

OVERVIEW OF HONG KONG COMMERCIAL PROPERTY MARKETS

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DTZ Debenham Tie Leung Limited was commissioned by the Manager to prepare a report on the Hong Kong commercial property markets. The following is a summary of the Market Consultant's letter in relation to its Hong Kong Grade A and Grade B Office and Retail Property Markets Analysis Report, the full text and sources of which are set out in Appendix VI to this Offering Circular. All views expressed in this summary are independent views of DTZ Debenham Tie Leung Limited. The information has not been independently verified by the Manager, the Trustee, the Joint Global Coordinators or any other person. Much of this information is based on estimates and should therefore be regarded as indicative only and treated with appropriate caution.

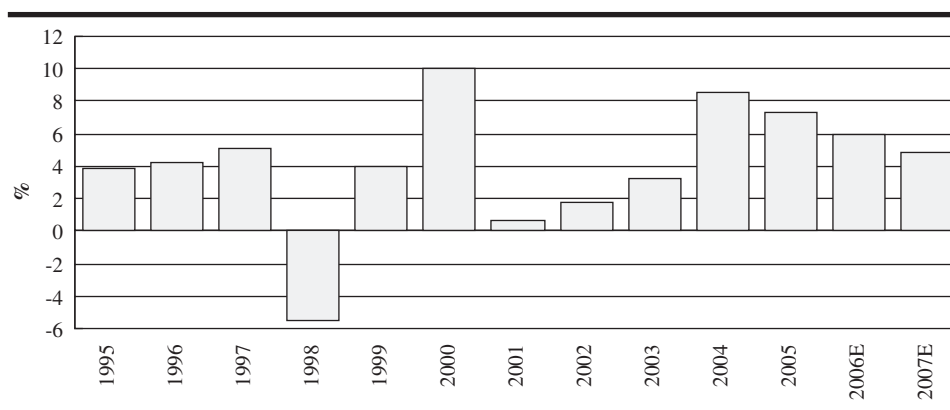
Economic Overview

Backed by its geographical location and its importance as a gateway to mainland China, Hong Kong is one of the world's top financial and trading centres. Following robust GDP growth of 7.3% in 2005, the Government has estimated that Hong Kong GDP will grow by 6.5% in 2006.

The services industry accounted for 87.6% of Hong Kong's GDP in 2005. The three services sectors, namely "wholesale, retail and import and export trades, restaurants and hotels" (27.3% of GDP), "finance, insurance, real estate and business services" (21.4% of GDP) and "transport, storage and communications" (9.9% of GDP) posted healthy growth and were the driving force of Hong Kong's economic growth. Despite rising interest rates, higher oil prices, and the possibility of an avian flu outbreak, the Hong Kong economy has remained resilient and has benefited from growing external economies, including the US, China and Japan.

In the third quarter of 2006, real GDP grew by 6.8% y-o-y, following an already robust 5.5% growth in the second quarter of 2006. On a seasonally adjusted comparison basis, real GDP recorded a q-o-q increase of 3.5% during the third quarter of 2006.

Real GDP y-o-y Growth (1995 to 2007E)



Source: Census and Statistics Department HKSAR, Consensus Economics Inc.

Driven by continued improvement in the unemployment rate, rising household income and increasing visitor arrivals, GDP growth is forecast to remain high at 4.6 to 5.9% per annum during 2006 to 2010¹.

¹Source: Asia Pacific Consensus Forecasts by Consensus Economics Inc., October 2006

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Employment

Hong Kong's unemployment rate declined from a peak of 8.6% in the three months ended July 2003 to 4.5% in the three months ended October 2006. Hong Kong's total labour force in the three months ended October 2006 was recorded at 3,669,200.

Average y-o-y change in payroll per person engaged in all major sectors surveyed² became positive again in 2005 after 11 quarters (excluding the second quarter of 2004) in negative territory. The average payroll increased by 2.2% y-o-y in nominal terms in the second quarter of 2006, and increased by 0.1% in real terms.

