

CIRCULAR DATED 24 AUGUST 2009

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.



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Approval in-principle has been obtained from the SGX-ST for the listing and quotation of the new units in Fortune Real Estate Investment Trust (the "Rights Units") to be issued for the purpose of the Rights Issue (as defined herein). The SGX-ST's in-principle approval is not an indication of the merits of Fortune REIT, the Rights Issue and the Rights Units.

If you have sold or transferred all your units in Fortune Real Estate Investment Trust ("Units"), you should immediately forward this Circular, together with the Notice of Extraordinary General Meeting and the accompanying Proxy Form, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

This Circular is not for distribution, directly or indirectly, in or into the United States and does not constitute an offer of securities into the United States. The "nil-paid" rights entitlements and the Rights Units have not been and will not be registered under the U.S. Securities Act of 1933 (as amended) ("Securities Act") or under the securities laws of any state or other jurisdiction of the United States. The "nil-paid" rights entitlements and the Rights Units may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. There will be no public offer of securities in the United States.



FORTUNE REAL ESTATE INVESTMENT TRUST

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

MANAGED BY



Asset Management (Singapore) Limited

Circular to Unitholders in relation to:

- (1) THE PROPOSED ACQUISITIONS OF METRO TOWN, CARIBBEAN BAZAAR AND HAMPTON LOFT;
- (2) THE PROPOSED WHITEWASH RESOLUTION; AND
- (3) THE PROPOSED TRUST DEED AMENDMENT TO FACILITATE EQUITY FUND RAISINGS.

Important Dates and Times for Unitholders

Last date and time for lodgement of Proxy Form	:	9 September 2009 at 2.30 p.m.
Date and time of Extraordinary General Meeting	:	11 September 2009 at 2.30 p.m.
Place of Extraordinary General Meeting	:	Capricorn Room, Level 1 Marina Mandarin Hotel 6 Raffles Boulevard, Marina Square Singapore 039594

Joint Financial Advisers and Joint Lead Managers and Underwriters



Independent Financial Adviser to the Independent Directors of ARA Asset Management (Singapore) Limited
KPMG Corporate Finance Pte. Ltd.

OVERVIEW OF FORTUNE REIT

Fortune REIT is the first real estate investment trust holding assets in Hong Kong. It is sponsored by Cheung Kong (Holdings) Limited and was listed on the Main Board of the SGX on 12 Aug 2003. Fortune REIT holds a portfolio of eleven retail malls and properties spread across Kowloon and the New Territories worth HK\$8.9 billion as at 30 June 2009.

THE TARGET PROPERTIES

METRO TOWN



Gross Rentable Area	180,822 sq ft
Car Park Lots	74
Valuation (as at 30 June 2009)	HK\$1,481.0 million (Knight Frank) HK\$1,480.0 million (Savills)
Purchase Consideration	HK\$1,452.0 million
Occupancy (as at 30 June 2009)	93.1%
Net Property Yield for FY 2008	4.8%

Metro Town at 8 King Ling Road, Tseung Kwan O, Hong Kong, is located on top of the Mass Transit Railway Tiu Keng Leng Station. It comprises the commercial development on the ground level, level one, level two, level three and level five, and the covered footbridge as well as the whole commercial car park (with 74 commercial carparking spaces) on level two of the residential development called "Metro Town".

CARIBBEAN BAZAAR

Gross Rentable Area	63,018 sq ft
Car Park Lots	117
Valuation (as at 30 June 2009)	HK\$431.0 million (Knight Frank) HK\$430.0 million (Savills)
Purchase Consideration	HK\$428.0 million
Occupancy (as at 30 June 2009)	97.5%
Net Property Yield for FY 2008	5.7%

Caribbean Bazaar at 1 Kin Tung Road, Tung Chung, Hong Kong comprises the commercial development, kindergarten, wet market and 117 commercial carparking spaces in Phase VI car park of the residential development called "Caribbean Coast".



HAMPTON LOFT



Gross Rentable Area	74,734 sq ft
Car Park Lots	35
Valuation (as at 30 June 2009)	HK\$161.0 million (Knight Frank) HK\$160.0 million (Savills)
Purchase Consideration	HK\$159.0 million
Occupancy (as at 30 June 2009)	100%
Net Property Yield for FY 2008	5.7%

Hampton Loft at 11 Hoi Fan Road, Kowloon, Hong Kong comprises the commercial units on level five and level six and 35 commercial carparking spaces on level one of the residential development called "Hampton Place".

OVERVIEW OF THE TRANSACTIONS

A THE PROPOSED RIGHTS ISSUE

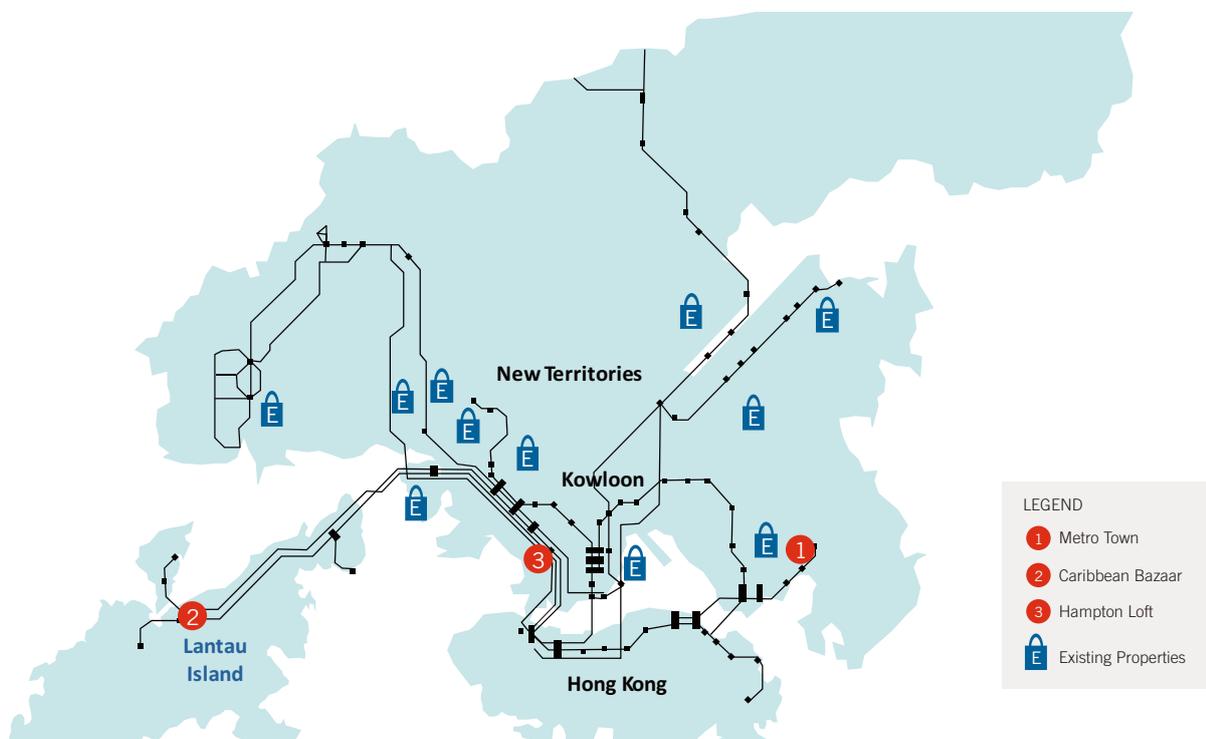
Offer Structure	Fully underwritten and renounceable Rights Issue
Rights Ratio	1-for-1
Rights Issue Price	HK\$2.29 representing a discount of: <ul style="list-style-type: none"> • 44.1% to Closing Price • 28.3% to TERP • 54.0% to pro-forma NAV per Unit
Pro-Forma 2008 DPU Yield on TERP	7.2%
Pro-Forma 2008 DPU Yield on Rights Issue Price	10.0%
Use of Net Proceeds	<ul style="list-style-type: none"> • 88.3% to part finance the Acquisitions • 6.2% for working capital, debt related costs and general corporate purposes • 5.5% for asset enhancement initiatives
Distributions	Entitled to any distributions which may accrue from 1 July 2009

