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# Fraser Suites

## Asset Management and Exit Strategy of a Serviced Apartment

by Yue Hu

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*This Cornell University Real Estate Case was prepared by research assistant Lars Kollmann under the supervision of Senior Lecturer C. Bradley Olson to stimulate analysis and discussion in undergraduate and graduate real estate courses. While the case is drawn from a range of actual experiences, it is not intended to illustrate correct or incorrect applications.*

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# Fraser Suites

## Asset Management and Exit

### Strategy of A Serviced Apartment

#### ABSTRACT

The Fraser Suites Case Study focuses on the value-added asset management and exit strategy of a 23-story serviced apartment building with a total gross floor area of approximately 58,000 square feet located in a prime location on central Hong Kong Island. Rong Ren, the CEO of Harvest Capital Partners – the holding company of the project, must make a decision regarding the exit strategy of the project, whose value has been significantly increased through renovation and repositioning. He must decide whether timing is favorable for Harvest Capital Partners to exit the project and how he should negotiate the price with the potential buyer, Sino Land Company Limited, if he decides to proceed with the sale. The Fraser Suites case study provides students with an opportunity to exercise critical decision-making skills and analyze quantitative and qualitative issues when considering the asset enhancement and disposition strategy of a project.

*This case study incorporates the following real-estate themes and issues:*

**Valuation**

**Asset  
Management**

**International  
Markets**



# Asset Management and Exit Strategy of A Serviced Apartment

by Yue Hu

Looking at the beautiful Victoria Harbor outside his window, Rong Ren, CEO of Harvest Capital Partners (HCP), was lost in thought. On the table in front of him was the offer from Sino Land Company to purchase Fraser Suites Hong Kong, a 23-story serviced apartment in Wan Chai, Hong Kong. The offer of approximately HK\$500 million<sup>1</sup> by Sino Land Company Limited (“Sino Land”) was quite attractive and would expire very soon. Nevertheless, Rong Ren knew that HCP had some bargaining power since Fraser Suites could add value and bring synergy to the property portfolio of Sino Land. Moreover, the economy had recently recovered from the 2008 global financial crisis and the growth potential for property prices was quite positive.

It was July 2009, two years and one month after HCP purchased the property for HK\$220 million<sup>2</sup> in late June 2007. The property, originally named “Fully Mansion,” was an old residential apartment. HCP renovated and repositioned the property in 2008 as a high-end serviced apartment. The property is currently operated by Frasers Hospitality, an international serviced apartment operator based in Singapore. Three months after the completion of the renovation work, Fraser Suites continued gaining market recognition with over 90% occupancy and rents that had tripled since the time of acquisition. The interest of Sino Land in Fraser Suites came not only from the outstanding performance of the project, but also from its strategic value. Fraser Suites was located adjacent to another redevelopment project recently secured by a 50:50 joint venture formed between Sino Land and another Hong Kong developer. The redevelopment project consisted of 835,000 sq. ft. of gross floor area with estimated total investment of HK\$8.3 billion. The redeveloped project would feature approximately 1,200 premium residential units and an 86,000 sq. ft. shopping mall.

A graduate of the prestigious University of Reading in England with a Master’s degree in Corporate Finance and Investment Banking, Rong Ren was the former Deputy Chief Executive Officer and Managing Director of Hypo Real Estate Bank International in Hong Kong. With over thirteen years of experience in the banking industry, he was an industry veteran in the Greater China investment market and a pioneer in property deals in China among foreign investors. His deep knowledge of China and his profound understanding of finance and banking served as the foundations for his investment decisions. He understood that he had to decide whether it was a favorable time to exit the property and if so, how he should negotiate the price with Sino Land if HCP decided to proceed with the sale of Fraser Suites.

## Harvest Capital Partners<sup>3</sup>

Harvest Capital Partners is a boutique investment firm that specializes in real estate investment and asset management with a single-market focus on Greater China. HCP launched its first fund in 2006 with great success and currently manages three international

<sup>1</sup> The offer of HK\$500 million was estimated based on the info from <http://zh.wikipedia.org> (<http://zh.wikipedia.org/wiki/%E7%81%A3%E4%BB%94%E8%BC%9D%E7%9B%9B%E9%96%A3>)

<sup>2</sup> The Land Registry of the Government of the Hong Kong Special Administration Region

<sup>3</sup> <http://www.harvestcapital.com.hk> & <http://www.crc.com.hk/>

## Author

Yue (Carol) Hu graduated from South China University of Technology with a Bachelor of Economics. After time at several leading firms such as Kerry Properties, Shenzhen Kingkey Real Estate and Premium Property Investment, Carol pursued a double-degree MBA program offered by Peking University and National University of Singapore.



real estate funds with total assets under management of approximately US\$1 billion (See Table 1. Funds Managed by Harvest Capital Partners (As of July 2009)). HCP's investments covered an array of asset classes including residential, retail, office, hotels and serviced apartments.

China Resources Group ("China Resources"), a leading conglomerate in Greater China, was the fund sponsor and a significant investor in HCP. Based in Hong Kong, China Resources had operations in more than 50 cities in mainland China and Hong Kong with assets totaling approximately HK\$542 billion covering retail, power, breweries, real estate, food, medicine, textiles, chemical products, gas, compressors, and etc. China Resources was also in the leading position in real estate through its holding companies, including China Resources Land and China Vanke – the biggest residential developer in the world.

Table 1<sup>4</sup>

Fund	Sponsor	Closing Date	Equity Commitment	Target Returns
CR China Real Estate Growth Fund I	China Resource	Jul-07	US\$346 million*	20% IRR
CR Al-Rajhi China Real Estate Growth Fund I	China Resource	Oct-07	US\$500 million*	--
Harvest China Real Estate Fund II	China Resources and Liberty International	Apr-08	US\$200 million*	18% - 20% IRR

\*Exchange rate: US\$1 = HK\$7.75 as of July 1, 2009<sup>5</sup>

The unprecedented growth in the Greater China region offered HCP tremendous investment opportunities and outstanding returns. HCP's funds adopted a value-driven strategy, targeting assets that were unique due to either their locations or their appreciation potential through refurbishment, repositioning, development and redevelopment. The typical holding period was five years; however, given the rapid development of the Greater China region, regular assessments on the invested projects were conducted every six months to evaluate the market performance and potential exit opportunities. The primary criteria for making the exit decision were the IRR, the market value and the potential for asset enhancement.