Consumer Price Index (CPI)

The composite CPI rose by 2.1% y-o-y in September 2006 compared to the 2.5% increase y-o-y in August 2006, due mainly to the smaller increases in the prices of fresh vegetables, the charges for telephone and other communications services, private housing rental, as well as the fuel cost variation charge for towngas. Also relevant was the decrease in the prices of motor fuel. According to the Census and Statistics Department HKSAR, consumer price inflation is likely to stay moderate through to the end of the year on current indications. While the recent weakening of the Hong Kong Dollar along with the US Dollar might give rise to some modest pick-up in imported inflation, the substantial fall-off in oil prices lately coupled with the sustained increase in productivity in Hong Kong should keep overall inflationary pressures in check. CPI is estimated to remain at 2.2 to 3.3% per annum during 2006 to 2010³.

Closer Economic Partnership Arrangement (CEPA)

The signing of CEPA with the Central People's Government in June 2003 further integrated the Hong Kong and China economies. The three phases of CEPA, known as CEPA I, II and III, came into full effect in January 2004, January 2005 and January 2006 respectively. The aim of CEPA is to further strengthen trade and investment cooperation between the two economies and promote their mutual development. CEPA is aimed at enhancing economic interaction between China and Hong Kong by giving a boost to small and medium enterprises (SMEs) in professional, industrial, trading and manufacturing sectors. The increasing connectivity including the ease in the flow of people, goods and capital between China and Hong Kong will underpin the long-term development of the two economies.

Under the Individual Visit Scheme (IVS), which was introduced under the framework of CEPA, mainland Chinese visitors made approximately 5.6 million trips to Hong Kong in 2005, accounting for 44.3% of all mainland Chinese visitors (or 23.8% of the total visitors to Hong Kong). Mainland Chinese visitors under the IVS generated approximately HK\$6.5 billion in tourist spending in 2004. In addition, since the implementation of CEPA I in 2004, about 29,000 new jobs in relation to trade in goods, trade in services and the IVS have been created in Hong Kong during 2004 and 2005.

² According to the Census and Statistics Department HKSAR, major sectors surveyed include (i) manufacturing, (ii) wholesale, retail and import/export trades, restaurants and hotel, (iii) transport, storage and communications, (iv) financing, insurance, real estate and business services and (v) community, social and personal services.

³ Source: Asia Pacific Consensus Forecasts by Consensus Economics Inc., October 2006

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Hong Kong Office Market

Hong Kong is a global centre for, amongst others, import/export trade, telecommunications, finance, insurance, real estate and business services. Hong Kong is internationally recognised for its dynamic and cosmopolitan city framework which includes the long-established regulatory, banking and financial systems, world class stock exchange, well-planned infrastructure and transportation networks, modern communications as well as being a low tax regime. In addition, free economic policies and global organisation standings of the Government provide advantages to sustain its attractiveness for the establishments of regional multinational headquarters in view of China's entry into the World Trade Organisation (WTO).

The improving macroeconomic environment in Hong Kong over the past few years has stimulated demand from corporations and has seen an increasing number of companies setting up regional offices and headquarters in Hong Kong. In addition, the number of people employed in the service sector grew from 2.6 million (79.4% of the total employed persons) in 2000 to over 2.8 million (84.6% of the total employed persons) in 2005, which also reinforced the growth of the Hong Kong office sector.

Office Supply

According to the Rating and Valuation Department HKSAR, Hong Kong's total stock of office space was approximately 105.2 million sq.ft. as at 31 December 2005. This comprised:

- Grade A offices of approximately 61.7 million sq.ft. (58.7% of the total office stock)
- Grade B offices of approximately 26.4 million sq.ft. (25.1% of the total office stock)
- Grade C offices of approximately 17.1 million sq.ft. (16.2% of the total office stock)

The following table outlines the grading criteria of offices in Hong Kong by the Rating and Valuation Department HKSAR. It should be noted that location is not included in the grading criteria.