- The Manager has successfully secured a long-term solution for Fortune REIT's funding requirements:
 - HK\$480.0 million Acquisition Facility maturing in 2010 to finance the Acquisitions
 - HK\$2,830.0 million Refinancing Facility to refinance the Existing Term Facility and the Acquisition Facility
 - HK\$270.0 million New Revolving Facility for corporate funding purposes

B THE PROPOSED ACQUISITIONS

Fortune REIT proposes to acquire three properties which are located in Hong Kong, being Metro Town, Caribbean Bazaar and Hampton Loft. The Properties are strategically located throughout Hong Kong and represent an attractive growth opportunity for Fortune REIT.

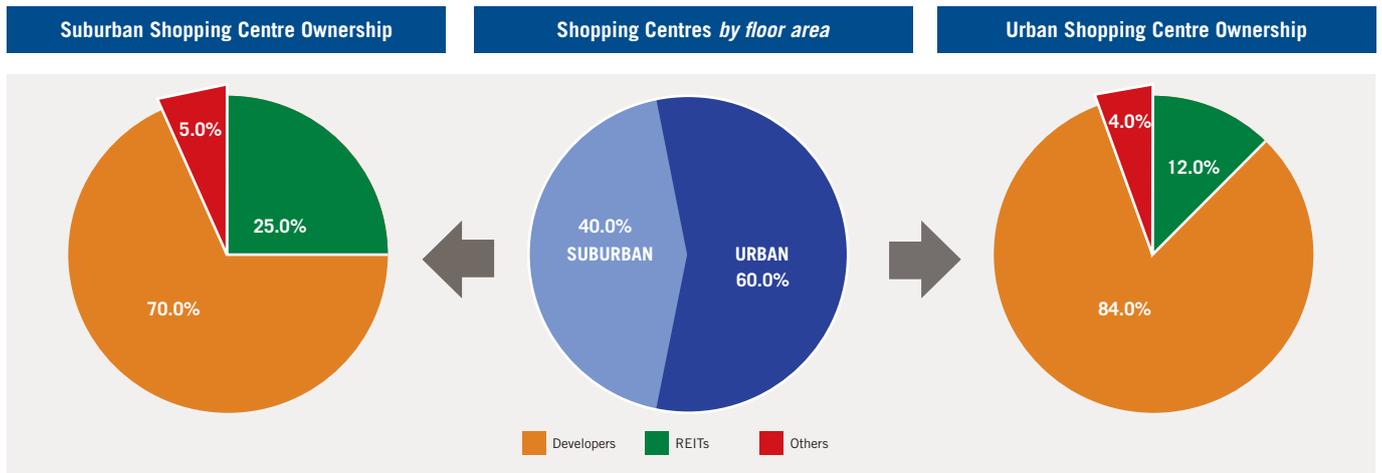
STRATEGICALLY LOCATED WITH HIGH OCCUPANCIES



- The Properties are located in high population growth areas at regional transportation hubs
- The Properties are expected to benefit from growing demand due to their strategic locations
- Enhanced geographical diversification
- The Properties' weighted average occupancy of 95.6% is above the Hong Kong retail occupancy average of 91.3% in 2008.

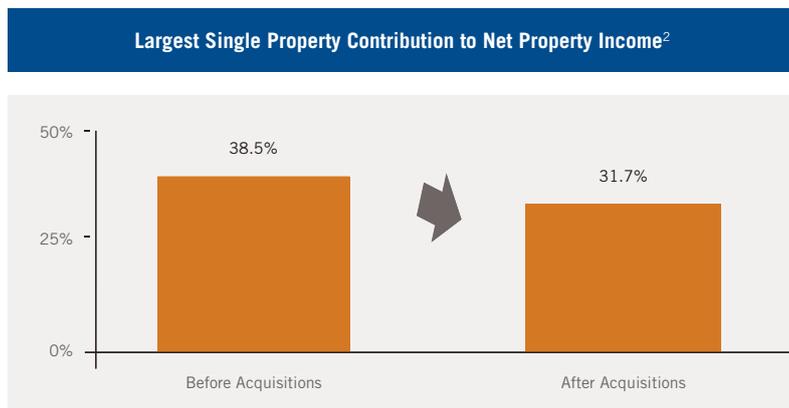
THE BENEFITS OF AN ENLARGED PORTFOLIO

1 ENLARGED EXPOSURE TO HONG KONG SUBURBAN RETAIL REAL ESTATE¹



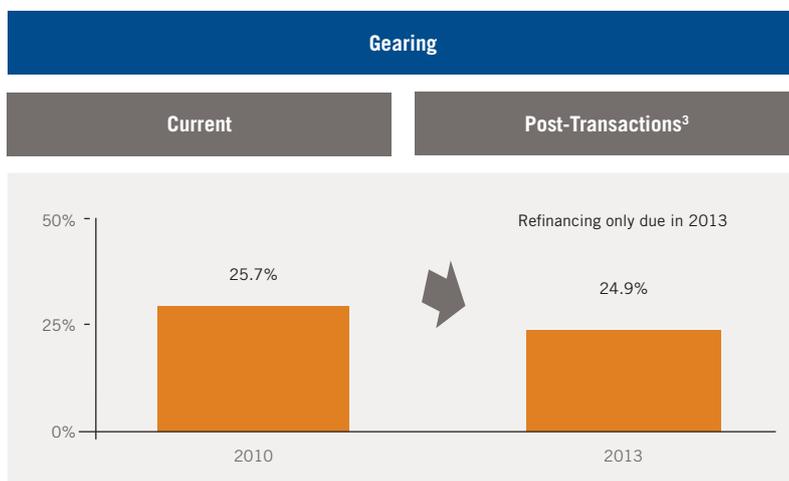
- Valuable opportunity to own a sizable portfolio of suburban retail space in Hong Kong
- Shopping centres in good locations are tightly held by developers and only 4.0% – 5.0% of large shopping centres (owned by institutions other than developers and REITs) are potentially available for sale
- Only 3 shopping centres of over 120,000 sq ft were transacted between 2004 and 2009

2 ENHANCED PORTFOLIO DIVERSIFICATION AND INCREASED ECONOMIES OF SCALE



- Reduced dependence on any single property
- Less dependency on any micro-property market
- The Acquisitions are expected to create further economies of scale
 - Spread fixed operating costs
 - More bargaining power with suppliers and service providers

