taxation resulting from or by reference to any event occurring on or before completion of the relevant acquisition by Fortune Port or in respect of any gross receipts, income, profits or gains earned, accrued or received by Mightypattern Limited or Waldorf Realty Limited (as the case may be) and/or any of their respective subsidiaries on or before completion of the relevant acquisition by Fortune Port which is not provided for in the pro forma completion balance sheet under the relevant sale and purchase agreement entered into by Fortune Port and the original vendors; and
- (ii) in the case of Mightypattern Limited, any liability for taxation in respect of the gain of HK\$897,887,000 arising on the disposal by Maxon Investment Limited of the City One Shatin Property pursuant to the assignment dated 30 July 2003 entered into between Maxon Investment Limited and Million Nice Development Limited and which have been reported as non-assessable profits, and in the case of Waldorf Realty Limited, any liability for taxation in respect of the gain of HK\$185,593,229 arising on the disposal by Waldorf Realty Limited of the Waldorf Garden Property pursuant to the assignment dated 30 July 2003 entered into between Waldorf Realty Limited and Colour Sky International Limited and which have been reported as non-assessable profits.

Upon completion of the Acquisitions, Fortune Port will novate all its rights, benefits and related obligations under the deeds of tax covenant to the Trustee.

In addition, Fortune Port will, on completion of the Acquisitions, enter into separate deeds of tax covenant in favour of the Trustee, covenanting to indemnify the Trustee in respect of any liability of Mightypattern Limited and Waldorf Realty Limited and/or any of their respective subsidiaries for taxation resulting from or by reference to any event occurring on or before completion of the Acquisitions or in respect of any gross receipts, income, profits or gains earned, accrued or received by Mightypattern Limited or Waldorf Realty Limited (as the case may be) and/or any of their respective subsidiaries on or before completion of the Acquisitions which is not provided for in the pro forma completion balance sheet under the relevant sale and purchase agreement entered into by the Trustee.

Furthermore, the previous ultimate shareholders of Waldorf Realty Limited (which includes CKHL) have entered into a deed of indemnity and undertaking in favour of Waldorf Realty Limited whereby they assumed several obligations in equal proportions to indemnify Waldorf Realty Limited upon demand from and against any and all losses that Waldorf Realty Limited suffers or incurs directly or indirectly upon account of or in respect of any claims made by the owners of the development known as Waldorf Garden (of which the Waldorf Garden Property forms part) in respect of maintenance and repair costs relating to the pedestrian pavement constructed by Waldorf Realty Limited at Waldorf Garden pursuant to an undertaking dated 23 March 1983 that were paid, on or before completion of the acquisition of the Waldorf Garden Property by Fortune Port, out of the management fund of Waldorf Garden.

In addition, CKHL will indemnify Waldorf Realty Limited against the losses incurred by Waldorf Realty Limited in respect of its capacity as manager of Waldorf Garden under the relevant deed of mutual covenant and the management agreement made between Waldorf Realty Limited and Guardian Property Management Limited, and the costs of repair and maintenance of all buildings and structures on Waldorf 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 Guardian Property Management Limited, CKHL or any of its subsidiaries is appointed by Waldorf Realty Limited as managing agent of Waldorf Garden (and in this connection, CKHL has undertaken to ensure the availability of CKHL or any of its subsidiaries with at least three years' relevant property management experience to act as managing agent should the existing management agreement 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 CKHL or any of its subsidiaries is subsequently re-appointed as managing agent. The indemnity will also terminate once Waldorf Realty Limited is dismissed by the co-owners of Waldorf Garden as the manager of Waldorf Garden under the deed of mutual covenant.

Any failure by CKHL or the other parties to perform their respective obligations under any of the agreements, indemnities, guarantees and other arrangements in respect of the Properties as described above may adversely affect Fortune REIT's cash flow and the amount of tax-exempt income it is able to make to Unitholders.

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

Under the Code on Collective Investment Schemes issued by the Authority, Fortune REIT is generally only permitted to borrow up to 35.0% of its Deposited Property. However, the Code on Collective Investment Schemes also provides that if (i) all the borrowings of Fortune REIT are rated at least A (including any sub-categories or gradations therein) by Fitch Inc., Moody's or Standard and Poor's or (ii) the credit rating of Fortune REIT is rated at least A (including any sub-categories or gradations therein) by Fitch Inc., Moody's or Standard and Poor's, Fortune REIT may borrow more than 35.0% of the Fortune REIT's Deposited Property.

As at the Latest Practicable Date, the aggregate amount of Fortune REIT's borrowings was approximately HK\$902.0 million, which represents a gearing of 22.0% (based on the value of its Deposited Property of HK\$4,109.0⁷ million as at 31 December 2004). Following the completion of the Acquisitions, Fortune REIT's gearing is expected to increase to 31.5% as a result of the Facilities obtained by Fortune REIT for the purposes of the Acquisitions, the refinancing of Fortune REIT's existing debt and general working capital. As such, Fortune REIT's ability to incur further borrowings thereafter may be limited.

⁷ The amount of HK\$4,109.0 million is calculated by taking Fortune REIT's total asset value of HK\$4,187.1 million (based on the appraised value of HK\$4,184.0 million for the Existing Properties as at 31 December 2004) less accrued distributable income of HK\$78.1 million for the period from 1 July 2004 to 31 December 2004. The Existing Properties have been revalued at HK\$4,184.0 million as at 31 December 2004, which is HK\$795.0 million more than the valuation as at 31 December 2003.

Adverse business consequences of this limitation on borrowings on Fortune REIT may include:

- an inability to fund capital expenditure requirements in relation to Fortune REIT's existing portfolio or in relation to the future acquisitions of properties by Fortune REIT to expand its portfolio;
- a decline in the value of the assets of Fortune REIT, including the properties held by Fortune REIT may cause the borrowing limit to be exceeded, thus affecting Fortune REIT's ability to incur further borrowings; and
- cash flow shortages (including with respect to required distributions), which Fortune REIT might otherwise be able to resolve by borrowing funds.

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

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

The gross revenue earned from, and the value of, properties held by Fortune REIT may be adversely affected by a number of factors

The gross revenue earned from, and the value of, Fortune REIT's properties may be adversely affected by a number of factors, including:

- vacancies following expiry or termination of leases that lead to reduced occupancy levels — this reduces rental income and the ability to recover certain operating costs;
- 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 the inability to collect rental payments at all, delays in receipt of rental payments, the termination of a tenant's lease, 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 national and international economic climate and real estate market conditions (such as the oversupply of, or reduced demand for, retail space, increased competition, the Hong Kong Government's release of land for retail development, changes in market rental rates and operating expenses of Fortune REIT's properties);
- the Manager's ability to provide adequate management and maintenance or to purchase adequate insurance;
- tenants failing to comply with the terms of their leases or commitments to lease; and
- changes in laws and governmental regulations relating 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 relating to the Existing Properties or the Properties may also be restricted by legislative action, such as revisions to building standards laws or city planning laws, or the enactment of new laws relating to condemnation and redevelopment.

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

Fortune REIT is currently dependent on The Metropolis Mall and Ma On Shan Plaza for a substantial portion of its property income. After the Acquisition, Fortune REIT is expected to depend on the City One Shatin Property, Ma On Shan Plaza and The Metropolis Mall for a substantial portion of its property income for Fortune REIT's financial year ending 31 December 2005. Significant disruption to the businesses and operations at the City One Shatin Property, Ma On Shan Plaza and The Metropolis Mall would have a greater effect on Fortune REIT's financial condition and results of operations than similar occurrences at the other Properties and Existing Properties.

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. Moreover, Fortune REIT 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 distributions to Unitholders.

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

The claims of creditors of the Property Companies and the Existing 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 or the Existing Property Companies). The Property Companies and the Existing Property Companies are expected to incur indebtedness in connection with the operation of the Properties or, as the case may be, the Existing Properties and may in the future incur unsecured or secured obligations directly. Secured creditors of the Property Companies and the Existing Property Companies would have prior rights of claim over the secured assets and all creditors of the Property Companies and the Existing Property Companies would rank ahead of the claims of Fortune REIT.

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

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

The actual performance of Fortune REIT, the Existing Properties and the Properties could differ materially from the forward-looking statements in this Offer Information Statement

This Offer Information Statement contains forward-looking statements regarding the forecast financial performance of Fortune REIT, the Existing Properties and the Properties, such as the Profit Forecast. 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. Some or all of the events and circumstances contained in these forward-looking

statements may not occur as expected, or events and circumstances, which are not currently anticipated, may arise. As a result, actual results and performances of Fortune REIT, the Existing Properties or the Properties may differ materially from that forecast in these forward-looking statements.

Further, the Profit Forecast is prepared for a period of 12 months ending 31 December 2005 whereas assuming that the Acquisitions are completed on 28 June 2005, the benefits from the Properties will accrue to Fortune REIT for only the second half of 2005. As a result, the actual Net Property Income of Fortune REIT for the year ending 31 December 2005 will be different from that indicated in **Appendix 3** of this Offer Information Statement. As such, the Profit Forecast should be regarded as an illustration of the Net Property Income of Fortune REIT had the Acquisitions been completed on 1 January 2005. In addition, due to seasonality, the difference in interest rates and tenancy expiry profile, the actual Net Property Income for the second half of 2005 in respect of the Properties may not be equal to 50.0% of their Net Property Income forecast. Accordingly, the actual yield may also be different from the forecast yield.

Properties held by Fortune REIT 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 and the Existing Properties;
- 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.

Interest rates may rise and increase the debt servicing cost of Fortune REIT

Interest rates in Hong Kong are volatile and it is difficult to predict their movement. Any increase in such rates could increase the debt servicing costs of Fortune REIT and reduce its distributable income.

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 Tax Rulings from the Singapore Ministry Of Finance confirming that its dividend income received from the Property Companies and the Existing 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 20.0%. There can be no assurance that rates of taxation in Hong Kong will not change in a manner that may adversely affect the Tax Rulings 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 and the Existing 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 and the Existing 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 Rulings or the Tax Rulings may be revoked or amended

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

The Tax Rulings, either in part or in whole, may be revoked or its terms may be reviewed and amended by the Singapore Ministry Of Finance at any time. If the Tax Rulings are revoked or if the terms and conditions attached to the Tax Rulings 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 and the Existing 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.

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 invest in real estate in Hong Kong (used or substantially used) for retail purposes, the Trust Deed gives the Manager wide powers to invest in other types of 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.

(iii) a statement by the Manager whether, in its reasonable opinion, the working capital available to the Fund as at the Latest Practicable Date is sufficient for present requirements and, if insufficient, how the additional working capital thought by the Manager to be necessary, is proposed to be provided;

The Manager confirms that in its reasonable opinion, after taking into account the existing omnibus unsecured credit facility currently available to Fortune REIT, the Facilities and the estimated net proceeds from the Equity Fund Raising, the working capital available to Fortune REIT as at the Latest Practicable Date is sufficient for the present requirements of Fortune REIT.

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- (l) **the number of units of the Fund owned by each person who has an interest of not less than 5.0% of all the units in the Fund (“Substantial Unitholder”) (as recorded in the Register of Substantial Unitholders of the Fund) at the Latest Practicable Date;**
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The number of Units owned by each Substantial Unitholder (as recorded in the Register of Substantial Unitholders of Fortune REIT) as at the Latest Practicable Date is set out in **Appendix 7** of this Offer Information Statement.

- (m) **information on any legal or arbitration proceedings, including those which are pending or known to be contemplated, which may have or have had in the last 12 months before the Latest Practicable Date, a material effect on the Fund’s financial position or profitability;**
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To the best of the Manager’s knowledge and belief, there are no legal or arbitration proceedings, including those which are pending or known to be contemplated, which, in the opinion of the Manager, may have or have had, in the last 12 months before the Latest Practicable Date, a material effect on the financial position or profitability of Fortune REIT.

- (n) **the prices at which units of the Fund have been issued for cash, or traded, within the period commencing on the date after the listing date of the Fund to the Latest Practicable Date; for units which have been traded, give the price range and volume traded for each of those months; for units which have been issued during those months, state the number of units issued at each price; if any units have been issued for services, state the nature and value of the services and give the name and address of the person who received the units;**
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Units issued for cash

No Units have been issued by Fortune REIT for cash within the period commencing on 13 August 2003 (being the date immediately after Fortune REIT was listed on the SGX-ST) to the Latest Practicable Date.

Prices of Units traded

The closing price range for the Units and the volume of Units traded on the SGX-ST (on a monthly basis) within the period commencing from 13 August 2003 (being the date immediately after Fortune REIT was listed on the SGX-ST) to the Latest Practicable Date are set out in **Appendix 8** of this Offer Information Statement.

Units issued in payment of the Manager’s management fees payable under the Trust Deed (the “Management Fee”)

Within the period commencing from 13 August 2003 (being the date immediately after Fortune REIT was listed on the SGX-ST) to the Latest Practicable Date:

- (i) 473,000,000 Units were issued at the initial public offering of the Units at an issue price of HK\$4.75 upon the listing of the Units;
- (ii) 285,275 Units were issued to the Manager at an issue price of HK\$4.6235 per Unit on 16 October 2003 as payment for the base fee payable to the Manager under the Trust Deed (the “**Base Fee**”) for the period from 12 August 2003 to 30 September 2003;
- (iii) 508,329 Units were issued to the Manager at an issue price of HK\$5.0413 per Unit on 13 January 2004 as payment of the Base Fee for the period from 1 October 2003 to 31 December 2004;

- (iv) 491,656 Units were issued to the Manager at an issue price of HK\$5.1556 per Unit on 1 April 2004 as payment of the Base Fee for the period from 1 January 2004 to 31 March 2004;
- (v) 471,649 Units were issued to the Manager at an issue price of HK\$5.3743 per Unit on 2 July 2004 as payment of the Base Fee for the period from 1 April 2004 to 30 June 2004;
- (vi) 411,900 Units were issued to the Manager at an issue price of HK\$6.2215 per Unit on 1 October 2004 as payment of the Base Fee for the period from 1 July 2004 to 30 September 2004;
- (vii) 501,966 Units were issued to the Manager at an issue price of HK\$6.3028 per Unit on 12 January 2005 as payment of the Base Fee for the period from 1 October 2004 to 31 December 2004; and
- (viii) 460,047 Units were issued to the Manager at an issue price of HK\$6.7276 per Unit on 6 April 2005 as payment of the Base Fee for the period from 1 January 2005 to 31 March 2005.

The aggregate value represented by the Units issued in payment of the Manager's Management Fee is approximately HK\$17.8 million.

The address of the Manager is 9 Temasek Boulevard, #09-01 Suntec Tower 2, Singapore 038989.

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- (o) a summary of each material contract, other than a contract entered into in the ordinary course of business, to which the trustee of the Fund (in its capacity as trustee of the Fund) is a party, for the period commencing after the Fund was listed on the Singapore Exchange Securities Trading Limited until the Latest Practicable Date, including the date of, parties to and general nature of the contract, and the amount of any consideration passing to or from the Fund;**
-

There were no material contracts entered into by the Trustee or the Manager, other than contracts entered into in Fortune REIT's ordinary course of business for the period from 13 August 2003 (being the date immediately after Fortune REIT was listed on the SGX-ST) and ending on the Latest Practicable Date save for:

- (i) the loan and security documents entered into by the Trustee in connection with the existing borrowings and the Facilities, as described in paragraph (i) above; and
- (ii) the Placement Agreement.

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- (p) the last available audited consolidated balance-sheet of the Fund;**
-

The last audited balance sheet of Fortune REIT is set out in **Appendix 9** of this Offer Information Statement.

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- (q) a table or statement indicating:**
-

- (i) the consolidated net asset value ("NAV") per unit of the Fund as of the date on which the last audited balance sheet was made up; and**

The NAV per Unit at 31 December 2004 (being the date on which the last audited balance sheet of Fortune REIT was made up) was HK\$6.87.

(ii) the effect of the Equity Fund Raising on the NAV per unit.

On the assumption that the Equity Fund Raising is carried out, the pro forma financial effects of the proposed issue of the New Units under the Equity Fund Raising on the NAV per Unit as at 31 December 2004, as if Fortune REIT had purchased the Properties on 1 January 2004, and held and operated them through to 31 December 2004, are as follows:

	Existing Properties⁽¹⁾	After the Acquisitions⁽¹⁾	Existing Properties⁽¹⁾⁽²⁾	After the Acquisitions⁽¹⁾⁽²⁾
NAV⁽¹⁾⁽³⁾⁽⁵⁾	(HK\$'000) 3,190,132	(HK\$'000) 5,281,231	(S\$'000) 690,579	(S\$'000) 1,143,247
Units on issue⁽⁴⁾	('000) 475,671	('000) 801,730	('000) 475,671	('000) 801,730
NAV per Unit	(HK\$) 6.71	(HK\$) 6.59	(S\$) 1.45	(S\$) 1.42

Notes:

- (1) After distribution of 100.0% of the actual distributable income of the Existing Properties and the pro forma distributable income of the Properties for the financial year ended 31 December 2004.
- (2) Based on the exchange rate of HK\$4.6195 = S\$1.00, being the average of the exchange rates on Bloomberg at the end of each month for the entire year ended 31 December 2004.
- (3) Based on the appraised value of HK\$4,184.0 million for the Existing Properties as at 31 December 2004 and the aggregate of the lower of the two valuations of each of the Properties as at 31 December 2004 of HK\$3,628.0 million.
- (4) Including an estimated 1.7 million Units issued to the Manager in payment of its Base Fee in respect of the Properties for the period from 1 January 2004 to 31 December 2004 and 5.5 million Units issued to the Manager in payment of its Acquisition Fee assuming a price of HK\$6.23 per Unit.
- (5) Excluding negative goodwill of HK\$134.4 million of the Existing Properties and HK\$155.3 million of the Properties.

(r) particulars of all other material information relating to the units being offered and not disclosed pursuant to sub-paragraphs (a) to (q).

Save as disclosed in this Offer Information Statement, including the Appendices to this Offer Information Statement, the Manager is not aware of any other material facts relating to the Equity Fund Raising.

Dated 15 June 2005

Mr Chiu Justin Kwok Hung
Director

Mr Lim Hwee Chiang
Director

GLOSSARY

In this Offer Information Statement, the following definitions apply throughout unless otherwise stated:

Acceptance Form	:	The official printed acceptance form to be used for the purpose of the Preferential Offering and which forms part of the Circular.
Acquisitions	:	The proposed acquisition of the Properties by Fortune REIT
Aggregate Purchase Consideration	:	The total purchase consideration of HK\$3,439.0 million for the Properties (before adjustment for the consolidated net current assets/current liabilities of each of Mightypattern Limited and Waldorf Realty Limited, respectively)
ATM	:	Automated teller machine
ATM Offering	:	The offering of 12,000,000 New Units at the Issue Price (such amount being, S\$1.34 based on the fixed exchange rate of HK\$1.00 = S\$0.2156) to retail investors in Singapore through the ATMs of DBS Bank (including POSB ATMs) on a “first-come, first-served” basis
Authority	:	Monetary Authority of Singapore
Base Fee	:	The base fee payable to the Manager under the Trust Deed
Base Rental Income	:	Consists of rental income due from tenancies but excludes Turnover Rent
Centre de Laguna Property	:	The property comprising the commercial area on the Ground Floor of the commercial development known as “Centre De Laguna”, and the kindergarten of Blocks 32 to 38 of Laguna City located at the junction of Cha Kwo Ling Road and Sin Fat Road, Kowloon, Hong Kong
CDP	:	The Central Depository (Pte) Limited
Charge-out Collections	:	Consists of air-conditioning charges, management fees, promotional charges, government rates, government rents (where applicable), utility charges, cleaning and other charges payable by the tenants and licensees
Chesterton City One Shatin Property Asset Enhancement Report	:	The Chesterton Summary City One Shatin Property Asset Enhancement Report dated 10 May 2005 on the City One Shatin Property issued by Chesterton Petty Ltd
City One Shatin Property	:	The property comprising the following commercial portion and car parking spaces at City One Shatin, Shatin, New Territories, Hong Kong: (a) the free standing commercial podium known as Ngan Shing Commercial Centre (Commercial Block A) on the Ground Floor, 4 th Floor and the Roof;

- (b) the free standing commercial podium known as City One Plaza (Commercial Block B) on the Ground Floor, 1st Floor and portion of the Roof, Roof Garden, Centre Garden and kiosks thereof;
- (c) the wet market and kindergarten below residential tower blocks 34–36 on the Ground Floor only;
- (d) various single shops and non-domestic units dispersed throughout the development on the Ground Floor of 12 individual residential tower blocks; and
- (e) 986 car parking spaces within the development of which 314 car parking spaces are located on the 1st Floor of Commercial Block A, 671 car parking spaces on the 2nd and 3rd Floors of City One Plaza (Commercial Block B) and a car parking space on the 1st Floor of the residential tower blocks 34–36 of the development

CKHL	:	Cheung Kong (Holdings) Limited
DBS Bank	:	DBS Bank Ltd
Deed of Mutual Covenant	:	In respect of a Property, the deed which: <ul style="list-style-type: none"> (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 (b) sets out provisions relating, <i>inter alia</i>, to the management and maintenance of such development
Deposited Property	:	The value of all the gross assets of Fortune REIT
Directors	:	The directors of the Manager
DPU	:	Distribution per Unit
DTCF's Statement	:	Deloitte & Touche Corporate Finance Pte Ltd's Report on the Profit Forecast
EGM	:	The extraordinary general meeting of Unitholders held on 1 June 2005
Equity Fund Raising	:	The placement of 318,796,148 New Units at the Issue Price by the Joint Bookrunners and Underwriters by way of the Preferential Offering, the ATM Offering and the Private Placement
Existing Properties	:	The Metropolis Mall, Ma On Shan Plaza, The Household Center, Smartland and Jubilee Court Shopping Centre

Existing Property Companies	: The respective property companies which are wholly owned by Fortune REIT and which directly hold the Existing Properties (being Vision Million Limited in relation to The Metropolis Mall, Poko Shine Limited in relation to Ma On Shan Plaza, Art Full Resources Limited in relation to The Household Center, Quick Switch Limited in relation to Smartland and Yee Pang Realty Limited in relation to Jubilee Court Shopping Centre) and each an “ Existing Property Company ”
Existing Units	: The 476,130,822 outstanding Units as at the Latest Practicable Date
Fortune Port	: Fortune Port Group Limited
Facilities	: The secured facilities aggregating HK\$2,650.0 million comprising a HK\$2,385.0 million term loan facility and a HK\$265.0 million revolving credit facility, each for a term of five years, arranged by DBS Bank and The Hongkong and Shanghai Banking Corporation Limited
Financial Statements	: The audited financial statements of Fortune REIT for the financial year ended 31 December 2004
Focus Eagle	: Focus Eagle Investments Limited
Fortune REIT or the Fund	: Fortune Real Estate Investment Trust
FY	: Financial year
Gearing	: The ratio of Fortune REIT’s borrowings to the value of its Deposited Property, adjusted for the distribution of any accrued distributable income
Government Lease	: In respect of each Property, the government lease under which such Property is held from the Hong Kong Government
Gross Revenue	: The aggregate of Base Rental Income, Charge-out Collections and all other income accruing or resulting from the operation of the real estate owned by Fortune REIT including licence fees, Turnover Rent, car parking revenues and other revenues
HIBOR	: Hong Kong Interbank Offer Rate
HK\$ and HK cents	: Hong Kong Dollars and Cents
Hong Kong	: The Hong Kong Special Administrative Region of the People’s Republic of China
Hong Kong Government	: The government of Hong Kong
Independent Accountants	: Deloitte & Touche, Certified Public Accountants
Independent Property Consultant	: Savills (Hong Kong) Limited
Independent Tax Consultants	: KPMG Tax Services Pte Ltd
Independent Valuers	: Chesterton Petty Ltd and Vigers Appraisal & Consulting Limited

Issue Date	:	The issue date of the New Units
Issue Price	:	HK\$6.23, being the issue price per New Unit
Joint Bookrunners and Underwriters	:	DBS Bank, The Hongkong and Shanghai Banking Corporation Limited, J.P. Morgan (S.E.A.) Limited and UBS AG, acting through its business group, UBS Investment Bank
KCRC	:	Kowloon-Canton Railway Corporation, a statutory corporation established under the Kowloon-Canton Railway Corporation Ordinance (Chapter 372 of the Laws of Hong Kong) and wholly-owned by the Hong Kong Government
Latest Practicable Date	:	10 June 2005, being the latest practicable date prior to the printing of this Offer Information Statement
Lido Garden Property	:	The property comprising 12 shop units on a portion on the Ground Floor at the northern fringe of the side boundary of the commercial/residential development called "Lido Garden" located at No. 41–63 Castle Peak Road, Sham Tseng, Tsuen Wan, New Territories, Hong Kong
Listing Manual	:	The Listing Manual of the SGX-ST
Management Fee	:	The management fee payable to the Manager pursuant to the Trust Deed, comprising the Base Fee and the Performance Fee
Manager	:	ARA Asset Management (Singapore) Limited, in its capacity as manager of Fortune REIT
Market Day	:	A day on which the SGX-ST is open for trading in securities
MTR	:	Mass transit railway
NAV	:	Net asset value
Net Property Income	:	The aggregate of Gross Revenue less Property Operating Expenses
New Territories	:	The area being north of Boundary Street to the Shenzhen River and 235 islands
New Units	:	The 318,796,148 new Units to be issued by Fortune REIT for offer and placement under the Equity Fund Raising
NTA	:	Net tangible assets
Participating Banks	:	DBS Bank (including POSB), Oversea-Chinese Banking Corporation Limited as well as United Overseas Bank Limited and its subsidiary, Far Eastern Bank Limited
Performance Fee	:	The annual performance fee which the Manager is entitled under Clause 15.1.2 of the Trust Deed

- Placement Agreement** : The placement agreement dated 15 June 2005 entered into between the Manager and the Joint Bookrunners and Underwriters in relation to the Equity Fund Raising
- Preferential Offering** : The preferential offering of 48,327,178 New Units at the Issue Price by the Joint Bookrunners and Underwriters to Singapore Registered Unitholders on a non-renounceable basis of one New Unit for every 10 Existing Units held as at the Preferential Offering Books Closure Date (fractions of a Unit to be disregarded) and subject to the Rounding Mechanism
- Preferential Offering Books Closure Date** : 13 June 2005 at 5.00 p.m., being the date and time on which the Transfer Books and Register of Unitholders of Fortune REIT were closed to determine the provisional allocations of Singapore Registered Unitholders under the Preferential Offering
- Private Placement** : The placement of 258,468,970 New Units at the Issue Price by the Joint Bookrunners and Underwriters to institutional and other investors (including Focus Eagle)
- Profit Forecast** : The summary of Fortune REIT's forecast Net Property Income and distributable income for the financial year ending 31 December 2005 as set out in **Appendix 3** of this Offer Information Statement
- Properties** : The six properties located in Hong Kong comprising the City One Shatin Property, the Waldorf Garden Property, the Tsing Yi Square Property, the Centre de Laguna Property, the Lido Garden Property and the Rhine Garden Property (each a "**Property**")
- Property Companies** : The respective direct owners of the Properties (being Million Nice Development Limited in relation to the City One Shatin Property, Waldorf Realty Limited in relation to the Waldorf Garden Property, Team Challenge Limited in relation to the Tsing Yi Square Property, Ace Courage Limited in relation to the Centre de Laguna Property, Partner Now Limited in relation to the Lido Garden Property and Proven Effort Limited in relation to the Rhine Garden Property on completion) (each a "**Property Company**")
- Property Funds Guidelines** : The Property Funds Guidelines in the Code on Collective Investment Schemes issued by the Authority
- Property Manager** : Goodwell-Fortune Property Services Limited
- Property Operating Expenses** : The aggregate of all costs and expenses incurred by the property holding companies of Fortune REIT in the operation, maintenance, management and marketing of the properties of Fortune REIT including property management fees, government rents and government rates, Manager's Performance Fee and other property operating expenses

Registrar General (Land Officer)	:	An officer appointed under the Registrar General (Establishment) Ordinance (Chapter 100 of the Laws of Hong Kong). The Registrar General (Establishment) Ordinance was repealed by the Registrar General (Establishment) (Transfer of Functions and Repeal) Ordinance (Chapter 439 of the Laws of Hong Kong), and the functions and power of the former Registrar General (Land Officer) have been transferred to the “Director of Lands” who is the director of the Lands Department of Hong Kong
Restricted Places	:	<ul style="list-style-type: none"> (a) The Directors and Substantial Unitholders (b) The spouse, children, adopted children, step-children, siblings and parents of the (i) Directors and (ii) Substantial Unitholders (c) Substantial shareholders, related companies (as defined in Section 6 of the Companies Act, Chapter 50 of Singapore), associated companies and sister companies of the Substantial Unitholders (d) Corporations in which the Directors and the Substantial Unitholders have an aggregate interest of at least 10.0% (e) Any person who, in the opinion of the SGX-ST, falls within categories (a) to (d)
Rescheduled Distribution	:	The proposed distribution of Fortune REIT’s tax-exempt income for the period from 1 January 2005 to the day immediately prior to the date the New Units are issued, in lieu of the Scheduled Distribution
Reviewer of the Profit Forecast	:	Deloitte & Touche Corporate Finance Pte Ltd
Retail Market Overview	:	The report by the Independent Property Consultant
Rhine Garden Property	:	The property comprising various retail portions on the Ground Floor of the 3-storey podium of a commercial/ residential development with ancillary car parking and recreational facilities known as “Rhine Garden” located at No. 38 Castle Peak Road, Sham Tseng, Tsuen Wan, New Territories, Hong Kong
Rounding Mechanism	:	Where a Singapore Registered Unitholder’s provisional allocation of New Units under the Preferential Offering is other than an integral multiple of 1,000 Units, the increase in the provisional allocation of New Units to the Unitholder by such number which, when added to the Unitholder’s unitholdings as at the Preferential Offering Books Closure Date, results in an integral multiple of 1,000 Units
Securities Account	:	Securities account maintained by a Depositor with CDP
SGX-ST	:	Singapore Exchange Securities Trading Limited

Singapore Registered Unitholders	:	Unitholders as at the Preferential Offering Books Closure Date other than those whose registered addresses with CDP were outside Singapore and who had not, at least five Market Days prior to the Preferential Offering Books Closure Date, provided CDP with addresses in Singapore for the service of notices and documents
Scheduled Distribution	:	The original scheduled distribution of Fortune REIT's tax-exempt income for the period from 1 January 2005 to 30 June 2005
Substantial Unitholder	:	A Unitholder with an interest in one or more Units constituting not less than 5.0% of all Units in issue
Tax Rulings	:	The tax rulings dated 10 June 2003 and 11 April 2005 issued by the Singapore Ministry of Finance on the taxation of Fortune REIT and Unitholders
Trust Deed	:	The trust deed dated 4 July 2003 entered into between the Trustee and the Manager constituting Fortune REIT
Trustee	:	HSBC Institutional Trust Services (Singapore) Limited, in its capacity as trustee of Fortune REIT
Tsing Yi Square Property	:	The property comprising 48 shops on the Ground Floor, 29 shops on the 1 st Floor and 27 car parking spaces on the basement of a commercial/residential development known as "Tsing Yi Garden" located at No. 7-19 Tsing Luk Street, Tsing Yi, New Territories, Hong Kong
Turnover Rent	:	Rent calculated with reference to a fixed percentage of a tenant's monthly sales turnover
Unit	:	A unit representing an undivided interest in Fortune REIT
Unitholder	:	A Depositor whose Securities Account is credited with Units
S\$ and cents	:	Singapore dollars and cents
Waldorf Garden Property	:	The property comprising the following shops and car parking spaces located at No. 1 Tuen Lee Street, Tuen Mun, New Territories, Hong Kong: <ul style="list-style-type: none"> (a) a retail floor on Level 3 of a 4-storey commercial/parking/recreational podium of a residential development known as "Waldorf Garden"; (b) 73 car parking spaces with two car parking spaces located on Level 1 of the podium, 67 car parking spaces on Level 2 and four lorry parking spaces on Level 1; (c) Bicycle Parking Area on Level 1; and (d) Bicycle Parking Area on Level 2
%	:	Per centum or percentage

The term “Depositor” shall have the meaning ascribed to it in Section 130A of the Companies Act, Chapter 50 of Singapore.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall, where applicable, include corporations.