## Sino Land Company Limited<sup>6</sup>

Sino Land Company Limited was one of the three publicly listed companies owned by Sino Group, one of the leading property developers in Hong Kong. Sino Group's core business was developing residential, office, industrial and retail properties for sale and investment. It was also a major player in hotel investment and management, club management, property management, car park operations, cleaning services, and security services. Sino Group had a significant presence in Hong Kong, Mainland China, and Singapore.

Sino Land has developed over forty residential projects, six office buildings, and eleven shopping malls in Hong Kong and owns the prestigious Fullerton Hotel Singapore and Conrad Hong Kong. As of June 2009, Sino Land had a land bank of approximately 43.5 million sq. ft. of attributable gross floor area comprising a balanced portfolio of properties, in the following disaggregation: 67% is residential, 22% commercial, 5% industrial, 3% car parks and 3% hotels. Among the 43.5 million sq. ft. land reserve, 26.8 million sq. ft. was in Mainland China<sup>7</sup>.

<sup>4</sup> <http://www.harvestcapital.com.hk>

<sup>5</sup> <http://www.hkma.gov.hk>, Hong Kong Monetary Authority

<sup>6</sup> <http://www.sino.com>

<sup>7</sup> Sino Land Company Limited Annual Report 2009

Table 1

Funds Managed by Harvest Capital Partners (As of July 2009)<sup>3</sup>

## Hong Kong Market<sup>8</sup>

Renowned as a global city, Hong Kong is a major gateway to China and the first Special Administrative Region of the People's Republic of China under the "one country, two systems" principle. Hong Kong is one of the world's leading international financial centers due to its low taxation, free trade policies and strong currency – Hong Kong Dollar – the ninth most traded currency in the world. With a land mass of only 1,104 sq. km. and a population of more than seven million people, Hong Kong is one of the most densely populated areas in the world<sup>9</sup>.

As an open and dependent economy, Hong Kong's economy was severely affected by the 2008 global financial crisis. Its GDP for 2008 grew by only 2.5% while the unemployment rate began to rise (see Exhibit 1 for Historical Charts on Economic Indexes of Hong Kong). The Hong Kong stock market became volatile and the Hang Seng Index plummeted below 11000 in 2008, the lowest in the past four years. In the last quarter of 2008, residential prices dropped by 5% from a year earlier and rents dropped by 1%.

Since the economic meltdown in the second half of 2008, the Hong Kong government has introduced temporary measures to provide liquidity assistance to licensed banks and announced a plan to offer a full guarantee for bank deposits until 2010. Thanks to the expansionary policies and support measures of China's Central Government, Hong Kong's economy made a turnaround in the second quarter of 2009 after a year of contraction. Meanwhile, the unemployment rate fell steadily from a peak of 5.4% in the middle of 2009. The investors started switching their investments to the property market from the complex investment instruments provided by financial institutions. Due to the inflow of capital and low interest rates, property values increased quickly across all property classes. Overall rental market recovered behind the property values and residential rents started to increase in the second quarter of 2009.

### *Serviced Apartments in Hong Kong*

As the finance and information hub, Hong Kong has attracted expatriates from around the world and is considered a "hot spot" for the Asian branches of Fortune 500 companies. The relatively high turnover of expatriates in Hong Kong has provided a solid demand for both short-term accommodation and long-term extended stay. Known for their outstanding service and stylish design, serviced apartments have played an important role in Hong Kong's residential and hospitality market by offering both a home living experience and hotel services.

With a large number of office buildings clustered along the south bank of Victoria Harbor, Hong Kong Island is the most popular place for serviced apartments. More than 60% of the serviced apartments are at Sheung Wan, Central, Wan Chai and Causeway Bay, which formed the economic and political center of Hong Kong. The typical size of a serviced apartment is 200 – 500 sq. ft. for a studio, 500 – 650 sq. ft. for a one-bedroom unit, and 550 – 1,000 sq. ft. for a two-bedroom unit. The monthly rent is typically between HK\$40-60 per sq. ft., depending on the quality and service of the apartment (see Exhibit 2 for List of Serviced Apartments at Sheung Wan, Central, Wan Chai and Causeway Bay).

### **Fraser Suites Hong Kong**

Originally named Fully Mansion and purposed as a residential apartment, Fraser Suites Hong Kong is located at 74-80 Johnston Road, Wan Chai, Hong Kong. The site is

<sup>8</sup> Hong Kong Property Review 2009 and 2010, Rating and Valuation Department, the Government of the Hong Kong Special Administrative Region

<sup>9</sup> [http://en.wikipedia.org/wiki/Hong\\_Kong](http://en.wikipedia.org/wiki/Hong_Kong)

situated in the heart of the Wan Chai business and entertainment district on Hong Kong Island, offering easy access to key business areas such as Causeway Bay and Central, Hong Kong Convention and Exhibition Center. The site is also within minutes of the Wan Chai subway station.

Wan Chai District, located in the north of Hong Kong Island, has the second most educated residents with the highest income. One in five people have liquid assets of more than HK\$1 million. It is also the only district without public housing estates in Hong Kong<sup>10</sup>. Many landmarks are clustered at Wan Chai, including the Hong Kong Convention and Exhibition Center, the Golden Bauhinia Square, and many high-rise office towers, hotels, and government buildings. However, Wan Chai is also one of the oldest districts in Hong Kong with many buildings in poor condition.

Fully Mansion was completed in January 1989 and was held under a 61-year land lease contract between a local real estate developer and the Hong Kong government commencing on March 27, 1986. Fully Mansion was a 23-story high-rise building with 46,331 sq. ft. residential and 11,777 sq. ft. commercial space. The typical floor plate consisted of four two-bedroom apartments, two of which were 566 sq. ft. (397 usable) and two of which were 577 sq. ft. gross floor area (389 sq. ft. usable) (see Exhibit 3 for Original Floor Plans of Fully Mansion). The apartments were leased with basic furnishings on one-year lease terms with local residents serving as the main tenants. Lacking quality management and furnishings, the monthly rents were only between HK\$8,000-11,000 per unit and HK\$16-18 per sq. ft. in 2007, much lower than other apartments in the area. The occupancy rate was only slightly above 50%.

A poorly managed building at a premier location was exactly what HCP was looking for. Recognizing its asset enhancement potential, HCP acquired the project in June 2007 for approximately HK\$220 million<sup>11</sup>. The project accounted for 7% of the portfolio in the CR China Real Estate Growth Fund I, a US\$346 million closed-ended fund focusing on the Greater China region. Asset allocation of the fund in terms of the value was 44% in residential, 25% in office, 8% in retail, 16% in mixed-use, and 7% in serviced apartments (see Exhibit 4 for Key Highlights of CR China Real Estate Growth Fund I). Fully Mansion was the fourth project that HCP invested in after three projected: 1) an urban land development project in Guiyang; 2) Euro Plaza, an upscale retail mall in Beijing; and 3) Caiyun Lake, a residential development in Chong Qing<sup>12</sup>.