3 INCREASED LIQUIDITY AND ENHANCED CAPITAL STRUCTURE



- Potential for increased liquidity given an increase in units in the free float from 547,496,806 to 1,094,993,612
- Debt proactively refinanced until 2013 at a margin of 2.0% over HIBOR
- Conservative gearing of 24.9% on completion of the Acquisitions and the Rights Issue
- Upon refinancing of the Existing Term Facility and the Acquisition Facility, the Properties will be unencumbered

¹ Please refer to the Retail Market Overview and Catchment Area Analysis under Appendix D

² Pro forma for the period from 1 January 2008 to 31 December 2008

³ On completion of the Acquisitions and the Rights Issue

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CORPORATE INFORMATION

Directors of ARA Asset Management (Singapore) Limited (the manager of Fortune Real Estate Investment Trust (the “Manager”))	Mr Chiu Kwok Hung, Justin (<i>Chairman and Director</i>) Mr Lim Hwee Chiang, John (<i>Director</i>) Mr Ip Tak Chuen, Edmond (<i>Director</i>) Ms Yeung, Eirene (<i>Director</i>) Mr Lim Lee Meng (<i>Independent Director and Chairman of Audit Committee</i>) Mr Cheng Mo Chi, Moses (<i>Independent Director</i>) Mrs Sng Sow-Mei (alias Poon Sow Mei) (<i>Independent Director</i>) Mr Ma Lai Chee, Gerald (<i>Alternate Director to Mr Ip Tak Chuen, Edmond</i>)
Registered office of the Manager	6 Temasek Boulevard #16-02 Suntec Tower Four Singapore 038986
Trustee of Fortune Real Estate Investment Trust (the “Trustee”)	HSBC Institutional Trust Services (Singapore) Limited 21 Collyer Quay #14-01 HSBC Building Singapore 049320
Legal Adviser for the Rights Issue and the Acquisitions, and to the Manager	Allen & Gledhill LLP One Marina Boulevard #28-00 Singapore 018989
Legal Adviser to the Manager and the Trustee for the Acquisitions as to Hong Kong law	Baker & McKenzie 23/F One Pacific Place 88 Queensway Hong Kong
Joint Financial Advisers and Joint Lead Managers and Underwriters	Cazenove & Co. (Singapore) Pte. Limited ¹ (a Standard Chartered group company) (“ Cazenove Singapore ”) 9 Raffles Place #52-01 Republic Plaza Singapore 048619 DBS Bank Ltd (“ DBS Bank ”) 6 Shenton Way DBS Building, Tower One Singapore 068809

¹ Cazenove & Co (Singapore) Pte. Limited is a wholly-owned subsidiary of Cazenove Asia Limited and a Standard Chartered group company. The mark “Cazenove” and marks containing “Cazenove” are trade marks of Cazenove IP Limited and are used under limited licence. Cazenove Asia Limited, its subsidiaries and affiliated companies are now subsidiaries or affiliated companies of Standard Chartered Bank (Hong Kong) Limited, and are not affiliated with JPMorgan Cazenove Limited, Cazenove Inc., or their subsidiaries.

Independent Financial Adviser to the Independent Directors of the Manager in relation to the Acquisitions and the Whitewash Resolution	KPMG Corporate Finance Pte. Ltd. 16 Raffles Quay #22-00 Hong Leong Building Singapore 048581
Independent Accountants	Deloitte & Touche LLP 6 Shenton Way #32-00 DBS Building Tower Two Singapore 068809
Independent Tax Adviser as to Singapore law	KPMG Tax Services Pte Ltd 16 Raffles Quay #22-00 Hong Leong Building Singapore 048581
Legal Adviser to the Joint Lead Managers and Underwriters as to Singapore law and United States federal law	Allen & Overy LLP 24 Raffles Place #22-00 Clifford Centre Singapore 048621
Legal Adviser to the Trustee as to Singapore law	Shook Lin & Bok LLP 1 Robinson Road #18-00 AIA Tower Singapore 048542
Independent Valuers	Knight Frank Petty Limited (“ Knight Frank ”) 4 th Floor, Shui On Centre 6-8 Harbour Road, Wanchai Hong Kong Savills Valuation and Professional Services Limited (“ Savills ”) 23 rd Floor, Two Exchange Square Central, Hong Kong
Independent Property Consultant for the Retail Market Overview and Catchment Area Analysis	Savills Valuation and Professional Services Limited 23 rd Floor, Two Exchange Square Central, Hong Kong
Building Surveyor	Vigers Building Consultancy Limited 10 th Floor, The Grande Building 398 Kwun Tong Road Kowloon, Hong Kong
Unit Registrar and Unit Transfer Office	Boardroom Corporate & Advisory Services Pte. Ltd. 3 Church Street #08-01 Samsung Hub Singapore 049483

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SUMMARY

The following summary is qualified in its entirety by, and should be read in conjunction with, the full text of this Circular. Meanings of defined terms may be found in the Glossary on pages 57 to 70 of this Circular.

OVERVIEW OF THE ACQUISITIONS

The Properties

Fortune Real Estate Investment Trust (“**Fortune REIT**”) proposes to acquire three properties which are located in Hong Kong, being Metro Town, Caribbean Bazaar and Hampton Loft (collectively, the “**Properties**”, and the acquisition of the Properties, the “**Acquisitions**”).

- **Metro Town** at 8 King Ling Road, Tseung Kwan O, Hong Kong, is located on top of the Mass Transit Railway (“**MTR**”) Tiu Keng Leng Station. It comprises the commercial development on the ground level, level one, level two, level three and level five, and the covered footbridge as well as the whole commercial car park (with 74 commercial carparking spaces) on level two of the residential development called “Metro Town”.
- **Caribbean Bazaar** at 1 Kin Tung Road, Tung Chung, Hong Kong comprises the commercial development, kindergarten, wet market and 117 commercial carparking spaces in Phase VI car park of the residential development called “Caribbean Coast”.
- **Hampton Loft** at 11 Hoi Fan Road, Kowloon, Hong Kong comprises the commercial units on level five and level six and 35 commercial carparking spaces on level one of the residential development called “Hampton Place”.

The Acquisitions are considered to be Related Party Transactions (as defined herein), with the respective vendors being as follows:

<u>Property</u>	<u>Vendor</u>
Metro Town	Mcbride International Limited (a subsidiary of Cheung Kong (Holdings) Limited (“ Cheung Kong ”) and Natison Investments Limited (a subsidiary of Nan Fung Development Limited (“ Nan Fung ”)) ¹
Caribbean Bazaar.	MTR Corporation Limited ²
Hampton Loft.	Global Coin Limited (a subsidiary of Cheung Kong)

¹ Cheung Kong indirectly holds 80.0% and Nan Fung indirectly holds the remaining 20.0% of the issued share capital of Marvel Point Investments Limited (“**MPI**”) (which is incorporated in the British Virgin Islands (the “**BVI**”), a special purpose vehicle which indirectly wholly-owns Metro Town through Mega Gain Resources Limited (“**Mega Gain**”), and it is proposed that Fortune REIT acquires Metro Town via the acquisition of MPI.

² As companies jointly owned by Cheung Kong and Hutchison Whampoa Limited (“**Hutchison**”) have an interest in the purchase consideration of Caribbean Bazaar, the Manager, in the interest of transparency and good corporate governance, has considered the acquisition of Caribbean Bazaar as a Related Party Transaction.