Any discrepancies in the tables, charts and graphs included in this Offer Information Statement between the listed amounts and totals thereof are due to rounding.

Any reference in this Offer Information Statement to any enactment is a reference to that enactment for the time being amended or re-enacted.

Any reference to a time of day in this Offer Information Statement shall be a reference to Singapore time unless otherwise stated.

The exchange rates used in this Offer Information Statement are for reference only. No representation is made that any Hong Kong dollar amounts could have been or could be converted into Singapore dollar amounts at any of the exchange rates used in this Offer Information Statement, at any other rate or at all.

RATIONALE FOR THE ACQUISITIONS

The Manager's rationale for the Acquisitions is as follows:

1. Yield Accretion

The Manager believes that the Acquisitions will improve the distribution per Unit ("DPU") enjoyed by Unitholders. At the Issue Price of HK\$6.23, the tables on pages 58 to 59 of this Offer Information Statement show Fortune REIT's forecast DPU in relation to the Existing Properties as well as Fortune REIT's enlarged portfolio of properties upon acquisitions of the Properties for the financial year ending 31 December 2005 (assuming that Fortune REIT proceeds with completion of all of the Acquisitions) in the following circumstances:

- (i) where the additional borrowings incurred by Fortune REIT to, *inter alia*, partly fund the Acquisitions do not alter Fortune REIT's Gearing of 22.5% as at 31 December 2004;
- (ii) where the additional borrowings incurred by Fortune REIT to, *inter alia*, partly fund the Acquisitions are equivalent to Fortune REIT's Gearing of 27.9%, adjusted for the effect of the revaluation immediately prior to 31 December 2004; and
- (iii) where the additional borrowings incurred by Fortune REIT to, *inter alia*, partly fund the Acquisitions increase Fortune REIT's Gearing from 22.5% to 31.5%⁸.

Fortune REIT's financial year-end is 31 December.

The forecast below should be read together with the detailed forecast consolidated profit and loss statement as well as the accompanying assumptions and sensitivity analysis in **Appendix 3** of this Offer Information Statement, the Independent Accountants' Report on the Profit Forecast in **Appendix 4** of this Offer Information Statement and the DTCF's Statement in **Appendix 5** of this Offer Information Statement.

⁸ The projected increased Gearing of 31.5% (as at 31 December 2005) is based on the ratio of total borrowings of HK\$2,498.0 million (comprising Fortune REIT's borrowings of HK\$950.0 million forecast for 2005 in relation to the Existing Properties and proposed additional borrowings of HK\$1,548.0 million for the Acquisitions) to the Deposited Property of HK\$7,930.1 million as at 31 December 2005. The amount of HK\$7,930.1 million is calculated by taking Fortune REIT's projected total asset value of HK\$8,004.9 million, less accrued distributable income of HK\$74.8 million for the period 1 January 2005 to 30 June 2005.

Forecast DPU (assuming that Fortune REIT proceeds with completion of all of the Acquisitions and Gearing of 22.5%⁽¹⁾ is maintained following the Acquisitions and based on the valuation of the Existing Properties as at 31 December 2004⁽²⁾⁽³⁾)

Issue Price	Number of New Units Issued	Full year 2005 (DPU HK cents) ⁽⁴⁾		DPU Improvement over Existing Properties
		Existing Properties	After the Acquisitions	
HK\$6.23	434,901,208	31.31	31.24	-0.22%

Notes:

- (1) The existing Gearing of 22.5% (as at 31 December 2004) is based on the ratio of total borrowings of HK\$926.0 million to the Deposited Property of HK\$4,109.0 million as at 31 December 2004. The amount of HK\$4,109.0 million is calculated by taking Fortune REIT's total asset value of HK\$4,187.1 million (based on the appraised value of HK\$4,184.0 million for the Existing Properties as at 31 December 2004) less accrued distributable income of HK\$78.1 million for the period from 1 July 2004 to 31 December 2004. The Existing Properties have been revalued at HK\$4,184.0 million as at 31 December 2004, which is HK\$795.0 million more than the valuation as at 31 December 2003.
- (2) The assumed Gearing of 22.5% (as at 31 December 2005) is based on the ratio of total borrowings of HK\$1,784.3 million (comprising Fortune REIT's borrowings of HK\$950.0 million forecast for 2005 in relation to the Existing Properties and proposed additional borrowings of HK\$834.3 million for the Acquisitions) to the Deposited Property of HK\$7,930.1 million as at 31 December 2005. The amount of HK\$7,930.1 million is calculated by taking Fortune REIT's forecast total asset value of HK\$8,004.9 million less forecast accrued distributable income of HK\$74.8 million for the period from 1 January 2005 to 30 June 2005.
- (3) Assuming that the Manager's Base Fee and Acquisition Fee for the Properties is paid in Units.
- (4) The Profit Forecast is prepared for a period of 12 months ending 31 December 2005 whereas assuming that the Acquisitions are completed on 28 June 2005, the benefits from the Properties will accrue to Fortune REIT for only the second half of 2005. As a result, the actual Net Property Income of Fortune REIT for the year ending 31 December 2005 will be different from that indicated in **Appendix 3** of this Offer Information Statement. As such, the Profit Forecast should be regarded as an illustration of the Net Property Income of Fortune REIT had the Acquisitions been completed on 1 January 2005. In addition, due to seasonality, the difference in interest rates and tenancy expiry profile, the actual Net Property Income for the second half of 2005 in respect of the Properties may not be equal to 50.0% of their Net Property Income forecast. Accordingly, the actual yield may also be different from the forecast yield.

Forecast DPU (assuming that Fortune REIT proceeds with completion of all of the Acquisitions and Gearing is 27.9%⁽¹⁾ adjusted for the effect of the revaluation for Existing Properties following the Acquisitions immediately prior to 31 December 2004⁽²⁾⁽³⁾)

Issue Price	Number of New Units Issued ⁽³⁾	Full year 2005 ⁽⁴⁾ (DPU HK cents)		DPU Improvement over Existing Properties
		Existing Properties	After the Acquisitions	
HK\$6.23	365,245,570	31.31	32.43	3.58%

Notes:

- (1) The Gearing of 27.9% (as at 31 December 2004) is based on the ratio of total borrowings of HK\$926.0 million to the adjusted Deposited Property of HK\$3,314.0 million as at 31 December 2004. The amount of HK\$3,314.0 million is calculated by taking Fortune REIT's total asset value of HK\$4,187.1 million as at 31 December 2004 less accrued distributable income of HK\$78.1 million for the period from 1 July 2004 to 31 December 2004, less the revaluation surplus of HK\$795.0 million for the Existing Properties. The Existing Properties have been revalued at HK\$4,184.0 million as at 31 December 2004, which is HK\$795.0 million more than the valuation as at 31 December 2003.
- (2) The assumed Gearing of 27.9% (as at 31 December 2005) is based on the ratio of total borrowings of HK\$2,212.5 million (comprising Fortune REIT's borrowings of HK\$950.0 million forecast for 2005 in relation to the Existing Properties and proposed additional borrowings of HK\$1,262.5 million for the Acquisitions) to the Deposited Property of HK\$7,930.1 million as at 31 December 2005. The amount of HK\$7,930.1 million is calculated by taking Fortune REIT's forecast total asset value of HK\$8,004.9 million less forecast accrued distributable income of HK\$74.8 million for the period from 1 January 2005 to 30 June 2005.
- (3) Assuming that the Manager's Base Fee and Acquisition Fee for the Properties is paid in Units.

- (4) The Profit Forecast is prepared for a period of 12 months ending 31 December 2005 whereas assuming that the Acquisitions are completed on 28 June 2005, the benefits from the Properties will accrue to Fortune REIT for only the second half of 2005. As a result, the actual Net Property Income of Fortune REIT for the year ending 31 December 2005 will be different from that indicated in **Appendix 3** of this Offer Information Statement. As such, the profit forecast should be regarded as an illustration of the Net Property Income of Fortune REIT had the Acquisitions been completed on 1 January 2005. In addition, due to seasonality, the difference in interest rates and tenancy expiry profile, the actual Net Property Income for the second half of 2005 in respect of the Properties may not be equal to 50.0% of their Net Property Income forecast. Accordingly, the actual yield may also be different from the forecast yield.

Forecast DPU (assuming that Fortune REIT proceeds with the completion of all of the Acquisitions, and Gearing is Increased to 31.5%⁽¹⁾ following the Acquisitions and based on the valuation of the Existing Properties as at 31 December 2004)⁽²⁾

Issue Price	Number of New Units Issued	Full year 2005 (DPU HK cents) ⁽³⁾		DPU Improvement over Existing Properties
		Existing Properties	After the Acquisitions	
HK\$6.23	318,796,148	31.31	33.33	6.45%

Notes:

- (1) The assumed increased Gearing of 31.5% (as at 31 December 2005) is based on the ratio of total borrowings of HK\$2,498.0 million (comprising Fortune REIT's borrowings of HK\$950.0 million forecast for 2005 in relation to the Existing Properties and proposed additional borrowings of HK\$1,548.0 million for the Acquisitions) to the Deposited Property of HK\$7,930.1 million as at 31 December 2005. The amount of HK\$7,930.1 million is calculated by taking Fortune REIT's forecast total asset value of HK\$8,004.9 million less forecast accrued distributable income of HK\$74.8 million for the period from 1 January 2005 to 30 June 2005. The valuation of the Existing Properties as at 31 December 2004 is HK\$4,184.0 million, which is HK\$795.0 million more than the valuation as at 31 December 2003.
- (2) Assuming that the Manager's Base Fee and Acquisition Fee for the Properties is paid in Units.
- (3) The Profit Forecast is prepared for a period of 12 months ending 31 December 2005 whereas assuming that the Acquisitions are completed on 28 June 2005, the benefits from the Properties will accrue to Fortune REIT for only the second half of 2005. As a result, the actual Net Property Income of Fortune REIT for the year ending 31 December 2005 will be different from that indicated in **Appendix 3** of this Offer Information Statement. As such, the profit forecast should be regarded as an illustration of the Net Property Income of Fortune REIT had the Acquisitions been completed on 1 January 2005. In addition, due to seasonality, the difference in interest rates and tenancy expiry profile, the actual Net Property Income for the second half of 2005 in respect of the Properties may not be equal to 50.0% of their Net Property Income forecast. Accordingly, the actual yield may also be different from the forecast yield.

On the basis of the above, the Manager believes that increasing Fortune REIT's Gearing to 31.5% to, *inter alia*, partly finance the Acquisitions, is expected to result in accretion to Fortune REIT's DPU.

The Manager believes that the appropriate comparison for DPU accretion should be on the basis of the values of the Existing Properties prior to their revaluation as at 31 December 2004 and accordingly excluding the revaluation surplus arising from that revaluation, given that the absolute debt quantum remained largely unchanged compared to the period ended 31 December 2003. For instance, at the Issue Price of HK\$6.23, there is a forecast direct DPU accretion of 1.12 HK cents (3.58%) for the financial year ending 31 December 2005 as a consequence of simply acquiring the Properties without increasing Fortune REIT's adjusted Gearing of 27.9% (assuming that Fortune REIT proceeds with completion of all of the Acquisitions). Upon increasing Fortune REIT's Gearing to 31.5% to, *inter alia*, partly finance the Acquisitions, it is expected that there will be a DPU accretion of 2.02 HK cents (6.45%) for the same period.

Based on the Issue Price of HK\$6.23 and 318,796,148 million New Units being issued pursuant to the Equity Fund Raising, the distribution yield based on Fortune REIT's enlarged portfolio of properties after the Acquisitions for the financial year ending 31 December 2005 is forecast to be 5.35% (assuming that Fortune REIT proceeds with completion of all of the Acquisitions). In comparison, with the same average closing price of the Existing Units, the distribution yield based on the Existing Properties would only be 5.03%.

The following table, which is based on the Manager's forecast DPU, sets out the forecast distribution yields for the Existing Properties as well as Fortune REIT's enlarged portfolio of properties upon acquisition of the Properties in respect of the Issue Price of HK\$6.23 under the Equity Fund Raising. The table shows that, at the Issue Price, the forecast distribution yields for Fortune REIT's enlarged portfolio of properties is expected to exceed the post-tax distribution yield for the Existing Properties for the same period.

Forecast Post-Tax Distribution Yield

Issue Price (HK\$)	Number of New Units Issued ⁽¹⁾	Full year 2005	
		Existing Properties	After the Acquisitions ⁽²⁾
6.23	318,796,148	5.03%	5.35%

Notes:

- (1) The number of Units issued for the purpose of the Equity Fund Raising is calculated based on the assumption that the additional borrowings incurred by Fortune REIT to, *inter alia*, partly fund the Acquisitions will increase Fortune REIT's Gearing to 31.5% (assuming that Fortune REIT proceeds with completion of all of the Acquisitions).
- (2) Assuming the additional borrowings incurred by Fortune REIT to, *inter alia*, partly fund the Acquisitions increases Fortune REIT's Gearing to 31.5% (assuming that Fortune REIT proceeds with completion of all of the Acquisitions and that the Manager's Base Fee and Acquisition Fee for the Properties is paid in Units).

2. The Acquisitions are in line with the Manager's Objectives and Acquisition Growth Strategy

(i) The Manager's objectives

The Manager's key objectives for Fortune REIT are to deliver stable distributions to Unitholders and to achieve long-term growth in the NAV per Unit. The Manager intends to accomplish these objectives by ensuring that Fortune REIT continues to own a range of retail properties without over-exposing Fortune REIT's property portfolio to any particular sub-sector, building or tenant.

In view of the high occupancy rate and the diversified tenant mix of the Properties (see paragraphs 4(ii) and (iii) below), the Manager believes that the Acquisitions are in line with its objectives.

Further, to meet these objectives, the strategy of the Manager can be broadly categorised as follows:

- **Asset Enhancement Growth Strategy:** in order to increase yields and returns from the properties owned by Fortune REIT, the Manager will consider a combination of additions to and/or optimisation of retail space in the properties.
- **Organic Growth Strategy:** to actively manage the properties owned by Fortune REIT in order to improve their occupancy levels and Net Property Income.
- **Acquisition Growth Strategy:** to selectively acquire additional properties that meet the Manager's investment criteria which include the location of the properties, stability of cash flow and yield enhancement.
- **Financing Strategy:** to employ an appropriate debt and equity financing strategy in order to optimise the yield and return to Unitholders.

(ii) The Acquisitions are in line with the Manager's Acquisition Growth Strategy

The Properties are expected to increase Fortune REIT's DPU. Please refer to paragraph 1 above for a detailed analysis of the forecast effect of the Acquisitions on the DPU of Fortune REIT.

In addition to having a combined average occupancy of 96.7% as at 31 December 2004, the tenant mix of the Properties as a whole is diversified with many leading retailers as tenants. All the Properties are also located in densely populated residential areas with high levels of access to public transportation.

(Please see **Appendix 2** of this Offer Information Statement for further details of the Properties.)

The Manager believes there are opportunities to improve the Gross Revenue and Net Property Income of the Properties through the following initiatives:

- focused and pro-active asset management;
- focused and pro-active leasing initiatives;
- continued improvement of tenancy mixes;
- improvements in the cost-efficiency of the Properties;
- improvements in the advertising and promotion of the Properties; and
- improvements in non-rental income of the Properties.

The Manager also believes that there are also potential opportunities to effect asset enhancement work at the City One Shatin Property. In this regard, the Manager has appointed Chesterton Petty Ltd to undertake an asset enhancement study of commercial facilities in the City One Shatin Property (the “**Chesterton Asset Enhancement Study**”). (Please see paragraph 9 below and the Chesterton Asset Enhancement Study.)

The acquisition of the Properties is therefore in line with the Manager’s acquisition growth strategy and the Properties are expected to be significant and valuable additions to Fortune REIT’s property portfolio.

3. Retail Market Trend in Hong Kong

The Manager has commissioned the Independent Property Consultant to prepare a report on the Hong Kong retail property market.

According to the Retail Market Overview, the current state of Hong Kong’s overall economy has been boosted by various factors such as the growing number of mainland China tourist arrivals, closer economic integration with China, reducing unemployment rate and recovering domestic consumer confidence.

The improving economy has helped the Hong Kong retail market to rebound strongly since August 2003. Total retail sales values and volumes have recorded positive increases on a year on year basis for 17 consecutive months since August 2003.

Considering the robust Hong Kong economy and retail market, the Manager believes that there is potential for future upward adjustment of rental rates for the Properties if the improvement continues.

(Please see the Retail Market Overview by the Independent Property Consultant).

4. Competitive Strengths

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

(i) Strategic location and large population catchment area

The majority of the Properties are strategically located in the relatively new towns of the New Territories, which is expected to experience further population growth. All the Properties also enjoy high levels of accessibility to public transportation, with major roads in the vicinity of each Property linking to most parts of Hong Kong.

- (a) **The City One Shatin Property:** The City One Shatin Property is located in Shatin New Town, New Territories, south of the Shing Mun River. Its surrounding residents have a high level of affluence with an estimated median monthly household income which is higher than the median monthly household income level for the whole of Hong Kong⁹. It serves the needs of the local residents within City One Shatin, which includes approximately 11,000 private residential units. In addition to residents, its catchment population also includes students and workers.
- (b) **The Waldorf Garden Property:** The Waldorf Garden Property is located in the heart of Tuen Mun district surrounded by Tuen Lee Street, Castle Peak Road, Tuen Fat Road and Tuen Shing Street in Tuen Mun, New Territories. The Waldorf Garden Property is part of the Waldorf Garden residential development, comprising 5 tower blocks on top of a commercial complex. The Waldorf Garden Property is connected to the adjacent Tuen Mun Town Plaza, one of the largest shopping malls in the Northwest New Territories, via a covered footbridge. The Waldorf Garden Property is next to the Tuen Mun Highway. A transportation network of buses, light rail and taxis provide convenient access to different parts of the New Territories, Kowloon and Hong Kong Island. Moreover, the KCRC West Rail, which has commenced operations since December 2003, has generated significant shopper traffic to the mall.
- (c) **The Tsing Yi Square Property:** The Tsing Yi Square Property is located on Tsing Yi Island at the northwest of Hong Kong Island. It is part of the residential development of Tsing Yi Garden, which was completed in 1986 and has 1,520 residential units above a commercial complex. The Tsing Yi Square Property is located opposite to the Tsing Yi Urban Service Complex Building, which consists of a wet and dry market, library, sports centre and government offices. It is also near many other public facilities such as Tsing Yi Swimming Pool, Tsing Yi Sports Ground, Tsing Yi Clinic and badminton courts serving the neighbourhood of Tsing Yi. The Tsing Yi Square Property is situated within walking distance of Tsing Yi MTR Station, which provides convenient access to Hong Kong Island, Kowloon and Hong Kong International Airport. It is also easily accessible via buses, public light buses and taxis.
- (d) **The Centre de Laguna Property:** The Centre de Laguna Property is located in Phase 3 of the Laguna City residential development in Cha Kwo Ling within the Kwun Tong district which is a densely populated district comprising mainly large housing estates and industrial estates. The Centre de Laguna Property is designed to serve the local shopping needs of the residents in the area. It was completed in 1992 and is part of the Laguna City residential development, a site of almost one million sq ft with about 8,072 residential units. Another residential project, Sceneway Garden, is also located near the mall. The Centre de Laguna Property is easily accessible to shoppers by public and private transport, namely, buses, public light buses and taxis. It is also within walking distance of the Lam Tin MTR station.
- (e) **The Lido Garden Property:** The Lido Garden Property is located in Sham Tseng, a narrow strip of flat land along the waterfront facing Tsing Ma Bridge and Ting Kau Bridge. Sham Tseng is a small residential area west of Tsuen Wan New Town and the Lido Garden Property is part of the Lido Garden residential development, which was completed in 1989. The area is famous for its restaurants. The piers in Sham Tseng are also a favourite place for people to go fishing. Moreover, new residential developments are currently under construction in the vicinity and, when all of them are fully completed, they are expected to increase shopper traffic for the Lido Garden Property. The Lido Garden Property is easily accessible via buses, public light buses, and taxis.

⁹ Please refer to the Individual Property Summary Report.

- (f) **The Rhine Garden Property:** As with the Lido Garden Property, the Rhine Garden Property is located in Sham Tseng along the waterfront facing Tsing Ma Bridge and Ting Kau Bridge. The Rhine Garden Property is part of the Rhine Terrace residential development, which was completed in 1992. It is expected that there will be significant population growth in the area with the full completion of some large residential projects in the vicinity. The Rhine Garden Property is easily accessible via buses, public light buses and taxis.

(ii) **High occupancy level**

As at 31 December 2004, the combined average occupancy rate of the Properties was 96.7%. The City One Shatin Property had an occupancy rate of 95.4%. The Tsing Yi Square Property had an occupancy rate of 97.2%, and each of the Waldorf Garden Property, the Centre de Laguna Property, the Lido Garden Property and the Rhine Garden Property had an occupancy rate of 100.0%. The high levels of occupancy are a reflection of the strong demand for retail space in the areas in which these Properties are located. If the general retail conditions in Hong Kong improve, the Manager believes that there is potential for future upward adjustment of rental rates for the Properties.

(See the Retail Market Overview by the Independent Property.)

(iii) **Tenant profile and diversification**

In addition to having high occupancy levels, the tenant mix of the Properties is diversified and many of the tenants of the Properties are leading retailers. Some of the Properties' existing tenants have been serving their respective local residents' shopping needs for more than 10 years.

- (a) **The City One Shatin Property:** The top five tenants, in order of contribution to Base Rental Income as at 31 December 2004 and collectively accounting for 19.6% of the total Base Rental Income of the City One Shatin Property, were Park'N Shop, Bank of China (Hong Kong), McDonald's, Cambridge Nursing Home (City One) Limited and Catiline Anglo-Chinese Kindergarten. It has a well-diversified tenant mix, with no trade sub-sector accounting for more than 26.0% of the Base Rental Income as at 31 December 2004.
- (b) **The Waldorf Garden Property:** The top four tenants, in order of contribution to Base Rental Income as at 31 December 2004, were East Star Hotpot Seafood Restaurant, Café de Coral Fast Food, Deli House Company Limited and Yeh Lam Kwok Restaurant. These tenants were all in the food and beverage, food court trade sub-sector. The fifth largest tenant was Jumpin Gym USA. The Waldorf Garden Property occupies one floor of the Waldorf Garden retail complex and largely represents its food and beverage segment. The food & beverage, food court trade sub-sector contributed 53.1% to the Waldorf Garden Property's Base Rental Income as at 31 December 2004. No other trade sub-sector contributed more than 13.9% of the total Base Rental Income of the Waldorf Garden Property as at 31 December 2004. The top five tenants together accounted for 40.5% of the total Base Rental Income of the Waldorf Garden Property.
- (c) **The Tsing Yi Square Property:** The top five tenants, in order of contribution to Base Rental Income as at 31 December 2004, were Park'N Shop, Co-Win Chinese Restaurant Limited, one individual tenant in the food & beverage, food court trade sub-sector, Tivoli Kindergarten and Nursery Limited and Midland Realty. The Tsing Yi Square Property's tenant mix is well diversified with no trade sub-sector contributing more than 35.2% of the Base Rental Income as at 31 December 2004. The top five tenants together accounted for 33.4% of the total Base Rental Income of the Tsing Yi Square Property.

- (d) **The Centre de Laguna Property:** The top five tenants, in order of contribution to Base Rental Income as at 31 December 2004, were Fook Chun Seafood Restaurant, Think International Kindergarten, Sail Town Enterprises Limited, the Association of Evangelical Free Churches of Hong Kong, and Millirich Corporation Limited. As at 31 December 2004, food & beverage, food court trade sub-sector contributed 41.2% to the Base Rental Income. The top five tenants together accounted for 68.7% of the total Base Rental Income of the Centre de Laguna Property.
- (e) **The Lido Garden Property:** The top five tenants, in order of contribution to Base Rental Income as at 31 December 2004, were Midland Realty, 7-Eleven, Pizza Hut, Health Network Medical Services Co. Ltd. and Centaline Property Agency Ltd. As at 31 December 2004, services, education trade sub-sector contributed most to the Base Rental Income at 43.7%, followed by banking & real estate services trade sub-sector at 33.6%. The top five tenants together accounted for 76.3% of the total Base Rental Income of the Lido Garden Property.
- (f) **The Rhine Garden Property:** The Rhine Garden Property had two tenants, namely Park’N Shop and 7-Eleven as at 31 December 2004. They serve the grocery shopping needs of residents in the Lido Garden and Rhine Garden residential estates.

The top five tenants for the Properties as at 31 December 2004, in order of contribution to the Base Rental Income of the Properties, are Park’N Shop, 7-Eleven, Bank of China (Hong Kong), McDonald’s and Cambridge Nursing Home (City One) Limited. As at 31 December 2004, no tenant accounted for more than 7.1% of the Base Rental Income of the Properties. As at 31 December 2004, the food & beverage, food court trade sub-sector contributed most to the Base Rental Income of the Properties at 28.9%.

5. Income Diversification

After the Acquisitions, the Manager expects that Fortune REIT will have an enlarged portfolio of properties in which no one property is expected to represent more than 35.0% of the total Net Property Income for the period from 1 January 2005 to 31 December 2005. The further diversification of the sources of Fortune REIT’s Net Property Income means that Unitholders are expected to enjoy even more stable income streams as there will be less dependence on any particular property.

The table below illustrates the diversity of Fortune REIT’s Net Property Income based on the Existing Properties and after the Acquisitions (assuming that the Acquisitions were completed on 1 January 2005):

Forecast⁽¹⁾ Net Property Income contribution for the period from 1 January 2005 to 31 December 2005

	Forecast Net Property Income, 2005 ⁽²⁾⁽³⁾ (HK\$ million)	Percentage of total forecast Net Property Income (based on the Existing Properties) (%)	Percentage of total forecast Net Property Income (after the Acquisitions) (%)
The Metropolis Mall	94.3	43.8	22.9
Ma On Shan Plaza	68.3	31.7	16.6
The Household Center	17.0	7.9	4.1
Smartland	20.0	9.3	4.9
Jubilee Court Shopping Centre	15.8	7.3	3.8
Total (Existing Properties)	215.4	100.0	52.3
City One Shatin Property	144.0	n.a.	35.0

	Forecast Net Property Income, 2005⁽²⁾⁽³⁾ (HK\$ million)	Percentage of total forecast Net Property Income (based on the Existing Properties) (%)	Percentage of total forecast Net Property Income (after the Acquisitions) (%)
Waldorf Garden Property	22.8	n.a.	5.6
Tsing Yi Square Property	12.9	n.a.	3.1
Centre de Laguna Property	8.9	n.a.	2.2
Lido Garden Property	4.9	n.a.	1.2
Rhine Garden Property	2.4	n.a.	0.6
Total (After the Acquisitions)	411.3	n.a.	100.0

Notes:

- (1) Assuming that Fortune REIT proceeds with the completion of all of the Acquisitions.
- (2) Including car parking income and the payment made to the Manager in respect of the Performance Fee.
- (3) The profit forecast is prepared for a period of 12 months ending 31 December 2005 whereas assuming that the Acquisitions are completed on 28 June 2005, the benefits from the Properties will accrue to Fortune REIT for only the second half of 2005. As a result, the actual Net Property Income of Fortune REIT for the year ending 31 December 2005 will be different from that indicated in **Appendix 3** of this Offer Information Statement. As such, the profit forecast should be regarded as an illustration of the Net Property Income of Fortune REIT had the Acquisitions been completed on 1 January 2005. In addition, due to seasonality, the difference in interest rates and tenancy expiry profile, the actual Net Property Income for the second half of 2005 in respect of the Properties may not be equal to 50.0% of their Net Property Income forecast. Accordingly, the actual yield may also be different from the forecast yield.

As is apparent from the above table, after the Acquisitions, the City One Shatin Property is expected to be the most significant contributor to the Net Property Income of Fortune REIT.

In addition, the dependence of the Base Rental Income on contributions from the top 10 tenants of Fortune REIT's property portfolio is expected to be reduced from 43.7% (based on the Existing Properties) to 26.9% for the financial year ending 31 December 2005 after the Acquisitions.

6. Geographical Diversification

The Acquisitions will allow Fortune REIT to diversify its property portfolio geographically in Hong Kong, making Fortune REIT less dependant on any micro-property market in Hong Kong. This is illustrated by the map in **Appendix 2** of this Offer Information Statement which shows the location of the Properties and the Existing Properties in Hong Kong.

7. Increased Liquidity

Assuming that Fortune REIT proceeds with completion of all of the Acquisitions and 318,796,148 New Units are issued under the Equity Fund Raising, the New Units will constitute 67.1% of the Units in issue as at 31 December 2004. The issue of the New Units may increase the number of Units in the free float and may therefore facilitate improvement in the trading liquidity of the Units on the SGX-ST.

8. Potential for Inclusion in Major Equity Indices

The addition of the Properties to Fortune REIT's property portfolio will increase the asset base and market capitalisation of Fortune REIT. As referred to above, the number of Units in the free float may increase and this may facilitate improvement in the trading liquidity of the Units on the SGX-ST. The Manager believes that such factors increase the likelihood of Fortune REIT being included in certain major equity indices.

9. Opportunities to Enhance the City One Shatin Property

Chesterton Petty Ltd was appointed by the Manager to undertake an asset enhancement study of commercial facilities in the City One Shatin Property. Chesterton has identified the following opportunities which the Manager believes will enhance the value of the City One Shatin Property:

- (i) strategic district opportunities;
- (ii) design and layout opportunities; and
- (iii) trade and tenant mix opportunities.

(See Chesterton City One Shatin Property Asset Enhancement Report for a detailed summary review of asset enhancement opportunities for the City One Shatin Property.)