After careful market research, HCP decided to renovate the project and reposition it as a luxury serviced apartment. Frasers Hospitality, a world leader in serviced residences, stood out from the competitors due to three reasons: firstly, Frasers Hospitality was a very experienced management firm on serviced apartments from Singapore; secondly, it had no presence in Hong Kong and wanted to establish its brand reorganization in Hong Kong; and thirdly, it would like to use its top brand, Fraser Suites, for the project.

## ***Frasers Hospitality***<sup>13</sup>

Launching its two flagship apartments in Singapore in 1998, Frasers Hospitality is based in Singapore and manages luxury serviced apartments in key gateway cities in Asia, Australia and Europe. It has three brands under management: Fraser Suites, Fraser Place and Fraser Residence. Frasers Hospitality offers both short-term accommodation and extended stay apartments to meet the ultimate needs of the executive travelers. Eighty percent of its customers work with Fortune 500 and Forbes Corporations. In 2005, Frasers Hospitality entered into the Chinese marketplace with its first serviced apartment launched

<sup>10</sup> [http://en.wikipedia.org/wiki/Wan\\_Chai\\_District](http://en.wikipedia.org/wiki/Wan_Chai_District)

<sup>11</sup> The traction cost of purchasing the project was around 5%: 3.75% of stamp duty, 1% of agent commission, and 0.3% of legal fee.

<sup>12</sup> <http://www.harvestcapital.com.hk>

<sup>13</sup> <http://www.frasershospitality.com> & <http://www.fraserandneave.com>

in Shenzhen, in Guangdong province. In September 2007, it announced that Frasers Hospitality would open ten new properties in the Greater China region, with five of them to open before the Beijing Olympics and the remainder by 2009<sup>14</sup>. Despite the challenging market conditions in 2008, its presence in Greater China region continued to grow. It planned to operate more than 4,000 serviced apartment rooms in over a dozen cities across China by 2010.

As part of the expansion plan in the Greater China region, Frasers Hospitality entered into a five-year management contract with HCP on the Fraser Suites project in Hong Kong. The management contract included a single renewal option. Frasers Hospitality was responsible for setting up the management team, recruiting staff, and overseeing daily operations, while HCP provided reimbursements for operating costs. To protect its interests, Frasers Hospitality embedded a competitive clause into the management contract, under which Frasers Hospitality had the right to terminate the management contract and require HCP to pay its losses if the project was sold to one of its direct competitors.

### ***Renovation and Refurbishment***

After selecting Frasers Hospitality as the management firm, HCP started to plan on the renovation and refurbishment of the old building. Together with Frasers Hospitality, HCP selected a renowned architecture firm to assume design responsibilities for updating the interior spaces and furnishings of the apartments.

The refurbishment started in September 2007. Since the original two-bedroom configuration was somewhat small for high-end luxury serviced apartments, HCP decided to convert it into an open-plan with flexible configurations as a one-bedroom apartment with partitions (see Exhibit 5 for Floor Plan after Renovation). The size of the master bedroom was increased and the second bedroom was converted into a living room with a connected dining room. The two separate windows in the two bedrooms were joined to form a larger bay window that captured a better view. To reduce the outdoor noise, double glazed glass was used for the new window. The bathroom size was also increased and equipped with luxury appliances. Additionally, each apartment was fully furnished with state-of-the-art electric appliances and sophisticated designs (see Exhibit 6 for Typical Image of Apartment after Renovation and Apartment Facilities List). The apartments on the third floor were updated with terrace gardens. All apartments were grouped into five types and sizes: Deluxe units of 566 sq. ft., Premier units of 577 sq. ft., Deluxe Terrace units of 800 sq. ft., Premier Terrace units of 840 sq. ft., and Executive Terrace units of 1010 sq. ft.

To make the main entrance of the building more striking, HCP re-configured the lobby from single-floor height to double-floor height and relocated the lobby entrance from the side street to the main road. Also, the use of black marble for the doorframe of the main entrance made it stand out from the busy street. HCP incorporated an illumination design on the building façade to match the image of the luxury serviced apartment. The elevator was updated with a keycard access system that could bring the residents directly to their floors. Moreover, a swimming pool, a gym-room, and a rooftop garden were constructed to help brand the property as a serviced apartment building.

As for the retail component, the old building had three local tenants prior to the refurbishment – a Taiwanese restaurant, a fast food restaurant, and an optical shop, all of which being low-end stores that served local residents. Although the leasing contracts had not expired, HCP decided to buy out the leases and terminate the contracts. After careful consideration, HCP brought in Tai Cheong Bakery, a bakery brand with more than a half century history, and Hay Hay Kitchen, a full-service restaurant. These two stores occupied the two corners on the street level and also the entire retail space on the ground floor. The

<sup>14</sup> "Frasers Hospitality to Open 10 New Properties in China" released on September 19<sup>th</sup>, 2007 at [http://www.fraserandneave.com/FN\\_news-room\\_07.asp](http://www.fraserandneave.com/FN_news-room_07.asp).

bakery and restaurant became good substitutes for catering services for the apartments. As of July 2009, both the second floor and basement spaces were still vacant.

The total renovation cost was HK\$80 million<sup>15</sup>, and the work was completed by August 2008, as scheduled. The renovated building was renamed “Fraser Suites Hong Kong”. Quality service and the “Fraser Suites” brand enabled the project to charge a considerable premium over ordinary apartments in the Wan Chai area (see Exhibit 7 for Rents of Ordinary Apartments Close to Wan Chai Subway Station). After the renovation, the rents in the building tripled (see Exhibit 8 for Tariff of Fraser Suites) and tenant composition began to shift from local residents to employees of multi-national corporations and financial institutions. Despite the challenging market of 2008, the performance of Fraser Suites was outstanding with occupancy rates reaching above 90%.

## Exit Opportunity

On June 23, 2009, Sino Land was awarded, by the Urban Renewal Authority (URA) of Hong Kong, the development rights for the site at Lee Tung Street/McGregor Street in Wan Chai (see Exhibit 9 for Site Map of Lee Tung Street/McGregor Street Project) in which Sino Land had a 50% interest. Upon completion, the site would yield a total of approximately 835,000 sq. ft. gross floor area consisting of approximately 731,000 sq. ft. of residential space, 86,000 sq. ft. of commercial space, and 18,000 sq. ft. handed back to URA, as well as a subway station connecting the project with the Wan Chai subway station. The project would incorporate redevelopment, conservation and revitalization elements featuring the tradition and culture of the local business community. The excellent school network and the nearby shopping facilities in the Wan Chai area would benefit the project in the long term<sup>16</sup>.