The following table sets out the gross rentable area (“**GRA**”) and the occupancy rate of each of the Properties as at 30 June 2009:

Property	Gross Rentable Area	Occupancy rate
	(sq ft)	(%)
Metro Town	180,822	93.1
Caribbean Bazaar	63,018	97.5
Hampton Loft	74,734	100.0
Total/Average⁽¹⁾	318,574	95.6

Note:

(1) Weighted average occupancy rate.

Cost of the Acquisitions

The following table sets out the appraised values (as at 30 June 2009) and purchase consideration of each of the Properties:

Property	Appraised Value		Purchase Consideration
	by Knight Frank	by Savills	
	(HK\$ million)	(HK\$ million)	
Metro Town	1,481.0	1,480.0	1,452.0 ⁽¹⁾
Caribbean Bazaar	431.0	430.0	428.0
Hampton Loft	161.0	160.0	159.0
Total	2,073.0	2,070.0	2,039.0

Note:

(1) Before adjustment for the consolidated net current assets or net current liabilities of MPI and Mega Gain as at Completion¹.

The total cost of the Acquisitions, inclusive of the aggregate purchase consideration of HK\$2,039.0 million for the Properties (before adjustment for the consolidated net current assets or net current liabilities of MPI and Mega Gain as at Completion in the case of the acquisition of Metro Town) (the “**Aggregate Purchase Consideration**”), the acquisition fee payable to the Manager under the Trust Deed in respect of the Acquisitions (the “**Acquisition Fee**”)² as well as the estimated stamp duty, professional and other fees and expenses to be incurred in connection with the Acquisitions, is estimated to amount to HK\$2,091.4 million (“**Total Acquisition Cost**”).

(See paragraph 3.2 of the Letter to Unitholders for further details.)

It is noted that although the Acquisitions are scheduled to be completed on the same day, being the date of the issue of the Rights Units, the acquisition of Caribbean Bazaar may be delayed or not occur as it is subject to the vendor, MTR Corporation Limited, obtaining the consent to assign from the Director of Lands of the Lands Department of the Hong Kong Government in respect of the commercial development, kindergarten and the wet market (which form part of Caribbean Bazaar) and the granting of such consent or the timing thereof is not within the control of the Manager and is uncertain. In the

¹ “**Completion**” refers to the completion of the sale and purchase of the MPI Shares, Caribbean Bazaar and/or (as the case may be) Hampton Loft pursuant to the respective Sale and Purchase Agreements.

² The Acquisition Fee shall be payable to the Manager in Units and such Units shall not be sold within one year from their date of issue, in accordance with paragraph 5.6 of the Property Funds Guidelines.

event that the acquisition of Caribbean Bazaar is delayed or does not occur, the completion of the acquisitions of Metro Town and Hampton Loft will proceed as scheduled.

(See paragraph 3.11 of the Letter to Unitholders for the financial effects if Fortune REIT proceeds only with the acquisitions of Metro Town and Hampton Loft.)

Method of Financing

The Manager intends to finance the Total Acquisition Cost (excluding the Acquisition Fee which is payable in Units) through a rights issue and a new term loan facility of HK\$480.0 million (the “**Acquisition Facility**”). The Manager proposes to issue 824,879,427 Rights Units through a fully underwritten and renounceable rights issue (the “**Rights Issue**”) to Eligible Unitholders (as defined herein), on a basis of one Rights Unit for every one existing Unit (“**Existing Unit**”) held as at 5.00 p.m. on 17 September 2009 (the “**Rights Issue Books Closure Date**”), at an issue price of HK\$2.29 per Rights Unit (the “**Rights Issue Price**”). The Manager expects to raise gross proceeds of HK\$1,889.0 million, of which HK\$1,591.0 million will be used to finance the Acquisitions.

(See paragraphs 3.2, 3.9 and 4 of the Letter to Unitholders for further details. See also paragraph 3.11 of the Letter to Unitholders for the financial effects if Fortune REIT proceeds only with the acquisitions of Metro Town and Hampton Loft.)

Rationale for the Acquisitions

The Manager believes that the Acquisitions will bring the following key benefits to Unitholders:

- Enlarged exposure to Hong Kong suburban retail;
- Acquisition of quality assets with high occupancy and strategic location;
- Enhanced portfolio diversification and increased economies of scale; and
- Increased liquidity through attractive funding from the Rights Issue.

Interested Person Transaction and Interested Party Transaction

Cheung Kong is deemed to hold an aggregate indirect interest in 262,815,342 Units (comprising 31.9% of the existing Units) as at the Latest Practicable Date (as defined herein) and is therefore regarded as a Controlling Unitholder¹. As Metro Town and Hampton Loft are being acquired from subsidiaries of Cheung Kong, their acquisitions will constitute an “interested person transaction” under Chapter 9 of the Listing Manual of the SGX-ST (the “**Listing Manual**”) as well as an “interested party transaction” under Paragraph 5 of the Property Funds Guidelines at Appendix 2 of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore (the “**Property Funds Guidelines**”) (collectively, “**Related Party Transactions**”, and each, a “**Related Party Transaction**”).

Further, as companies jointly owned by Cheung Kong and Hutchison have an interest in part of the purchase consideration of Caribbean Bazaar, the Manager, in the interest of transparency and good corporate governance, has considered the acquisition of Caribbean Bazaar as a Related Party Transaction as well.

¹ Cheung Kong is deemed to be interested in 262,815,342 Units, of which (i) 206,537,342 Units are held by Focus Eagle Investments Limited (“**Focus Eagle**”) (a wholly-owned subsidiary of Cheung Kong) and (ii) 56,278,000 Units are held by Ballston Profits Limited (“**Ballston**”) (a wholly-owned subsidiary of Hutchison, which in turn is 49.9% owned by Cheung Kong). As Cheung Kong has an interest in more than 15.0% of all outstanding Units, Cheung Kong is considered a “**Controlling Unitholder**” of Fortune REIT.

As Unitholders' approval will be sought at the EGM for the Acquisitions (being Related Party Transactions), Cheung Kong has undertaken that it will abstain, and will procure that Focus Eagle will abstain, from voting at the EGM on the Acquisitions resolution. Similarly, Hutchison has undertaken that it will abstain, and will procure that Ballston will abstain, from voting at the EGM on the Acquisitions resolution.

(See paragraph 3.12 of the Letter to Unitholders for further details.)

Unitholders should note that the Acquisitions resolution and the Whitewash Resolution (as defined herein) are subject to, and contingent upon, each other. In the event that Fortune REIT fails to obtain unitholders of Fortune REIT's ("Unitholders") approval for the Whitewash Resolution, Fortune REIT will not proceed with the Acquisitions. The resolution relating to the Trust Deed Amendment to Facilitate Equity Fund Raisings (as defined herein) is not subject to, or contingent upon, any of the other resolutions.

PROPOSED WHITEWASH RESOLUTION

The Rights Issue will be fully underwritten by the Joint Lead Managers and Underwriters on the terms and subject to the conditions of a management and underwriting agreement entered into between the Manager and the Joint Lead Managers and Underwriters on 24 August 2009 (the "**Underwriting Agreement**").