As at the date of this Offer Information Statement, no decision has been made by the Manager to proceed with any asset enhancement work at the City One Shatin Property. Before the Manager proceeds with any such asset enhancement work in the future, the Manager will consider the circumstances existing at the relevant time including the cost of such asset enhancement work and the potential increase to Fortune REIT's Net Property Income, and obtain all necessary approvals from the relevant authorities.

10. Economies of Scale

The Acquisitions will substantially enlarge the property portfolio of Fortune REIT and this could generate possible cost synergies and create economies of scale leading to lower operating costs in relation to the Properties.

11. Capital Management

The Manager proposes to fund the Acquisitions through a combination of equity and debt financing as Fortune REIT intends to take advantage of the lower cost of debt funding to enhance returns to Unitholders. Following the completion of the Equity Fund Raising and the Acquisitions, Fortune REIT's Gearing is expected to be 31.5% as at 31 December 2005, which is below the maximum gearing level of 35.0% permitted by the MAS. By maintaining additional Gearing capacity, the Manager believes that Fortune REIT may have some financial flexibility to acquire additional properties as and when the opportunities arise and to fund such acquisitions either fully or partially using borrowings. Further, additional Gearing capacity also allows flexibility to the Manager to undertake asset enhancements and fund any on-going capital expenditure requirements.

12. Pro Forma Financial Effects of the Acquisitions

The pro forma financial effects of the Acquisitions on the DPU and NAV per Unit presented below are purely for illustration purposes and were prepared based on the following documentation after taking into account the current estimated total acquisition cost of the Properties and the estimated costs of the Equity Fund Raising, and assuming that up to 318,796,148 New Units are issued pursuant to the Equity Fund Raising at an Issue Price of HK\$6.23, that an estimated 1.7 million Units are issued to the Manager in payment of its Base Fee for the Properties, and that Fortune REIT proceeds with completion of all of the Acquisitions:

- (i) the audited Financial Statements of Fortune REIT;
- (ii) the unaudited management accounts of Million Nice Development Limited, Colour Sky International Limited, Jingcofield Limited, Oriental Mountain Development Limited and Penkilan Limited (the property companies that owned, respectively, the City One Shatin Property and the Waldorf Garden Property, the Centre de Laguna Property, the Lido Garden Property and the Rhine Garden Property during the relevant period) for the financial year ended 31 December 2004; and

- (iii) the unaudited management accounts of Tsing-Yi Realty Limited (the property company that owned the Tsing Yi Square Property during the relevant period) for the financial year ended 31 December 2004. For reference purposes only, the latest audited financial statements of Tsing-Yi Realty Limited are for the financial year ended 30 June 2004.

12.1 Pro Forma DPU

The pro forma financial effects of the Acquisitions (assuming that Fortune REIT proceeds with completion of all of the Acquisitions) on the DPU for the financial year ended 31 December 2004, as if Fortune REIT had purchased the Properties on 1 January 2004, and held and operated the Properties through to 31 December 2004, are as follows:

	Existing Properties	After the Acquisitions ⁽²⁾	Existing Properties	After the Acquisitions ⁽²⁾⁽³⁾
	Actual ⁽¹⁾		Actual ⁽¹⁾⁽³⁾	
Net profit of Property Companies	(HK\$'000) 213,714	(HK\$'000) 405,629	(S\$'000) 46,263	(S\$'000) 87,808
Income available for distribution	(HK\$'000) 158,756	(HK\$'000) 271,959	(S\$'000) 34,366	(S\$'000) 58,872
Issued Units⁽⁴⁾	('000) 475,671	('000) 801,730	('000) 475,671	('000) 801,730
DPU	(HK cents) 33.40	(HK cents) 33.92	(Singapore cents) 7.22	(Singapore cents) 7.34

Notes:

- (1) For the financial year ended 31 December 2004.
- (2) Including the pro forma results for the financial year ended 31 December 2004.
- (3) Based on the exchange rate of HK\$4.6195 = S\$1.00, being the average of the exchange rates on Bloomberg at the end of each month for the entire year ended 31 December 2004.
- (4) Based on the assumptions that (i) Fortune REIT's Gearing is at 31.5%, (ii) 318,796,148 New Units are issued, (iii) an estimated 1.7 million Units are issued to the Manager in payment of its Base Fee and (iv) 5.5 million Units are issued to the Manager in payment of its Acquisition Fee.

12.2 Pro Forma NAV per Unit

The pro forma financial effects¹⁰ of the Acquisitions (assuming that Fortune REIT proceeds with completion of all of the Acquisitions) on the NAV per Unit as at 31 December 2004, as if Fortune REIT had purchased the Properties on 1 January 2004, and held and operated the Properties through to 31 December 2004, are as follows:

	Existing Properties ⁽¹⁾	After the Acquisitions ⁽¹⁾	Existing Properties ⁽¹⁾⁽²⁾	After the Acquisitions ⁽¹⁾⁽²⁾
	NAV⁽¹⁾⁽³⁾⁽⁵⁾	(HK\$'000) 3,190,132	(HK\$'000) 5,281,231	(S\$'000) 690,579
Issued Units⁽⁴⁾	('000) 475,671	('000) 801,730	('000) 475,671	('000) 801,730
NAV per Unit	(HK\$) 6.71	(HK\$) 6.59	(S\$) 1.45	(S\$) 1.42

Notes:

- (1) After distribution of 100.0% of the actual distributable income of the Existing Properties and the pro forma distributable income of the Properties for the financial year ended 31 December 2004.

¹⁰ The pro forma financial effects are based on the assumptions that Fortune REIT's Gearing is increased to 31.5% following the issue of 318,796,148 New Units under the Equity Fund Raising and that the aggregate of the lower of the two valuations of each of the Properties as at 31 December 2004 of HK\$3,628 million.

- (2) Based on the exchange rate of HK\$4.6195 = S\$1.00, being the average of the exchange rates on Bloomberg at the end of each month for the entire year ended 31 December 2004.
- (3) Based on the appraised value of HK\$4,184.0 million for the Existing Properties as at 31 December 2004 and the aggregate of the lower of the two valuations of each of the Properties as at 31 December 2004 of HK\$3,628.0 million.
- (4) Including an estimated 1.7 million Units issued to the Manager in payment of its Base Fee in respect of the Properties for the period from 1 January 2004 to 31 December 2004 and 5.5 million Units issued to the Manager in payment of its Acquisition Fee assuming a price of HK\$6.23 per Unit.
- (5) Excluding negative goodwill of HK\$134.4 million of the Existing Properties and HK\$155.3 million of the Properties.

12.3 Pro Forma Capitalisation

The following table sets forth the pro forma capitalisation of Fortune REIT as at 31 December 2004, as adjusted to reflect the assumptions that 318,796,148 New Units are issued pursuant to the Equity Fund Raising at an Issue Price of HK\$6.23, and that Fortune REIT proceeds with completion of all of the Acquisitions:

Pro Forma Capitalisation

	As at 31 December 2004			
	Actual (HK\$ million) ⁽¹⁾	Actual (S\$ million) ⁽¹⁾⁽²⁾	As adjusted ⁽⁴⁾ (HK\$ million)	As adjusted (S\$ million) ⁽²⁾⁽⁴⁾
Unsecured debts:				
Short-term	26.0	5.6	26.0	5.6
Long-term	900.0	194.8	2,448.0	530.0
Expenses relating to the Acquisitions and the Facility	—	—	(14.3)	(3.1)
Total debts	926.0	200.4	2,459.7	532.5
Unitholders' equity⁽³⁾	3,143.2	680.4	5,166.3	1,118.4
Expenses relating to the Acquisitions and the Equity Fund Raising	(87.5)	(18.9)	(174.8)	(37.8)
Total Unitholders' equity	3,055.7	661.5	4,991.5	1,080.6
Total capitalisation	3,981.7	861.9	7,451.2	1,613.1

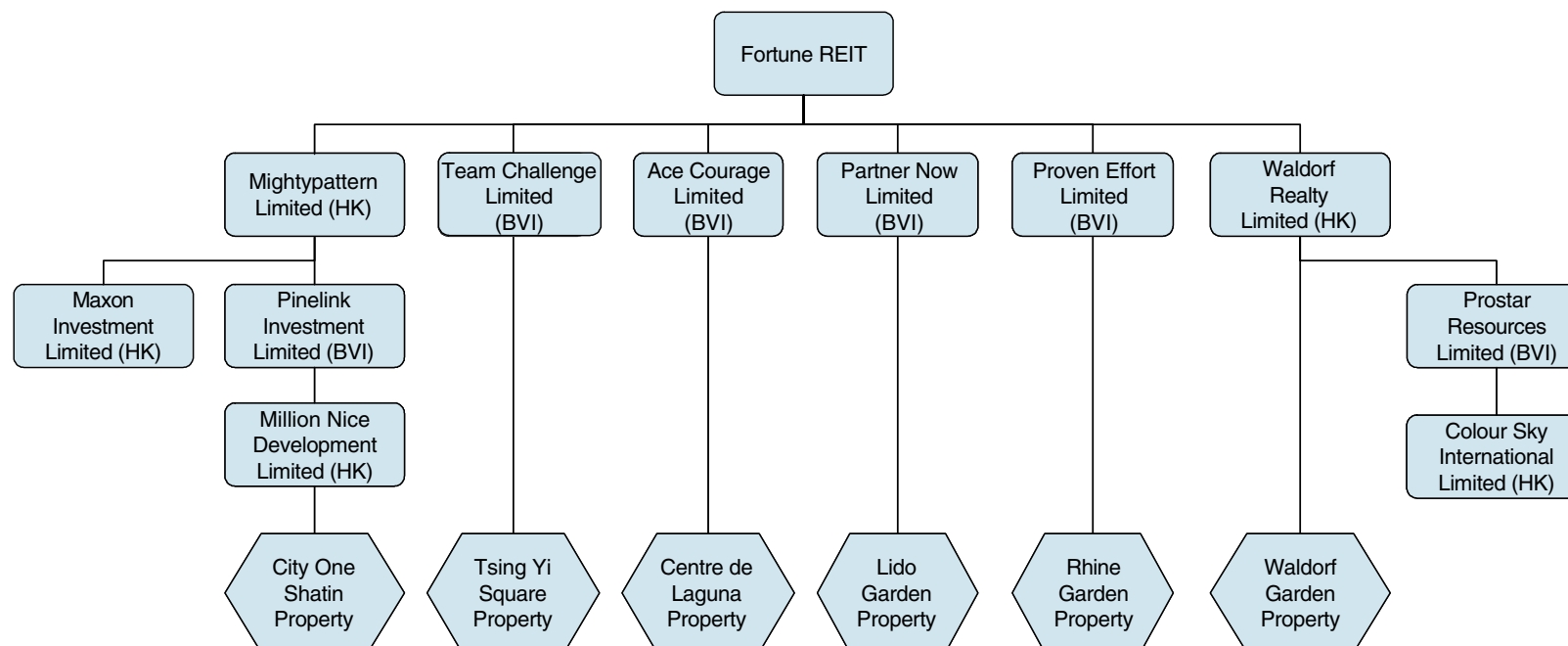
Notes:

- (1) Based on the audited Financial Statements and adjusting for the distribution in February 2005 of Fortune REIT's distributable income for the period from 1 July 2004 to 31 December 2004.
- (2) Based on the exchange rate of HK\$4.6195 = S\$1.00, being the average of the exchange rates on Bloomberg at the end of each month for the entire year ended 31 December 2004.
- (3) Based on an Issue Price of HK\$6.23 for the issue of 318,796,148 New Units and the issue of 1.7 million Units to the Manager in payment of its Base Fee and the issue of 5.5 million Units to the Manager in payment of its Acquisition Fee. Further, it is assumed that the aggregate of the lower of the two valuations of each of the Properties as at 31 December 2004 is HK\$3,628.0 million, and that Fortune REIT proceeds with completion of all the Acquisitions.
- (4) Based on the pro forma financial statements and adjusting for the pro forma distribution for the financial year ended 31 December 2004.

THE PROPERTIES AND THE EXISTING PROPERTIES

Selected information in respect of the Properties and the Existing Properties are set out herein.

Each of the Property Companies and (if applicable) their intermediate holding companies are special purpose companies whose primary purpose is to hold or own the relevant Property, save for Mightypattern Limited which has another two wholly-owned subsidiaries, Pinelink Investment Limited (incorporated in the British Virgin Islands) and Maxon Investment Limited (incorporated in Hong Kong), which are dormant companies with no operating businesses, and save for Waldorf Realty Limited which has another two wholly-owned subsidiaries, Prostar Resources Limited (incorporated in the British Virgin Islands), and Colour Sky International Limited (incorporated in Hong Kong), which are dormant companies with no operating business. The following chart summarises the relationship between each of the Property Companies and Fortune REIT after completion of the Acquisitions:



LOCATION OF THE PROPERTIES AND THE EXISTING PROPERTIES

Waldorf Garden Property



Lido Garden Property



Rhine Garden Property



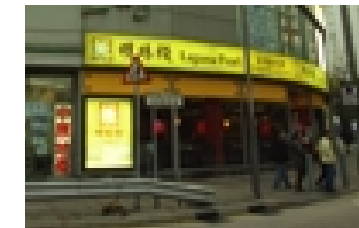
City One Shatin Property



Tsing Yi Square Property



Centre de Laguna Property



(A) The City One Shatin Property

The City One Shatin Property comprises the following commercial portions and car parking spaces at the City One Shatin Property, Shatin, New Territories, Hong Kong:

- the free standing commercial podium known as Ngan Shing Commercial Centre (Commercial Block A) on the Ground Floor, 4th Floor and the Roof;
- the free standing commercial podium known as City One Plaza (Commercial Block B) on the Ground Floor, 1st Floor and portion of the Roof, Roof Garden, Centre Garden and Kiosks thereof;
- the wet market and kindergarten below residential tower blocks 34–36 on the Ground Floor only;
- various single shops and non-domestic units dispersed throughout the development on the Ground Floor of 12 individual residential tower blocks; and
- 986 car parking spaces within the development of which 314 car parking spaces are located on the 1st Floor of Commercial Block A, 671 car parking spaces on the 2nd and 3rd Floors of City One Plaza (Commercial Block B) and a car parking space on the 1st Floor of the residential tower blocks 34–36 of the development.

The City One Shatin Property is located in Shatin, New Territories, south of the Shing Mun River.

The City One Shatin Property is part of the 10,642 unit City One Shatin residential development completed in the 1980's and is one of the largest residential developments in Hong Kong. Besides serving the needs of the local residents within City One Shatin, its catchment population also includes students and workers.

The City One Shatin Property is easily accessible to shoppers via private and public transportation, namely, buses, taxis and franchised buses. Further, it is strategically located near Ma On Shan Rail's City One station which commenced its operations in December 2004. It is also in close proximity to the Shatin station on the East Rail of KCRC.

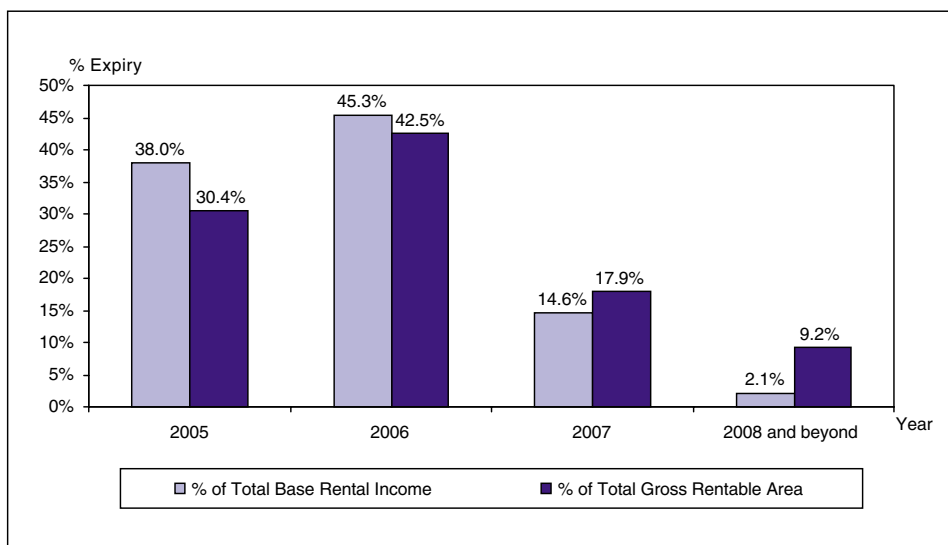
Information about the City One Shatin Property

The following table sets out selected information about the City One Shatin Property:

Gross Rentable Area (as at 31 December 2004)	414,469 sq ft
Gross Floor Area (as at 31 December 2004)	414,469 sq ft
Number of tenants (as at 31 December 2004)	252
Car parking spaces	986
Government Lease expiry	30 June 2047
Occupancy rate (as at 31 December 2004)	95.4%
Valuation by Chesterton Petty Ltd (as at 31 January 2005)	HK\$2,760.0 million
Valuation by Vigers Appraisal & Consulting Limited (as at 31 January 2005)	HK\$2,680.0 million
Lower of the Two Valuations	HK\$2,680.0 million

Tenancy Expiry Profile for the City One Shatin Property (as at 31 December 2004)

The following graph illustrates the tenancy expiry profile of the City One Shatin Property by Base Rental Income and Gross Rentable Area:

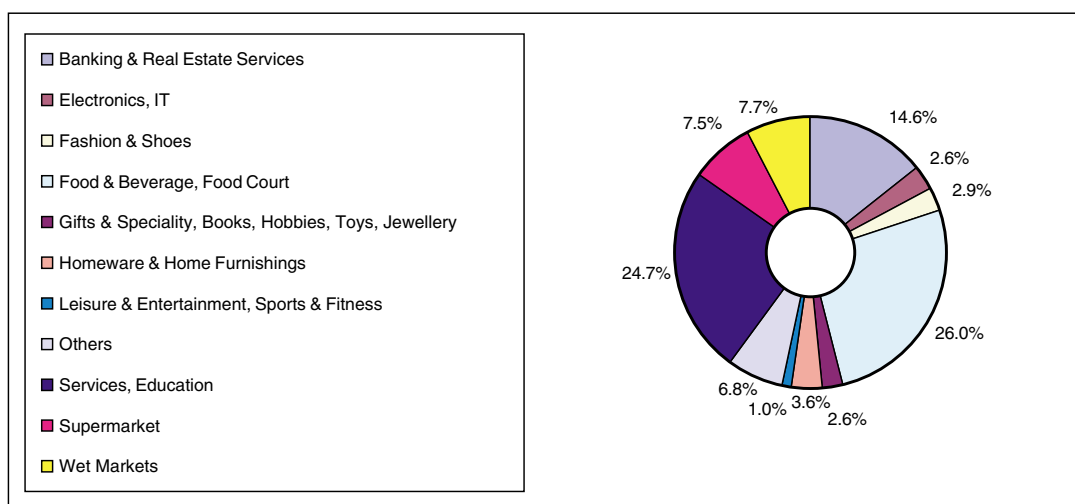


The tenancy expiry profile for the City One Shatin Property shows the highest percentage of tenancies expiring in 2005 and 2006. This is due to the fact that tenancies are, on average, contracted for a term of two to three years.

Trade Sub-Sector Analysis for the City One Shatin Property (as at 31 December 2004)

(a) By Base Rental Income

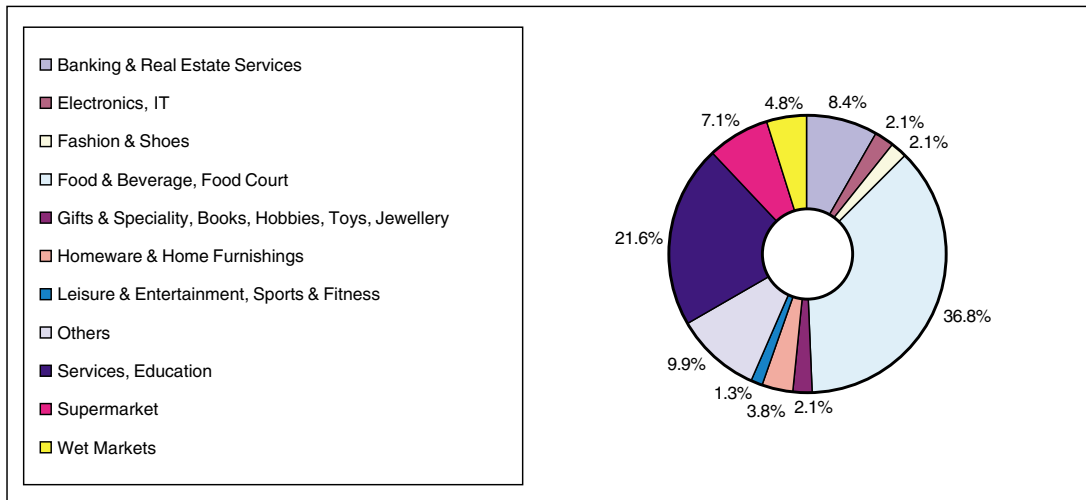
The following chart provides a breakdown by Base Rental Income of the different trade sub-sectors represented in the City One Shatin Property:



The Base Rental Income of the City One Shatin Property is well diversified in terms of trade sub-sectors, with no single trade sub-sector accounting for more than 26.0% of the Property's total Base Rental Income. The largest trade sub-sector was the Food & Beverage, Food Court, which accounted for 26.0% of the Property's total Base Rental Income, followed by the Services, Education (24.7%) and the Banking & Real Estate Services (14.6%).

(b) By Gross Rentable Area

The following chart provides a breakdown by Gross Rentable Area of the different trade sub-sectors represented in the City One Shatin Property:



The City One Shatin Property's Gross Rentable Area is well diversified in terms of trade sub-sectors, with the Food & Beverage, Food Court as the largest trade sub-sector, followed by the other trade sub-sectors mentioned in part (a) above.

Top Ten Tenants of the City One Shatin Property by Base Rental Income (as at 31 December 2004)

The following table sets out selected information about the top ten tenants of the City One Shatin Property by Base Rental Income:

Tenant	Trade sub-sector	Expiry Date ⁽¹⁾	Gross Rentable Area (sq ft)	Percentage of total Gross Rentable Area	Percentage of total Base Rental Income ⁽²⁾
Park'N Shop ⁽³⁾	Supermarkets	Jul 05 Nov 06	11,804 13,000	6.0	6.8
Bank of China (Hong Kong) ⁽⁴⁾	Banking & Real Estate Services	Oct 05 Oct 05	5,853 1,790	1.8	3.5
McDonald's ⁽⁵⁾	Food & Beverage, Food Court	Jan 06	7,773	1.9	3.4
Cambridge Nursing Home (City One) Limited	Services, Education	Apr 06	25,448	6.1	3.1
Catiline Anglo-Chinese Kindergarten ⁽⁶⁾	Services, Education	Jul 05 Jul 07	2,422 16,345	4.5	2.8
7-Eleven ⁽⁷⁾	Services, Education	Nov 05 Mar 07	2,650 3,188	1.4	2.5
Fook Choi Seafood Restaurant ⁽⁸⁾	Food & Beverage, Food Court	Apr 08	33,220	8.0	2.2
Watson's ⁽³⁾	Services, Education	Feb 05 ⁽⁹⁾	4,802	1.2	1.9
Mannings ⁽¹⁰⁾	Services, Education	Jan 05 ⁽¹¹⁾	4,996	1.2	1.9
Midland Realty ⁽¹²⁾	Banking & Real Estate Services	May 06 Jul 06	605 424	0.2	1.6
Ten Largest Tenants by Total Base Rental Income			134,320	32.3	29.7
Other Tenants			260,995	63.1	70.3
Vacant space			19,154	4.6	—
Total			414,469	100.0	100.0

Notes:

- (1) Some of the tenants above have signed more than one tenancy agreement and this has resulted in more than one tenancy expiry date for such tenants.
- (2) Based on each tenant's percentage contribution to Base Rental Income of the City One Shatin Property for the month ended 31 December 2004.
- (3) The tenant under the tenancy agreement is A.S. Watson Group (H.K.) Limited.
- (4) The tenant under the tenancy agreement is Bank of China (HK) Limited.
- (5) The tenant under the tenancy agreement is McDonald's Restaurants (HK) Limited.
- (6) The tenant under the tenancy agreement is Greenie Education Services Company Limited.
- (7) The tenant under the tenancy agreement is The Dairy Farm Company Limited.
- (8) The tenant under the tenancy agreement is Wellking Corporation Limited.
- (9) The tenant has exercised an option to renew for further term of three years at open market rent on 20 December 2004.
- (10) The tenant under the tenancy agreement is The Dairy Farm Company Limited.
- (11) The tenancy has renewed for a further term of three years at open market rent on 30 December 2004.
- (12) The tenant under the tenancy agreement is Midland Property Leasing Limited.

As at 31 December 2004, the top ten tenants at City One Shatin occupied 32.3% of the Property's total Gross Rentable Area and contributed 29.7% of its total Base Rental Income.

(B) The Waldorf Garden Property

The Waldorf Garden Property comprises the following shops and car parking spaces located at No. 1 Tuen Lee Street, Tuen Mun, New Territories, Hong Kong:

- a retail floor on Level 3 of a 4-storey commercial/parking/recreational podium of a residential development known as “Waldorf Garden”;
- 73 car parking spaces with two car parking spaces located on Level 1 of the podium, 67 car parking spaces on Level 2 and four lorry parking spaces on Level 1;
- Bicycle Parking Area on Level 1; and
- Bicycle Parking Area on Level 2.

The Waldorf Garden Property is located in the heart of Tuen Mun district surrounded by Tuen Lee Street, Castle Peak Road, Tuen Fat Road and Tuen Shing Street in Tuen Mun, New Territories.

The Waldorf Garden Property is part of the Waldorf Garden residential development, comprising 5 tower blocks on top of a commercial complex. The Waldorf Garden Property is connected to the adjacent Tuen Mun Town Plaza, one of the largest shopping mall in the Northwest New Territories, via a covered footbridge.

The Waldorf Garden Property is next to the Tuen Mun Highway. A transportation network of buses, light rail and taxis provide convenient access to different parts of the New Territories, Kowloon and Hong Kong Island. Moreover, the KCRC West Rail, which has commenced operation since December 2003 with the terminus at Tuen Mun, has generated much shopper traffic to the Waldorf Garden Property.

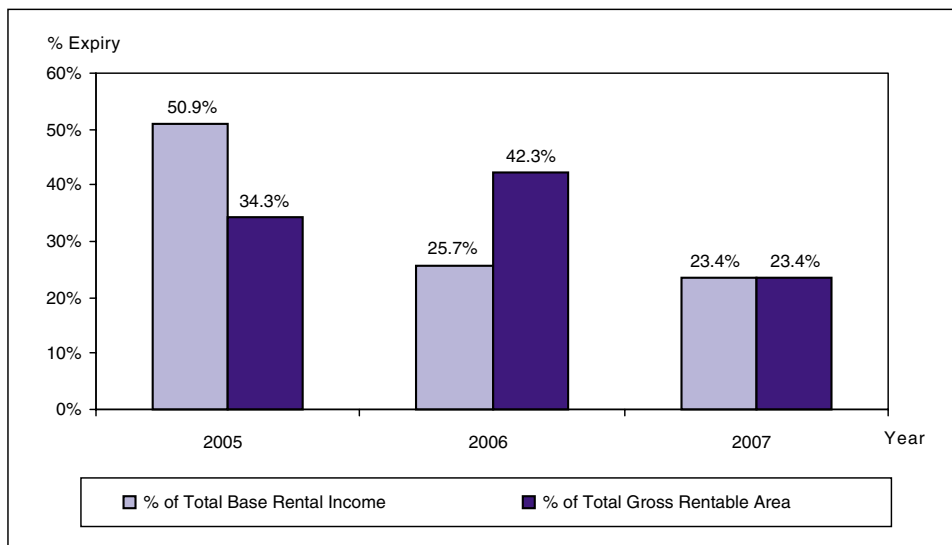
Information about the Waldorf Garden Property

The following table sets out selected information about the Waldorf Garden Property:

Gross Rentable Area (as at 31 December 2004)	80,842 sq ft
Gross Floor Area (as at 31 December 2004)	80,842 sq ft
Number of tenants (as at 31 December 2004)	42
Car parking spaces	73
Government Lease expiry	30 June 2047
Occupancy rate (as at 31 December 2004)	100.0%
Valuation by Chesterton Petty Ltd (as at 31 January 2005)	HK\$450.0 million
Valuation by Vigers Appraisal & Consulting Limited (as at 31 January 2005)	HK\$430.0 million
Lower of the Two Valuations	HK\$430.0 million

Tenancy Expiry Profile for the Waldorf Garden Property (as at 31 December 2004)

The following graph illustrates the tenancy expiry profile of the Waldorf Garden Property by Base Rental Income and Gross Rentable Area:

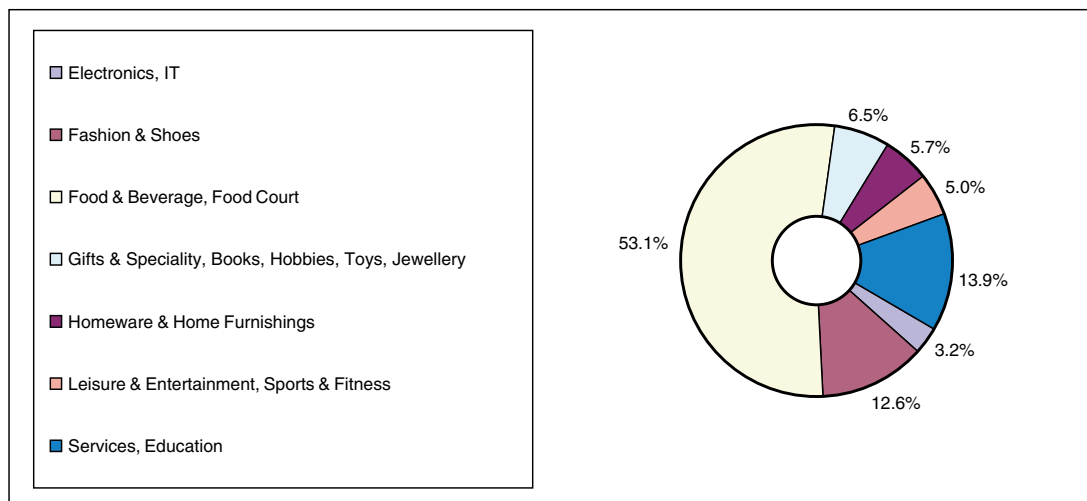


The tenancy expiry profile for the Waldorf Garden Property shows the highest percentage of tenancies expiring in 2005 and 2006. This is due to the fact that tenancies are, on average, contracted for a term of two to three years.