Given the age and poor conditions of the buildings at Wan Chai, the URA had awarded contracts on four redevelopment projects in the area throughout the previous decade. All four projects were primarily residential and within walking distance of the Wan Chai subway station. Among the four projects, two of them had been completed, and the Lee Tung Street/McGregor Street project was the biggest and most complicated, comprising of approximately 1,200 premium residential units and a shopping mall with a total investment of HK\$8.3 billion. Demolition was estimated to take one year, followed by five years of construction commencing in May 2010, with completion anticipated by 2015. The earliest pre-sale on the residential of Lee Tung Street/McGregor Street would be in 2013.

Fraser Suites was located right beside the Lee Tung Street/McGregor Street project. A serviced apartment would supplement the redevelopment project and the whole portfolio of Sino Land. Realizing the synergy between these two projects, Sino Land approached HCP with an offer to acquire Fraser Suites at approximately HK\$500 million<sup>17</sup>.

## Decision

While enjoying the beautiful Victoria Harbour view, Rong Ren knew he had to make the final decision at this critical juncture. Based on the regular assessments conducted

<sup>15</sup> <http://zh.wikipedia.org> (<http://zh.wikipedia.org/wiki/%E7%81%A3%E4%BB%94%E8%BC%9D%E7%9B%9B%E9%96%A3>)

<sup>16</sup> Urban Renewal Authority Hong Kong, <http://www.ura.org.hk/html/c800000e23e.html>

<sup>17</sup> The offer of HK\$500 million was estimated based on the info from <http://zh.wikipedia.org> (<http://zh.wikipedia.org/wiki/%E7%81%A3%E4%BB%94%E8%BC%9D%E7%9B%9B%E9%96%A3>)

Based on the industry data, 1) the typical operating cost of the serviced apartment is around 30%-35% of the total revenue; 2) the typical management fee on the serviced apartment: base fee of 2-3% of total revenue and incentive fee of 5-9% of GOP (Gross Operating Profit).

The transaction cost of purchasing a property was around 5%: 3.75% of stamp duty, 1% of agent commission, and 0.3% of legal fee.

The transaction cost of selling a property was around 1.3%: 1% of agent commission and 0.3% of legal fee.

All profits earned from the sale of a property were subjected to 16.5% Profits Tax according to the Inland Revenue Department of Hong Kong. Rents on the retail were estimated at HK\$60 /sq. ft. /month for the whole retail space.

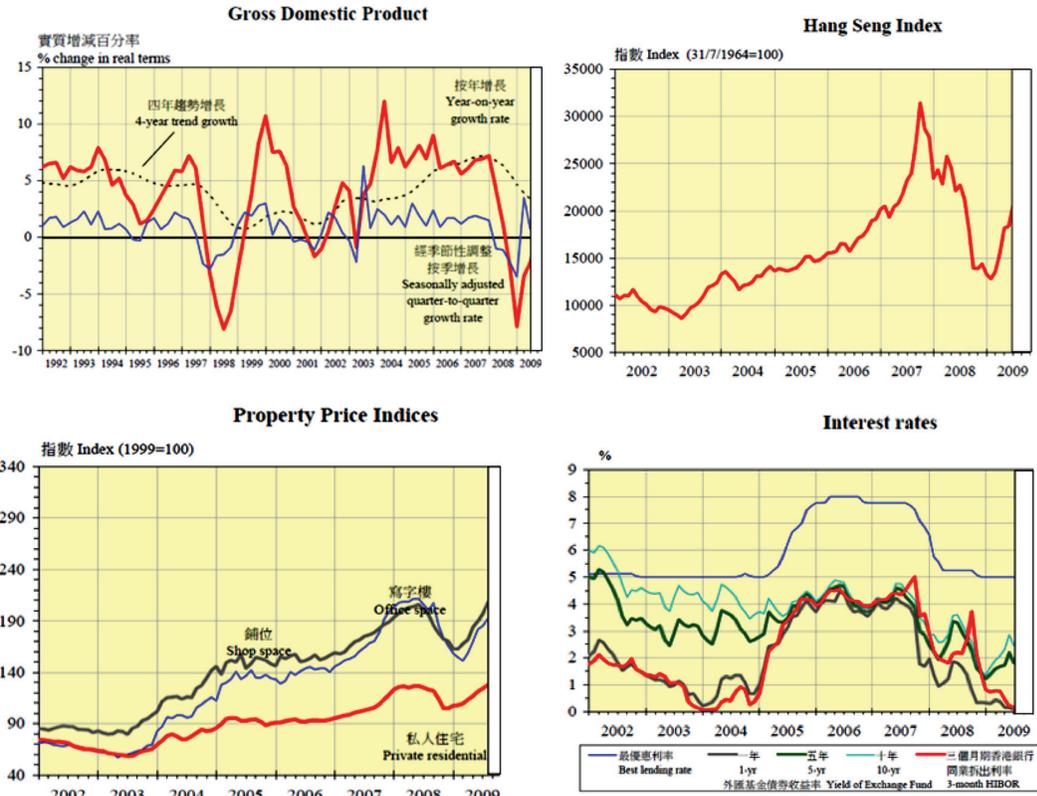
every six months on the portfolio, he knew that the offer of HK\$500 million<sup>18</sup> would yield the project a sizable return which would be much higher than the targeted 20% IRR for the fund. Recently, HCP had sold another project in the portfolio – an urban land development project in Guiyang, Guizhou province, which it had invested in early 2007. In addition to Fraser Suites, HCP had another project under exit consideration, a mixed-use property in Suzhou, Jiangsu province, acquired in the second quarter of 2008.

It seemed to be a good opportunity for HCP to exit the project. After the renovation and repositioning of the building, Rong Ren did not see much potential for additional growth on the value of the project since the rents had already tripled and stabilized at a considerable market level. The rapid growth in the Greater China region provided a large number of good deals; therefore, Rong Ren was not concerned about the reinvestment of the funds that would be extracted from the exited projects. Moreover, the buyer, Sino Land, was a very reputable and experienced real estate investment and management firm that would take good care of Fraser Suites property in the long term. Sino Land would not be considered a direct competitor of Frasers Hospitality since its core business was not in the serviced apartment management industry although it had exposure in hotel investment and management.