Further to the Underwriting Agreement, and in order to demonstrate support for Fortune REIT and the Rights Issue:

- (i) Focus Eagle has on 24 August 2009 provided an irrevocable undertaking (the "**Focus Eagle Pro Rata Undertaking**") to the Manager and Joint Lead Managers and Underwriters, pursuant to which Focus Eagle will accept, and/or procure any one or more of the Cheung Kong Subsidiaries to subscribe for, its provisional allocation of Rights Units in proportion to its unitholdings in Fortune REIT, being 206,537,342 Rights Units (the "**Focus Eagle Pro Rata Units**");
- (ii) Ballston has on 24 August 2009 provided an irrevocable undertaking (the "**Ballston Pro Rata Undertaking**", together with the Focus Eagle Pro Rata Undertaking, the "**Pro Rata Undertakings**") to the Manager and the Joint Lead Managers and Underwriters, pursuant to which Ballston will accept and subscribe for its provisional allocation of Rights Units in proportion to its unitholdings in Fortune REIT being 56,278,000 Rights Units (the "**Ballston Pro Rata Units**", together with the Focus Eagle Pro Rata Units, the "**Pro Rata Units**");
- (iii) Focus Eagle has on 24 August 2009 entered into a sub-underwriting agreement (the "**Focus Eagle Sub-Underwriting Agreement**") with Cheung Kong and the Joint Lead Managers and Underwriters, pursuant to which Focus Eagle has agreed to, either directly or by procuring one or more of the Cheung Kong Subsidiaries to do so, sub-underwrite 43.2% of the total number of Rights Units to be issued under the Rights Issue, being 356,161,713 Units, such obligation being set off by the number of Focus Eagle Pro Rata Units that are taken up pursuant to the Focus Eagle Pro Rata Undertaking and the number of any Excess Rights Units and Nil-Paid Rights Units that are taken up by any one or more of the Cheung Kong Subsidiaries and/or the Hutchison Subsidiaries (as defined herein), subject to the passing of the Whitewash Resolution (43.2% of the total number of Rights Units to be issued under the Rights Issue less the number of the Focus Eagle Pro Rata Units, being the "**Commitment Rights Units**"). Cheung Kong has, pursuant to the terms of the Focus Eagle Sub-Underwriting Agreement, agreed to unconditionally and irrevocably guarantee the due and punctual payment in accordance with the terms therein of all amounts payable by Focus Eagle under the Focus Eagle Sub-Underwriting Agreement and the due and

punctual performance and observance by Focus Eagle of all its obligations, commitments, undertakings and warranties under or pursuant to the Focus Eagle Sub-Underwriting Agreement; and

- (iv) Ballston has on 24 August 2009 entered into a sub-underwriting agreement (the “**Ballston Sub-Underwriting Agreement**”, and together with the Focus Eagle Sub-Underwriting Agreement, collectively the “**Sub-Underwriting Agreements**”) with Hutchison and the Joint Lead Managers and Underwriters, pursuant to which Ballston has agreed to sub-underwrite 6.8% of the total number of Rights Units to be issued under the Rights Issue, being the number of the Ballston Pro Rata Units, such obligation being set off by the number of the Ballston Pro Rata Units that are taken up pursuant to the Ballston Pro Rata Undertaking, subject to the passing of the Whitewash Resolution. Hutchison has, pursuant to the terms of the Ballston Sub-Underwriting Agreement, agreed to unconditionally and irrevocably guarantee the due and punctual payment in accordance with the terms therein of all amounts payable by Ballston under the Ballston Sub-Underwriting Agreement and the due and punctual performance and observance by Ballston of all its obligations, commitments, undertakings and warranties under or pursuant to the Ballston Sub-Underwriting Agreement.

In order for the Rights Issue to proceed on an underwritten basis as described above and elsewhere in this Circular, the Manager is seeking approval from Unitholders, other than Cheung Kong, parties acting in concert with it and parties which are not independent of Cheung Kong (the “**Independent Unitholders**”), for a waiver of their rights to receive a mandatory offer from Cheung Kong and parties acting in concert with it (“**Mandatory Offer**”) for all the remaining issued Units not owned or controlled by Cheung Kong and parties acting in concert with it, in the event that they incur a mandatory bid obligation pursuant to Rule 14 of the Singapore Code on Take-overs and Mergers (the “**Code**”) as a result of the acquisition by (a) Focus Eagle and/or the other subsidiaries of Cheung Kong (the “**Cheung Kong Subsidiaries**”) and (b) Ballston and/or the other subsidiaries of Hutchison (the “**Hutchison Subsidiaries**”) of:

- the Pro Rata Units; and/or
- the Commitment Rights Units; and/or
- the Aggregate Excess Rights Units (as defined herein); and/or
- the Nil-Paid Rights Units (as defined herein),

(the “**Whitewash Resolution**”).

Unitholders should note that the Acquisitions resolution and the Whitewash Resolution are subject to, and contingent upon, each other. In the event that Fortune REIT fails to obtain Unitholders’ approval for the Acquisitions, Fortune REIT will not proceed with the Whitewash Resolution and the Rights Issue. The resolution relating to the Trust Deed Amendment to Facilitate Equity Fund Raisings is not subject to, or contingent upon, any of the other resolutions.

PROPOSED TRUST DEED AMENDMENT TO FACILITATE EQUITY FUND RAISINGS

The Manager proposes to amend the trust deed constituting Fortune REIT dated 4 July 2003 (as amended) (the “**Trust Deed**”) for the purposes of allowing the Manager to obtain Unitholders’ approval for the issue of Units, where such approval is required under the Trust Deed, by way of an Ordinary Resolution instead of an Extraordinary Resolution (the “**Trust Deed Amendment to Facilitate Equity Fund Raisings**”).

(See paragraph 6 of the Letter to Unitholders for further details.)

INDICATIVE TIMETABLE

<u>Event</u>	<u>Date and Time</u>
Last date and time for lodgement of Proxy Forms	: 9 September 2009 at 2.30 p.m.
Date and time of EGM	: 11 September 2009 at 2.30 p.m.
The Proposed Rights Issue:	
Rights Issue Books Closure Date	: To be determined (but is expected to be no later than 17 September 2009 at 5.00 p.m.)
Commencement of “nil-paid” rights trading period	: To be determined (but is expected to be no later than 23 September 2009)
Close of “nil-paid” rights trading period	: To be determined (but is expected to be no later than 1 October 2009)
Close of the Rights Issue	: To be determined (but is expected to be no later than 7 October 2009)
Completion of the Acquisitions ⁽¹⁾ and the issue of Rights Units	: To be determined (but is expected to be no later than 15 October 2009)
Commencement of trading of the Rights Units on the SGX-ST	: To be determined (but is expected to be no later than 16 October 2009)

Note:

- (1) While the Manager is targeting to complete the acquisition of Caribbean Bazaar on the same day, the completion may be delayed or not occur as it is subject to the vendor, MTR Corporation Limited, obtaining the consent to assign from the Director of Lands of the Lands Department of the Hong Kong Government in respect of the commercial development, kindergarten and the wet market (which form part of Caribbean Bazaar) and the granting of such consent or the timing thereof is not within the control of the Manager and is uncertain. In the event that the acquisition of Caribbean Bazaar is delayed or does not occur, the completion of the acquisitions of Metro Town and Hampton Loft will proceed as scheduled.