Trade Sub-Sector Analysis for the Waldorf Garden Property (as at 31 December 2004)

(a) By Base Rental Income

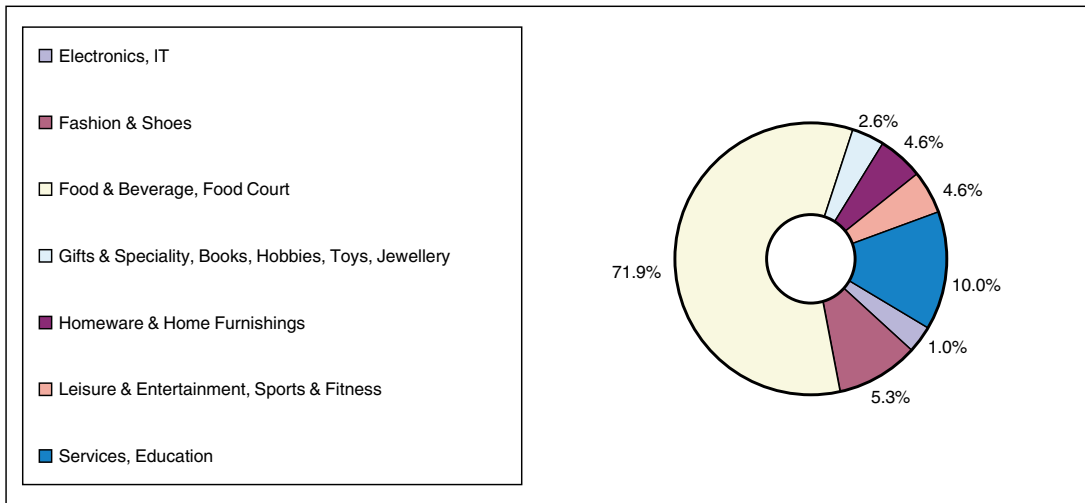
The following chart provides a breakdown by Base Rental Income of the different trade sub-sectors represented in the Waldorf Garden Property:



The majority of the Waldorf Garden Property's Base Rental Income was contributed by the Food & Beverage, Food Court trade sub-sector, which accounted for 53.1% of the Property's total Base Rental Income as at 31 December 2004. No other single trade sub-sector contributed more than 13.9% of the total Base Rental Income as at 31 December 2004.

(b) By Gross Rentable Area (as at 31 December 2004)

The following chart provides a breakdown by Gross Rentable Area of the different trade sub-sectors represented in the Waldorf Garden Property:



The Food & Beverage, Food Court trade sub-sector occupied 71.9% of the total Gross Rentable Area of the Waldorf Garden Property. No other trade sub-sector occupied more than 10.0% of the total Gross Rentable Area as at 31 December 2004.

Top Ten Tenants of the Waldorf Garden Property by Base Rental Income (as at 31 December 2004)

The following table sets out selected information about the top ten tenants of the Waldorf Garden Property by Base Rental Income:

Tenant	Trade sub-sector	Expiry Date	Gross Rentable Area (sq ft)	Percentage of total Gross Rentable Area	Percentage of total Base Rental Income ⁽¹⁾
East Star Hotpot Seafood Restaurant ⁽²⁾	Food & Beverage, Food Court	Jun 06	30,775	38.1	14.1
Café de Coral Fast Food ⁽³⁾	Food & Beverage, Food Court	Jul 05	6,475	8.0	10.0
Deli House Company Limited	Food & Beverage, Food Court	Nov 07	5,721	7.1	5.9
Yeh Lam Kwok Restaurant ⁽⁴⁾	Food & Beverage, Food Court	Jul 05	5,035	6.2	5.5
Jumpin Gym USA ⁽⁵⁾	Services, Education	Nov 07	3,674	4.5	5.0
Individual Tenant ⁽⁶⁾	Food & Beverage, Food Court	Mar 07	3,785	4.7	4.4
Popular Mark Development Company Limited	Food & Beverage, Food Court	Jan 05 ⁽⁷⁾	2,230	2.8	4.1
Daniel ⁽⁸⁾	Food & Beverage, Food Court	Sep 05	2,685	3.3	4.0
Watson's ⁽⁹⁾	Services, Education	May 07 ⁽¹⁰⁾ May 07	3,688 979	5.8	3.3
Japan Home Centre ⁽¹¹⁾	Homeware and Home Furnishings	Jun 05	2,286	2.8	3.2
Ten Largest Tenants by Total Base Rental Income			67,333	83.3	59.5
Other Tenants			13,509	16.7	40.5
Vacant Space			—	—	—
Total			80,842	100.0	100.0

Notes:

- (1) Based on each tenant's percentage contribution to Base Rental Income of the Waldorf Garden Property for the month ended 31 December 2004.
- (2) The tenant under the tenancy agreement is Tony International Enterprise Limited.
- (3) The tenant under the tenancy agreement is Weli Company Limited.
- (4) The tenant under the tenancy agreement is Silver Logic Limited.
- (5) The tenant under the tenancy agreement is Jumpin Gym U.S.A. 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) The tenant has renewed for a further term of two years at open market rent on 3 January 2005.
- (8) The tenant under the tenancy agreement is Tiptop Enterprises Limited.
- (9) The tenant under the tenancy agreement is A.S. Watson Group (H.K.) Limited.
- (10) The tenant has signed more than one tenancy agreement and this has resulted in more than one tenancy expiry date for such tenant.
- (11) The tenant under the tenancy agreement is Japan Home Centre (H.K.) Limited.

As at 31 December 2004, the top ten tenants at the Waldorf Garden Property occupied 83.3% of the Waldorf Garden Property's total Gross Rentable Area and contributed 59.5% of the Waldorf Garden Property's total Base Rental Income.

(C) The Tsing Yi Square Property

The Tsing Yi Square Property comprises 48 shops on the Ground Floor, 29 shops on the 1st Floor and 27 car parking spaces on the basement of a commercial/residential development known as “Tsing Yi Garden” located at No. 7 to 19 Tsing Luk Street, Tsing Yi, New Territories, Hong Kong.

The Tsing Yi Square Property is located on Tsing Yi Island at the northwest of Hong Kong Island. It is part of the residential development of Tsing Yi Garden, which was completed in 1986 and has 1,520 residential units above a commercial complex.

The Tsing Yi Square Property is located opposite to the Tsing Yi Urban Service Complex Building, which consists of a wet and dry market, library, sports centre and government offices.

It is also near many other public facilities such as Tsing Yi Swimming Pool, Tsing Yi Sports Ground, Tsing Yi Clinic and badminton courts serving the neighbourhood of Tsing Yi.

The Tsing Yi Square Property is situated within walking distance of Tsing Yi MTR Station, which provides convenient access to Hong Kong Island, Kowloon and Hong Kong International Airport. It is also easily accessible via buses, public light buses and taxis.

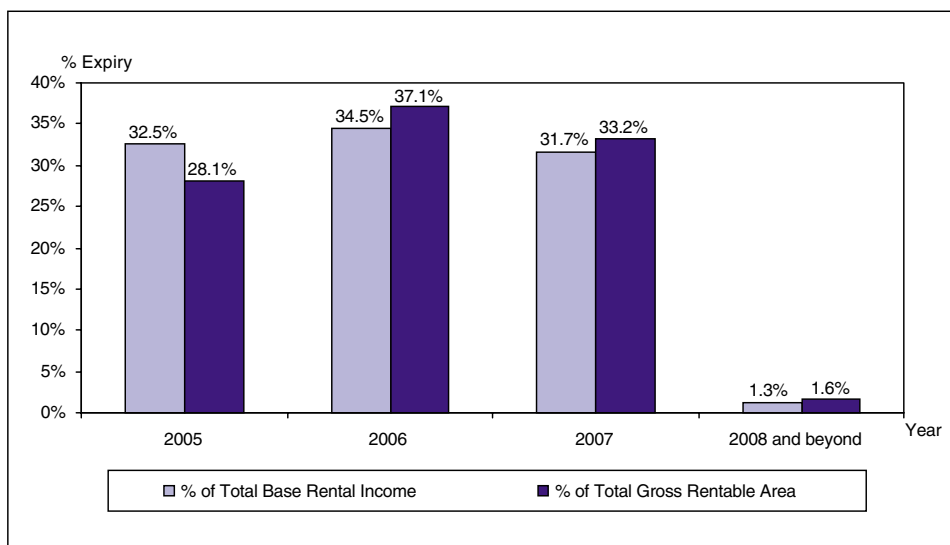
Information about the Tsing Yi Square Property

The following table sets out selected information about the Tsing Yi Square Property:

Gross Rentable Area (as at 31 December 2004)	78,836 sq ft
Gross Floor Area (as at 31 December 2004)	78,836 sq ft
Number of tenants (as at 31 December 2004)	56
Car parking spaces	27
Government Lease expiry	30 June 2047
Occupancy rate (as at 31 December 2004)	97.2%
Valuation by Chesterton Petty Ltd (as at 31 January 2005)	HK\$250.0 million
Valuation by Vigers Appraisal & Consulting Limited (as at 31 January 2005)	HK\$250.0 million
Lower of the Two Valuations	HK\$250.0 million

Tenancy Expiry Profile for the Tsing Yi Square Property (as at 31 December 2004)

The following graph illustrates the tenancy expiry profile of the Tsing Yi Square Property by Base Rental Income and Gross Rentable Area:

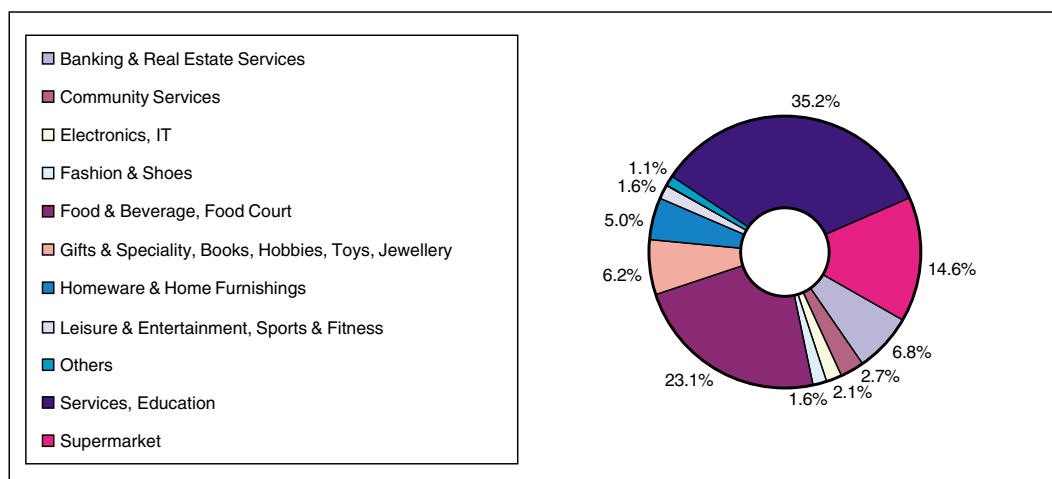


The Tsing Yi Square Property's tenancy expiry profile is evenly spread-out for 2005, 2006 and 2007.

Trade Sub-Sector Analysis for the Tsing Yi Square Property (as at 31 December 2004)

(a) By Base Rental Income

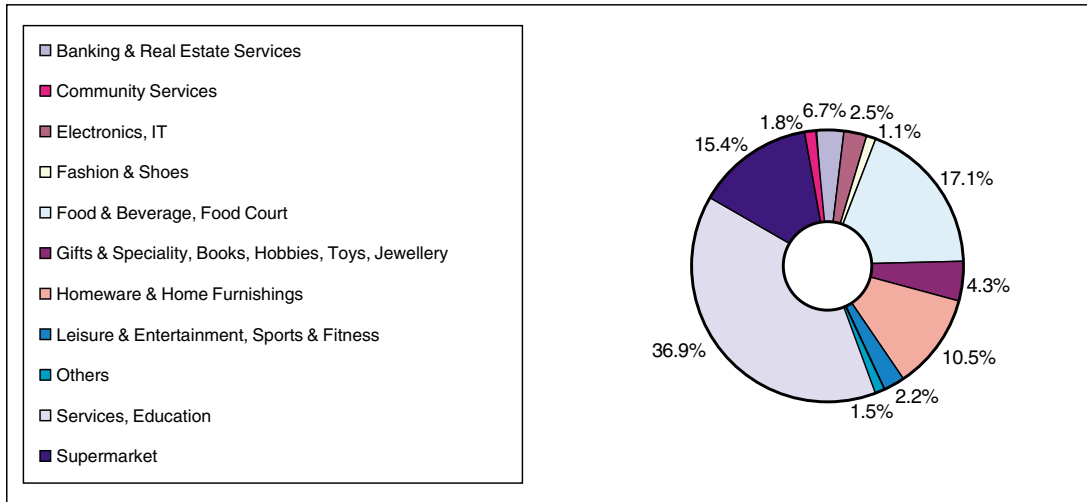
The following chart provides a breakdown by Base Rental Income of the different trade sub-sectors represented in the Tsing Yi Square Property:



The Base Rental Income of the Tsing Yi Square Property is well diversified, with the Services, Education trade sub-sector being the highest contributor to the Tsing Yi Square Property's total Base Rental Income at 35.2%, followed by the Food & Beverage, Food Court trade sub-sector with 23.1%, as at 31 December 2004. No other trade sub-sector contributed more than 14.6% to Tsing Yi Square Property's total Base Rental Income.

(b) By Gross Rentable Area

The following chart provides a breakdown by Gross Rentable Area of the different trade sub-sectors represented in the Tsing Yi Square Property:



The Tsing Yi Square Property is also well-diversified in terms of Gross Rentable Area. The Services, Education trade sub-sector occupied the most Gross Rentable Area (36.9%), followed by the Food & Beverage, Food Court trade sub-sector (17.1%) and the Supermarket trade sub-sector (15.4%) as at 31 December 2004.

Top Ten Tenants of the Tsing Yi Square Property by Base Rental Income (as at 31 December 2004)

The following table sets out selected information about the top ten tenants of the Tsing Yi Square Property by Base Rental Income:

Tenant	Trade sector	Expiry Date	Gross Rentable Area (sq ft)	Percentage of total Gross Rentable Area	Percentage of total Base Rental Income ⁽¹⁾⁽²⁾
Park'N Shop ⁽³⁾	Supermarkets	Jun 07	9,425	12.0	12.0
Co-Win Chinese Restaurant Limited	Food & Beverage, Food Court	Jul 07	2,896	3.7	6.8
Individual Tenant ⁽⁴⁾	Food & Beverage, Food Court	Jan 05 ⁽⁵⁾	2,704	3.4	5.6
Tivoli Kindergarten and Nursery Limited	Services, Education	Jul 05	6,384	8.1	4.8
Midland Realty ⁽⁶⁾	Banking & Real Estate Services	Jul 06	665	0.8	4.2
Individual Tenant ⁽⁴⁾	Food & Beverage, Food Court	Mar 06	3,924	5.0	4.0
Centaline Property Agency Limited	Banking & Real Estate Services	Jun 05	697	0.9	2.9
Individual Tenant ⁽⁴⁾	Homeware and Home Furnishings	Jun 06	5,711	7.2	2.9
Christian and Missionary Alliance Church	Services, Education	Aug 07	5,121	6.5	2.8
Individual Tenant ⁽⁴⁾	Services, Education	Jul 06	749	1.0	2.7
Ten Largest Tenants by Total Base Rental Income			38,276	48.6	48.7
Other Tenants			38,315	48.6	51.3
Vacant Space			2,245	2.8	—
Total			78,836	100.0	100.0

Notes:

- (1) Based on each tenant's percentage contribution to Base Rental Income of the Tsing Yi Square Property for the month ended 31 December 2004.
- (2) Elite Property Advisors Limited is a licensee of the Tsing Yi Square Property and contributed to 3.3% of the total Base Rental Income and license fees of the Property.
- (3) The tenant under the tenancy agreement is A.S. Watson Group (H.K.) Limited.
- (4) 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.
- (5) The tenant has renewed for a further term of three years at open market rent on 4 January 2005.
- (6) The tenant under the tenancy agreement is Midland Property Management Company Limited.

As at 31 December 2004, the top ten tenants at the Tsing Yi Square Property occupied 48.6% of the Property's total Gross Rentable Area and contributed 48.7% of its total Base Rental Income.

(D) The Centre de Laguna Property

The Centre de Laguna Property comprises the commercial area on the Ground Floor of the commercial development known as “Centre de Laguna”, and the kindergarten of Blocks 32 to 38 of Laguna City located at the junction of Cha Kwo Ling Road and Sin Fat Road, Kowloon, Hong Kong.

The Centre de Laguna Property is located in Phase 3 of the Laguna City residential development in Cha Kwo Ling within the Kwun Tong district which is a densely populated district comprising mainly large housing estates and industrial estates.

The Centre de Laguna Property is designed to serve the local shopping needs of the residents in the area. The Property was completed in 1992 and is part of the Laguna City residential development, a site of almost one million sq ft with about 8,072 residential units. Another residential project, Sceneway Garden, is also located near the Centre de Laguna Property.

The Centre de Laguna Property is easily accessible by public and private transport, namely, buses, public light buses, and taxis. It is also within walking distance of the Lam Tin MTR station.

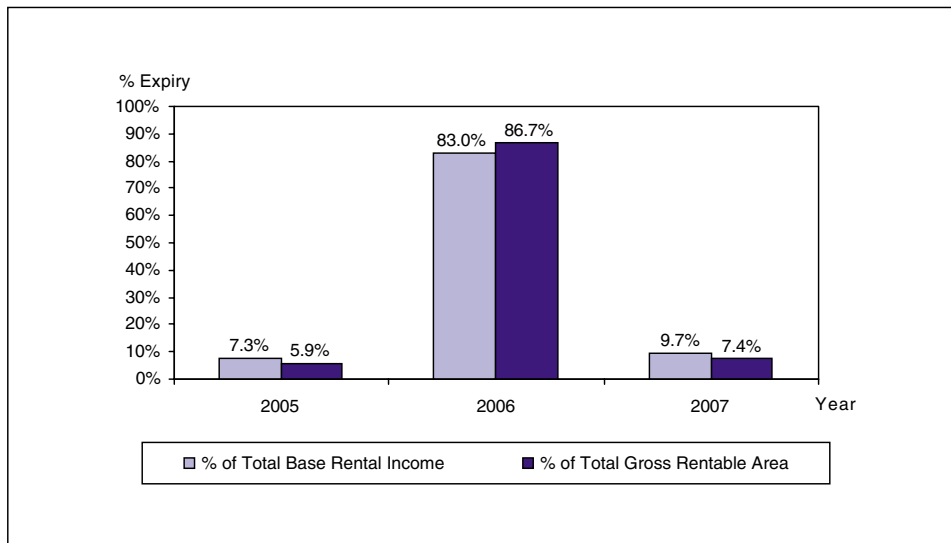
Information about the Centre de Laguna Property

The following table sets out selected information about the Centre de Laguna Property:

Gross Rentable Area (as at 31 December 2004)	43,000 sq ft
Gross Floor Area (as at 31 December 2004)	43,000 sq ft
Number of tenants (as at 31 December 2004)	21
Car parking spaces	—
Government Lease expiry	30 June 2047
Occupancy rate (as at 31 December 2004)	100.0%
Valuation by Chesterton Petty Ltd (as at 31 January 2005)	HK\$145.0 million
Valuation by Vigers Appraisal & Consulting Limited (as at 31 January 2005)	HK\$156.0 million
Lower of the Two Valuations	HK\$145.0 million

Tenancy Expiry Profile for the Centre de Laguna Property (as at 31 December 2004)

The following graph illustrates the tenancy expiry profile of the Centre de Laguna Property by Base Rental Income and Gross Rentable Area:

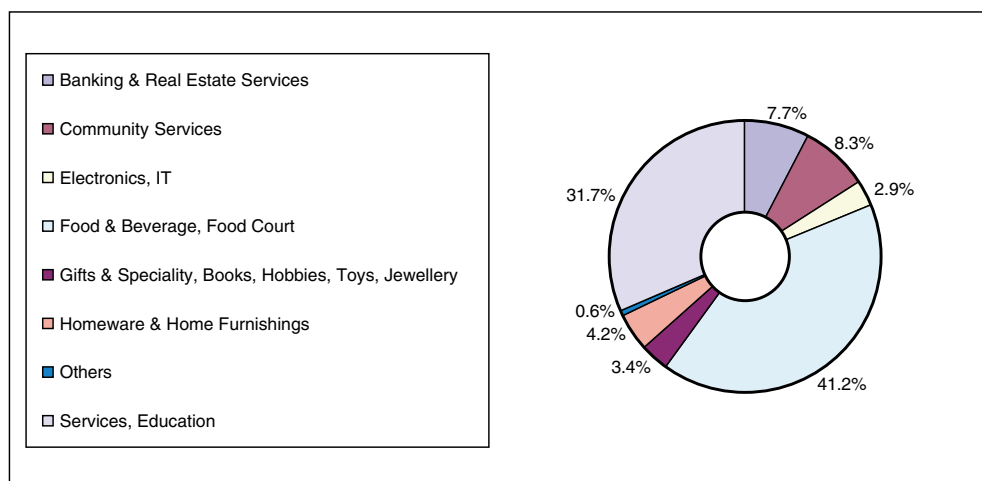


About 80.0% of the tenancies at the Centre de Laguna Property is expected to expire in 2006. The rest of the tenancies are expected to expire in 2005 and 2007.

Trade Sub-Sector Analysis for the Centre de Laguna Property (as at 31 December 2004)

(a) By Base Rental Income

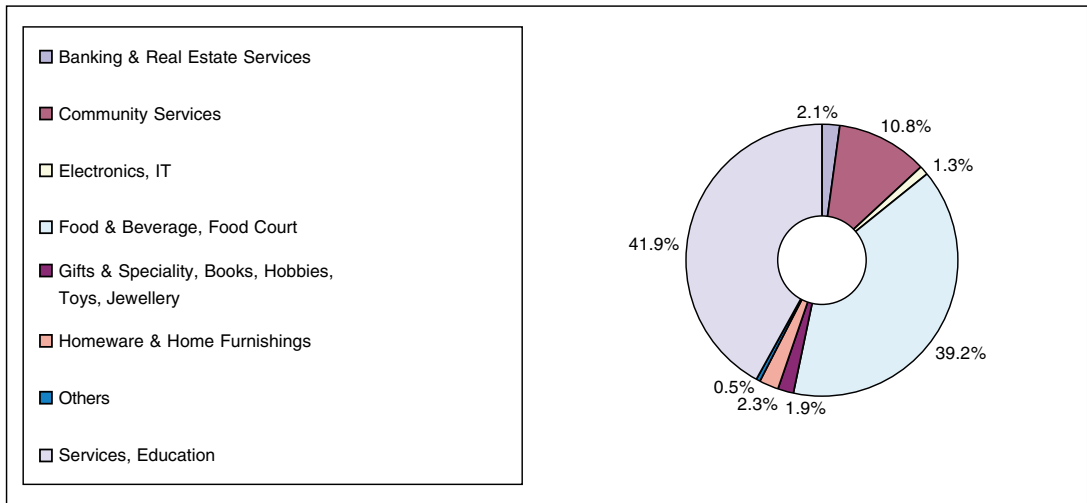
The following chart provides a breakdown by Base Rental Income of the different trade sub-sectors represented in the Centre de Laguna Property:



The Food & Beverage, Food Court was the largest trade sub-sector at the Centre de Laguna Property (in terms of Base Rental Income), contributing 41.2% of the Property's total Base Rental Income. The next largest trade sub-sector is the Services, Education (31.7%). The Centre de Laguna Property is well-diversified in terms of Base Rental Income, with no trade sub-sector contributing more than 8.3% of the total Base Rental Income as at 31 December 2004.

(b) By Gross Rentable Area

The following chart provides a breakdown by Gross Rentable Area of the different trade sub-sectors represented in the Centre de Laguna Property:



The Services, Education trade sub-sector occupied 41.9% of total Gross Rentable Area, while the Food & Beverage, Food Court trade sub-sector occupied 39.2% of total Gross Rentable Area. No other trade sub-sector occupied more than 10.8% of the total Gross Rentable Area of the Centre de Laguna Property.

Top Ten Tenants of the Centre de Laguna Property by Base Rental Income (as at 31 December 2004)

The following table sets out selected information about the top ten tenants of the Centre de Laguna Property by Base Rental Income:

Tenant	Trade sector	Expiry date	Gross Rentable Area (sq ft)	Percentage of total Gross Rentable Area	Percentage of total Base Rental Income ⁽¹⁾
Fook Chun Seafood Restaurant ⁽²⁾	Food and Beverage/ Food Court	Apr 06	11,171	26.0	22.0
Think International Kindergarten ⁽³⁾	Services, Education	Jul 06	13,917	32.4	21.2
Sail Town Enterprises Limited	Food and Beverage/ Food Court	Apr 07	2,966	6.9	9.1
The Association of Evangelical Free Churches of Hong Kong	Services, Education	Jan 06	4,662	10.8	8.3
Millirich Corporation Limited	Food & Beverage, Food Court	Jul 06	1,960	4.6	8.1
Centaline Property Agency Limited	Banking & Real Estate Services	Mar 06	911	2.1	7.7
Individual Tenant ⁽⁴⁾	Services, Education	Sep 06	925	2.2	3.4
Capo Music House Limited	Services, Education	May 06	829	1.9	3.4
Elegance Beauty Spa ⁽⁵⁾	Services, Education	Jul 05	693	1.6	1.9
Fook Chun Roast Shop ⁽²⁾	Food & Beverage, Food Court	Apr 06	303	0.7	1.9
Ten Largest Tenants by Total Base Rental Income			38,337	89.2	87.0
Other Tenants			4,663	10.8	13.0
Vacant Space			—	—	—
Total			43,000	100.0	100.0

Notes:

- (1) Based on each tenant's percentage contribution to Base Rental Income of the Centre de Laguna Property for the month of 31 December 2004.
- (2) The tenant under the tenancy agreement is Firstwide Holdings Limited.
- (3) The tenant under the tenancy agreement is Uni-power Services Limited.
- (4) 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.
- (5) The tenant under the tenancy agreement is Elegance International Beauty and Figure School Limited.

The top ten tenants at the Centre de Laguna Property occupied 89.2% of the Property's total Gross Rentable Area and contributed 87.0% of its total Base Rental Income as at 31 December 2004.

(E) The Lido Garden Property

The Lido Garden Property comprises 12 shop units on a portion on the Ground Floor at the northern fringe of the side boundary of the commercial/residential development called “Lido Garden”, located at No. 41–63 Castle Peak Road, Sham Tseng, Tsuen Wan, New Territories, Hong Kong.

The Lido Garden Property is located in Sham Tseng, a narrow strip of flat land along the waterfront facing Tsing Ma Bridge and Ting Kau Bridge. It is a small residential area west of Tsuen Wan New Town.

It is part of the Lido Garden residential development, which was completed in 1989. The area is famous for its restaurants. The piers in Sham Tseng are also a favourite place for people to go fishing. Moreover, new residential developments are currently under construction in the vicinity and, when all of them are fully completed, they are expected to increase shopper traffic for the Lido Garden Property.

The Lido Garden Property is easily accessible via buses, public light buses, and taxis.

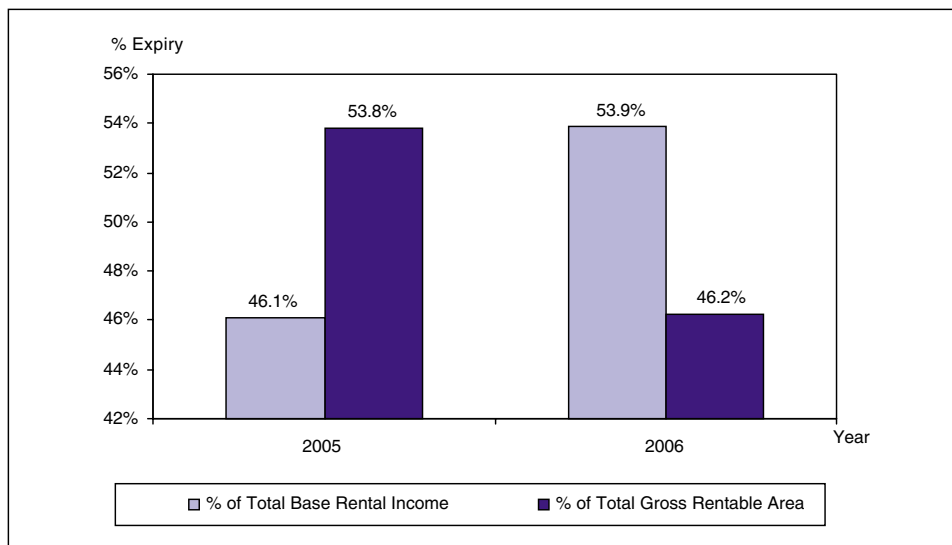
Information about the Lido Garden Property

The following table sets out selected information about the Lido Garden Property:

Gross Rentable Area (as at 31 December 2004)	9,836 sq ft
Gross Floor Area (as at 31 December 2004)	9,836 sq ft
Number of tenants (as at 31 December 2004)	12
Car parking spaces	—
Government Lease expiry	30 June 2047
Occupancy rate (as at 31 December 2004)	100.0%
Valuation by Chesterton Petty Ltd (as at 31 January 2005)	HK\$80.0 million
Valuation by Vigers Appraisal & Consulting Limited (as at 31 January 2005)	HK\$80.0 million
Lower of the Two Valuations	HK\$80.0 million

Tenancy Expiry Profile for the Lido Garden Property (as at 31 December 2004)

The following graph illustrates the tenancy expiry profile of the Lido Garden Property by Base Rental Income and Gross Rentable Area:

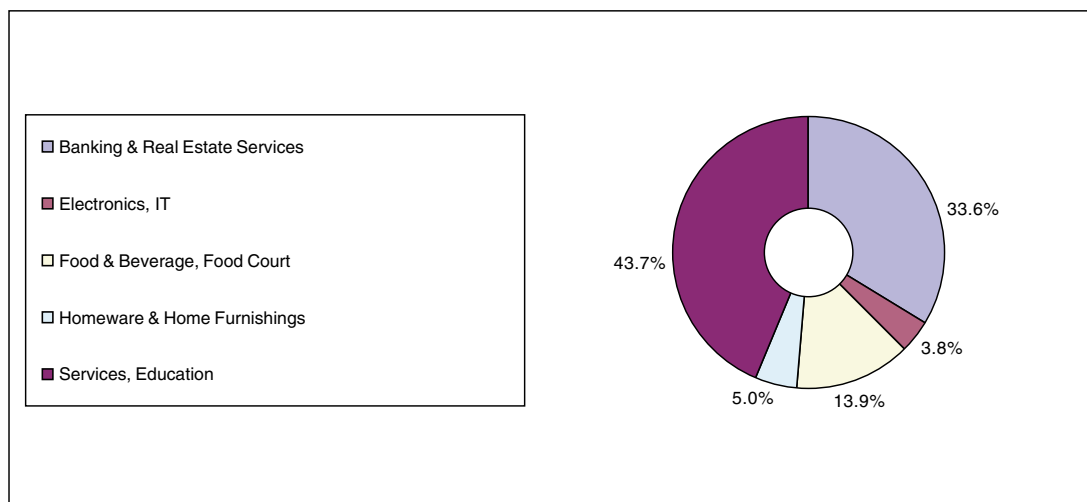


The tenancy expiry profile for the Lido Garden Property shows around half of the tenancies expires in 2005 while the other half expires in 2006. This is due to the fact that tenancies are on average, contracted for a term of two to three years.