Office Grade	Grading Criteria
A	Modern with high quality finishes; flexible layout; large floor plates; spacious, well decorated lobbies and circulation areas; effective central air-conditioning; good lift services zoned for passengers and goods deliveries; professional management; parking facilities normally available
B	Ordinary design with good quality finishes; flexible layout; average-sized floor plates; adequate lobbies; central or free-standing air-conditioning; adequate lift services, good management; parking facilities not essential
C	Plain with basic finishes; less flexible layout; small floor plates; basic lobbies; generally without central air-conditioning; barely adequate or inadequate lift services; minimal to average management; no parking facilities

Source: Rating and Valuation Department HKSAR

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The geographical distribution of office stock in Hong Kong at the end of 2005 is summarised in the table below:

Office Grade	Hong Kong Island (million sq.ft.)	Kowloon (million sq.ft.)	New Territories (million sq.ft.)
A	37.5	18.6	5.6
B	17.0	8.7	0.7
C	11.4	5.3	0.4

Source: Rating and Valuation Department HKSAR

Approximately 63% of Grade A office stock and 67% of Grade B office stock were located in Central/Admiralty, Sheung Wan, Wanchai/Causeway Bay and Tsimshatsui — the core business areas of Hong Kong. The limited availability and shortage of new office supply in these core business areas has led to an increasing number of office tenants relocating to decentralised business areas (as depicted in the following map).

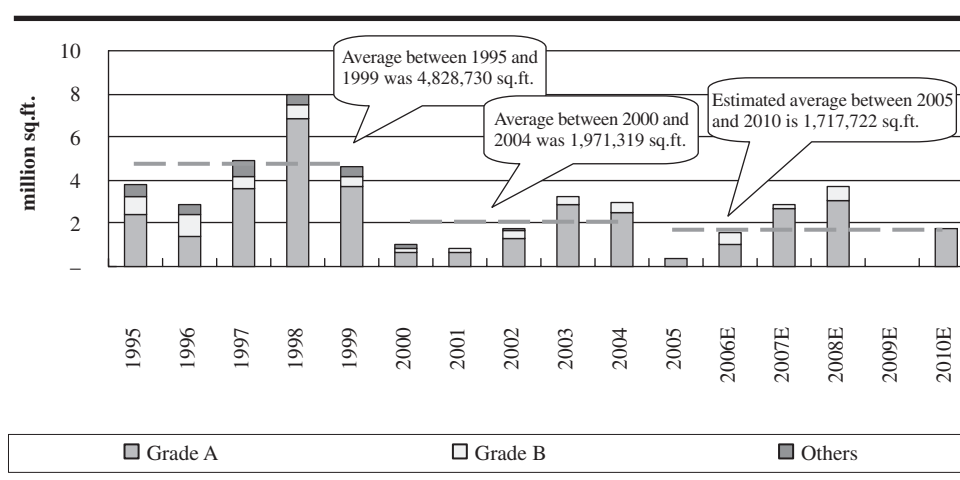


Source: DTZ Valuation and Advisory Services

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The following graph indicates that the historical average of new office supply for 1995 to 1999 and 2000 to 2004 was approximately 4.8 million sq.ft. per annum and 2.0 million sq.ft. per annum respectively. The average new office supply for 2005 to 2010 is estimated to be approximately 1.7 million sq.ft. per annum, which is below the historical averages.

Supply of Private Offices (1995 to 2010E)



Source: Rating and Valuation Department HKSAR, DTZ Valuation and Advisory Services

With the exception of the International Commerce Centre (ICC) in Tsimshatsui (expected completion in phases from end of 2007), most of the major new office supply in 2006 to 2010 are to be located in Tsuen Wan, Kwun Tong, Kowloon Bay and Quarry Bay, which are outside the core business areas.

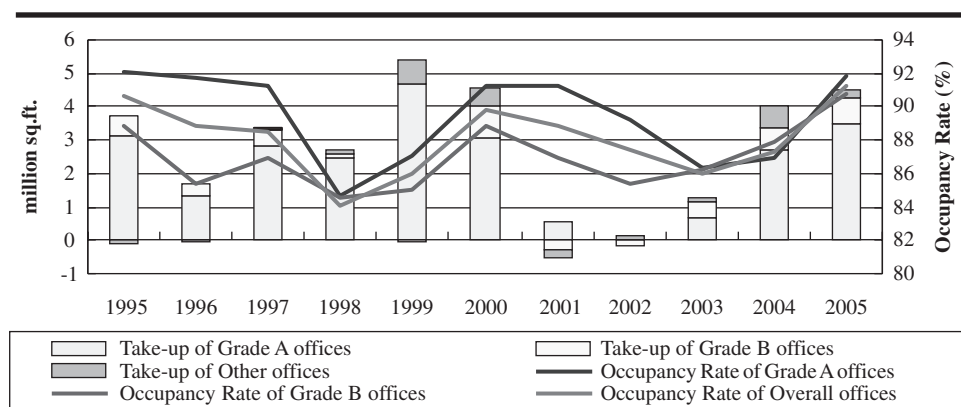
Office Demand

Due to limited availability of office space in the core business areas and increasing difficulty in securing large floor space in these locations, it is expected that the trend of rising office demand in the decentralised business areas will continue.