(See paragraph 3.8.2 of the Letter to Unitholders for further details.)

The timetable for the events which are scheduled to take place after the EGM is indicative only and is subject to change at the Manager’s absolute discretion. In the event that Fortune REIT fails to obtain Unitholders’ approval for the Acquisitions, Fortune REIT will not proceed with the Rights Issue.

FORTUNE REAL ESTATE INVESTMENT TRUST

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

Directors of the Manager

Mr Chiu Kwok Hung, Justin (*Chairman and Director*)
Mr Lim Hwee Chiang, John (*Director*)
Mr Ip Tak Chuen, Edmond (*Director*)
Ms Yeung, Eirene (*Director*)
Mr Lim Lee Meng (*Independent Director and Chairman of
Audit Committee*)
Mr Cheng Mo Chi, Moses (*Independent Director*)
Mrs Sng Sow-Mei (alias Poon Sow Mei) (*Independent Director*)
Mr Ma Lai Chee, Gerald (*Alternate Director to Mr Ip Tak Chuen,
Edmond*)

Registered Office

6 Temasek Boulevard
#16-02 Suntec Tower Four
Singapore 038986

24 August 2009

To: Unitholders of Fortune Real Estate Investment Trust

Dear Sir/Madam

1. SUMMARY OF APPROVALS REQUIRED

Given the benefits arising out of the Acquisitions, the Manager recommends that Unitholders vote to approve each of the following resolutions at the extraordinary general meeting (“**EGM**”) to be held at 2.30 p.m. on 11 September 2009 at Capricorn Room, Level 1, Marina Mandarin Hotel, 6 Raffles Boulevard, Marina Square, Singapore 039594:

- (i) the Acquisitions;
- (ii) the Whitewash Resolution; and
- (iii) the Trust Deed Amendment to Facilitate Equity Fund Raisings.

Unitholders should note that the Acquisitions resolution and the Whitewash Resolution are subject to, and contingent upon, each other. The resolution relating to the Trust Deed Amendment to Facilitate Equity Fund Raisings is not subject to, or contingent upon, any of the other resolutions.

2. THE ACQUISITIONS AND THE RATIONALE FOR THE ACQUISITIONS

2.1 The Acquisitions

On 24 August 2009, the directors of the Manager (the “**Directors**”) announced that the Trustee, by itself and through special purpose vehicles of Fortune REIT, had entered into three separate sale and purchase agreements to acquire the Properties from their respective Vendors¹ (collectively, the “**Sale and Purchase Agreements**” and each a “**Sale and Purchase Agreement**”).

¹ Being McBride International Limited and Natisone Investments Limited in the case of Metro Town, MTR Corporation Limited in the case of Caribbean Bazaar and Global Coin Limited in the case of Hampton Loft. McBride International Limited and Natisone Investments Limited are the respective subsidiaries of Cheung Kong and Nan Fung, while Global Coin Limited is a subsidiary of Cheung Kong.

Certain details of each of the Properties are as follows:

- (i) **Metro Town** at 8 King Ling Road, Tseung Kwan O, Hong Kong, is located on top of the MTR Tiu Keng Leng Station. It comprises the commercial development on the ground level, level one, level two, level three and level five, and the covered footbridge as well as the whole commercial car park (with 74 commercial carparking spaces) on level two of the residential development called “Metro Town”.
- (ii) **Caribbean Bazaar** at 1 Kin Tung Road, Tung Chung, Hong Kong comprises the commercial development, kindergarten, wet market and 117 commercial carparking spaces in Phase VI car park of the residential development called “Caribbean Coast”.
- (iii) **Hampton Loft** at 11 Hoi Fan Road, Kowloon, Hong Kong comprises the commercial units on level five and level six and 35 commercial carparking spaces on level one of the residential development called “Hampton Place”.

(See **Appendix A** “Property Information” for details in relation to the Properties as well as Fortune REIT’s Existing Properties.¹)

Completion of the Acquisitions is subject to the satisfaction of a number of conditions as described in paragraph 3.5 below.

2.2 Key Benefits to Unitholders

The Manager believes that the Acquisitions will bring the following key benefits to Unitholders:

2.2.1 Enlarged Exposure to Hong Kong Suburban Retail

The Acquisitions provide Fortune REIT with a valuable opportunity to own a sizable portfolio of suburban retail space in Hong Kong.

Shopping centre transactions in Hong Kong have been limited over the past five years as many shopping centres in good locations, whether in core retail areas or suburban areas, are tightly held by their developers and only a handful generally are available for sale. Only 4.0% to 5.0% of large shopping centres are owned by institutions other than developers and REITs. In the past five years, only three shopping centres of over 120,000 sq ft were transacted in Hong Kong. Future supply of retail shopping space is also expected to be limited, with supply of major shopping centres expected to fall to an average of 1.2 million sq ft of GRA per annum between 2009 and 2013 from 2.1 million sq ft of GRA per annum between 1980 and 2008. With an additional GRA of 318,574 sq ft from the Properties, Fortune REIT’s suburban retail portfolio will increase by 19.1% to a total GRA of 2.0 million sq ft.

Furthermore, private retail rents in the New Territories² have proved to be relatively more stable than rents on Hong Kong Island and in Kowloon, especially during market downturns. During the Asian financial crisis period (from 1997 to 1999) as an example, while private retail rents in the New Territories fell by 17.0% over the period, much heavier falls of 30.0% and 33.2% were recorded for Hong Kong Island and Kowloon, respectively, over the same period.

(See **Appendix D** “Retail Market Overview and Catchment Area Analysis” for details.)

¹ Fortune REIT’s current property portfolio comprises City One Shatin Property, Ma On Shan Plaza, The Metropolis Mall, Waldorf Garden Property, Smartland, Tsing Yi Square Property, Jubilee Court Shopping Centre, The Household Center, Centre de Laguna Property, Lido Garden Property and Rhine Garden Property (collectively, the “**Existing Properties**”). The meanings of defined terms in this footnote can be found in the Glossary.

² As a number of suburban shopping centres are located in the New Territories, the New Territories private retail rents are viewed as a proxy for the performance of suburban shopping centres.

2.2.2 Acquisition of Quality Assets with High Occupancy and Strategic Location

The Acquisitions are in line with the Manager's acquisition growth strategy of owning retail properties with high occupancy and long term growth potential. As of 30 June 2009, the weighted average occupancy rate of the Properties was 95.6%, which is above the average Hong Kong retail occupancy level of 91.3% in 2008¹. The high occupancy is a reflection of the strong demand for retail space in the areas in which the Properties are located. This will provide Fortune REIT with stable cash flow as well as considerable bargaining power when negotiating leases with tenants.

The Properties are located in high population growth areas at regional transportation hubs in the New Towns (namely Tseung Kwan O, Tung Chung and Tai Kok Tsui) and enjoy high levels of accessibility via public transportation, highways and roads. The Properties are expected to benefit from growing demand due to their strategic locations, particularly in light of the Government's committed infrastructure investment and the expected population growth in these areas.

Given that the Properties are relatively new and most of the tenants are still within their first or second term of tenancy, the Acquisitions will allow the Manager to take advantage of the likely increase in demand for retail space in these areas, and the expected improvement in rental rates, tenancy mix and long-term property value.

(See paragraph 2.3 "Competitive Strengths of the Properties" for further details.)