Trade Sub-Sector Analysis for the Lido Garden Property (as at 31 December 2004)

(a) By Base Rental Income

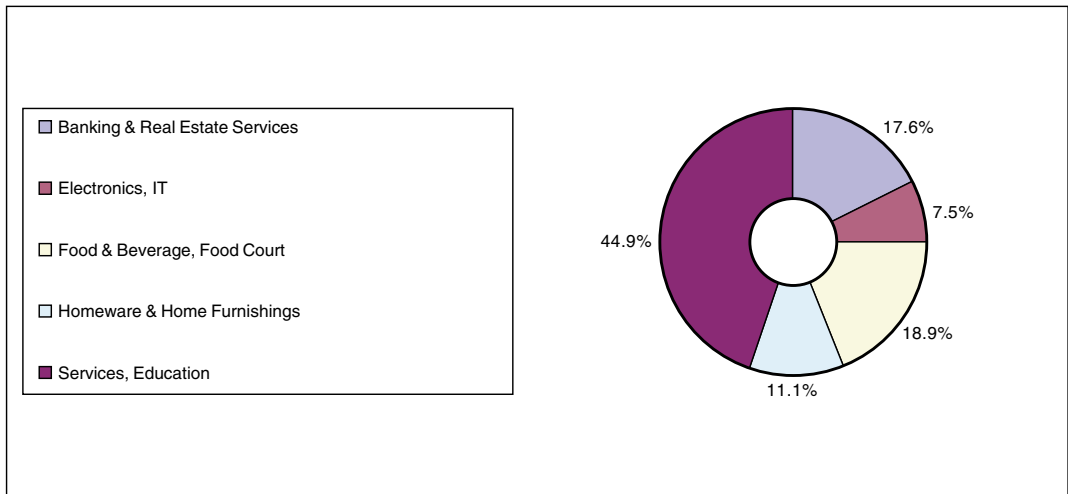
The following chart provides a breakdown by Base Rental Income of the different trade sub-sectors represented in the Lido Garden Property:



The largest contributor to the Lido Garden Property's Base Rental Income was the Services, Education trade sub-sector (43.7%) followed by the Banking & Real Estate Services trade sub-sector at 33.6%.

(b) By Gross Rentable Area

The following chart provides a breakdown by Gross Rentable Area of the different trade sub-sectors represented in the Lido Garden Property:



The Banking & Real Estate Services trade sub-sector occupied 44.9% of the Lido Garden Property's total Gross Rentable Area, followed by the Food & Beverage, Food Court trade sub-sector which occupied 18.9% of the total Gross Rentable Area.

Top Ten Tenants of the Lido Garden Property by Base Rental Income (as at 31 December 2004)

The following table sets out selected information about the top ten tenants of the Lido Garden Property by Base Rental Income:

Tenant	Trade sector	Expiry Date	Gross Rentable Area (sq ft)	Percentage of total Gross Rentable Area	Percentage of total Base Rental Income ⁽¹⁾
Midland Realty ⁽²⁾	Banking & Real Estate Services	Dec 06	1,271	12.9	25.2
7-Eleven ⁽³⁾	Services, Education	Sep 05	1,544	15.7	15.9
Pizza Hut ⁽⁴⁾	Food & Beverage, Food Court	Sep 06	1,863	18.9	13.9
Health Network Medical Services Co. Ltd.	Services, Education	May 05 ⁽⁵⁾ May 05	718 537	12.8	12.9
Centaline Property Agency Ltd.	Banking & Real Estate Services	May 06	462	4.7	8.4
Pretty Skin Care and Slimfit Centre ⁽⁶⁾	Services, Education	Apr 05	550	5.6	6.3
Individual Tenant ⁽⁷⁾	Homeware and Home Furnishings	Oct 05	1,095	11.1	5.0
Individual Tenant ⁽⁷⁾	Electronics/IT	Jan 06	733	7.5	3.8
Individual Tenant ⁽⁷⁾	Services, Education	Sep 05	447	4.5	3.6
Fleming Dental Centre ⁽⁸⁾	Services, Education	Jul 06	216	2.2	2.6
Ten Largest Tenants by Total Base Rental Income			9,436	95.9	97.6
Other Tenants			400	4.1	2.4
Vacant Space			—	—	—
Total			9,836	100.0	100.0

Notes:

- (1) Based on each tenant's percentage contribution to Base Rental Income of the Lido Garden Property for the month ended of 31 December 2004.
- (2) The tenant under the tenancy agreement is Midland Property Administration Limited.
- (3) The tenant under the tenancy agreement is The Dairy Farm Company Limited.
- (4) The tenant under the tenancy agreement is Pizza Hut Hong Kong Management Limited.
- (5) The tenant has signed more than one tenancy agreement and this has resulted in more than one tenancy expiry date for the tenant.
- (6) The tenant under the tenancy agreement is Joyce Sky Limited.
- (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) The tenant under the tenancy agreement is Fleming Health Limited.

As at 31 December 2004, the ten largest tenants at the Lido Garden Property occupied 95.9% of total Gross Rentable Area and contributed 97.6% of its total Base Rental Income.

(F) The Rhine Garden Property

The Rhine Garden Property comprises various retail portions on the Ground Floor of the 3-storey podium of a commercial/residential development with ancillary car parking and recreational facilities called "Rhine Garden" located at No. 38 Castle Peak Road, Sham Tseng, Tsuen Wan, New Territories, Hong Kong.

As with Lido Garden, Rhine Garden is located in Sham Tseng along the waterfront facing Tsing Ma Bridge and Ting Kau Bridge.

The Rhine Garden Property is part of the Rhine Terrace residential development, which was completed in 1992. It is expected that there will be significant population growth in the area with the full completion of some large residential projects in the vicinity.

The Rhine Garden Property is easily accessible via buses, public light buses and taxis.

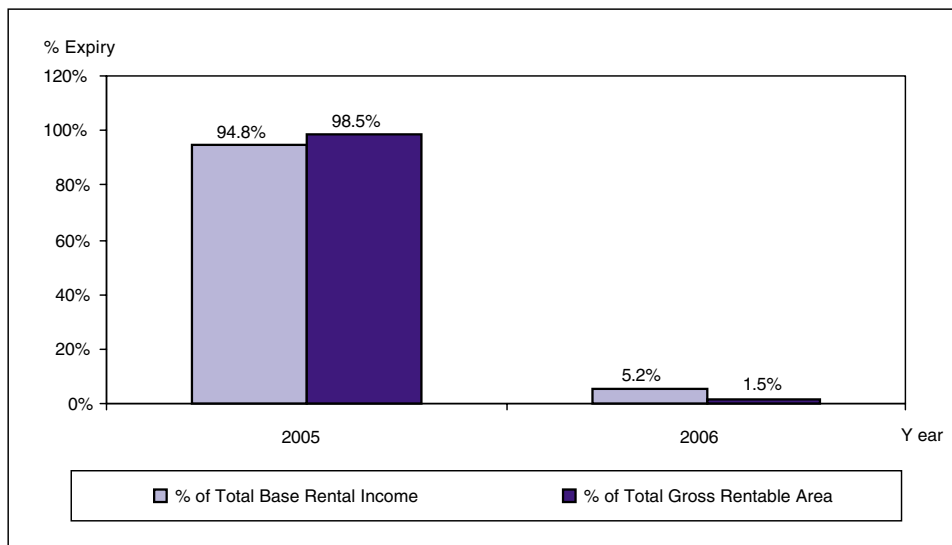
Information about the Rhine Garden Property

The following table sets out selected information about the Rhine Garden Property:

Gross Rentable Area (as at 31 December 2004)	14,604 sq ft
Gross Floor Area (as at 31 December 2004)	14,604 sq ft
Number of tenants (as at 31 December 2004)	2
Car parking spaces	—
Government Lease expiry	30 June 2047
Occupancy rate (as at 31 December 2004)	100.0%
Valuation by Chesterton Petty Ltd (as at 31 January 2005)	HK\$50.0 million
Valuation by Vigers Appraisal & Consulting Limited (as at 31 January 2005)	HK\$43.0 million
Lower of the Two Valuations	HK\$43.0 million

Tenancy Expiry Profile for the Rhine Garden Property (as at 31 December 2004)

The following graph illustrates the tenancy expiry profile of the Rhine Garden Property by Base Rental Income and Gross Rentable Area:

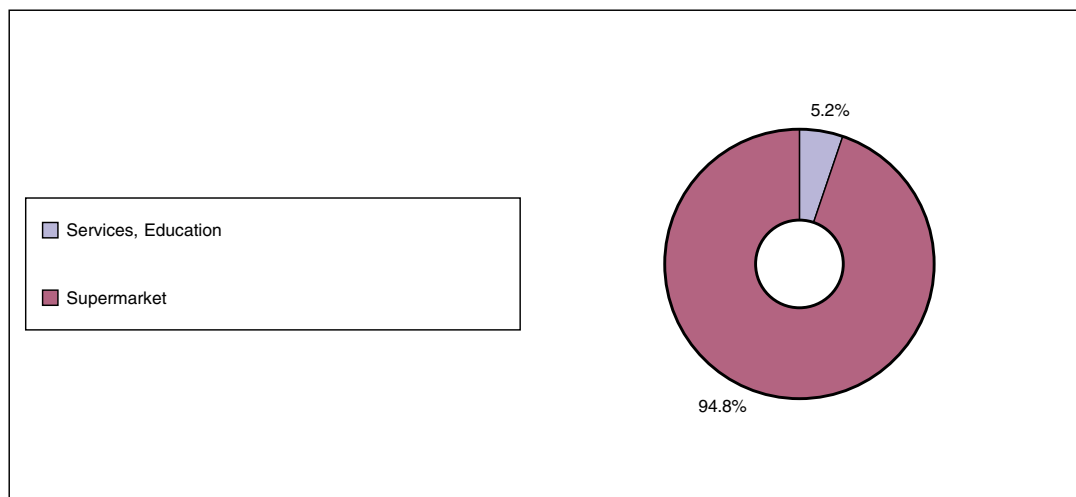


As at 31 December 2004, the Rhine Garden Property had two tenants, namely, Park'N Shop (which contributed 94.8% of the Rhine Garden Property's total Base Rental Income and whose tenancy will expire in 2005) and 7-Eleven (whose tenancy will expire in 2006).

Trade Sub-Sector Analysis for the Rhine Garden Property (as at 31 December 2004)

(a) By Base Rental Income

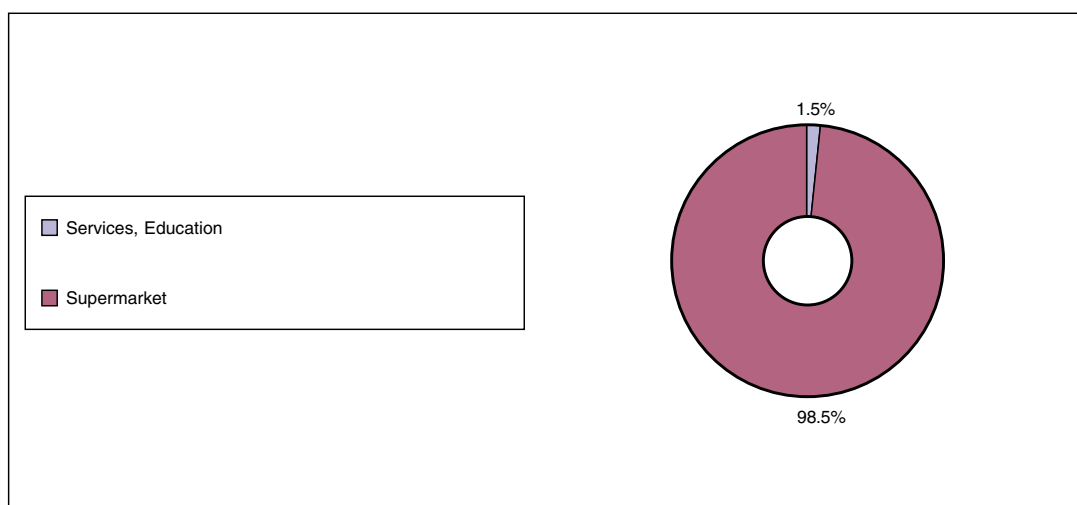
The following chart provides a breakdown by Base Rental Income of the different trade sub-sectors represented in the Rhine Garden Property:



The Supermarket trade sub-sector contributed 94.8% of Rhine Garden's total Base Rental Income as at 31 December 2004.

(b) By Gross Rentable Area

The following chart provides a breakdown by Gross Rentable Area of the different trade sub-sectors represented in the Rhine Garden Property:



Park’N Shop, which is the leading supermarket chain in Hong Kong, occupied 98.5% of the Rhine Garden Property’s total Gross Rentable Area and contributed 94.8% of its total Base Rental Income as at 31 December 2004. The other tenant, 7-Eleven, occupied 1.5% of the Rhine Garden Property’s Gross Rentable Area and contributed 5.2% to its total Base Rental Income as at 31 December 2004.

Tenants of the Rhine Garden Property by Base Rental Income (as at 31 December 2004)

The following table sets out selected information about the tenants of the Rhine Garden Property by Base Rental Income:

Tenant	Trade sector	Expiry date	Gross Rentable Area (sq ft)	Percentage of total Gross Rentable Area	Percentage of total Base Rental Income ⁽¹⁾
Park’N Shop ⁽²⁾	Supermarkets	May 05 ⁽³⁾	14,378	98.5	94.8
7-Eleven ⁽⁴⁾	Services, Education	Jan 06	226	1.5	5.2
Total Tenants			14,604	100.0	100.0
Other Tenants			—	—	—
Vacant Space			—	—	—
Total			14,604	100.0	100.0

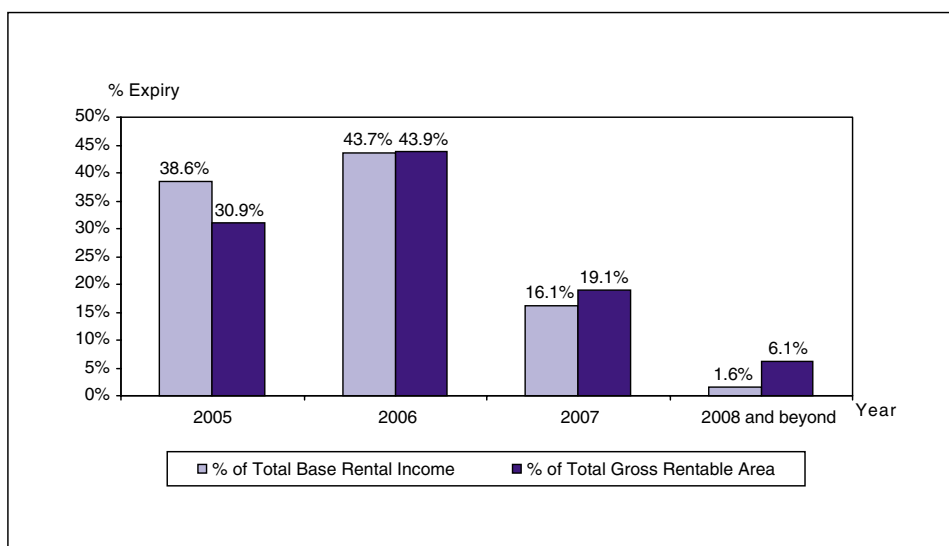
Notes:

- (1) Based on each tenant’s percentage contribution to Base Rental Income of the Property for the month ended 31 December 2004.
- (2) The tenant under the tenancy agreement is A.S. Watson Group (H.K.) Limited.
- (3) Upon expiry of the existing tenancy, the shop will be sub-divided and leased to three separate tenants. The existing tenant has signed an offer letter on 28 April 2005 to lease 14,022 sq ft of the space.
- (4) The tenant under the tenancy agreement is The Dairy Farm Company Limited.

(G) THE PROPERTIES (COMPRISING THE CITY ONE SHATIN PROPERTY, THE WALDORF GARDEN PROPERTY, THE TSING YI SQUARE PROPERTY, THE CENTRE DE LAGUNA PROPERTY, THE LIDO GARDEN PROPERTY AND THE RHINE GARDEN PROPERTY)

Tenancy Expiry Profile for the Properties (as at 31 December 2004)

The following graph illustrates the tenancy expiry profile of the Properties by Base Rental Income and Gross Rentable Area:



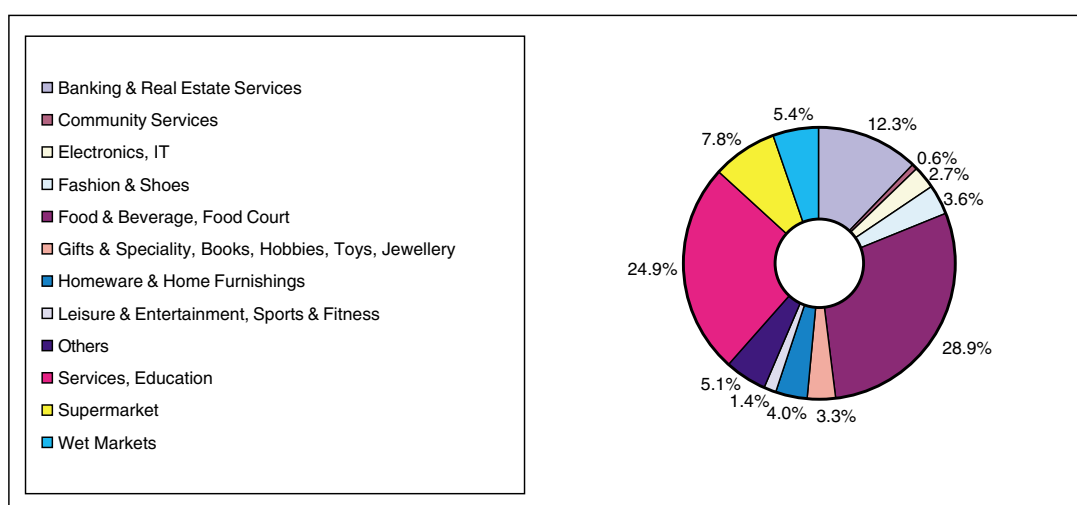
Tenancy expiry at the Properties was reasonably evenly distributed with approximately one-third of the tenancies expiring in each of 2005 and 2006.

Trade Sub-Sector Analysis for the Properties (as at 31 December 2004)

The Properties have very well-diversified income streams in terms of trade sub-sectors.

(a) By Base Rental Income

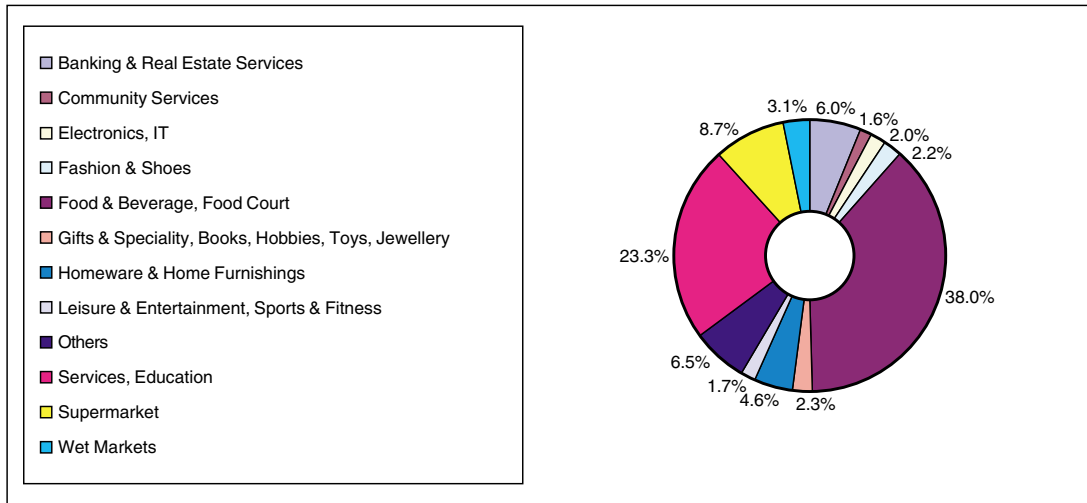
The following chart provides a breakdown by Base Rental Income of the different trade sub-sectors represented in the Properties:



The Food & Beverage, Food Court trade sub-sector was the largest contributor to total Base Rental Income, accounting for 28.9% of the total Base Rental Income, followed by the Service, Education trade sub-sector (24.9%) and the Banking & Real Estate Services trade sub-sector (12.3%).

(b) By Gross Rentable Area

The following chart provides a breakdown by Gross Rentable Area of the different trade sub-sectors represented in the Properties:



As at 31 December 2004, the trade sub-sector that occupied the most Gross Rentable Area was the Food & Beverage, Food Court trade sub-sector, which accounted for 38.0% of total Gross Rentable Area. This was followed by the Services, Education trade sub-sector (23.3%). No single trade sub-sector contributed more than 8.7% of the total Gross Rentable Area of the Properties.

Top Ten Tenants of the Properties by Base Rental Income (as at 31 December 2004)

The following table sets out selected information about the top ten tenants of the Properties by Base Rental Income:

Tenant	Trade sector	Expiry Date ⁽¹⁾	Gross Rentable Area (sq ft)	Percentage of total Gross Rentable Area	Percentage of total Base Rental Income ⁽²⁾
Park'N Shop ⁽³⁾	Supermarkets	May 05 Jul 05 Nov 06 Jun 07	14,378 11,804 13,000 9,425	7.6	7.1
7-Eleven ⁽⁴⁾	Services, Education	Sep 05 Nov 05 Jan 06 Aug 06 Mar 07 Sep 07	1,544 2,650 226 321 3,188 892	1.4	2.7
Bank of China (Hong Kong) ⁽⁵⁾	Banking & Real Estate Services	Oct 05 Oct 05	5,853 1,790	1.2	2.5
McDonald's ⁽⁶⁾	Food & Beverage, Food Court	Jan 06	7,773	1.2	2.4
Cambridge Nursing Home (City One) Limited	Services, Education	Apr 06	25,448	4.0	2.3
Midland Realty ⁽⁷⁾	Banking & Real Estate Services	May 06 Jul 06 Jul 06 Dec 06	605 424 665 1,271	0.5	2.2
Catiline Anglo-Chinese Kindergarten ⁽⁸⁾	Services, Education	Jul 05 Jul 07	2,422 16,345	2.9	2.0
Centaline Property Agency Limited	Banking & Real Estate Services	Jun 05 Dec 05 Mar 06 May 06 Jul 06	697 467 911 462 544	0.5	1.9
Watson's ⁽³⁾	Services, Education	Feb 05 May 07 May 07	4,802 3,688 979	1.5	1.8
Café de Coral Fast Food ⁽⁹⁾	Food & Beverage, Food Court	Jul 05 Feb 07	6,475 9,924	2.6	1.7
Ten Largest Tenants by Total Base Rental Income			148,973	23.4	26.6
Other Tenants			471,215	73.3	73.4
Vacant Space			21,399	3.3	—
Total			641,587	100.0	100.0

Notes:

- (1) Some of the tenants above have signed more than one tenancy agreement and this has resulted in more than one tenancy expiry date for such tenants.
- (2) Based on each tenant's percentage contribution to Base Rental Income of the Property for the month ended 31 December 2004.
- (3) The tenant under the tenancy agreement is A.S. Watson Group (H.K.) Limited.
- (4) The tenant under the tenancy agreement is The Dairy Farm Company, Limited.
- (5) The tenant under the tenancy agreement is Bank of China (H.K.) Limited.
- (6) The tenant under the tenancy agreement is McDonald's Restaurants (HK) Limited.
- (7) The tenant under the tenancy agreement is Midland Property Management Company Limited, Midland Property Leasing Limited and Midland Property Administration Limited.
- (8) The tenant under the tenancy agreement is Greenie Education Services Company Limited.
- (9) The tenant under the tenancy agreement is Weli Company Limited and Very Nice Fast Food Limited.

As at 31 December 2004, the top tenants of the Properties occupied 23.4% of its total Gross Rentable Area and contributed 26.6% of its total Base Rental Income.

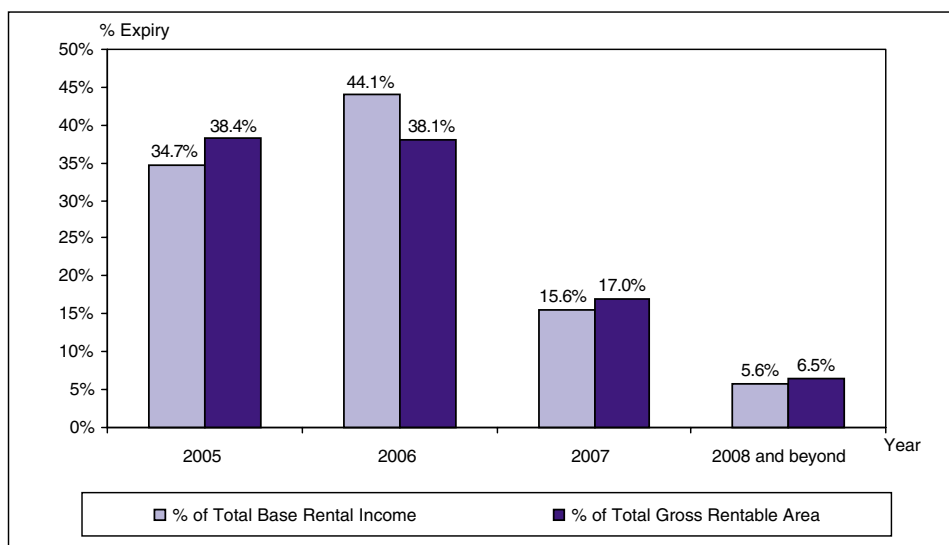
(H) EXISTING PROPERTIES (COMPRISING THE METROPOLIS MALL, MA ON SHAN PLAZA, THE HOUSEHOLD CENTER, SMARTLAND AND JUBILEE COURT SHOPPING CENTRE)

The following table sets out selected information about the Existing Properties:

	The Metropolis Mall	Ma On Shan Plaza	The Household Center	Smartland	Jubilee Court Shopping Centre
Gross Rentable Area	332,168 sq ft	310,084 sq ft	91,779 sq ft	123,544 sq ft	170,616 sq ft
Gross Floor Area	344,055 sq ft	319,560 sq ft	100,599 sq ft	125,446 sq ft	172,179 sq ft
Number of tenants (as at 31 December 2004)	93	147	44	102	52
Car park spaces	179	290	43	67	97
Government lease expiry	30 Jun 2047	30 Jun 2047	16 Jul 2048	30 Jun 2047	30 Jun 2047
Valuation (as at 31 January 2005) (HK\$ million)	1,959	1,282	302	346	295
Occupancy rate (as at 31 December 2004)	87.8%	98.9%	98.2%	98.8%	96.7%

Tenancy Expiry Profile for the Existing Properties (as at 31 December 2004)

The following graph illustrates the tenancy expiry profile of the Existing Properties by Base Rental Income and Gross Rentable Area:



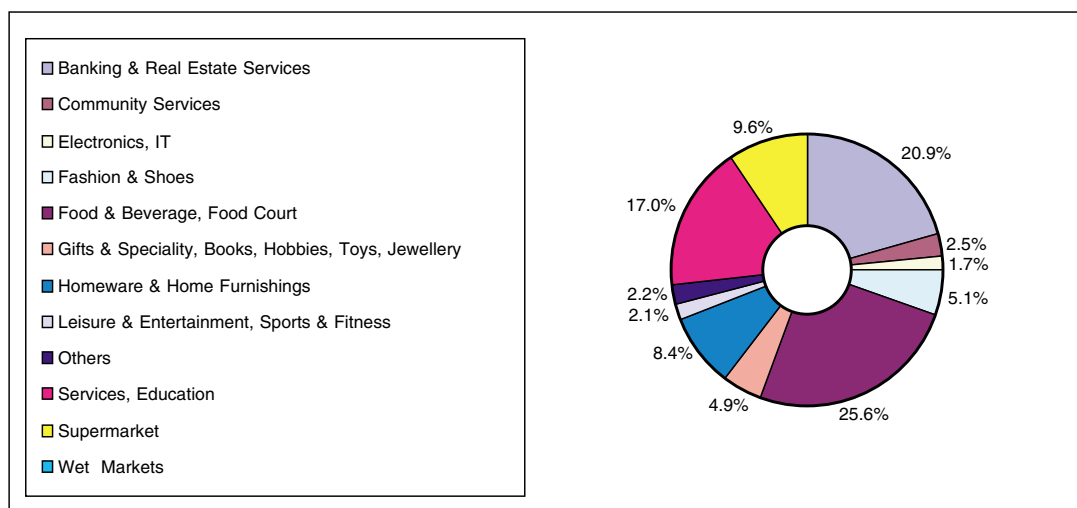
The tenancy expiry profile for the Existing Properties shows the highest percentage of tenancies expiring in 2005 and 2006. This is due to the fact that tenancies are, on average, contracted for a term of two to three years.

Trade Sub-Sector Analysis for the Existing Properties (as at 31 December 2004)

The Existing Properties have very well-diversified income streams in terms of trade sub-sectors.

(a) By Base Rental Income

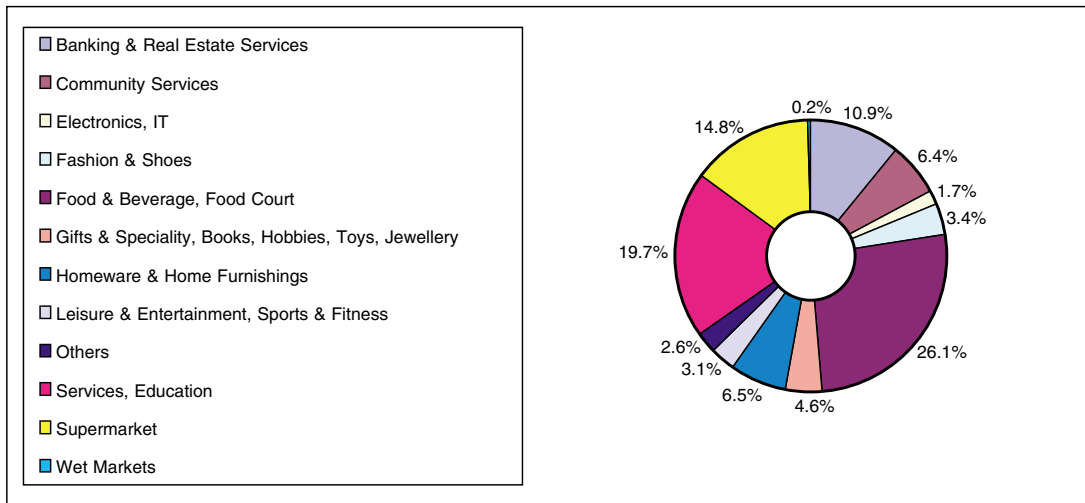
The following chart provides a breakdown by Base Rental Income of the different trade sub-sectors represented in the Existing Properties:



As 31 December 2004, the Food & Beverage, Food Court trade sub-sector was the largest contributor to total Base Rental Income, which accounted for 25.6% of the total Base Rental Income, followed by the Banking & Real Estate Services trade sub-sector (20.9%) and the Services, Education trade sub-sector (17.0%).