However, the market was recovering from the financial crisis of 2008, and the growth potential for asset prices was quite positive. The abundance of excess capital in China had pushed up asset prices in many cities, and these conditions were forecasted to last for some time due to the RMB4 trillion (US\$586 billion) stimulus package announced by China's central government in November 2008. Furthermore, interest rates remained at a low level, which decreased financing costs and stimulated the demand on property purchases. As a result, the property market yields on residential properties were continuing to decline (see Exhibit 10 Property Market Yields – Private Domestic 1990 – 2009).

The offer would expire soon. Rong Ren understood he had some bargaining power with Sino Land since Fraser Suites could provide synergy to the total asset portfolio of Sino Land. Meanwhile, the continuous renewal of Wan Chai could provide long-term benefits to Fraser Suites and the Lee Tung Street project. The property market was turning around and the future of the Fraser Suites was quite bright. Was it a good time for HCP to cash out of the project? Should Rong Ren take this offer or wait for further recovery and growth in the market? If he decided to make the deal, how should he negotiate the price with Sino Land and how much more could he ask for?

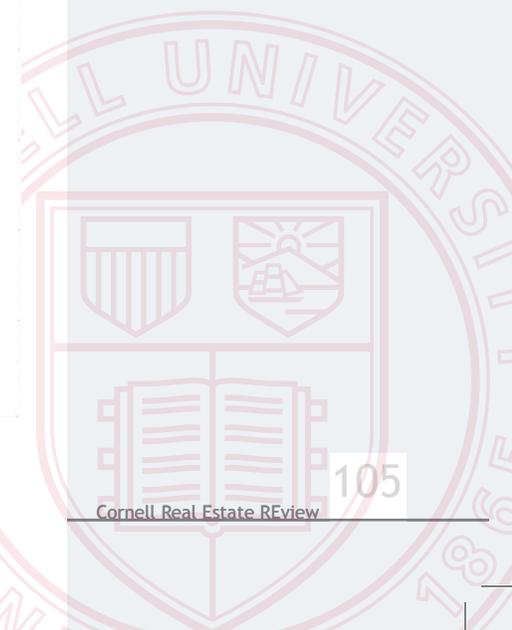
<sup>18</sup> The offer of HK\$500 million was estimated based on the info from <http://zh.wikipedia.org> (<http://zh.wikipedia.org/wiki/%E7%81%A3%E4%BB%94%E8%BC%9D%E7%9B%9B%E9%96%A3>)



Serviced Apartment	Address	Rents (HK\$/Month)	Size (sq. ft.)
Convention Plaza Serviced Apartment	1 Harbour Road, Wan Chai, Hong Kong	28,000-130,000	543 - 2,472
The Archive, Hong Kong	5 Hung Wan Street, Wan Chai, Hong Kong	28,000	650
V Wanchai Serviced Apartments	180 Jaffe Road, Wan Chai, Hong Kong	25,800-37,000	500 - 800
Inland Apartment in Wanchai	15 Tai Yuen Street, Wan Chai, Hong Kong	18,000-23,000	503
The Burlington	51-57 Hennessy Road, Wan Chai, Hong Kong	13,500-29,900	303 - 650
151 and 163 Serviced Apartments	151 Lockhart Rd. Wanchai & 163 Hennessy Rd. Wan Chai, HK	20,000-36,000	531 - 757
De Fenwick	42-50 Lockhart Road, Wan Chai, Hong Kong	14,000-30,000	410 - 870
218 Apartment	218 Hennessy Road, Wan Chai, Hong Kong	12,500 and up	370 - 650
Harmony Mansion	380-394, Hennessy Road, Wan Chai, Hong Kong	13,800 and up	343 - 719
Apartment Kapok	28 Harbour Road, Wan Chai, Hong Kong	18,500-25,500	459 - 505
Luard on the Park	5 Luard Road, Wan Chai, Hong Kong	16,300 and up	320 - 630
Eaton House	3-5 Wanchai Gap Road, Wan Chai, Hong Kong	16,800-25,100	422 - 471
GardenEast	222 Queen's Road East, Wan Chai, Hong Kong	21,600 and up	395 - 672
The Harmonium Serviced Apartments	2 Landale Street, Wan Chai, Hong Kong	15,500-30,000	350-600
The Mercer	29 Jervois Street, Sheung Wan, Hong Kong	39,800 and up	345 - 560
CHI Residences 120	120 Connaught Road West, Sheung Wan, Hong Kong	35,500-53,500	1,050 with balcony
The Platinum Hollywood	74-74A Hollywood Rd., Central, Hong Kong	11,000-22,000	200 - 450
COMO COMO Hollywood	118 Hollywood Road, Central, Hong Kong	24,500-38,000	650 - 1,200
Ovolo, Hollywood Road	222 Hollywood Road, Central, Hong Kong	34,000-42,000	650
Central Park Hotel	263 Hollywood Road, Central, Hong Kong	19,800 and up	238 - 450
The Putman	202 Queen's Road Central, Hong Kong	21,000-78,000	335 - 1,300
Ovolv, Queen's Road Central	286 Queen's Road, Central, Hong Kong	27,000-44,000	500 - 1000
338 Apartment	338 Queen's Road Central, Hong Kong	20,000 and up	547 - 1366
The Bauhinia Serviced Apartments	119-120 Connaught Road Central, Hong Kong	23,500 and up	555 - 900
Atria Green Residences	Central and Soho, Hong Kong	20,000-45,000	450 - 1000
Atria Boutique Studios	Central and Soho, Hong Kong	9,000-30,000	250 - 400
Four Seasons Place Hong Kong	8 Finance Street, Central, Hong Kong	46,000-188,000	547 - 1867
Ovolo, Arbutnot Road Central	7 Arbutnot Road, Central, Hong Kong	53,000-62,000	1,200
Knight on Wyndham	41 Wyndham Street, Central Hong Kong	35,000 and up	629
Yin Serviced Apartments	97A Wellington Street, Central, Hong Kong	29,800-50,000	740 and 862
Treasure View SOHO	10-12 Staunton Street, Central, Hong Kong	26,000-32,000	719
88 Serviced Apartments	88 Des Voeux Road Central, Hong Kong	27,000 and up	440 - 1430
Oakwood Apartments Mid Levels East HK	9K Kennedy Road, Mid-Levels, Hong Kong	36,000-56,000	645 - 1,290
ACTS Rednaxela, Hong Kong	8 Rednaxela Terrace, Mid-Levels, Hong Kong	38,000-110,000	650 - 1300
Hanlun Habitats - Orchid	11 Mosque Street, Mid-Levels, Central, Hong Kong	22,000-30,000	480
Hanlun Habitats - Peach Blossom	15 Mosque Street, Mid-Levels, Central, Hong Kong	28,000-33,000	560 - 680
Hanlun Habitats - Lily Court I & II	28 Robinson Road, Mid-Levels, Central, Hong Kong	26,000-40,000	520 - 720
Pacific Place Apartments	Level 4, Pacific Place, 88 Queensway, Hong Kong	72,000-200,000	1,220 - 2,650
V Causeway Bay <sup>2</sup>	25 Tung Lo Wan Road, Causeway Bay, Hong Kong	45,000-76,000	900 - 1,800
V Causeway Bay Serviced Apartments	9 Yee Wo Street, Causeway Bay, Hong Kong	16,700-75,000	230 - 1,600
Regent Heights Serviced Apartments	No. 11 Tung Lo Wan Road, Causeway Bay, Hong Kong	12,000-28,000	218 - 688
COMO COMO Causeway Bay	21-27 Percival Street & 478-484 Lockhart Road, Causeway Bay, HK	21,000-33,600	502 - 708