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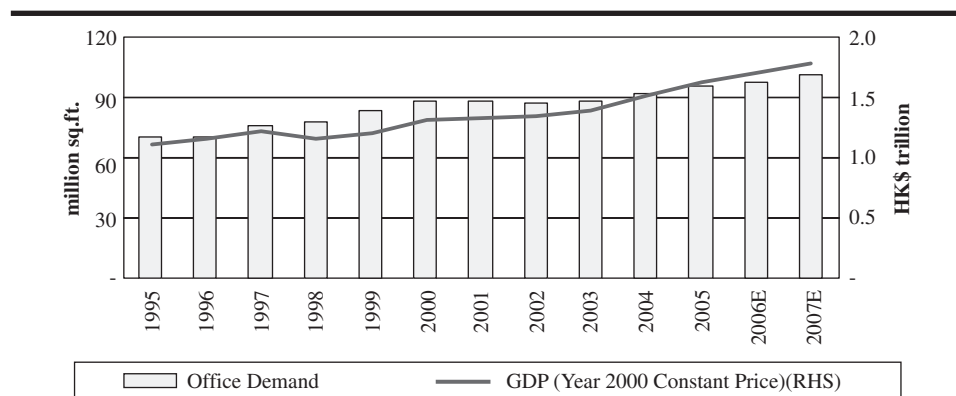
Hong Kong has enjoyed a robust economy following recovery from the SARS period⁴, resulting in the take up of more office space by the financial, banking, legal and accounting sectors. Hong Kong has experienced positive take up since 2003 and overall office occupancy rates increased from 86.0% as at 31 December 2003 to 91.3% as at 31 December 2005. In view of the anticipated average real GDP growth of 4.6 to 5.9% per annum during 2006 to 2010, demand for office space is expected to remain buoyant.

**Office of All Grades -
Take-up and Occupancy Rate (1995 to 2005)**



Source: Rating and Valuation Department HKSAR

Demand for Office Space (1995 to 2007E)



Source: Census and Statistics Department HKSAR, Rating and Valuation Department HKSAR, DTZ Valuation and Advisory Services

From the low rental levels experienced during SARS in 2003, the average rental levels of Grade A and Grade B offices have rebounded significantly from the third quarter of 2003 to the third quarter of 2006, representing an approximately 84% and 57% increase for Grade A and Grade B offices respectively. On the back of the robust macroeconomic environment, increasing occupancy rates and buoyant demand since 2003 have underpinned the rise in office prices and average rental rates.

⁴ The emergence of Severe Acute Respiratory Syndrome (SARS) epidemic in 2003 had severely affected the short term economy of Hong Kong.

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The momentum of rental growth was sustained throughout 2005 despite consecutive rises in the best lending rate, thus demonstrating the combined effects of strong demand for and limited supply of office space. According to the provisional figures from the Rating and Valuation Department HKSAR, overall rental for Grade A and Grade B offices in September 2006 grew by 19.9% y-o-y and 16.3% y-o-y respectively. Grade A office rental in Sheung Wan and Central recorded a 15.1% y-o-y growth in September 2006. The overall rental for Grade A offices increased 8.0% in the last six months up to September 2006. Rental growth was observed for Grade B offices at 8.4% in the last six months up to September 2006.