(b) By Gross Rentable Area

The following chart provides a breakdown by Gross Rentable Area of the different trade sub-sectors represented in the Existing Properties:



As at 31 December 2004, the trade sub-sector that occupied the most Gross Rentable Area was Food & Beverage, Food Court trade sub-sector. This was followed by the Services, Education trade sub-sector (19.7%), the Supermarket trade sub-sector (14.8%) and the Banking & Real Estate Services trade sub-sector (10.9%).

Top Ten Tenants of the Existing Properties by Base Rental Income (as at 31 December 2004)

The following table sets out selected information about the top ten tenants of the Existing Properties by Base Rental Income:

Tenant	Trade sector	Expiry Date ⁽¹⁾	Gross Rentable Area (sq ft)	Percentage of total Gross Rentable Area	Percentage of total Base Rental Income ⁽²⁾⁽³⁾
Park'N Shop ⁽⁴⁾	Supermarkets	Jul 05 Jul 05 Oct 05 Aug 07 Oct 07	32,142 41,178 6,376 8,229 56,348	14.0	9.4
Clayton Power Enterprises Limited	Banking & Real Estate Services	May 06	32,189	3.1	6.4
Lifestyle Concept Store ⁽⁵⁾	Homeware and Home Furnishings	May 06	33,854	3.3	5.7
Marketon Investment Limited	Banking & Real Estate Services	Jun 06	31,383	3.1	5.2
The Metropolis Express ⁽⁶⁾	Food & Beverage, Food Court	May 06	32,622	3.2	4.8
Maxim's Chinese Restaurant ⁽⁷⁾	Food & Beverage, Food Court	Aug 05	49,014	4.8	3.7
International Christian Schools Limited	Services, Education	Jul 06 Jul 06 Jul 06 Aug 06	34,585 13,566 5,385 4,370	5.6	2.6
Fook Ho Seafood Hotpot Restaurant ⁽⁸⁾	Food & Beverage, Food Court	May 06	22,920	2.2	2.2
Choi Fook Seafood Restaurant ⁽⁹⁾	Food & Beverage, Food Court	Aug 08	16,971	1.7	2.1
Watson's ⁽⁴⁾	Services, Education	Jan 05 ⁽¹⁰⁾ Jun 05 Aug 07 Sep 07	3,477 2,475 5,447 1,988	1.3	1.6
Ten Largest Tenants by Total Base Rental Income			434,519	42.3	43.7
Other Tenants			539,679	52.4	56.3
Vacant Space			53,993	5.3	—
Total			1,028,191	100.0	100.0

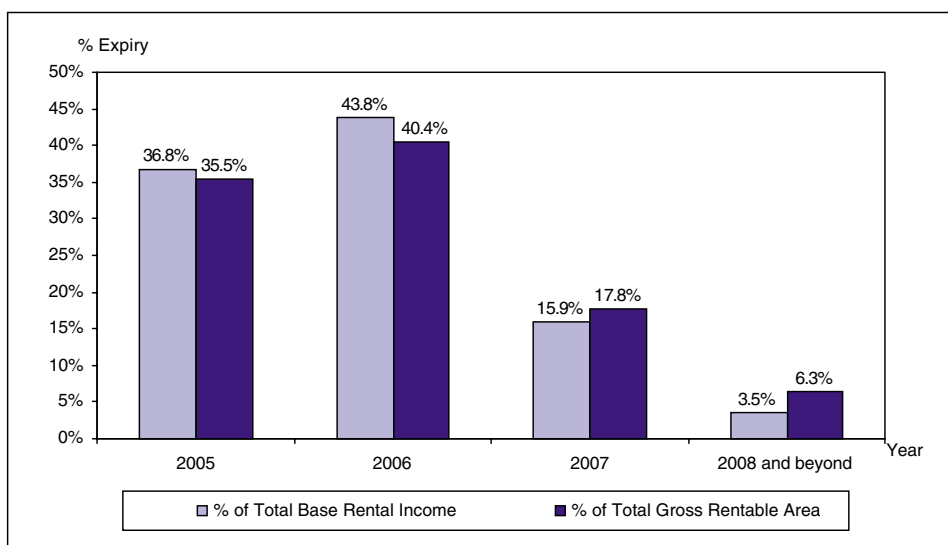
Notes:

- (1) Some of the tenants above have signed more than one tenancy agreement and this has resulted in more than one tenancy expiry date for such tenants.
- (2) Based on each tenant's percentage contribution to Base Rental Income of the Existing Property for the month ended 31 December 2004.
- (3) Match Power Investment Limited is a monthly licensee of the Existing Properties and contributed 3.2% of the total Base Rental Income and licence fees of the Existing Properties for the month ended 31 December 2004.
- (4) The tenant under the tenancy agreement is A.S. Watson Group (H.K.) Limited.
- (5) The tenant under the tenancy agreement is Marketon Investment Limited.
- (6) The tenant under the tenancy agreement is Harbour Plaza Metropolis Limited.
- (7) The tenant under the tenancy agreement is Maxim's Caterers Limited.
- (8) The tenant under the tenancy agreement is Team Field Limited.
- (9) The tenant under the tenancy agreement is Profit Bright Investment Limited.
- (10) The tenant has renewed for a further term of three years on 26 January 2005.

As at 31 December 2004, the top tenants of the Existing Properties occupied 42.3% of its total Gross Rentable Area and contributed 43.7% of its total Base Rental Income.

(I) ENLARGED FORTUNE REIT PORTFOLIO (COMPRISING THE PROPERTIES AND THE EXISTING PROPERTIES)

The following graph illustrates the tenancy expiry profile of Fortune REIT's enlarged portfolio comprising the Properties and the Existing Properties by Base Rental Income and Gross Rentable Area (as at 31 December 2004):

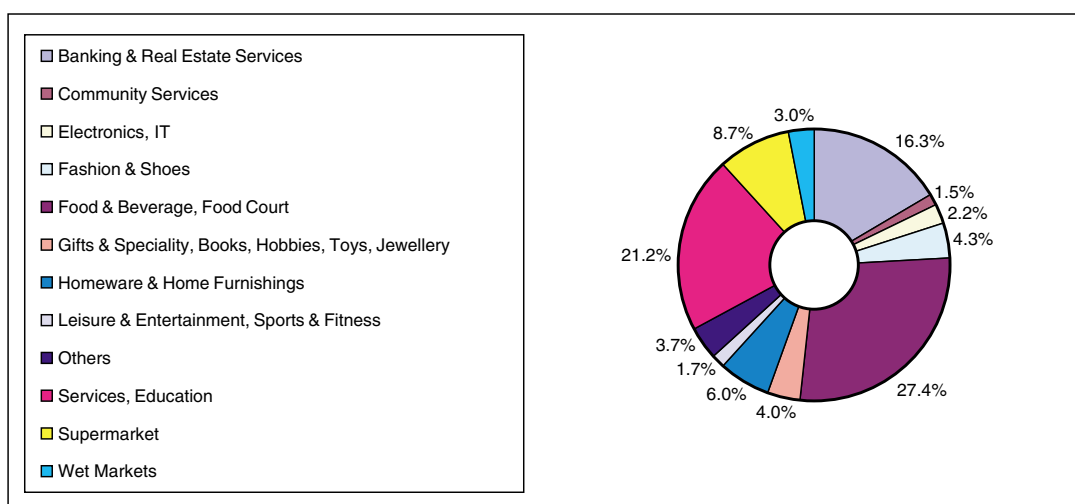


The enlarged portfolio's tenancy expiry profile is reasonably evenly distributed with approximately one-third of the tenancies expiring in each of 2005 and 2006.

Trade Sub-Sector Analysis for Enlarged Fortune REIT Portfolio (as at 31 December 2004)

(a) By Base Rental Income

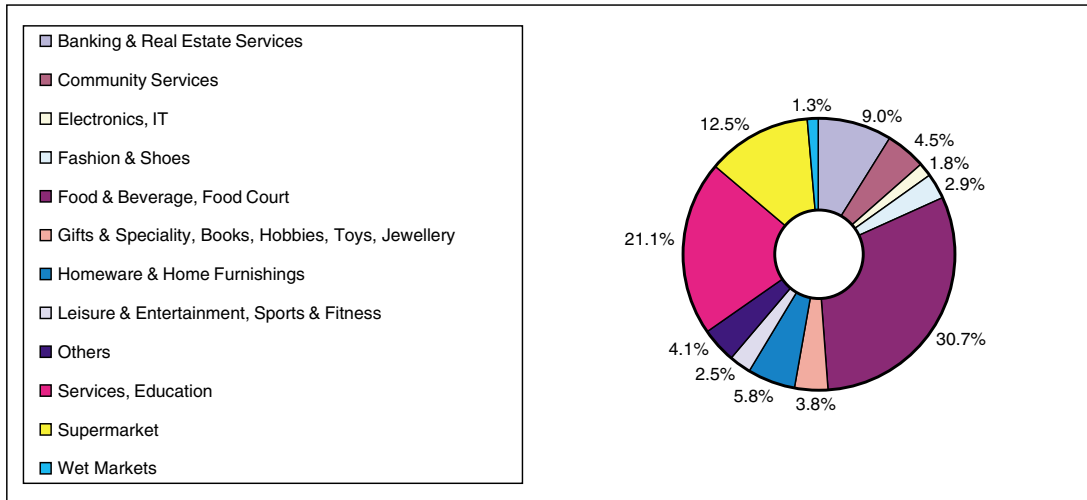
The following chart provides a breakdown by Base Rental Income of the different trade sub-sectors represented in Fortune REIT's enlarged portfolio comprising the Properties and the Existing Properties:



The enlarged portfolio's Base Rental Income was well-diversified. No single trade sub-sector contributed more than 27.4% of the enlarged portfolio's Base Rental Income. The biggest contributor was the Food & Beverage, Food Court trade sub-sector (27.4%), followed by the Services, Education trade sub-sector (21.2%).

(b) By Gross Rentable Area

The following chart provides a breakdown by Gross Rentable Area of the different trade sub-sectors represented in Fortune REIT's enlarged portfolio comprising the Properties and the Existing Properties:



No single trade sub-sector occupied more than 30.7% of Fortune REIT's enlarged portfolio's total Gross Rentable Area. The Food & Beverage, Food Court trade sub-sector occupied the most rentable area (30.7%), followed by the Services, Education trade sub-sector (21.1%).

Top Ten Tenants of the Enlarged Fortune REIT Portfolio by Base Rental Income (as at 31 December 2004)

The following table sets out selected information about the top ten tenants of Fortune REIT's enlarged portfolio comprising the Properties and the Existing Properties by Base Rental Income:

Tenant	Trade sector	Expiry date ⁽¹⁾	Gross Rentable Area (sq ft)	Percentage of total Gross Rentable Area	Percentage of total Base Rental Income ⁽²⁾⁽³⁾
Park'N Shop ⁽⁴⁾	Supermarkets	May 05 Jul 05 Jul 05 Jul 05 Oct 05 Nov 06 Jun 07 Aug 07 Oct 07	14,378 41,178 32,142 11,804 6,376 13,000 9,425 8,229 56,348	11.6	8.2
Clayton Power Enterprises Limited	Banking & Real Estate Services	May 06	32,189	1.9	3.0
Lifestyle Concept Store ⁽⁵⁾	Homeware and Home Furnishings	May 06	33,854	2.0	2.7
Marketon Investment Limited	Banking & Real Estate Services	Jun 06	31,383	1.9	2.5
The Metropolis Express ⁽⁶⁾	Food & Beverage, Food Court	May 06	32,622	2.0	2.3
7-Eleven ⁽⁷⁾	Services, Education	Sep 05 Nov 05 Jan 06 Aug 06 Mar 07 May 07 Aug 07 Sep 07 Oct 07	1,544 2,650 226 321 3,188 556 2,177 892 1,290	0.8	1.8
Maxim's Chinese Restaurant ⁽⁸⁾	Food & Beverage, Food Court	Aug 05	49,014	2.9	1.7
Watson's ⁽⁴⁾	Services, Education	Jan 05 Feb 05 Jun 05 May 07 May 07 Aug 07 Sep 07	3,477 4,802 2,475 3,688 979 5,447 1,988	1.4	1.7
Midland Realty Limited ⁽⁹⁾	Banking & Real Estate Services	Oct 05 Nov 05 Dec 05 May 06 Jul 06 Jul 06 Aug 06 Dec 06	718 719 678 605 665 424 1,257 1,271	0.4	1.6
Bank of China (Hong Kong) ⁽¹⁰⁾	Banking & Real Estate Services	Oct 05 Oct 05 May 07	5,853 1,790 1,236	0.5	1.4
Ten Largest Tenants by Total Base Rental Income			422,858	25.4	26.9
Other Tenants			1,171,528	70.1	73.1
Vacant Space			75,392	4.5	—
Total			1,669,778	100.0	100.0

Notes:

- (1) Some of the tenants above have signed more than one tenancy agreement and this has resulted in more than one tenancy expiry date for such tenants.
- (2) Based on each tenant's percentage contribution to Base Rental Income of the Property for the month ended 31 December 2004.
- (3) Hutchison Telephone Company Limited and Match Power Investment Limited are monthly licensees of the Existing Properties and the Properties and contributed 1.7% and 1.5% of the aggregate of the total Base Rental Income and licence fees of the enlarged portfolio of Fortune REIT for the month ended 31 December 2004.
- (4) The tenant under the tenancy agreement is A.S. Watson Group (H.K.) Limited.
- (5) The tenant under the tenancy agreement is Marketon Investment Limited.
- (6) The tenant under the tenancy agreement is Harbour Plaza Metropolis Limited.
- (7) The tenant under the tenancy agreement is The Dairy Farm Company Limited.
- (8) The tenant under the tenancy agreement is Maxim's Caterers Limited.
- (9) The tenant under the tenancy agreement is Midland Property Leasing Limited, Midland Property Services Limited, Midland Property Management Company Limited and Midland Property Administration Limited.
- (10) The tenant under the tenancy agreement is Bank of China (HK) Limited.

PROFIT FORECAST

Statements contained in this section, which 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 forecast. 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 or any other person nor that these results will be achieved or are likely to be achieved.

The following table sets out, *inter alia*, Fortune REIT's forecast consolidated profit and loss statement for the full year of 2005 in respect of the Existing Properties, the Properties and Fortune REIT's enlarged property portfolio assuming that the Acquisitions were completed on 1 January 2005. It is to be noted that the profit forecast is prepared for a period of 12 months ending 31 December 2005 whereas assuming that the Acquisitions are completed on 28 June 2005, the benefits from the Properties will accrue to Fortune REIT for only the second half of 2005. As a result, the actual Net Property Income of Fortune REIT for the year ending 31 December 2005 will be different from that indicated in this **Appendix 3**. As such, the profit forecast should be regarded as an illustration of the Net Property Income of Fortune REIT had the Acquisitions been completed on 1 January 2005. In addition, due to seasonality and the difference in interest rates and tenancy expiry profile, the actual Net Property Income for the second half of 2005 in respect of the Properties may not be equal to 50.0% of their Net Property Income forecast. Accordingly, the actual yield may also be different from the forecast yield.

The profit forecast for the full year of 2005 in respect of the Existing Properties, the Properties and the enlarged Fortune REIT portfolio has been examined by the Independent Accountants and the Reviewer of the Profit Forecast Assumptions and should be read together with the Independent Accountants' Report on the Profit Forecast contained in **Appendix 4** of this Offer Information Statement and the DTCF's Statement in **Appendix 5** of this Offer Information Statement as well as the assumptions and sensitivity analysis set out below.

Forecast Consolidated Profit and Loss Statements

(HK\$ million)	Actual	Forecast		
	Full Year 2004	Full year 2005		
	Existing Properties ⁽¹⁾	Existing Properties ⁽²⁾	The Properties	Enlarged Fortune REIT portfolio (comprising the Properties and the Existing Properties) ⁽³⁾
Gross Revenue				
Base Rental Income	209.42	209.18	208.82	418.00
Charge-out Collections	70.12	75.65	38.02	113.67
Other income	28.67	26.53	19.80	46.33
Total Gross Revenue	308.21	311.36	266.64	578.00
Property Operating Expenses				
Property management fees	(5.20)	(5.96)	(6.58)	(12.54)
Other property operating expenses	(82.69)	(83.31)	(58.10)	(141.41)
Total Property Operating Expenses (before payment of the Manager's Performance Fee)	(87.89)	(89.27)	(64.68)	(153.95)
Net Property Income (before payment of the Manager's Performance Fee)	220.32	222.09	201.96	424.05
Manager's Performance Fee	(6.61)	(6.66)	(6.06)	(12.72)
Net Property Income	213.71	215.43	195.90	411.33
Interest expense	(19.10)	(31.35)	(51.08)	(82.43)
Hedging loss	—	(0.12)	(0.50)	(0.62)
Commitment fees	(0.37)	(0.38)	(0.13)	(0.51)
Net Profit Before Tax	194.24	183.58	144.19	327.77
Current taxation	(12.90)	(13.57)	(23.81)	(37.38)
Deferred taxation	(21.06)	(18.55)	(1.42)	(19.97)
Total Hong Kong Taxation	(33.96)	(32.12)	(25.23)	(57.35)

	Actual	Forecast		
	Full Year 2004	Full year 2005		
(HK\$ million)	Existing Properties ⁽¹⁾	Existing Properties ⁽²⁾	The Properties	Enlarged Fortune REIT portfolio (comprising the Properties and the Existing Properties) ⁽³⁾
Net Profit of Property Companies	160.28	151.46	118.96	270.42
Manager's Base Fee	(10.80)	(12.55)	(10.88)	(23.43)
Negative goodwill ⁽⁴⁾	0.00	0.00	158.97	158.97
Amortisation of negative goodwill	3.15	0.00	0.0	0.0
Foreign exchange differences	0.83	0.00	0.0	0.0
Non-tax deductible trust income/ (expenses)	(1.99)	(2.28)	(5.60)	(7.88)
Tax deductible trust expenses	(1.52)	(1.93)	(0.58)	(2.51)
Non tax-exempt income	0.13	0.00	0.00	0.00
Total Trust Expenses	(10.20)	(16.76)	141.91	125.15
Net Profit of Trust	150.08	134.70	260.87	395.57
Add/(less):				
Manager's base fee	10.80	12.55	10.88	23.43
Negative goodwill	0.00	0.00	(158.97)	(158.97)
Amortisation of negative goodwill	(3.15)	0.00	0.00	0.00
Foreign exchange differences	(0.83)	0.00	0.00	0.00
Non-tax deductible trust expenses	1.99	2.28	5.60	7.88
Non tax-exempt income	(0.13)	0.00	0.00	0.00
Income Available For Distribution⁽⁵⁾	158.76	149.53	118.38	267.91

Notes:

- (1) Based on the actual debt size of HK\$926.0 million.
- (2) Based on the assumption that debt size is HK\$950.0 million.
- (3) Assuming that (i) 318,796,148 million New Units are issued, (ii) the additional borrowings incurred by Fortune REIT to, *inter alia*, partly fund the Acquisitions increases Fortune REIT's Gearing to 31.5% and (iii) debt size is HK\$2,498.0 million.
- (4) Negative goodwill represents the excess of the group's (which shall mean Fortune REIT and its property companies) interest in the fair value of the identifiable assets and liabilities of a property company at the date of acquisition over the cost of acquisition.
- (5) The profit forecast is prepared for a period of 12 months ending 31 December 2005 whereas assuming that the Acquisitions are completed on 28 June 2005, the benefits from the Properties will accrue to Fortune REIT for only the second half of 2005. As a result, the actual Net Property Income of Fortune REIT for the year ending 31 December 2005 will be different from that indicated in **Appendix 3** of this Offer Information Statement. As such, the profit forecast should be regarded as an illustration of the Net Property Income of Fortune REIT had the Acquisitions been completed on 1 January 2005. In addition, due to seasonality, the difference in interest rates and tenancy expiry profile, the actual Net Property income for the second half of 2005 in respect of the Properties may not be equal to 50.0% of their Net Property Income forecast. Accordingly, the actual yield may also be different from the forecast yield.

Assumptions

The major assumptions made in preparing the forecast consolidated profit and loss statement are set out below. The Manager considers these assumptions to be appropriate and reasonable at the time of issue of this Offer Information Statement.

(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 Existing Properties and the Properties including licence fees, Turnover Rent, car parking revenues and other revenues. A summary of the assumptions used in calculating the 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 the lease agreements of the Existing Properties and/or the Properties are generally fixed for a period of two to 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 sections entitled "Renewal Rate" and "Occupancy Rate" below).

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

The Manager has assessed the market rent for each shop unit in each of the Existing Properties and the Properties as at 31 December 2004. The market rent is the rent which the Manager believes could be achieved if each lease was renegotiated as at 31 December 2004 and is estimated with reference to net rents payable pursuant to comparable leases for tenancies that have been recently negotiated, the effect of competing retail shopping malls, likely market conditions, inflation levels and tenant demand levels. If a tenancy expires in the year ending 31 December 2005, the base rent payable under the new lease or renewed lease is assumed to be the market rent as at 31 December 2004 adjusted by the forecast growth rates stated in paragraph (g) below.

(b) Charge-out Collections

Fortune REIT's leases generally provide that certain expenses related to the operation of the Existing Properties and the Properties are payable by most tenants and some licensees.

These expenses include air conditioning charges, management fees, promotional charges, government rents (where applicable), government rates, utility charges, cleaning and other charges.

The Manager has used the Charge-out Collections payable by tenants under the leases as at 31 December 2004 as the basis for the forecast. If a lease expires in the year ending 31 December 2005, 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 rate of 1.0% per annum.

(c) Other Income

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

License 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 0.2% of Gross Revenue for the financial year ending 31 December 2005.

Car parking revenue includes income accruing from or resulting from the operation of the parking facilities in the Existing Properties and the Properties.

The assessment of other income is based on existing lease and licence agreements, current income collections and the Manager's assessment of the Existing Properties and the Properties as at 31 December 2004.

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, it has been assumed that leases representing an average of 70.0% 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 30.0% of Base Rental Income and Charge-out Collections expiring in any one year will have the benefit of a one-month 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.

(e) Vacancy Allowance

For leases representing an average of 30.0% of Base Rental Income and Charge-out Collections expiring in any one period and not renewed, a one-month vacancy period is assumed to come into effect before the commencement of the one-month rent-free period.

(f) Occupancy rates

The forecast occupancy rates for the Existing Properties and the Properties are as follows:

Forecast Occupancy Rate⁽¹⁾	Financial year ending 31 December 2005
The Metropolis Mall	95.0%
Ma On Shan Plaza	98.9%
The Household Center	98.2%
Smartland	98.8%
Jubilee Court Shopping Centre	96.7%
City One Shatin Property	96.0%
Waldorf Garden Property	100.0%
Tsing Yi Square Property	98.0%

Forecast Occupancy Rate⁽¹⁾	Financial year ending 31 December 2005
Centre de Laguna Property	100.0%
Lido Garden Property	100.0%
Rhine Garden Property	100.0%

Note:

- (1) Forecast average occupancy rates takes into account forecast vacancy periods between leases. The average occupancy rate for each Existing Property and each Property for the financial year ending 31 December 2005 is derived by dividing the sum of the occupancy rates as at the end of each month for the relevant Existing Property and the relevant Property by the number of months in the relevant year.

The forecast occupancy rates for the Existing Properties and the Properties for the financial year ending 31 December 2005 are based on existing occupancy rates as at 31 December 2004 and assumes the expected market conditions and tenant demand levels.

(g) Property income growth rates

The table below summarises the income growth rates assumed for the Profit Forecast based on the Manager's assessment of income growth rates, having taken into account the rates used by the Independent Valuers in the valuations, Chesterton Petty Ltd in its asset enhancement report of the Properties, the Independent Property Consultant in the Retail Market Overview, 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 Existing Properties and the Properties.

The income growth rates have been used to forecast the change in Base Rental Income payable under the new leases (or lease renewals) signed in the financial year ending 31 December 2005. The Base Rental Income growth rates set out below are annualised figures but have been assumed to apply to the relevant data compounded on a monthly basis.

	Full year 2005
The Metropolis Mall	5.0%
Ma On Shan Plaza	3.0%
The Household Center	2.0%
Smartland	2.0%
Jubilee Court Shopping Centre	2.0%
City One Shatin Property	3.0%
Waldorf Garden Property	2.0%
Tsing Yi Square Property	2.0%
Centre de Laguna Property	2.0%
Lido Garden Property	2.0%
Rhine Garden Property	2.0%

(II) Property Operating Expenses

(a) Property Management Fee

Under the property management agreement, the Property Manager will receive a fee of 3.0% per annum of the Gross Property Revenue in respect of each Existing Property and Property for the provision of property management services and lease management services. Gross Property Revenue is defined as the Gross Revenue less (i) Charge-outs Collections and (ii) Car parking revenues of each of the Existing Properties and the Properties.

(b) Other property operating expenses

An individual assessment of other property operating expenses, based on the actual historical operating expenses adjusted for forecast growth rate and other appropriate adjustments, has been made for each of the Existing Properties and the Properties for the financial year ending 31 December 2005. These expenses are associated with the operation of the Existing Properties, the Properties, the Existing Property Companies and the Property Companies, including expenses such as utility charges, commissions for the leasing of units in the Existing Properties and the Properties, insurance premiums, audit and valuation fees, management fee contributions payable under the relevant Deeds of Mutual Covenant, advertising, car parking operations, bad and doubtful debts, repairs, maintenance and service contracts.

Other property expenses include bad and doubtful debts. It is assumed that 0.3% of Gross Revenue⁽¹⁾ will be provided for as doubtful debts, which are included as part of operating expenses. Provision of HK\$1.6 million has been provided for the financial year ending 31 December 2005. 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.

(c) Manager's Performance Fee

The Manager is entitled under the Trust Deed to the 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.

(III) Non-Property Expenses

(a) Manager's Base Fee

The Manager is entitled under the Trust Deed to the Base Fee from Fortune REIT of 0.3% per annum of the Property Values (including the Existing Properties and the Properties). For the forecast period, the Base Fee is assumed to be payable in the form of Units.

(b) Trust Expenses

Trust Expenses include recurring operating expenses such as the Trustee's fee, annual listing fees, valuation fees, legal fees, registry and depository charges, accounting, audit and tax adviser's fees, postage, printing and stationery costs, costs associated with the preparation of annual reports, investor communications costs and other miscellaneous expenses.

The Trustee's fee is 0.03% per annum of the Property Values (subject to a minimum of HK\$50,000 per month) and is accrued daily and paid monthly in arrears in accordance with the Trust Deed.

(c) Interest Expenses

The Manager has assumed an average interest rate of 3.3% per annum inclusive of margins for all existing and new debt incurred for the financial year ending 31 December 2005.

Fortune REIT is expected to obtain Facilities aggregating HK\$2,650.0 million comprising a HK\$2,385.0 million term loan facility and a HK\$265.0 million revolving credit facility, each for a term of five years for the purposes of partly financing the Acquisitions and refinancing the borrowings of the Existing Property Companies.

The Facilities will bear interest at three-month HIBOR plus a margin. The margin is 0.28% for the first year, 0.30% for the second year, 0.34% for the third year, 0.36% for the fourth year and 0.42% for the fifth year. The Manager expects to fix the interest rate for the Facilities using interest rate swaps of varying tenors which is likely to result in at least 50.0% of its outstanding amount under the Facilities being on a fixed interest rate basis.

⁽¹⁾ Excluding carpark income and the anticipated top up payments under the rental guarantee deed made between Cheung Kong (Holdings) Limited, Hutchison Whampoa Limited and Vision Million Limited in relation to The Metropolis Mall.

The Existing Properties and the Properties

For the period ending 31 December 2004 and the financial year ending 31 December 2005, the Manager has made an assumption that the value of the Existing Properties is HK\$4,184.0 million (based on independent valuations by Chesterton Petty Ltd as at 31 December 2004). The Aggregate Purchase Consideration for the Properties is assumed to be HK\$3,439.0 million.

Accounting Policies

It has been assumed that there will be a change in Fortune REIT's accounting policies for the financial year ending 31 December 2005 in the following areas (as a result of accounting standards that are effective in 2005) which will impact Fortune REIT's forecast Net Property Income:

- FRS 103 will be effective for financial years beginning on or after 1 July 2004. FRS 103 requires, among others, negative goodwill be recognised as income in the financial year the negative goodwill arises. For Fortune REIT, upon implementation of FRS 103, the outstanding negative goodwill arising from the acquisition of the Property Companies made before 1 January 2005 will be taken to accumulated profits as at 1 January 2005 and the accounting profit of Fortune REIT for the financial year ending 31 December 2005 will be reduced by approximately HK\$3.2 million arising from the non-amortisation of this negative goodwill. However, the reduced accounting profit will not affect Fortune REIT's distributable income to Unitholders as the amortised negative goodwill is not part of Fortune REIT's distributable income pursuant to the Trust Deed. Similarly the negative goodwill arising from the acquisition of the Target Companies during 2005 will be taken to the profit and loss statement for 2005. Such accounting recognition will not affect Fortune REIT's distributable income to Unitholders as negative goodwill is not part of Fortune REIT's distributable income pursuant to the Trust Deed.
- FRS 39 — Financial Instruments: Recognition and Measurement will be effective for financial periods beginning on or after 1 January 2005. The profit forecast is prepared on the assumption that Fortune REIT will adopt hedge accounting for its outstanding interest rate swaps. The fair value changes relating to the portion of the interest rate swaps where there is hedge effectiveness are taken to equity. Fair value changes relating to the portion of the interest rate swaps where there is no hedge effectiveness will be taken to the profit and loss statement.
- FRS 39 will also require Fortune REIT and the Property Companies to carry the loans from Fortune REIT to the property companies at amortised cost. The profit forecast is prepared on the assumption that the above loans will be restructured into redeemable preference shares, as equity instruments.
- FRS 102 — Share Based Payment (“**FRS 102 SBP**”), which will apply to listed entities in Singapore with annual periods beginning on or after 1 January 2005, will require Fortune REIT to reclassify its accrual for the Manager's Base Fee (which is payable in Units) from the current liability category to equity category. This is not expected to impact Fortune REIT's profit forecast. A summary of the other significant accounting policies of Fortune REIT may be found in its annual report for the financial year ended 31 December 2004.

A summary of the other significant accounting policies of Fortune REIT may be found in its annual report for the financial year ended 31 December 2004.

Capital Raising

The forecast has been prepared based on an Issue Price of HK\$6.23 per New Unit on the assumption that the net proceeds from the Equity Fund Raising will be used to partly finance the Acquisitions in accordance with the terms of the Sale and Purchase Agreements.