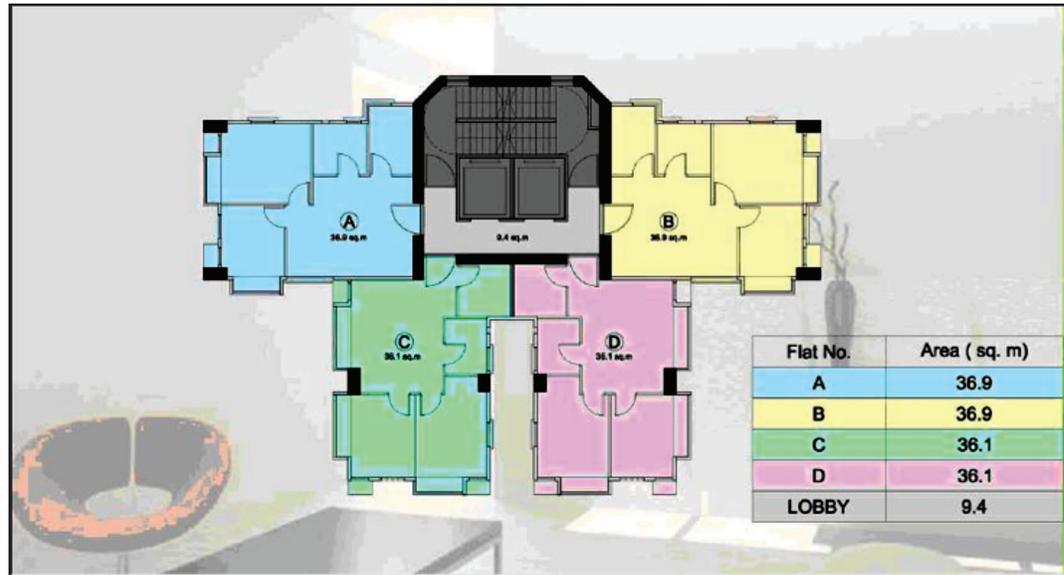
<sup>19</sup> <http://www.hkeconomy.gov.hk>

<sup>20</sup> <http://www.servicedapartmentsinhongkong.com/>



### Exhibit 3

Original Floor Plans of Fully Mansion - Original Building Flat Type and Area



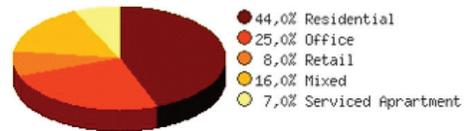
### Exhibit 4

CR China Real Estate Growth Fund 1, L.P. (As of September 2009)<sup>21</sup>

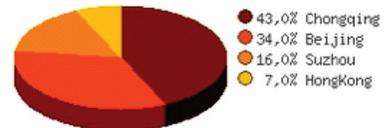
#### Key Highlights

Fund sponsor	China Resources
Closing date	Jul-07
Equity commitment	USD346 million
Fund-type	Closed-ended
Geographic focus	Greater China
Sector focus	Diversified
Strategy	Opportunistic
Target returns	20% IRR

#### Portfolio Allocation by Sector

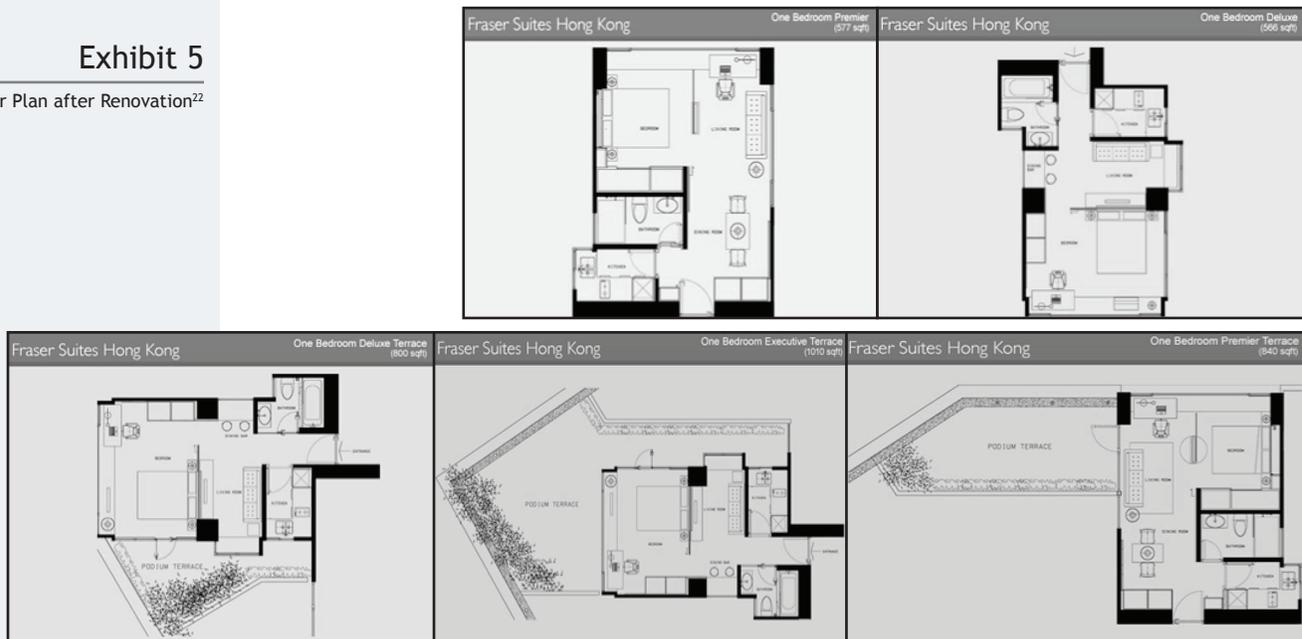


#### Portfolio Allocation by Geography



### Exhibit 5

Floor Plan after Renovation<sup>22</sup>



<sup>21</sup> <http://www.harvestcapital.com.hk>

<sup>22</sup> <http://hongkong.frasershospitality.com/>



## Exhibit 6

Typical Image of Apartment  
after Renovation and Apartment  
Facilities List<sup>23</sup>