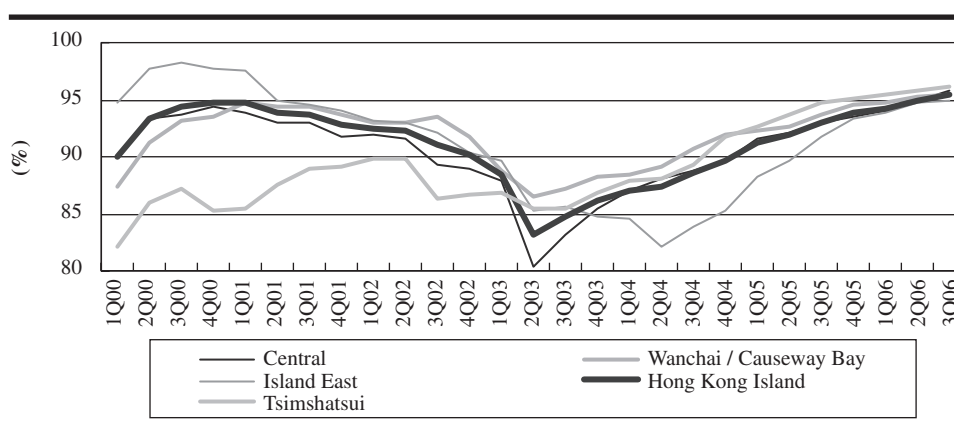
Due to the limited availability of office space in the core business areas, it is expected that the trend of rising office demand in the decentralised business areas will continue. It is becoming increasingly difficult for companies in the financial, banking, legal and accounting sectors to expand and secure large floor space in these locations. The limited supply of office space in Central has caused potential tenants to consider other business areas on Hong Kong Island, namely Wanchai/Causeway Bay and Island East which have become alternative locations for corporate tenants.

With significant increases in rents, limited supply and choice of Grade A office space, particularly in the core business areas, it is expected that the trend of decentralisation or 'spill-over' in demand for more economical Grade B office in the core business areas and high quality office in decentralised business areas will continue. As the Hong Kong economic outlook remains robust, we expect office occupancy rates will continue to increase across major office districts.

Office Occupancy

According to the Rating and Valuation Department HKSAR, the average Grade A office occupancy rate climbed to approximately 92% at the end of 2005 while the Grade B office occupancy rate began rising from 2002 to approximately 91% at the end of 2005. According to DTZ's research⁵, the occupancy rates for Grade A office in the four districts in Hong Kong Island have shown a steady rising trend from the trough in the second quarter of 2003 to over 95% in the third quarter of 2006 as a result of the strong demand for offices.

Grade A Office Occupancy Rate by District (1Q2000 to 3Q2006)



Source: DTZ Research

⁵ Due to unavailability of the quarterly district occupancy data from the Rating and Valuation Department HKSAR, DTZ's Grade A Office occupancy rates by district are used here to show the quarterly district occupancy rate movements.

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Office Rental Growth Estimate

Higher office rental rates for Grade A office space are expected to be sustained as a result of high occupancy rates⁶ and limited supply. The higher rental rates are expected to encourage more tenants to re-locate to decentralised business areas when their leases come up for renewal in 2006. The performance of rental growth in both Grade A and Grade B offices, which was strong in 2005, is expected to continue into 2006 and 2007. Grade B office rental growth is likely to grow at a faster pace than Grade A office as the rental gap is expected to narrow.

In the longer term, Grade A and Grade B office rents are expected to rise at a more moderate rate of approximately 6.2% and 6.0% per annum respectively from 2008 onwards, by reference to the long-term historical Grade A and Grade B office average rental growth rates. The estimation of the long-term average rental growth rates is based on the 20-year average annual growth of the Rating and Valuation Department HKSAR's Grade A and B office rental indices between 1986 and 2005.

Short-term rental performance may be influenced by supply and demand dynamics as well as geographical and property specific factors. Individual office property rental growth may vary significantly from the industry-wide averages. Property specific factors which may contribute to office rental growth include location, new and existing competition from comparable offices in the vicinity of the property as well as accessibility.

Hong Kong Retail Market

The growth in retail rental rates in Hong Kong is closely correlated to the growth in retail sales. With the recovery of the overall economy from the SARS period in 2003, retail sales reached approximately HK\$204.6 billion in the year ended 31 December 2005, representing a y-o-y increase of 5.9% in volume. The overall volume of retail sales continued to increase at a steady pace, supported by firm consumer demand. Retail sales are expected to be underpinned by rising domestic spending (driven by a robust macroeconomic environment, optimistic employment outlook and recovery in wages) and the steady expansion of inbound tourism (supported by Government initiatives).