2.2.3 Enhanced Portfolio Diversification and Increased Economies of Scale

The Acquisitions are expected to improve the diversification of Fortune REIT's portfolio and reduce the extent of reliance of Fortune REIT's income stream on any one single property. Following the Acquisitions, no one property in Fortune REIT's Enlarged Portfolio would represent more than 31.7% of the pro forma total net property income² (down from 38.5% for the Existing Properties) for the period from 1 January 2008 to 31 December 2008. This further diversification means that Unitholders can expect to enjoy a more stable income stream as there will be less dependence on any particular property.

In addition, the Acquisitions will allow Fortune REIT to further diversify its property portfolio geographically so that it is less dependent on any micro-property market in Hong Kong. This is illustrated by the map in **Appendix A** which shows the location of the Properties and the Existing Properties.

The Acquisitions will enable Fortune REIT to benefit further from economies of scale as the Manager and Property Manager can spread fixed operating costs (e.g. staff and personnel costs) over a larger portfolio, and obtain cost savings from having more bargaining power with suppliers and service providers.

¹ Source: Savills.

² Before the Manager's performance fee, payable to the Manager under the Trust Deed (being 3.0% of the Net Property Income) (the "Performance Fee").

2.2.4 Increased Liquidity through Attractive Funding from the Rights Issue

Funding the Aggregate Purchase Consideration primarily via a Rights Issue provides additional benefits to Unitholders:

Increased liquidity and free float: Assuming Unitholders' approval is obtained and Fortune REIT proceeds with the Acquisitions, 824,879,427 Rights Units will be issued. The Rights Units will constitute 100.0% of the Units as at 21 August 2009. The issue of the Rights Units will increase the market capitalisation of Fortune REIT and increase the number of Units in the free float¹ from 547,496,806 Units to 1,094,993,612 Units (assuming the Cheung Kong Subsidiaries and Hutchison Subsidiaries only take up the Pro Rata Units) and may therefore facilitate improvement in the trading liquidity of the Units on the SGX-ST.

Opportunity for Unitholders to subscribe for Units at an attractive price: The Rights Issue Price is at a discount of 44.1% to the Closing Price (as defined herein) and 28.3% to the TERP (as defined herein). Therefore, Eligible Unitholders who subscribe for their pro rata entitlements and Excess Rights Units (as defined herein) will receive new Units at an attractive price. In addition, Eligible Unitholders can renounce their provisional allotment of Rights Units or sell them during the "nil-paid" rights entitlement trading period. Ineligible Unitholders will receive payment (if any) from the net proceeds from the sale of their "nil-paid" rights entitlements in the manner described in paragraph 4.1.3 below.

Maintain conservative gearing ratio: The Manager intends to fund the Acquisitions through a combination of equity and debt financing. Following the completion of the Rights Issue and the Acquisitions, Fortune REIT's Aggregate Leverage² is expected to be 24.9%, which is below the maximum Aggregate Leverage of 35.0% permitted by the Monetary Authority of Singapore (the "MAS") for S-REITs³.

The Manager believes that this will give Fortune REIT greater financial flexibility to capitalise on future opportunities, including asset enhancement initiatives, acquisitions and to facilitate any on-going capital requirements.

¹ Total free float comprises the total number of Fortune REIT Units in issue less the number of Units held by Cheung Kong, its associates and Directors.

² "Aggregate Leverage" refers to the ratio of the value of total borrowings and deferred payments (if any) to the value of the gross assets of Fortune REIT, including all its authorised investments held or deemed to be held under the Trust Deed.

³ Paragraph 9.2 of the Property Funds Guidelines states that the aggregate leverage of a property fund should not exceed 35.0% of the fund's deposited property. The aggregate leverage of a property fund may exceed 35.0% of the fund's deposited property (up to a maximum of 60.0%) only if a credit rating of the property fund from Fitch Inc., Moody's or Standard and Poor's is obtained and disclosed to the public. The property fund should continue to maintain and disclose a credit rating so long as its aggregate leverage exceeds 35.0% of the fund's deposited property. Fortune REIT currently does not have a corporate rating.

2.3 COMPETITIVE STRENGTHS OF THE PROPERTIES

The Manager believes that the Properties benefit from the following strengths¹.

2.3.1 Metro Town

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

Large natural population catchment: Tseung Kwan O is one of Hong Kong's latest new towns and has been expanding rapidly since the late 1980s. The area housed around 345,000 people in 2006 according to the Population By-census² and the population is estimated to grow to 450,000 people upon full development. According to Savills, the primary catchment area for Metro Town comprises an estimated population of 62,375 residents or 20,644 households within a 10 minute walk from the mall and who are expected to shop at Metro Town at least once a week. A further estimated 89,648 residents or 27,671 households are also located within a 10 minute drive, mainly from the Tseung Kwan O Town Centre area, and are also expected to patronize at Metro Town.

Diversified tenant base: Metro Town has a large and diversified tenant base comprising 100 tenants as at 30 June 2009. Complimented by its anchor tenants Park'N Shop Supermarket, Max Gold Chinese Restaurant and Fairwood, Metro Town's retail offering caters for the day-to-day suburban shopping needs of families and shoppers within its catchment area.

2.3.2 Caribbean Bazaar

Strategic location: Caribbean Bazaar is located on the northern shore of Tung Chung to the north of Tung Chung Town Centre and is the shopping center of Caribbean Coast, a 5,336-unit residential development, is adjacent to Coastal Skyline, a 3,370 unit residential development. Tung Chung is one of the last batches of new towns developed since the 1980s. It is close to the Hong Kong International Airport and other amenities on Lantau Island, namely Disneyland and Ngong Ping 360. Tung Chung is mainly connected to other urban areas by the MTR Tung Chung Line as well as a number of bus routes which connects the Hong Kong International Airport with urban areas via Tung Chung.

Large natural population catchment: According to Savills, the catchment area for Caribbean Bazaar comprises an estimated population of 39,231 residents or 14,329 households, which includes residents within a 20 minute walking radius, largely from Caribbean Coast, Coastal Skyline, Tung Chung Crescent, Seaview Crescent, Fu Tung Estate and Yu Tung Court.

¹ See **Appendix D** "Retail Market Overview and Catchment Area Analysis" for details.

² Source: Census and Statistics Department of Hong Kong.

High occupancy level: As at 30 June 2009, the occupancy rate for Caribbean Bazaar was 97.5%. This high occupancy reflects the strong demand for retail space in Caribbean Bazaar.

2.3.3 Hampton Loft

Strategic location: Hampton Loft is located on the northwestern shore of West Kowloon near the MTR Olympic station, which is a newly developed area originated from the MTR Airport Express line project, and is the shopping center of Hampton Place, a 880-unit residential development. Most of the adjacent projects are newly completed private residential developments including the 1,829-unit The Long Beach and the 700-unit One Silver Sea. The property is also within a five minute walk from Island Harbourview, a 2,314-unit residential development.

Catchment of high income population: According to Savills, the disposable income per household of the primary catchment area is a few times higher than the Kowloon average. Future residential developments that may come on stream could also provide further spending power in the catchment area.

3. DETAILS OF THE ACQUISITIONS

3.1 Structure of the Acquisitions

The Trustee, by itself and through special purpose vehicles of Fortune REIT, has on 24 August 2009 entered into separate conditional Sale and Purchase Agreements for the acquisition of each of the Properties as described below.