### Residence Features

- Fully furnished with separate spacious living room (including a study table), dining, kitchen and bedroom
- Air-conditioning with individual controlled thermostats
- Welcome amenities
- Comprehensive Home Entertainment system:  
Cable network television  
DVD player  
LCD TV
- Electronic keycard access
- IDD and DID (Direct Inward Dialing local line)  
Telephone with voice mail system
- In-room personal safe
- Modern and well-equipped kitchen
- Steam iron and ironing board
- Washing machine cum dryer
- Broadband internet access
- Complementary baby cot (upon request)

Project	Address	Year of Completion	HK\$/month/sq. ft.
J Residence	60 Johnston Road	2007	46
The Zenith Tower 3, Phase I	250 Queen's Road East	2006	36
The Zenith Tower 1, Phase I	3 Wan Chai Road	2006	37
The Zenith Tower 2, Phase I	258 Queen's Road East	2006	37
The Morsion	28 Yat Sin Street	2007	32

## Exhibit 7

Rents of Ordinary Apartments  
Close to Wan Chai Subway Station <sup>24</sup>

table 2  
Townhouse Project Costs

<sup>23</sup> <http://hongkong.frasershospitality.com> & Brochure of Fraser Suites after opening in 2008

<sup>24</sup> Centaline Properties HK ( <http://hk.centadata.com>). Rents were deflated back to 2009 from rents of 2011 based on a 2% annual inflation rate.

## Exhibit 8

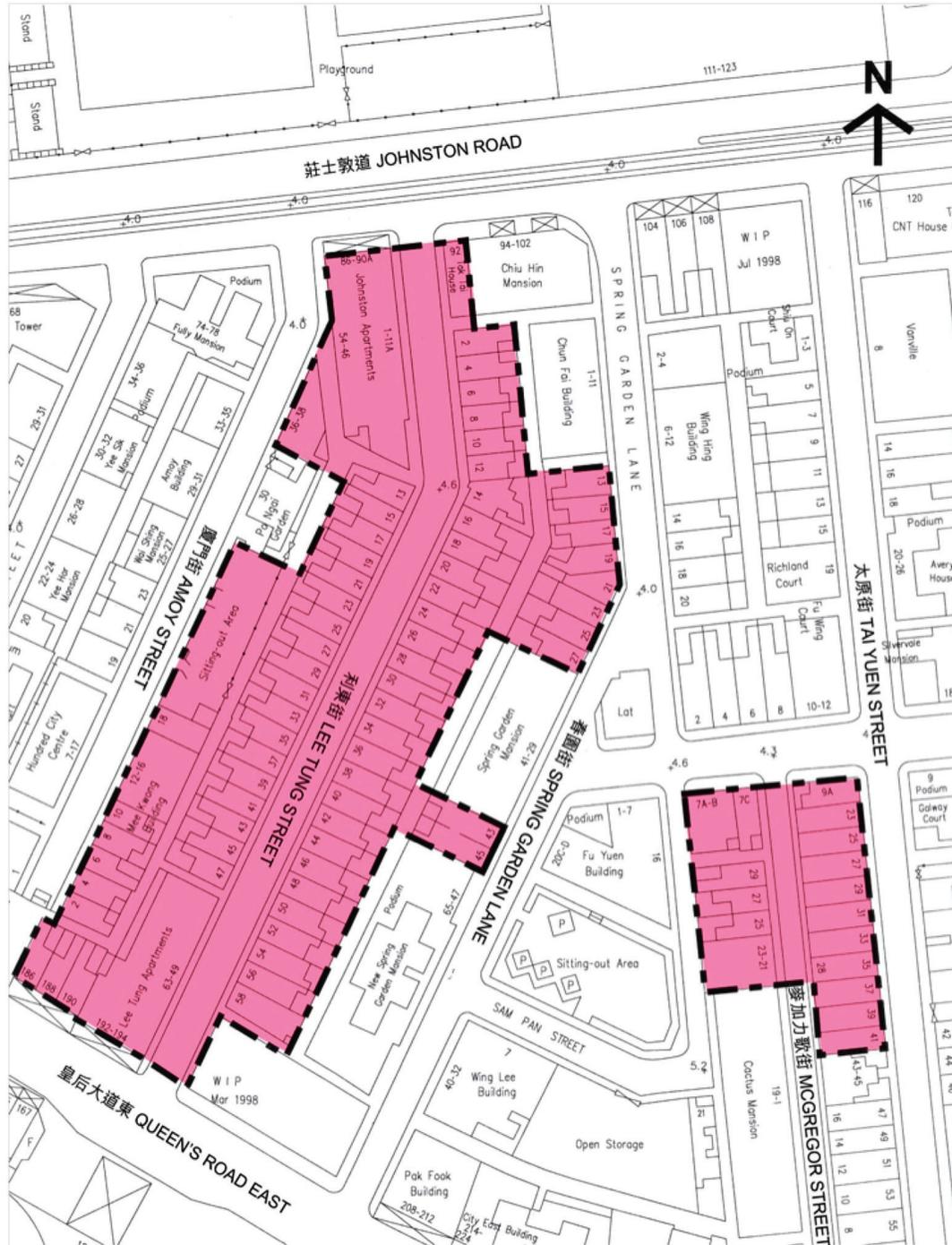
Tariff of Fraser Suites<sup>25</sup>

APARTMENT TYPES	NUMBER OF FLATS	AREA		RACK RATE
		(sqm)	(gross sqft)	Monthly (HKD)
1 Bedroom Deluxe	42	54	566	\$29,800
1 Bedroom Premier	42	55	577	\$32,800
1 Bedroom Deluxe Terrace	1	76	800	\$34,800
1 Bedroom Premier Terrace	1	79	840	\$36,800
1 Bedroom Executive Terrace	1	95	1010	\$38,800

## Exhibit 9

Site Map of Lee Tung Street/  
McGregor Street Project  
(Highlighted in Purple)<sup>26</sup>

Area enclosed by the red lines is  
Fraser Suites, used to be named  
as Fully Mansion.