Tourism, and in particular visitors' shopping expenditure, has been one of the growth engines for retail sales in Hong Kong. According to the statistics of the Hong Kong Tourism Board and the Census and Statistics Department HKSAR, the contribution of overnight visitors'⁷ shopping spending to total retail sales value has increased from about 9.5% (HK\$18.5 billion of HK\$195.7 billion total retail sales) in 1998 to 17.8% (HK\$36.4 billion of HK\$204.6 billion total retail sales) in 2005.

⁶ Based on DTZ's Grade A Office occupancy rates by district.

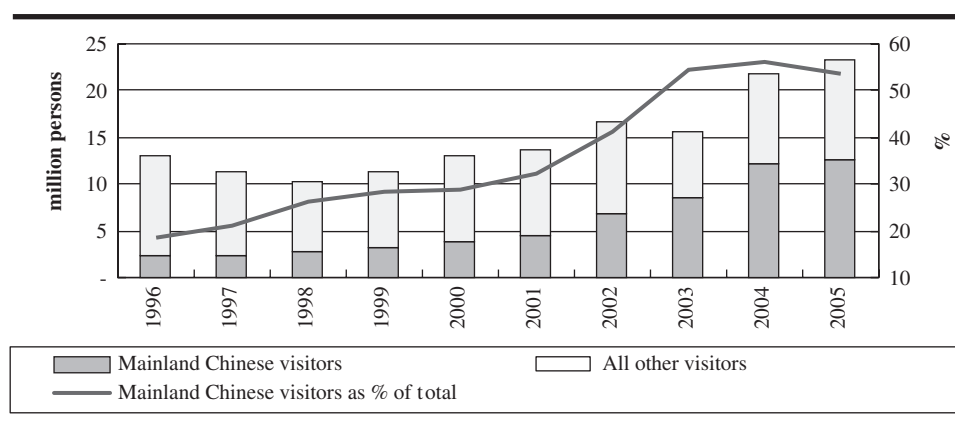
⁷ Overnight visitors are defined by Hong Kong Tourism Board as visitors who stay at least one night in collective or private accommodation in Hong Kong.

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The Government's continued efforts to enhance tourism and retail infrastructure has contributed significantly to the Hong Kong retail market. Examples include Hong Kong Disneyland, Tung Chung Cable Car Project, Tsimshatsui/Mongkok Streetscape Improvements and Causeway Bay Shoppers Paradise. All of these help to improve the ability of Hong Kong to tap into the spending of mainland Chinese visitors. With the strong economic growth of China over recent years, the purchasing power of mainland Chinese visitors has been increasing.

The influx of visitors, particularly from China, in recent years has been one of the principal drivers for tourism growth in Hong Kong. From 1999 to 2005, the number of mainland Chinese visitors to Hong Kong has increased at a much faster rate than other nationalities, at an average rate of 22.8% per annum compared with an average rate of 3.5% per annum for visitor arrivals from other countries over the same period. The implementation of the IVS since July 2003 has accelerated the growth of mainland Chinese visitors to Hong Kong. Initially, the IVS only covered four cities (Zhongshan, Jiangmen, Foshan and Dongguan) in Guangdong Province, the PRC. Subsequently, the IVS has been extended to include 44 cities throughout the PRC, which is envisaged to further boost tourist flows to Hong Kong. The number of visitor arrivals from China was approximately 12.5 million in 2005, representing 54% of that year's total visitor arrivals. Visitor arrivals from China are expected to increase to 21.4 million by 2010, whilst visitor arrivals from other countries are expected to increase to 13.4 million by 2010.

Visitor Arrivals in Hong Kong (1996 to 2005)



Source: Hong Kong Tourism Board

In addition to representing a significant proportion of total arrivals, mainland Chinese visitors also contributed approximately 65.7% of total overnight visitors' shopping spending in 2005. According to the Hong Kong Tourism Board, per capita overnight visitors' shopping spending in 2005 for mainland Chinese visitors was HK\$2,979, which was the highest among all overnight visitors from major market areas and was approximately 21% higher than the average overnight visitors' shopping spending of HK\$2,465. The influx of mainland Chinese visitors has contributed to the increased total overnight visitors' spending from HK\$39.4 billion in 1998 to HK\$68.9 billion in 2005.