Other Assumptions

The following additional assumptions have been made in preparing the financial profit forecast:

- Fortune REIT will proceed with the completion of all of the Acquisitions. All analyses and financial forecasts contained in this Offer Information Statement will vary accordingly in the event that one or more of the Acquisitions does not proceed;

- the Manager's Acquisition Fee for the Properties will be paid in Units;
- other than the Acquisitions, Fortune REIT's property portfolio remains unchanged throughout the periods;
- no further capital will be raised during the periods;
- there will be no material changes in taxation legislation or other legislation;
- there will be no material change to the Tax Ruling; and
- all leases are enforceable and will be performed in accordance with their terms, save for the assumptions regarding bad and doubtful debts as detailed above.

It is to be noted that the profit forecast is prepared for a period of 12 months ending 31 December 2005 whereas assuming that the Acquisitions are completed on 28 June 2005, the benefits from the Properties will accrue to Fortune REIT for only the second half of 2005. As a result, the actual Net Property Income of Fortune REIT for the year ending 31 December 2005 will be different from that indicated in **Appendix 3** of the Offer Information Statement. As such, the profit forecast should be regarded as an illustration of the Net Property Income of Fortune REIT had the Acquisitions been completed on 1 January 2005. In addition, due to seasonality, the difference in interest rates and tenancy expiry profile, the actual Net Property Income for the second half of 2005 in respect of the Properties may not be equal to 50.0% of their Net Property Income forecast. Accordingly, the actual yield may also be different from the forecast yield.

Sensitivity Analysis

The forecast distributions included in this Circular are based on a number of key assumptions that have been outlined earlier in this section.

Unitholders should be aware that future events cannot be predicted with any certainty and deviations from the figures forecast in this Circular are to be expected. To assist Unitholders in assessing the impact of these assumptions on the financial profit forecast, a series of tables demonstrating the sensitivity of the DPU to changes in the key 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. Movements in other variables may offset or compound the effect of a change in any variable beyond the extent shown.

The base case of the sensitivity analysis assumes that Fortune REIT's Gearing as at 31 December 2005 is 31.5%. The assumed increased Gearing of 31.5% is based on the ratio of total borrowings of HK\$2,498.0 million (comprising Fortune REIT's existing borrowings of HK\$950.0 million and proposed additional borrowings of HK\$1,548.0 million) to the Deposited Property of HK\$7,930.1 million as at 31 December 2005.

Base Rental Income growth rates

Changes in Base Rental Income growth rates for retail leases expiring in the forecast year impact the Net Property Income of Fortune REIT. The income growth rates adopted are set out earlier in this section. The impact of variations in the growth rates on distributions as at 31 December 2005 is set out below:

Based on an Issue Price of	HK\$6.23
	DPU (HK cents)
2.0% above estimate for the Existing Properties and the Properties	33.41
Base case	33.33
2.0% below estimate for the Existing Properties and the Properties	33.28

Property Operating Expenses

Changes in Property Operating Expenses affect the net profit of Fortune REIT. The effect of variations in Property Operating Expenses on distributions as at 31 December 2005 is set out below:

Based on an Issue Price of	HK\$6.23
	DPU (HK cents)
1.0% above estimates	33.18
Base case	33.33
1.0% below estimates	33.48

Interest Expenses

Changes in interest rates will impact the net profit of Fortune REIT. The interest rate assumptions are set out earlier in this section. The impact of variations in the interest rates on distributions as at 31 December 2005 is set out below:

Based on an Issue Price of	HK\$6.23
	DPU (HK cents)
25 bps above estimates	32.69
Base case	33.33
25 bps below estimates	33.97

Occupancy rate for the City One Shatin Property

The rationale for conducting a sensitivity analysis on the City One Shatin Property is based on it contributing 35.0% to the Net Property Income for the financial year ending 31 December 2005 of the Existing Properties and the Properties.

Changes in the occupancy rate for the City One Shatin Property will have the most significant impact on the Net Property Income of Fortune REIT. The occupancy rate for the City One Shatin Property for the financial year ending 31 December 2005 is set out earlier in this section. The impact of variations in the occupancy rate for the City One Shatin Property on distributions as at 31 December 2005 is set out below:

Based on an issue price of	HK\$6.23
	DPU (HK cents)
Average occupancy rate — 97.0%	33.42
Base case average occupancy rate — 96.0%	33.33
Average occupancy rate — 95.0%	33.24

INDEPENDENT ACCOUNTANTS' REPORT ON THE PROFIT FORECAST

15 June 2005

The Board of Directors
ARA Asset Management (Singapore) Limited
(as Manager of Fortune REIT)
9 Temasek Boulevard
#09-01 Suntec Tower 2 Singapore 038989

HSBC Institutional Trust Services (Singapore) Limited
(as Trustee of Fortune REIT)
21 Collyer Quay
#10-01 HSBC Building
Singapore 049320

Dear Sirs

Letter from the Reporting Accountants on the Profit Forecast for the Financial Year Ending 31 December 2005

This letter has been prepared for inclusion in the Offer Information Statement to be issued by Fortune Real Estate Investment Trust ("**Fortune REIT**") in relation to the proposed acquisition of the City One Shatin Property, the Waldorf Garden Property, the Tsing Yi Square Property, the Centre de Laguna Property, the Lido Garden Property and the Rhine Garden Property and the issue of new units in Fortune REIT.

The directors of ARA Asset Management (Singapore) Limited are responsible for the preparation and presentation of the profit forecast for the financial year ending 31 December 2005 (the "**profit forecast**") set out on pages 106 to 107 of the Offer Information Statement, which have been prepared on the assumptions set out on pages 108 to 113 of the Offer Information Statement. A review of the reasonableness of the assumptions on which the profit forecast is based has been performed by Deloitte & Touche Corporate Finance Pte Ltd whose report thereon is set out on pages 117 to 118 of the Offer Information Statement. Our responsibility is to examine and report on the calculations, accounting policies and presentation of the profit forecast.

We have examined, as reporting accountants, the profit forecast of Fortune REIT for the financial year ending 31 December 2005 set out on pages 106 to 107 of the Offer Information Statement, in accordance with Singapore Standard on Assurance Engagements, SSAE 3400, applicable to The Examination of Prospective Financial Information. The Directors are solely responsible for the profit forecast including the assumptions set out on pages 108 to 113 of the Offer Information Statement on which the profit forecast is 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 108 to 113 of the Offer Information Statement, is consistent with the accounting policies normally adopted by Fortune REIT, and is presented in accordance with the relevant principles of Singapore Financial Reporting Standards (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 forecast since other anticipated events frequently do not occur as expected and the variation may be material. The actual result may therefore differ materially from the forecast. For the reasons set out above, we do not express any opinion as to the possibility of the achievement of the profit forecast.

Attention is drawn, in particular, to the following:

- (a) the Profit Forecast is prepared for a period of 12 months ending 31 December 2005 whereas assuming that the Acquisitions are completed on or around 28 June 2005, the benefits from the Properties will accrue to Fortune REIT for only the second half of 2005. As a result, the actual Net Property Income of Fortune REIT for the year ending 31 December 2005 will be different from that indicated in Appendix 3 of the Offer Information Statement. As such, the profit forecast should be regarded as an illustration of the Net Property Income of Fortune REIT had the Acquisitions been completed on 1 January 2005. In addition, due to seasonality, the difference in interest rates and tenancy expiry profile, the actual Net Property income for the second half of 2005 in respect of the Properties may not be equal to 50.0% of the Net Property Income forecast. Accordingly, the actual yield may also be different from the forecast yield; and
- (b) sensitivity analysis of the profit forecast of the directors of ARA Asset Management (Singapore) Limited set out on pages 113 to 114 of the Offer Information Statement.

Yours faithfully

Deloitte & Touche
Certified Public Accountants
Singapore

Cheng Ai Phing
Partner

DTCF'S REPORT ON THE PROFIT FORECAST

15 June 2005

The Board of Directors
ARA Asset Management (Singapore) Limited
(as Manager of Fortune REIT)
9 Temasek Boulevard
#09-01 Suntec Tower 2
Singapore 038989

HSBC Institutional Trust Services (Singapore) Limited
(as Trustee of Fortune REIT)
21 Collyer Quay
#10-01 HSBC Building
Singapore 049320

Dear Sirs

Letter on the Profit Forecast for the Financial Year Ending 31 December 2005

Introduction

This letter has been prepared for inclusion in the offer information statement (the “**OIS**”) to be issued by Fortune Real Estate Investment Trust (“**Fortune REIT**”) in relation to the proposed acquisition of the City One Shatin Property, the Waldorf Garden Property, the Tsing Yi Square Property, the Centre de Laguna Property, the Lido Garden Property and the Rhine Garden Property and the issue of new units in Fortune REIT.

We are licensed under a capital markets services licence to provide corporate finance advisory services and have been appointed to review the assumptions used as a basis in preparation of the profit forecast of the enlarged Fortune REIT pursuant to the Acquisitions for the year ending 31 December 2005 (the “**profit forecast**”) and to provide a statement as to whether following our examination of the evidence supporting the assumptions any matter has come to our attention which gives us reason to believe that the assumptions do not provide reasonable grounds for the profit forecast.

The expressions defined in the OIS have the same meaning in this letter.

Scope

The directors of ARA Asset Management (Singapore) Limited are solely responsible for the preparation of the profit forecast, which is set out on pages 106 and 107 of the OIS. This includes ensuring that the assumptions used in preparation of the profit forecast (the “**assumptions**”) are stated in the OIS.

We have reviewed the assumptions on which the profit forecast are based. The assumptions used in the preparation of the profit forecast are set out on pages 108 to 113 of the OIS.

In carrying out our review, we have had discussions with the management of ARA Asset Management (Singapore) Limited to better understand the assumptions used in preparation of the profit forecast 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 of ARA Asset Management (Singapore) Limited in arriving at the assumptions for the profit forecast 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 with the historical performance.

We also considered whether the assumptions are consistent with the purpose of the profit forecast, and whether there is any reason to believe that they are clearly unrealistic.

In carrying out our review, we also focused on the extent to which those assumptions that are particularly sensitive to variation have a material effect on the profit forecast. 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 have also considered the letter dated 15 June 2005 addressed to the board of directors of ARA Asset Management (Singapore) Limited and HSBC Institutional Trust Services (Singapore) Limited prepared by Deloitte & Touche, Certified Public Accountants, relating to their examination of the profit forecast (as defined in their letter) in accordance with Singapore Standard on Assurance Engagements, SSAE 3400, applicable to The Examination of Prospective Financial Information insofar as the profit forecast is properly prepared based on the assumptions and is consistent with the accounting policies of Fortune REIT.

For the purpose of rendering this letter, we have relied upon and assumed the accuracy and completeness of all financial and other information provided to, or discussed with us.

Statement

We draw the attention of unitholders and investors to the fact that, the profit forecast is prepared for a period of 12 months ending 31 December 2005 whereas assuming that the Acquisitions are completed on, or around, 28 June 2005, benefits from the Properties will accrue to Fortune REIT for the period commencing on, or around, 29 June 2005 and ending 31 December 2005. As a result the actual Net Property Income of Fortune REIT for the year ending 31 December 2005 will be materially different from that indicated in Appendix 3 of the OIS. As such, the profit forecast should be regarded as an illustration of the Net Property Income of Fortune REIT had the Acquisitions been completed on 1 January 2005. In addition, due to seasonality, the difference in interest rates and tenancy expiry profile, the actual Net Property Income for the second half of 2005 in respect of the Properties may not be equal to 50.0% of their Net Property Income forecast. Accordingly, the actual yield may also be different from the forecast yield.

On the basis of our examination of the evidence supporting the assumptions, nothing has come to our attention which gives us reason to believe that these assumptions do not provide reasonable grounds for the profit forecast.

Our letter should be read together with the sensitivity analysis of the profit forecast of the directors of ARA Asset Management (Singapore) Limited set out on pages 113 to 114 of the Circular.

We do not accept responsibility for the realisation of the profit forecast. In addition, we emphasise that since the profit forecast relates to the future and is based on hypothetical assumptions about future events, actual results are likely to be different from the forecast 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 Grimmatt
Director

NAMES AND ADDRESSES OF THE DIRECTORS

The names and addresses of the Directors are as follows:

Name	Address
Mr Chiu Justin Kwok Hung (Chairman)	Suite 39-B, Tregunter III Tregunter, 14 Tregunter Path Mid-Levels Hong Kong
Mr Lim Hwee Chiang (Chief Executive Officer)	23 Jalan Nipah Singapore 488828
Mr Ip Tak Chuen Edmond	Flat B2, 10/F, Park Place No. 7 Tai Tam Reservoir Road Hong Kong
Ms Yeung Eirene	Flat C, 16th Floor, Block 27 Baguio Villa Victoria Road Hong Kong
Mr Lim Lee Meng (Independent Director)	1F, Pine Grove #08-29 Singapore 595001
Mr Cheng Moses Mo Chi (Independent Director)	Suite 4B Hollywood Height 6 Old Peak Road Hong Kong
Mrs Sng Sow-Mei (Phoon Sui Moy alias Poon Sow Mei) (Independent Director)	5000D Marine Parade #12-14 Singapore 449287

NUMBER OF UNITS OWNED BY EACH SUBSTANTIAL UNITHOLDER

Based on the Register of Substantial Unitholders maintained by the Manager, the Substantial Unitholders and their respective interests (direct and deemed) in the Units as at the Latest Practicable Date are as follows:

Substantial Unitholder	Direct interest	Percentage of issued and outstanding Units	Deemed interest	Percentage of issued and outstanding Units
Ballston Profits Limited	58,995,000	12.4%	—	—
Focus Eagle Investments Limited	129,685,000	27.2%	—	—
DBS Bank Ltd	47,000,000	9.9%	6,200,000 ⁽¹⁾	1.3%
Cheung Kong (Holdings) Limited	—	—	189,140,822 ⁽²⁾	39.7%
Hutchison Whampoa Limited	—	—	58,995,000 ⁽³⁾	12.4%
The Capital Group Companies, Inc	—	—	28,719,000	6.0%
DBS Group Holdings Ltd	—	—	53,200,000 ⁽⁴⁾	11.2%

Notes:

- (1) DBS Bank Ltd is deemed to be interested in 6,200,000 Units held by its affiliates.
- (2) CKHL is deemed to be interested in 189,140,822 Units, of which:
 - (i) 129,685,000 Units are held by Focus Eagle Investments Limited (a wholly-owned subsidiary of CKHL)
 - (ii) 58,995,000 Units are held by Ballston Profits Limited (a wholly-owned subsidiary of Hutchison Whampoa Limited, which in turn is 49.9% owned by CKHL); and
 - (iii) 460,822 Units are held by the Manager (a wholly-owned subsidiary of ARA Asset Management Limited) by virtue of CKHL's ownership of 30% of the shares in ARA Asset Management Limited.
- (3) Hutchison Whampoa Limited is deemed to be interested in 58,995,000 Units held by its wholly-owned subsidiary company, Ballston Profits Limited.
- (4) DBS Group Holdings Ltd is deemed to be interested in 53,200,000 Units, of which
 - (i) 47,000,000 Units are held by its subsidiary, DBS Bank Ltd; and
 - (ii) 6,200,000 Units held by its affiliates.

PRICE RANGE OF THE UNITS AND TRADING VOLUME ON THE SGX-ST

The table below sets forth, with regard to the periods indicated (commencing on 13 August 2003, the day after Fortune REIT was listed on the SGX-ST, to the Latest Practicable Date), the highest and lowest closing prices of the Units and the total volume traded each month.

Month	Price Range (HK\$ per Unit)		Volume Traded
	Highest	Lowest	
August 2003	4.750	4.500	41,100,000
September 2003	4.750	4.700	23,301,000
October 2003	4.750	4.550	12,329,000
November 2003	4.750	4.650	1,894,000
December 2003	4.900	4.5750	10,191,000
January 2004	5.450	4.8750	23,719,000
February 2004	5.200	5.000	8,325,000
March 2004	5.200	5.000	13,401,000
April 2004	5.200	5.000	8,218,000
May 2004	5.100	5.000	5,477,000
June 2004	5.500	5.000	12,581,000
July 2004	5.800	5.350	9,506,000
August 2004	5.950	5.700	10,286,000
September 2004	6.500	5.900	12,227,000
October 2004	6.300	5.950	6,135,000
November 2004	6.350	5.900	14,372,000
December 2004	6.550	6.200	8,227,000
January 2005	6.600	6.150	8,440,000
February 2005	6.600	6.350	6,994,000
March 2005	6.900	6.650	7,748,000
April 2005	6.650	6.300	2,887,000
May 2005	6.500	6.050	9,179,000
1 June 2005 up to the Latest Practicable Date	6.600	6.300	3,400,000

Source: Bloomberg

LAST AUDITED BALANCE SHEET OF FORTUNE REIT

Balance Sheet as at 31 December 2004

	Group ⁽¹⁾ HK\$'000	Fortune REIT HK\$'000
ASSETS AND LIABILITIES		
Current Assets		
Cash and bank balances	103,622	58,175
Trade and other receivables	33,906	78,515
Total current assets	<u>137,528</u>	<u>136,690</u>
Non-current assets		
Loans to property companies	—	1,557,799
Investments in property companies	—	531,486
Investment properties	4,184,000	—
Plant and equipment	31	—
Negative goodwill	(134,410)	—
Total non-current assets	<u>4,049,621</u>	<u>2,089,285</u>
Total assets	4,187,149	2,225,975
Current liabilities		
Trade and other payables ⁽²⁾	66,295	4,614
Short-term borrowing	26,000	—
Provision for taxation	5,566	19
Total current liabilities	<u>97,861</u>	<u>4,633</u>
Non-current liabilities		
Borrowings	900,000	—
Deferred tax liabilities	55,556	—
Total non-current liabilities	<u>955,556</u>	<u>—</u>
Total liabilities	1,053,417	4,633
Net assets	<u>3,133,732</u>	<u>2,221,342</u>
UNITHOLDERS' FUNDS		
Issued equity	2,245,560	2,245,560
Unit issue costs ⁽³⁾	(87,540)	(87,540)
Revaluation reserves	908,200	—
Accumulated profits	67,512	63,322
Total Unitholders' funds	<u>3,133,732</u>	<u>2,221,342</u>

Notes:

(1) The Group financial information incorporates the financial statements of Fortune REIT and the Existing Property Companies.

(2) This includes the Manager's Base Fee of HK\$3.3 million payable in Units.

(3) Unit issue costs comprise listing and perusal fee, professional and other fees, underwriting and selling commission, and miscellaneous expenses. It includes an amount of HK\$87.1 million as well as accruals of HK\$0.4 million paid as of 31 December 2004.

PROCEDURES FOR ACCEPTANCE OF AND PAYMENT FOR NEW UNITS UNDER THE PREFERENTIAL OFFERING BY SINGAPORE REGISTERED UNITHOLDERS

Unitholders with Units standing to the credit of their Securities Accounts as at 13 June 2005 and whose registered addresses with CDP were in Singapore as at 13 June 2005, who had a rights mailing address or who had prior to 3 June 2005 provided to CDP addresses in Singapore for the service of notices and documents (“**Singapore Registered Unitholders**”) are entitled to receive this Circular and the Acceptance Form which forms part of this Circular.

The Preferential Offering is governed by the terms and conditions of this Circular and instructions in the Acceptance Form. The Acceptance Form is not renounceable or transferable and is for use only by Singapore Registered Unitholders. The Acceptance Form and this Circular (including the Offer Information Statement in **Annexure A** therein) may not be used for the purpose of, and do not constitute, an offer or invitation or solicitation in any jurisdiction or in any circumstances in which such an offer or invitation or solicitation is unlawful or not authorised, or to any person to whom it is unlawful to make such an offer or invitation or solicitation.

The Acceptance Form, this Circular and the Offer Information Statement have not been registered under the applicable securities laws of any overseas jurisdiction and the New Units under the Preferential Offering are not offered to any person who is not a Singapore Registered Unitholder. The Joint Bookrunners and Underwriters reserve the right to reject any acceptance of the New Units under the Preferential Offering where they believe, or have reason to believe, that such acceptance may violate the applicable laws of any jurisdiction.

An applicant accepting his provisional allocation of New Units under the Preferential Offering (the “**Applicant**”) should consider the implications of the provisions of the Acceptance Form and this Circular before he accepts all or part of his provisional allocation.

By completing and delivering the Acceptance Form and in consideration of the Joint Bookrunners and Underwriters issuing and distributing the Acceptance Form to the Applicant, he agrees that:

- (a) his acceptance is irrevocable;
- (b) his remittance will be honoured on first presentation and that any moneys returnable may be held pending clearance of his payment and will not bear interest or enjoy any share of revenue or other benefit arising therefrom;
- (c) the contract arising from his acceptance pursuant to the Acceptance Form shall be governed by and construed in accordance with Singapore law and that he irrevocably submits to the non-exclusive jurisdiction of the Singapore courts;
- (d) the Manager and the Joint Bookrunners and Underwriters shall be under no obligation to account to him or any other person for any interest or share of revenue or other benefit accruing on or arising from or in connection with any subscription moneys; and
- (e) in the event his acceptance is invalid, presentation of his remittance for payment by or on behalf of the Joint Bookrunners and Underwriters shall not constitute, or be construed as, an affirmation of such invalid acceptance.

The number of New Units provisionally allocated for offer to Singapore Registered Unitholders under the Preferential Offering (based on the ratio of one New Unit for every 10 Existing Units) is indicated in the Acceptance Form (fractions of a New Unit having been disregarded) and includes additional New Units allocated to Singapore Registered Unitholders (where applicable) to enable them to obtain aggregate unitholdings in integral multiples of 1,000 Units after subscription for the whole of their provisional allocations of New Units under the Preferential Offering. (See the section entitled “Additional Information on the Preferential Offering” under paragraph (j) of the Offer Information Statement in **Annexure A** of this Circular for further details.) For the avoidance of doubt, such additional Units are included in the provisional allocations of investors who have purchased Units under

the Supplementary Retirement Scheme. The provisional allocations of investors who hold Units through nominee companies include such additional New Units allocated to enable the level of the aggregate Units held in the Securities Accounts of such nominee companies with CDP to be in integral multiples of 1,000 Units after subscription for the whole of their provisional allocations of New Units under the Preferential Offering.

Singapore Registered Unitholders may accept their provisional allocations of New Units under the Preferential Offering in whole or in part. The Securities Accounts of Singapore Registered Unitholders have been credited by CDP with the provisional allocations of New Units as indicated in their Acceptance Form. Instructions for the acceptance of and payment for the New Units under the Preferential Offering are set out in this Circular and the Acceptance Form.

SRS account holders who wish to accept their provisional allocations of New Units under the Preferential Offering will need to:

- (a) instruct the relevant approved banks where such SRS account holder hold their SRS accounts to subscribe for the New Units on their behalf in accordance with this Circular; and
- (b) **make sure that they have sufficient funds in their SRS accounts to pay for the number of New Units which they intend to subscribe.** If an SRS account holder instructs the relevant bank where he holds his SRS account to subscribe for the New Units on his behalf and he does not have sufficient funds in his SRS account to pay for the number of New Units which he intend to subscribe, his acceptance will be rejected.

If a Singapore Registered Unitholder wishes to accept his provisional allocation of New Units specified in his Acceptance Form in full or in part, he may do so through CDP by completing and submitting the relevant portion of the Acceptance Form or by way of an electronic acceptance through any ATM of the Participating Banks ("**Electronic Acceptance**"). A Singapore Registered Unitholder should ensure that the Acceptance Form is accurately and correctly completed, failing which the acceptance of his provisional allocation under the Preferential Offering may be rejected. Acceptances accompanied by remittances improperly drawn may also be rejected. A list of the Participating Banks is set out in **Annexure D** of this Circular.

Singapore Registered Unitholders (including the Directors and their immediate family (*i.e.* the spouse, children, adopted children, step-children, siblings and parents of the Directors), but not the Substantial Unitholders) may apply for additional New Units under the ATM Offering. The offer of New Units under the ATM Offering is made on a "first-come, first-served" basis and is subject to availability of New Units under the ATM Offering. Instructions for the application of New Units under the ATM Offering are set out in **Annexure C** of this Circular.

(i) Acceptance through CDP

To accept the provisional allocation of New Units specified in the Acceptance Form through CDP, the duly completed Acceptance Form must be accompanied by **A SINGLE REMITTANCE** for the full amount payable for the relevant number of New Units accepted, and submitted by hand to **THE CENTRAL DEPOSITORY (PTE) LIMITED at 4 SHENTON WAY, #02-01 SGX CENTRE 2, SINGAPORE 068807** or by post in the self-addressed envelope provided, at the Singapore Registered Unitholder's own risk, to **THE CENTRAL DEPOSITORY (PTE) LIMITED, ROBINSON ROAD, P.O. BOX 1597, SINGAPORE 903147 so as to arrive not later than 4:45 p.m. on 21 June 2005.** The payment must be made in Hong Kong currency in the form of a banker's draft drawn on a bank in Hong Kong and made payable to "**THE CENTRAL DEPOSITORY (PTE) LIMITED --- FORTUNE REIT PREFERENTIAL OFFER ACCOUNT**" and crossed "**NOT NEGOTIABLE, A/C PAYEE ONLY**" with the name and Securities Account number of the Singapore Registered Unitholder clearly written on the reverse side. **No combined cashier's order or banker's draft for different Securities Accounts or other form of payment (INCLUDING THE USE OF A POSTAL ORDER OR MONEY ORDER ISSUED BY A POST OFFICE IN SINGAPORE) will be accepted.**

(ii) Acceptance by way of Electronic Acceptance through any ATM of the Participating Banks

Instructions for Electronic Acceptances of provisional allocations of New Units under the Preferential Offering will appear on the ATM screens of the Participating Banks.

THE FINAL TIME AND DATE FOR ACCEPTANCE OF AND PAYMENT FOR THE PROVISIONAL ALLOCATIONS OF NEW UNITS UNDER THE PREFERENTIAL OFFERING IS:

- (A) 4:45 P.M. ON 21 JUNE 2005 IF AN ACCEPTANCE AND PAYMENT IS MADE THROUGH CDP;
OR**
- (B) 9:30 P.M. ON 21 JUNE 2005 IF AN ACCEPTANCE AND PAYMENT IS MADE THROUGH ANY
ATM OF THE PARTICIPATING BANKS.**

If acceptance and payment in the prescribed manner as set out in the Acceptance Form and this Circular is not received through CDP by **4:45 p.m. on 21 June 2005** or through any ATM of the Participating Banks by **9:30 p.m. on 21 June 2005** from any Singapore Registered Unitholder, the provisional allocation of New Units to the Singapore Registered Unitholder shall be deemed to have been declined and shall forthwith lapse and become void. To the extent to which the provisional allocation is taken up in part only, the balance will be deemed to have been declined. Any subscription moneys to be returned will be returned to the Singapore Registered Unitholders without interest or share of revenue or other benefit arising therefrom, BY ORDINARY POST (where acceptance is through CDP) or by crediting their accounts with the relevant Participating Bank (where acceptance is by way of an Electronic Acceptance), and at the Singapore Registered Unitholders' own risk within 14 Market Days after the close of the Preferential Offering on 21 June 2005. Any New Units declined by Singapore Registered Unitholders will be used to satisfy excess applications (if any) under the Private Placement.

In the event that the Applicant accepts his provisional allocation of New Units under the Preferential Offering, the allocation of New Units will be effected in such manner as the Joint Bookrunners and Underwriters (in consultation with the Manager) or CDP may, in their absolute discretion deem fit, in accordance with the terms of this Circular. However, if the New Units are not issued due to approval not being obtained from the SGX-ST (or due to any other reason), all subscription moneys will be refunded (without interest or any share of revenue or other benefit arising therefrom) within 14 Market Days after the close of the Preferential Offering on 21 June 2005 by any or a combination of the following:

- (a) by means of a crossed cheque for subscription moneys in Hong Kong currency sent BY ORDINARY POST at the Applicant's own risk if he accepts through CDP; and
- (b) crediting the Applicant's bank account with the relevant Participating Bank for subscription moneys in Singapore currency at his own risk if he accepts through an ATM of the Participating Banks.

If any Singapore Registered Unitholder is in any doubt as to the action he should take, he should consult his stockbroker, bank manager, accountant, solicitor or other professional adviser immediately.

ADDITIONAL TERMS AND CONDITIONS FOR ELECTRONIC ACCEPTANCES OF NEW UNITS UNDER THE PREFERENTIAL OFFERING THROUGH AN ATM OF A PARTICIPATING BANK

The procedures for Electronic Acceptances of New Units under the Preferential Offering at the ATMs of the Participating Banks are set out on the ATM screens of the Participating Banks (the "**Electronic Acceptance Steps**"). For illustration purposes, the procedures for Electronic Acceptances of the New Units through the ATMs of DBS Bank (including POSB ATMs) are set out in the section entitled "Steps for Electronic Acceptance of New Units under the Preferential Offering through ATMs of DBS Bank (including POSB ATMs)" on pages 129 and 130 of this Circular. Please read carefully the terms of this Circular, the instructions set out on the ATM screens of the Participating Banks and the terms and conditions set out below before making an Electronic Acceptance through an ATM of the Participating Banks. Any Electronic Acceptance of New Units under the Preferential Offering which does not strictly conform to the instructions set out on the screens of the ATM of the relevant Participating Bank through which the Electronic Acceptance is effected will be rejected.

All references to “Rights Issue” and “Rights Application” on the ATM screens of the Participating Banks shall mean the offer of New Units under the Preferential Offering and the acceptance of such New Units, respectively. All references to “Document” on the ATM screens of the Participating Banks shall mean this Circular, which contains the Offer Information Statement.

Any references to the “Applicant” in the terms and conditions set out below and the Electronic Acceptance Steps shall mean the Singapore Registered Unitholder who accepts his provisional allocation of New Units under the Preferential Offering through an ATM of the Participating Banks. An Applicant must have an existing bank account with and be an ATM cardholder of a Participating Bank before he can effect an Electronic Acceptance at an ATM of the relevant Participating Bank. Upon the completion of his Electronic Acceptance transaction, the Applicant will receive an ATM transaction slip (“**Transaction Record**”) confirming the details of his Electronic Acceptance. The Transaction Record is for retention by the Applicant and should not be submitted with any Acceptance Form.

An Applicant, including one who has a joint bank account with a Participating Bank, must ensure that he enters his own Securities Account number when using the ATM card issued to him in his own name. Using his own Securities Account number with an ATM card which is not issued to him in his own name will render his acceptance liable to be rejected.

Electronic Acceptances shall be made on, and subject to, the terms and conditions of this Circular, including but not limited to the terms and conditions appearing below:

1. In connection with his Electronic Acceptance, the Applicant is required to confirm statements to the following effect in the course of activating the ATM for his Electronic Acceptance:
 - (a) that he has read, understood and agreed to all the terms and conditions of acceptance of New Units prior to effecting the Electronic Acceptance and agrees to be bound by the same; and
 - (b) that he consents to the disclosure of his name, NRIC/passport number, address, nationality, CDP Securities Account number, and acceptance details (the “**Relevant Particulars**”) from his account with the relevant Participating Bank to the Unit Registrar, CDP, the SGX-ST, the Manager and the Joint Bookrunners and Underwriters (the “**Relevant Parties**”).