<sup>25</sup> Brochure of Fraser Suites after opening in 2008

<sup>26</sup> Urban Renewal Authority Hong Kong, <http://www.ura.org.hk/html/c800000e23e.html>

# Exhibit 10

Property Market Yields - Private  
Domestic (Residential)  
1990 - 2009<sup>27</sup>

Year / Month	Residential Domestic					
	A	B	C	D	E	D & E
	Less than 40 m <sup>2</sup>	40 m <sup>2</sup> to 69.9 m <sup>2</sup>	70 m <sup>2</sup> to 99.9 m <sup>2</sup>	100 m <sup>2</sup> to 159.9 m <sup>2</sup>	160 m <sup>2</sup> or above	
1990 1 - 3	8.8	9.0	8.6	-	-	8.8
1990 4 - 6	9.1	8.8	8.8	-	-	8.8
1990 7 - 9	8.8	8.6	8.5	-	-	8.6
1990 10 - 12	8.5	8.4	8.2	-	-	8.2
1991 1 - 3	8.3	8.1	8.0	-	-	8.1
1991 4 - 6	7.6	7.4	7.7	-	-	8.1
1991 7 - 9	6.8	6.5	6.8	-	-	7.2
1991 10 - 12	6.1	6.0	6.4	-	-	6.4
1992 1 - 3	5.7	5.6	5.7	-	-	5.9
1992 4 - 6	5.5	5.2	5.3	-	-	5.4
1992 7 - 9	5.5	5.1	5.6	-	-	5.5
1992 10 - 12	5.7	5.3	5.5	-	-	5.6
1993 1 - 3	5.8	5.2	5.6	-	-	5.7
1993 4 - 6	5.4	4.9	5.3	-	-	5.4
1993 7 - 9	5.3	4.8	5.0	-	-	5.2
1993 10 - 12	5.5	5.0	5.0	-	-	4.9
1994 1 - 3	5.2	4.4	4.4	-	-	4.4
1994 4 - 6	5.3	4.6	4.8	-	-	5.0
1994 7 - 9	5.3	4.8	5.1	-	-	5.6
1994 10 - 12	5.5	4.9	5.3	-	-	5.7
1995 1 - 3	5.5	4.9	5.5	-	-	6.1
1995 4 - 6	5.6	5.1	5.4	-	-	5.8
1995 7 - 9	5.8	5.4	5.7	-	-	6.1
1995 10 - 12	5.8	5.3	5.7	-	-	6.1
1996 1 - 3	5.6	4.8	5.4	-	-	5.5
1996 4 - 6	5.4	4.7	5.0	-	-	5.2
1996 7 - 9	5.3	4.7	5.0	-	-	5.2
1996 10 - 12	5.0	4.4	4.5	-	-	4.6
1997 1 - 3	4.4	3.8	3.9	-	-	4.0
1997 4 - 6	4.1	3.6	3.6	-	-	3.5
1997 7 - 9	4.2	3.7	3.7	-	-	3.6
1997 10 - 12	4.2	3.7	3.7	-	-	3.7
1998 1 - 3	4.6	3.8	4.1	-	-	4.2
1998 4 - 6	4.9	4.1	4.3	-	-	4.4
1998 7 - 9	5.4	4.5	4.7	-	-	4.8
1998 10 - 12	5.4	4.4	4.5	-	-	4.6
1999 1 - 3	5.2	4.4	4.4	4.6	4.5	-
1999 4 - 6	5.1	4.3	4.4	4.4	4.1	-
1999 7 - 9	5.3	4.4	4.5	4.3	4.2	-
1999 10 - 12	5.4	4.6	4.6	4.5	4.1	-
2000 1 - 3	5.4	4.4	4.5	4.4	4.0	-
2000 4 - 6	5.8	4.9	4.8	4.6	4.3	-
2000 7 - 9	5.9	5.0	5.0	4.9	4.6	-
2000 10 - 12	6.2	5.2	5.2	5.1	4.5	-
2001 1 - 3	6.4	5.3	5.3	5.2	4.9	-
2001 4 - 6	6.2	5.2	5.2	5.4	5.0	-
2001 7 - 9	6.2	5.3	5.4	5.4	5.0	-
2001 10 - 12	6.4	5.3	5.5	5.5	5.2	-
2002 1 - 3	6.1	5.1	5.3	5.3	4.8	-
2002 4 - 6	6.1	5.0	5.1	5.1	4.6	-
2002 7 - 9	6.2	5.1	5.2	5.0	4.9	-
2002 10 - 12	6.3	5.3	5.0	4.9	4.7	-
2003 1 - 3	6.4	5.3	5.0	5.0	4.6	-
2003 4 - 6	6.4	5.3	5.1	4.9	4.7	-
2003 7 - 9	6.3	5.3	4.9	4.7	4.3	-
2003 10 - 12	5.9	4.9	4.5	4.2	3.9	-
2004 1 - 3	5.4	4.4	4.0	3.8	3.3	-
2004 4 - 6	5.3	4.4	4.0	3.8	3.3	-
2004 7 - 9	5.3	4.4	4.0	3.8	3.3	-
2004 10 - 12	5.1	4.2	3.8	3.5	3.1	-
2005 1 - 3	4.8	3.9	3.7	3.4	3.0	-
2005 4 - 6	4.8	3.9	3.6	3.3	2.9	-
2005 7 - 9	5.0	4.1	3.7	3.4	3.1	-
2005 10 - 12	5.3	4.3	4.0	3.5	3.1	-
2006 1 - 3	5.2	4.2	3.8	3.6	3.0	-
2006 4 - 6	5.2	4.1	3.8	3.5	3.1	-
2006 7 - 9	5.3	4.2	3.8	3.5	3.2	-
2006 10 - 12	5.4	4.3	3.8	3.6	3.3	-
2007 1 - 3	5.2	4.3	3.8	3.6	3.1	-
2007 4 - 6	5.2	4.2	3.8	3.6	3.1	-
2007 7 - 9	5.2	4.3	3.8	3.6	3.1	-
2007 10 - 12	4.9	4.2	3.6	3.4	2.9	-
2008 1 - 3	4.7	4.1	3.6	3.4	2.9	-
2008 4 - 6	4.8	4.1	3.7	3.4	3.0	-
2008 7 - 9	4.9	4.2	3.8	3.7	3.1	-
2008 10 - 12	5.0	4.2	3.9	3.8	3.4	-
2009 1 - 3	4.6	3.6	3.4	3.2	2.9	-
2009 4 - 6	4.3	3.5	3.1	2.8	2.5	-

<sup>27</sup> Rating and Valuation Department of Hong Kong <http://www.rvd.gov.hk>