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Retail Supply

According to the Rating and Valuation Department HKSAR, the stock of private commercial premises nearly doubled between 1981 and 2005, representing an increase of about 51.0 million sq.ft., and in total reached approximately 102.5 million sq.ft. by the end of 2005. The distribution of the private commercial stock may be summarised as follows:

- Hong Kong Island accounts for approximately 31.9% of total private commercial stock (32.7 million sq.ft.)
- Kowloon accounts for approximately 41.1% of total private commercial stock (42.1 million sq.ft.)
- New Territories account for approximately 27.0% of total private commercial stock (27.7 million sq.ft.).

According to the Hong Kong Planning Standards and Guidelines issued by the Planning Department HKSAR, retail/commercial premises can be classified into the following types:

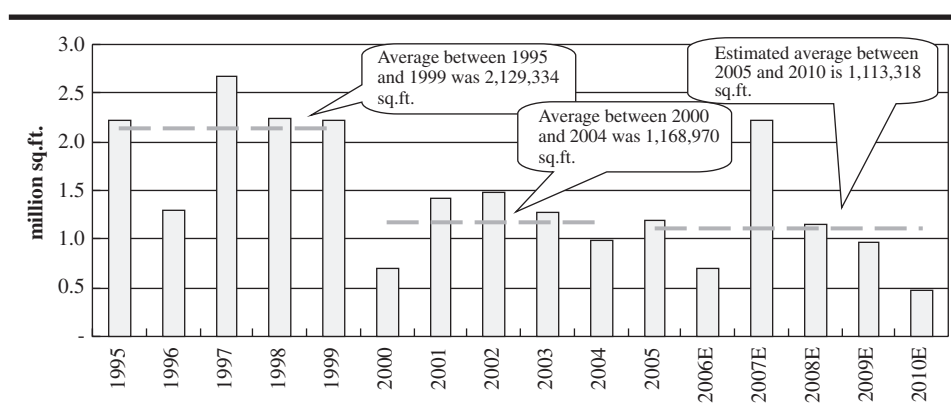
Type	Characteristics
Metropolitan Centres	— Serve the entire population of Hong Kong and tourists — Provide territory-wide entertainment and have a significant amount of commercial floor space provision — Generally over 100,000 sq.m. (1,076,400 sq.ft.) in area
Regional Centres	— Serve a catchment population of about 250,000 to 1,000,000 — Significant area of retail space although they generally fulfill a more regional function — Size between 50,000 sq.m. (538,200 sq.ft.) and 100,000 sq.m. (1,076,400 sq.ft.).
District Centres	— Serve a catchment population of about 50,000 to 250,000 — Medium scale shopping centres serving individual district — Size between 10,000 sq.m. (107,640 sq.ft.) and 50,000 sq.m. (538,200 sq.ft.).
Local Centres	— Serve neighbourhood catchment — Provide residents with daily needs such as food, grocery and community services

Source: Planning Department HKSAR

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Central and Western District, Wanchai/Causeway Bay, Tsimshatsui, Yau Ma Tei and Mongkok are regarded as the major retail districts of Hong Kong constituting more than 40% of total private commercial stock. Retail activity in these areas is generally geared towards the higher end market and caters for tourists and middle to high income groups. In New Towns such as Sheung Shui and Tseung Kwan O, retail activity is generally focused on mass markets serving the residents in public and private housing estates within the neighbouring areas as well as nearby districts. However, Sheung Shui has evolved from a New Town to a prospering border town with catchments extending to include Shenzhen and areas beyond.

Supply of Private Commercial Premises (1995 to 2010E)



Source: Rating and Valuation Department HKSAR, DTZ Valuation and Advisory Services