His acceptance will not be successfully completed and cannot be recorded as a completed transaction in the ATM unless he presses the “Enter” or “OK” or “Confirm” or “Yes” key. By doing so, the Applicant shall be treated as signifying his confirmation of each of the two statements above. In respect of statement 1(b) above, his confirmation, by pressing the “Enter” or “OK” or “Confirm” or “Yes” key, shall signify and shall be treated as his 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 the relevant Participating Bank of the Relevant Particulars of his account to the Relevant Parties.

2. An Applicant may effect an Electronic Acceptance at an ATM of a Participating Bank using cash only by authorising the relevant Participating Bank to deduct the full amount payable from his account with the relevant Participating Bank in Singapore currency (based on the relevant Participating Bank’s foreign exchange board rate prevailing at the time of acceptance).
3. The Applicant irrevocably agrees and undertakes to subscribe for and to accept the lesser of the number of New Units allocated as stated on the Transaction Record or the number of New Units standing to the credit of his Securities Account as at the close of the Preferential Offering.
4. If the Applicant’s Electronic Acceptance is successful, his confirmation (by his action of pressing the “Enter” or “OK” or “Confirm” or “Yes” key on the ATM) of the number of New Units accepted shall signify and shall be treated as his acceptance of the number of New Units that may be allotted to him.
5. In the event that the Applicant accepts his provisional allocation of New Units under the Preferential Offering both by way of an Acceptance Form and by way of an Electronic Acceptance, CDP shall be authorised and entitled to accept the Applicant’s instruction in whichever mode or a combination thereof as it may in its absolute discretion deem fit. In determining the number of

New Units which the Applicant has validly given instruction to accept, the Applicant shall be deemed to have irrevocably given instructions to accept such number of New Units not exceeding the number of New Units provisionally allocated which are standing to the credit of his Securities Account as at the close of the Preferential Offering, and CDP, in determining the number of New Units which the Applicant has validly given instructions to accept, shall be authorised and entitled to have regard to the aggregate amount of payment received for the acceptances.

6. The Applicant irrevocably requests and authorises the Manager and the Joint Lead Bookrunners and Underwriters to:
 - (a) register or procure the registration of the New Units allotted to the Applicant in the name of CDP for deposit into his Securities Account; and
 - (b) return (without interest or any share of revenue or other benefit arising therefrom) the full amount or, as the case may be, the balance of the subscription moneys in Singapore currency, should the number of New Units as indicated in his Electronic Acceptance not be allotted or, as the case may be, fully allotted by the Manager and/or the Joint Lead Bookrunners and Underwriters for any reason, by automatically crediting the Applicant's bank account with the relevant Participating Bank with the relevant amount within 14 Market Days after the close of the Preferential Offering.
7. **BY EFFECTING AN ELECTRONIC ACCEPTANCE, THE APPLICANT CONFIRMS THAT HE IS NOT ACCEPTING THE NEW UNITS AS THE NOMINEE OF ANY OTHER PERSON.**
8. The Applicant irrevocably agrees and acknowledges that his Electronic Acceptance is subject to risks of electrical, electronic, technical and computer-related faults and breakdowns, fires, acts of God, mistakes, losses and theft (in each case whether or not within the control of CDP, the Manager, the Joint Bookrunners and Underwriters, the Participating Banks and the Unit Registrar and other events beyond the control of CDP, the Manager, the Joint Bookrunners and Underwriters, the Participating Banks and the Unit Registrar and if, in any such event, CDP and/or the Manager and/or the Joint Bookrunners and Underwriters, the Participating Banks, the Unit Registrar do not record or receive the Applicant's Electronic Acceptance, or data relating to the Applicant's Electronic Acceptance or the tape containing such data is lost, corrupted, destroyed or not otherwise accessible, whether wholly or partially for whatever reason, the Applicant shall be deemed not to have made an Electronic Acceptance and the Applicant shall have no claim whatsoever against CDP, the Manager, the Joint Bookrunners and Underwriters, the Participating Banks or the Unit Registrar for the purported acceptance of the New Units or for any compensation, loss or damage in connection therewith or in relation thereto.
9. Electronic Acceptances may be effected at the ATMs of the Participating Banks between 9.00 a.m. to 9.30 p.m. on 21 June 2005 and between 7.00 a.m. to 9.30 p.m. (Mondays to Saturdays only) for the remaining period of the Preferential Offering. This service will not be available on Sundays.
10. Electronic Acceptances shall close at 9.30 p.m. on 21 June 2005 or such other time as the Joint Bookrunners and Underwriters (in consultation with the Manager) may, in their absolute discretion, deem fit.
11. All particulars of the Applicant in the records of the relevant Participating Bank at the time he effects his Electronic Acceptance for the New Units under the Preferential Offering shall be deemed to be true and correct, and the Joint Lead Bookrunners and Underwriters and the Relevant Parties shall be entitled to rely on the accuracy thereof. If there has been any change in the particulars of the Applicant after the time of the effecting of his Electronic Acceptance, the Applicant shall promptly notify the relevant Participating Bank.
12. The Applicant must have sufficient funds in his bank account(s) with the relevant Participating Bank at the time he effects his Electronic Acceptance of his provisional allocation of New Units under the Preferential Offering, failing which his Electronic Acceptance will not be completed. The Applicant may not use CPF funds for Electronic Acceptance. Any Electronic Acceptance made at the ATMs of the Participating Banks which does not strictly conform to the instructions set out on the ATM screens of the Participating Banks will be rejected.

13. Where an Electronic Acceptance is not accepted, it is expected that the full amount of subscription moneys will be refunded in Singapore currency (without interest or any share of revenue or other benefit arising therefrom) to the Applicant by being automatically credited to the Applicant's account with the relevant Participating Bank within 14 Market Days of the close of the Preferential Offering. An Electronic Acceptance may also be accepted in part, in which case the balance amount of subscription moneys will be refunded.
 14. In consideration of the Joint Bookrunners and Underwriters arranging for the Electronic Acceptance facility through the ATMs of the Participating Banks and agreeing to close the Preferential Offering at 9.30 p.m. on 21 June 2005 or such other time or date as the Joint Bookrunners and Underwriters (in consultation with the Manager) may, in their absolute discretion decide, and by making and completing an Electronic Acceptance, the Applicant agrees that:
 - (a) his Electronic Acceptance for the New Units under the Preferential Offering is irrevocable;
 - (b) his Electronic Acceptance for the New Units under the Preferential Offering, the acceptance thereof by the relevant Participating Bank and the contract resulting therefrom shall be governed by, and construed in accordance with, the laws of Singapore and he irrevocably submits to the non-exclusive jurisdiction of the Singapore courts;
 - (c) neither the Manager nor the relevant Participating Bank shall be liable for any delay, failure or inaccuracy in the recording, storage or in the transmission or delivery of data relating to his Electronic Acceptance to the Joint Bookrunners and Underwriters or CDP due to a breakdown or failure of transmission, delivery or communication facilities or to any cause beyond their respective controls;
 - (d) he will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of his provisional allocation of New Units under the Preferential Offering; and
 - (e) in respect of the New Units for which his Electronic Acceptance has been successfully completed and not rejected, acceptance of the Applicant's Electronic Acceptance shall be constituted by written notification by or on behalf of the Joint Bookrunners and Underwriters and not otherwise, notwithstanding any payment received by or on behalf of the Joint Bookrunners and Underwriters.
 15. The Applicant should ensure that his personal particulars as recorded by both CDP and the relevant Participating Bank are correct and identical, otherwise, his Electronic Acceptance may be liable to be rejected. The Applicant should promptly inform CDP of any change in his address, failing which the notification letter on successful allotment will be sent to his address last registered with CDP.
 16. The existence of a trust will not be recognised. Any Electronic Acceptance by a trustee must be made in his own name and without qualification. The Joint Bookrunners and Underwriters (in consultation with the Manager) will reject any acceptance by any person acting as nominee.
 17. The Applicant hereby acknowledges that, in determining the total number of New Units which he can validly accept under the Preferential Offering, the Joint Bookrunners and Underwriters and CDP are entitled and the Applicant hereby authorises the Joint Bookrunners and Underwriters and CDP to take into consideration:
 - (a) the total number of New Units which the Applicant has accepted, whether by way of an Acceptance Form or by way of an Electronic Acceptance; and
 - (b) the total number of New Units comprised in the provisional allocation standing to the credit of his Securities Account and which are available for acceptance.
- The Applicant hereby acknowledges that the determination of CDP and the Joint Bookrunners and Underwriters shall be conclusive and binding on him.**
18. The Applicant irrevocably requests and authorises CDP to accept instructions from the Joint Bookrunners and Underwriters in respect of the number of News Units accepted by the Applicant

by way of an Electronic Acceptance through the ATMs of the Participating Banks, and such instructions shall be binding and conclusive on the Applicant.

Steps for Electronic Acceptance of New Units under the Preferential Offering through ATMs of DBS Bank (including POSB ATMs)

For illustrative purposes, the steps for making an Electronic Acceptance through a DBS or POSB ATM are shown below. Certain words appearing on the screen are in abbreviated form (“A/c”, “amt”, “appln”, “&”, “I/C” and “No.” refer to “Account”, “amount”, “application”, “and”, “NRIC” and “Number” respectively). Any reference to “you” or the “Applicant” in this section refers to an individual accepting his provisional allocation of New Units under the Preferential Offering, whether in full or in part, by way of an Electronic Acceptance. Instructions for making an Electronic Acceptance on the ATM screens of the Participating Banks (other than DBS Bank ATMs (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/INVESTMENTS”.
5. Select “RIGHTS APPLN”.
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. ANYONE WISHING TO ACQUIRE THESE SECURITIES (OR UNITS OF SECURITIES) SHOULD READ THE PROSPECTUS/DOCUMENT OR PROFILE STATEMENT BEFORE SUBMITTING HIS APPLICATION AND WILL NEED TO MAKE AN APPLICATION IN THE MANNER SET OUT IN THE PROSPECTUS/DOCUMENT OR PROFILE STATEMENT.
7. Select the DBS Bank account (AutoSave/Current/Savings/Savings Plus) or the POSB account (Current/Savings) from which to debit your application moneys.
8. Select “**FORTUNE PEF**”.
9. Read and understand the following statements which will appear on the screen:--
 - A COPY OF THE PROSPECTUS/DOCUMENT OR PROFILE STATEMENT, WHERE APPLICABLE, HAS BEEN LODGED WITH AND REGISTERED BY THE MONETARY AUTHORITY OF SINGAPORE WHO TAKES NO RESPONSIBILITY FOR ITS CONTENTS. FOR RIGHTS APPLN, A COPY OF THE PROSPECTUS HAS BEEN SENT TO SHAREHOLDERS AND IS ALSO AVAILABLE FOR COLLECTION FROM, WHERE APPLICABLE, THE CDP AND THE SHARE REGISTRAR OF THE ISSUER DURING NORMAL OFFICE HOURS.
 - Press the “ENTER” key to confirm that you have read and understood.
10. Press the “ENTER” key to acknowledge:
 - YOU HAVE READ, UNDERSTOOD AND AGREED TO ALL TERMS & CONDITIONS GOVERNING THIS ACCEPTANCE/APPLN INCLUDING CDP’S TERMS & CONDITIONS GOVERNING ELECTRONIC APPLN FOR RIGHTS ISSUES THROUGH THE ATM.

- YOU CONSENT TO DISCLOSE YOUR NAME, ADDRESS, NATIONALITY, NRIC/ PASSPORT NO., CDP SECURITIES A/C NO., APPLN DETAILS TO THE SHARE REGISTRARS, CDP, SCCS, SGX, ISSUER & LEAD MANAGER.
11. Enter the number of New Units you wish to accept. **(Note: You may only accept up to the number of New Units that has been provisionally allocated to you, which is printed on the Acceptance Form. If you choose to accept a number of New Units in excess of what has been provisionally allocated to you, the excess number of New Units will not be accepted and the excess subscription moneys will be refunded to you in Singapore currency (based on the relevant Participating Bank's foreign exchange board rate prevailing at the time of acceptance) within 14 Market Days of the close of the Preferential Offering.)**
 12. Enter your own 12-digit CDP Securities Account number. (Note: This step will be omitted automatically if your CDP Securities Account number has already been stored in DBS Bank's records).
 13. Check the details of your securities 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 your application. (Note: If you see a message "You do not have rights entitlements in your CDP Sec A/C or your entitlement has not been credited yet. Do you wish to proceed with this application?", this means that you do not have New Units provisionally allocated to you under the Preferential Offering and you should select "Cancel".)
 14. Remove the Transaction Record for your reference retention only.

TERMS, CONDITIONS AND PROCEDURES FOR THE APPLICATION OF THE NEW UNITS UNDER THE ATM OFFERING

Applications are invited for the subscription of the New Units under the ATM Offering at the Singapore dollar equivalent of the Issue Price (at the fixed exchange rate of HK\$1.00 = S\$0.2156), subject to the following terms and conditions:

1. **THE OFFER OF NEW UNITS UNDER THE ATM OFFERING IS MADE ON A “FIRST-COME, FIRST-SERVED” BASIS AND IS SUBJECT TO THE AVAILABILITY OF NEW UNITS OFFERED UNDER THE ATM OFFERING.**

YOUR APPLICATION UNDER THE ATM OFFERING MUST BE MADE IN LOTS OF 1,000 NEW UNITS OR INTEGRAL MULTIPLES THEREOF. YOUR APPLICATION FOR ANY OTHER NUMBER OF NEW UNITS WILL BE REJECTED. AN APPLICATION FOR NEW UNITS UNDER THE ATM OFFERING IS SUBJECT TO A MAXIMUM OF 1,000,000 NEW UNITS PER APPLICANT.

2. Your application for the New Units under the ATM Offering can only be made through ATMs belonging to DBS Bank (including POSB ATMs) (“**ATM Electronic Application**”).
3. You may not use your CPF funds to apply for the New Units under the ATM Offering.
4. **Only one application may be made for the benefit of one person for the New Units under the ATM Offering in his own name. Multiple applications will not be accepted for the New Units under the ATM Offering. A person who is submitting an application for New Units under the ATM Offering in his own name should not submit any other applications for the New Units under the ATM Offering for any other person. Such separate applications will be deemed to be multiple applications and shall be rejected.**

Joint or multiple applications for the New Units under the ATM Offering will be rejected.

Persons submitting or procuring submissions of multiple applications for New Units under the ATM Offering may be deemed to have committed an offence under the Penal Code, Chapter 224 of Singapore and the Securities and Futures Act, Chapter 289 of Singapore, 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 will be liable to be rejected at the absolute discretion of DBS Bank (in consultation with the Manager).

Multiple applications may be made in the case of applications by any person for New Units under the Private Placement with a single application for New Units under the ATM Offering.

Singapore Registered Unitholders (except those who are Substantial Unitholders and their immediate family members) may also, in addition to accepting their provisional allocations of New Units under the Preferential Offering, apply for New Units under the ATM Offering.

5. Applications will not be accepted 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 contained in the records of DBS Bank bear post office box numbers.
6. The existence of a trust will not be recognised. Any application by a trustee must be made in his own name and without qualification.
7. **YOU MUST MAINTAIN A SECURITIES ACCOUNT WITH CDP IN YOUR OWN NAME AT THE TIME OF YOUR APPLICATION.** If you do not have an existing Securities Account with CDP in

your own name at the time of application, you will not be able to complete your ATM Electronic Application. If you have an existing Securities Account but fail to provide your Securities Account number or provide an incorrect Securities Account number in your ATM Electronic Application, your application is liable to be rejected. Subject to paragraph 9 below, your application shall be rejected if your particulars, such as name, NRIC/passport number, nationality and permanent residence status, contained in the records of DBS Bank at the time of your ATM Electronic Application differ from those particulars in your Securities Account as maintained by CDP. If you have more than one individual direct Securities Account with CDP, your application shall be rejected.

8. If your address contained in the records of DBS Bank is different from the address registered with CDP, you must inform CDP of your updated address promptly, failing which the notification letter on successful allotment will be sent to your address last registered with CDP.
9. DBS Bank reserves the right to reject any ATM Electronic Application (in consultation with the Manager) which does not conform strictly to the instructions set out in this Circular or which does not comply with the terms and conditions of this Circular. DBS Bank further reserves the right to treat as valid any applications not completed or submitted or effected in all respects in accordance with the instructions or the terms and conditions of this Circular, 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.
10. DBS Bank reserves the right to reject or to accept (in consultation with the Manager), in whole or in part any ATM Electronic Application, without assigning any reason therefore and the Manager and DBS Bank will not entertain any enquiry and/or correspondence on DBS Bank's decision.
11. It is expected that CDP will send to you, at your own risk, within 14 Market Days after 21 June 2005, subject to the submission of valid applications and payment for the New Units under the ATM Offering and the completion of the ATM Offering, a notification letter stating the number of New Units allotted to you. This will be the only acknowledgement of application moneys received and is not an acknowledgement by the Manager or DBS Bank. You irrevocably authorise CDP to complete and sign on your behalf as transferee any documents required for the issue or transfer of the New Units allotted to you.
12. In the event of an under-subscription for the New Units under the ATM Offering as at the close thereof, that number of New Units under-subscribed shall be made available to satisfy excess applications for the New Units under the Private Placement to the extent there is an over-subscription for the New Units offered under the Private Placement.
13. You irrevocably authorise CDP to disclose the outcome of your ATM Electronic Application, including the number of New Units allotted to you pursuant to your application, to the Manager, DBS Bank and any other parties so authorised by CDP, the Manager and DBS Bank (the "**Authorised Operators**").
14. Any reference to "you" or the "Applicant" in this section refers to an individual applying for the New Units under the ATM Offering by way of an ATM Electronic Application.
15. By pressing the "Enter" or "OK" or "Confirm" or "Yes" key or any other relevant key on the ATM, in accordance with the provisions herein, you:
 - (a) irrevocably offer to subscribe for the number of New Units under the ATM Offering specified in your ATM Electronic Application (or such smaller number for which the application is accepted) at the Issue Price for each New Unit and agree that you will accept such number of New Units as may be allotted to you, in each case on the terms of, and subject to the conditions set out in this Circular;
 - (b) agree that in the event of any inconsistency between the terms and conditions for application set out in this Circular and those set out in the ATMs of DBS Bank (including POSB ATMs), the terms and conditions set out in this Circular shall prevail;

- (c) agree that the aggregate Issue Price for the New Units applied for under the ATM Offering is due and payable to DBS Bank forthwith; and
 - (d) warrant the truth and accuracy of the information contained, and representations and declarations made, in your ATM Electronic Application, and acknowledge and agree that such information, representations and declarations will be relied on by the Manager and DBS Bank in determining whether to accept your application and/or whether to allot or allocate any New Units to you.
16. The acceptance of applications will be conditional upon, *inter alia*, DBS Bank being satisfied that:
- (a) permission has been granted by the SGX-ST to deal in, and for quotation of, all the New Units on the Official List of the SGX-ST; and
 - (b) the Placement Agreement has become unconditional and has not been terminated.
17. DBS Bank will not hold any application in reserve.
18. Additional terms and conditions relating to ATM Electronic Applications are set out in the following pages.

ADDITIONAL TERMS AND CONDITIONS FOR ATM ELECTRONIC APPLICATIONS

The procedures for ATM Electronic Applications are set out on the screens of the ATMs of DBS Bank (including POSB ATMs) (the “**ATM Electronic Application Steps**”). For illustrative purposes, these procedures are reproduced in the section entitled “ATM Electronic Application Steps” appearing on pages 137 to 138 of this Circular. Please read carefully the terms of this Circular, the ATM Electronic Application Steps and the additional terms and conditions for ATM Electronic Applications set out below carefully before making any ATM Electronic Applications. Any reference to “you” or the “Applicant” in the additional terms and conditions and the ATM Electronic Application Steps shall refer to the individual making an ATM Electronic Application.

The ATM Electronic Application Steps set out the actions that you must take at the ATMs of DBS Bank (including POSB ATMs) to complete an ATM Electronic Application.

You must have an existing bank account with and be an ATM cardholder of DBS Bank (including POSB) before you can make an ATM Electronic Application. Upon the completion of your ATM Electronic Application, you will receive an ATM transaction slip (“**ATM Electronic Application Transaction Record**”), confirming the details of your ATM Electronic Application. The ATM Electronic Application Transaction Record is for your retention.

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 DBS Bank (including POSB joint bank accounts), 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 ATM Electronic Application liable to be rejected.

Your ATM Electronic Application shall be made on the terms, and be subject to the conditions, of this Circular, including but not limited to, the terms and conditions appearing below and those set out under the section entitled “TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION OF NEW UNITS UNDER THE ATM OFFERING”.

1. In connection with your ATM Electronic Application, you are required to confirm statements to the following effect in the course of activating the ATM Electronic Application:
 - (a) **that you have received a copy of this Circular and have read, understood and agreed to all the terms and conditions of application for the New Units under the ATM Offering and this Circular prior to effecting the ATM Electronic Application and agree to be bound by the same;**
 - (b) that you consent to the disclosure of your name, NRIC/passport number, address, nationality, permanent resident status, CDP Securities Account number, and unit application amount (the “**Relevant Particulars**”) from your account with DBS Bank (including POSB) to the Unit Registrar, CDP, Securities Clearing & Computer Services (Pte) Ltd (“**SCCS**”) and the Manager (the “**Relevant Parties**”); and
 - (c) that this is your only application for the New Units under the ATM Offering 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. By doing so, you shall be treated as signifying your confirmation of each of the above three statements. In respect of statement 1(b) above, your confirmation, by pressing the “Enter” or “OK” or “Confirm” or “Yes” or any other relevant key 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 DBS Bank of your account with DBS Bank (including POSB bank accounts) to the Relevant Parties.

2. **By making an ATM Electronic Application, you confirm that you are not applying for New Units under the ATM Offering as a nominee of any other person and that any ATM Electronic Application that you make for the New Units under the ATM Offering is the only ATM Electronic Application made by you as the beneficial owner. You shall make only one ATM Electronic Application and shall not make any other application for the New Units under the ATM Offering.**
3. You must have sufficient funds in your bank account with DBS Bank (including POSB bank accounts) at the time you make your ATM Electronic Application at an ATM of DBS Bank (including POSB ATMs), failing which such ATM Electronic Application will not be completed. Any ATM Electronic Application which does not conform strictly to the instructions set out in this Circular or on the screens of an ATM of DBS Bank (including POSB ATMs) through which your Electronic Application is being made shall be rejected.

You may make an ATM Electronic Application using only cash by authorising DBS Bank to deduct the full amount payable from your account with DBS Bank (including POSB bank accounts) in Singapore currency (at the fixed exchange rate of HK\$1.00 = S\$0.2156).

4. You may apply and make payment for your application for New Units under the ATM Offering in Singapore currency through any ATM of DBS Bank (including POSB ATMs) using only cash by authorising DBS Bank to deduct the full amount payable from your bank account with DBS Bank (including POSB bank accounts) in Singapore currency (at the fixed exchange rate of HK\$1.00 = S\$0.2156).
5. You irrevocably agree and undertake to subscribe for and to accept the number of New Units under the ATM Offering applied for as stated on the ATM Electronic Application Transaction Record or any lesser number of such New Units that may be allotted to you in respect of your ATM Electronic Application. In the event that DBS Bank decides to allot any lesser number of such New Units or not to allot any New Units to you, you agree to accept such decision as final. If your ATM 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) of the number of New Units applied for shall signify and shall be treated as your acceptance of the number of New Units that may be allotted to you.
6. No application will be kept in reserve. Where your ATM Electronic Application is unsuccessful, the full amount of the application moneys 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 DBS Bank (including POSB bank accounts) at your own risk in Singapore currency (at the fixed exchange rate of HK\$1.00 = S\$0.2156), 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.

Where your ATM Electronic Application is rejected or accepted in part only, the full amount or the balance of the application moneys, as the case may be, 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 DBS Bank (including POSB bank accounts), at your own risk in Singapore currency (at the fixed exchange rate of HK\$1.00 = S\$0.2156), 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 moneys from unsuccessful or partially successful ATM Electronic Applications lies solely with DBS Bank. Therefore, you are strongly advised to consult DBS Bank as to the status of your ATM Electronic Application and/or the refund of any money to you from an unsuccessful or a partially successful ATM Electronic Application, to determine the exact number of Units allotted to you before trading the Units on the SGX-ST.

None of the SGX-ST, CDP, the SCCS, DBS Bank nor the Manager 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.

If your ATM Electronic Application is unsuccessful, no notification will be sent to you by the Manager and/or DBS Bank.

7. **ATM Electronic Applications shall close at 12.00 noon on 21 June 2005 or such other time or date as DBS Bank may, in consultation with the Manager, decide.**
8. You are deemed to have irrevocably requested and authorised the Manager and DBS Bank to:
 - (a) register the New Units allotted to you in the name of CDP for deposit into your Securities Account;
 - (b) **return or refund (without interest or any share of revenue or other benefit arising therefrom) the application moneys, should your ATM Electronic Application be unsuccessful, by automatically crediting your bank account with DBS Bank (including POSB bank accounts), at your own risk; and**
 - (c) **return or refund (without interest or any share of revenue or other benefit arising therefrom) the balance of the application moneys, should your ATM Electronic Application be accepted in part only, by automatically crediting your bank account with DBS Bank (including POSB bank accounts), at your own risk, within 14 Market Days after the close of the ATM Offering.**
9. You irrevocably agree and acknowledge that your ATM Electronic Application is subject to risks of electrical, electronic, technical and computer-related faults and breakdown, fires, acts of God, mistakes, losses and theft (in each case whether or not within the control of CDP, DBS Bank and/or the Manager) and other events beyond the control of CDP, DBS Bank and/or the Manager, and in any such event that DBS Bank does not receive your ATM Electronic Application, or data relating to your ATM 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 ATM Electronic Application and you shall have no claim whatsoever against DBS Bank and the Manager for New Units applied for or for any compensation, loss or damage in connection therewith or in relation thereto.
10. The existence of a trust will not be recognised. Any ATM Electronic Application by a trustee must be made in his own name and without qualification. DBS Bank (in consultation with the Manager) will reject any application by any person acting as nominee.
11. All your particulars in the records of DBS Bank at the time you make your ATM Electronic Application shall be deemed to be true and correct, and DBS Bank shall be entitled to rely on the accuracy thereof. If there has been any change in your particulars after making your ATM Electronic Application, you shall promptly notify DBS Bank.
12. You should ensure that your personal particulars as recorded by both CDP and DBS Bank are correct and identical, otherwise, your ATM Electronic Application is liable to be rejected. You should promptly inform CDP of any change in address, failing which the notification letter on successful allotment will be sent to your address last registered with CDP.
13. In consideration of DBS Bank making available the ATM Electronic Application facility at the ATMs of DBS Bank (including POSB ATMs) and agreeing to close the ATM Offering at 12.00 noon on 21 June 2005 or such other time or date as DBS Bank (in consultation with the Manager) may, in its absolute discretion decide, and by making and completing an ATM Electronic Application, you are deemed to have agreed that:
 - (a) your ATM Electronic Application is irrevocable;
 - (b) your ATM Electronic Application, the acceptance by DBS Bank and the contract resulting therefrom 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) neither DBS Bank nor the Manager shall be liable for any delays, failures or inaccuracies in the recording, storage or in the transmission or delivery of data relating to your ATM Electronic Application to DBS Bank or CDP due to breakdowns or failure of transmission, delivery or communication facilities or any risks referred to in paragraph 9 above or to any cause beyond their respective controls;

- (d) in respect of the New Units for which your ATM Electronic Application has been successfully completed and not rejected, acceptance of your ATM Electronic Application shall be constituted by written notification by or on behalf of DBS Bank and not otherwise, notwithstanding any payment received by or on behalf of DBS Bank;
- (e) you will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of your ATM Electronic Application; and
- (f) reliance is placed solely on information contained in this Circular and that none of DBS Bank, the Manager nor any other person involved in the ATM Offering shall have any liability for any information not so contained.

ATM Electronic Application Steps

For illustrative purposes, the steps for making an ATM Electronic Application through the ATMs of DBS Bank (including POSB ATMs) are shown below. Certain words appearing on the screen are in abbreviated form (“A/c”, “amt”, “appln”, “&”, “I/C” and “No.” refer to “Account”, “amount”, “application”, “and”, “NRIC” and “Number” respectively). Any reference to “you” or the “Applicant” in this section refers to an individual applying for New Units under the ATM Offering by way of an ATM Electronic Application.

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/INVESTMENTS”.
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.
 - Press the “ENTER” key to confirm that you have read and understood.
7. Select “**FORTUNE**”.

8. Press the "ENTER" key to acknowledge:
 - YOU HAVE READ, UNDERSTOOD AND AGREED TO ALL TERMS OF THE APPLICATION AND 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., CPF INVESTMENT A/C NO. AND SECURITY APPLN AMOUNT FROM YOUR BANK A/C(S) TO SHARE REGISTRARS, SGX, SCCS, CDP, CPF AND THE ISSUER/VENDOR(S).
 - FOR FIXED AND MAX PRICE SECURITY APPLICATION, THIS IS YOUR ONLY APPLICATION AND IT IS MADE IN YOUR OWN NAME AND AT YOUR OWN RISK.
 - THE MAXIMUM PRICE FOR EACH SHARE IS PAYABLE IN FULL ON APPLICATION AND SUBJECT TO REFUND IF THE FINAL PRICE IS LOWER.
 - YOU ARE NOT A US PERSON AS REFERRED TO IN THE PROSPECTUS/DOCUMENT OR PROFILE STATEMENT AND IF APPLICABLE, THE REPLACEMENT OR SUPPLEMENTARY PROSPECTUS/DOCUMENT OR PROFILE STATEMENT.
 - SUBJECT TO AVAILABILITY, THE NUMBER OF SECURITIES APPLIED FOR MAY BE REDUCED.
9. Select your nationality.
10. Select payment by cash.
11. Select the DBS Bank account (AutoSave/Current/Savings/Savings Plus) or the POSB account (Current/Savings) from which to debit your application moneys.
12. Enter the number of securities you wish to apply for using cash.
13. Enter your own 12-digit CDP Securities Account number. (Note: This step will be omitted automatically if your CDP Securities Account number has already been stored in DBS Bank's records).
14. Check the details of your securities 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 your application.
15. Remove the Transaction Record for your reference retention only.

LIST OF THE PARTICIPATING BANKS

Participating Banks

- DBS Bank (including POSB)
- Oversea-Chinese Banking Corporation Limited
- United Overseas Bank Limited and its subsidiary, Far Eastern Bank Limited

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Fortune Real Estate Investment Trust
(Constituted in the Republic of Singapore pursuant to a trust deed dated 4 July 2003)