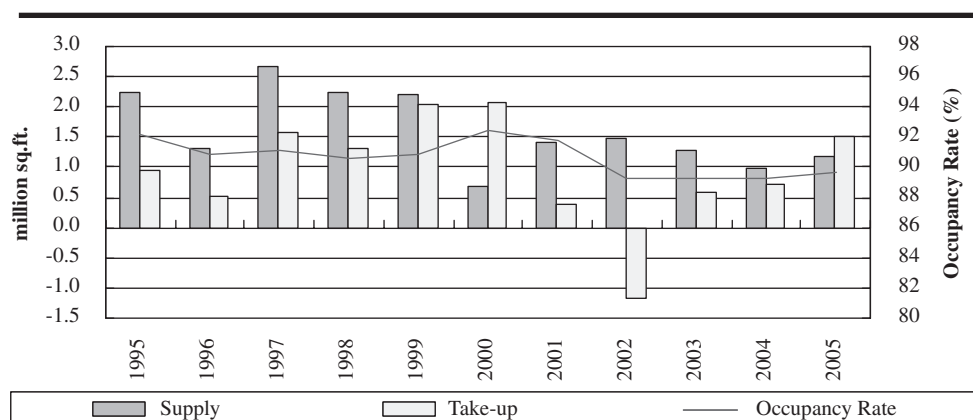
The total supply of major new retail developments identified between 2005 and 2010 is approximately 6.7 million sq.ft., with an average new supply of approximately 1.1 million sq.ft. per annum, which is marginally lower than the 2000 to 2004 five year average of 1.2 million sq.ft. Notable developments expected to be completed in 2007 include the Union Square part of the Kowloon Station complex and Hanoi Road Urban Renewal Authority Project in Tsimshatsui, Enterprise Square 5 in Kowloon Bay and Skyplaza in Chek Lap Kok. Supply of quality retail space on Hong Kong Island will remain limited in the next few years.

Retail Demand

Demand for retail space is expected to remain upbeat as the retail market continues to benefit from the recovery of the Hong Kong economy. In light of continued population growth, return of consumer confidence, growth in real private consumption, improvement in the employment market, increasing salaries, tourism, revaluation of RMB and improved infrastructure to China, the overall performance of the Hong Kong retail market and rents are anticipated to be positive.

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Private Commercial - Supply, Take-up and Occupancy Rate (1995 to 2005)



Source: Rating and Valuation Department HKSAR

Rentals of private retail premises reached a trough during the SARS period in June 2003 after falling 34% from the peak recorded in June 1997. The situation improved dramatically in the second half of 2003 supported by a significant increase in mainland Chinese visitors as a result of the implementation of a series of measures relaxing entry restrictions for mainland Chinese visitors including the IVS.

Retailers in prime shopping centres and shops in prime street locations have experienced robust growth in retail sales since 2003. As a result, more retailers are willing to pay higher rents to compete for quality retail space in prime locations and tourist districts. Expectations of buoyant sales on the back of strong domestic consumption and increased tourism flow particularly from China have prompted many existing retailers to undertake aggressive expansion plans. Average retail rents have rebounded by approximately 19% between the third quarter of 2003 and the third quarter of 2006.

Retail Rental Growth Estimation

Strong economic fundamentals, including improvement in the employment market and increasing salaries, will sustain growth in local consumption, boosting retail sales and volume in the coming years. With an expected continual upward revaluation of RMB, mainland Chinese visitors can benefit from the currency appreciation, translating to higher spending power in Hong Kong. To cater for both tourists and local shoppers, more retailers are expected to expand in 2006. However, some major retailers in fashion and cosmetics trades have reported a slow down in business turnover in the fourth quarter of 2005, and an increasing number of retailers have planned to relocate to areas outside prime locations with lower rental expenses. In light of these factors, it is expected that there will be a consolidation in prime retail rents in the coming months. Nonetheless, demand for retail space, in general, is expected to remain compelling and the industry-wide retail rental growth for 2006 and 2007 is expected to continue the ascending trend evidenced in 2004 and 2005 albeit at a more moderate but sustainable rate.

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In the long run, retail rents are expected to rise by a more moderate growth rate of approximately 5.6% per annum from 2008 onwards. Estimation of the long term average rental growth rate is based on the 20-year average annual growth of the Rating and Valuation Department HKSAR's retail rental index between 1986 and 2005.

Market factors such as retail sales, visitor arrivals and unemployment rates are expected to have a continuous impact on retail property performance. Specific retail property rental growth may also be influenced by factors such as increased demand due to local population growth or higher visitor traffic, convenient access to public transportation, construction of and improvement upgrades of major roads and service infrastructure and future supply of comparable retail facility in the vicinity of the retail property. Hence, individual retail property rental growth may vary significantly from the industry-wide retail rental growth rates.