3.1.1 Metro Town

Under the relevant Sale and Purchase Agreement, the Trustee will purchase Metro Town from McBride International Limited and Natison Investments Limited through the acquisition of the entire issued share capital of MPI ("**MPI Shares**"), a company incorporated in the BVI which wholly-owns Metro Town through the ownership of Mega Gain. The purchase consideration for Metro Town is HK\$1,452.0 million and is subject to adjustment for the consolidated net current assets or net current liabilities of MPI and Mega Gain as at Completion. Current assets include receivables from and in connection with the operation of Metro Town (including rental and licence fees and refundable utility and other deposits placed with the relevant authorities or suppliers), while current liabilities include rental and licence fees received in advance, payment due to creditors and accruals of property operating, renovation and alteration expenses (including leasing commissions, government rates and rents and other expenses) and a portion of the existing borrowings of Mega Gain which will be repaid at Completion.

Of the HK\$1,452.0 million purchase consideration for Metro Town, HK\$747.8 million will be applied towards repayment and refinancing of the existing borrowings of Mega Gain while the remaining HK\$704.2 million will be applied towards payment for the MPI Shares. Part of the existing borrowings of Mega Gain amounting to HK\$330.0 million will be repaid at Completion from drawing down on the Acquisition Facility while the balance of the existing borrowings amounting to HK\$417.8 million will be paid by the Trustee to the lenders of such existing borrowings who will then assign the balance of the existing borrowings on a dollar-for-dollar basis to the Trustee.

Any deferred tax liability or assets of MPI and its subsidiaries will not be taken into account in such adjustment. Metro Town has been valued by two independent property valuers, Knight Frank, which has been appointed by the Trustee, and Savills, which has been appointed by the Manager, and the two valuations, as at 30 June 2009, are HK\$1,481.0 million and HK\$1,480.0 million respectively.

The adjustment for the consolidated net current assets or net current liabilities needs to be made because Fortune REIT will be acquiring Metro Town indirectly by acquiring the special purpose company which indirectly holds Metro Town, being MPI. MPI holds Metro Town through its wholly-owned subsidiary, Mega Gain. In an acquisition of a company, it is common and fair for an adjustment mechanism to be provided so that what the purchaser is paying to the vendor takes into account the exact current assets and current liabilities of the company at the point when the company is transferred to the purchaser. Typically, this would require the books of the company to be closed at around the point of transfer and the actual adjustment sum would only be known shortly before Completion. In the present case, a pro forma completion balance sheet (“**Pro Forma Completion Balance Sheet**”) and completion management accounts as at Completion of MPI and Mega Gain will be provided to the Trustee, as purchaser, shortly prior to Completion.

As McBride International Limited is a subsidiary of Cheung Kong, the acquisition of Metro Town is considered to be a Related Party Transaction.

3.1.2 Caribbean Bazaar

Under the relevant Sale and Purchase Agreement, the Trustee will purchase Caribbean Bazaar from MTR Corporation Limited through Genuine Joy Limited, a special purpose vehicle of Fortune REIT incorporated in the BVI, whose primary purpose will be to acquire and own Caribbean Bazaar. The purchase consideration for Caribbean Bazaar is HK\$428.0 million. Caribbean Bazaar has been valued by two independent property valuers, Knight Frank, which has been appointed by the Trustee, and Savills, which has been appointed by the Manager, and the two valuations, as at 30 June 2009, are HK\$431.0 million and HK\$430.0 million respectively.

As companies jointly owned by Cheung Kong and Hutchison have an interest in part of the purchase consideration of Caribbean Bazaar, the Manager, in the interest of transparency and good corporate governance, has considered the acquisition of Caribbean Bazaar as a Related Party Transaction.

3.1.3 Hampton Loft

Under the relevant Sale and Purchase Agreement, the Trustee will purchase Hampton Loft from Global Coin Limited through Full Belief Limited, a special purpose vehicle of Fortune REIT, incorporated in the BVI, whose primary purpose will be to acquire and own Hampton Loft. The purchase consideration for Hampton Loft is HK\$159.0 million. Hampton Loft has been valued by two independent property valuers, Knight Frank, which has been appointed by the Trustee, and Savills, which has been appointed by the Manager, and the two valuations, as at 30 June 2009, are HK\$161.0 million and HK\$160.0 million respectively.

As Global Coin Limited is a subsidiary of Cheung Kong, the acquisition of Hampton Loft is considered to be a Related Party Transaction.

The purchase consideration for each of the Properties has been arrived at on a willing buyer and a willing seller basis after taking into account the valuation of the Properties by Knight Frank and Savills.

Unitholders should note that the Acquisitions resolution and the Whitewash Resolution are subject to, and contingent upon, each other. In the event that Fortune REIT fails to obtain Unitholders' approval for the Whitewash Resolution, Fortune REIT will not proceed with the Acquisitions.

(See **Appendix A** for details of the asset holding structure of Fortune REIT in relation to the Properties after their acquisition by Fortune REIT, as well as a description of the Properties.)

3.2 Cost of the Acquisitions

The Total Acquisition Cost is estimated to amount to HK\$2,091.4 million and consists of the following:

3.2.1 Aggregate Purchase Consideration

The Aggregate Purchase Consideration for the Properties (before adjustment for the consolidated net current assets or net current liabilities of MPI and Mega Gain as at Completion in the case of the acquisition of Metro Town) is HK\$2,039.0 million.

Each of the Properties has been appraised by two independent valuers, Knight Frank, which has been appointed by the Trustee, and Savills, which has been appointed by the Manager, and their aggregate valuations of the Properties as at 30 June 2009 are HK\$2,073.0 million and HK\$2,070.0 million respectively.

As each of the Acquisitions is considered to be a Related Party Transaction, the purchase price of each of the Properties cannot be higher than the higher of the two valuations by the Independent Valuers, pursuant to the Property Funds Guidelines.

In the Knight Frank Summary Valuation Report and the Savills Summary Valuation Report set out in **Appendix B** and **Appendix C** respectively, the Independent Valuers have each estimated the open market value of each Property by using the income capitalisation method or the investment approach, discounted cash flow analysis and the direct comparison method.

3.2.2 Other Additional Costs

The following additional costs are also expected to be incurred by Fortune REIT in connection with the Acquisitions:

- (i) an Acquisition Fee of HK\$20.4 million (being 1.0% of the Aggregate Purchase Consideration) payable to the Manager pursuant to the Trust Deed. The Acquisition Fee shall be payable to the Manager in Units and such Units shall not be sold within one year from their date of issue, in accordance with paragraph 5.6 of the Property Funds Guidelines. 6.4 million Units are expected to be issued to the Manager based on the TERP of HK\$3.20 per Unit¹; and
- (ii) other estimated fees and expenses (including stamp duty, advisory fees, professional fees and expenses) of HK\$32.0 million incurred or to be incurred by Fortune REIT in connection with the Acquisitions.

¹ While Clause 15.2.1(i) of the Trust Deed allows the Manager to receive the Acquisition Fee Units at the Rights Issue Price of HK\$2.29 per Unit, the Manager has elected to receive the Acquisition Fee Units at the higher TERP of HK\$3.20 per Unit instead.

The cash component of the Total Acquisition Cost (which does not include the Acquisition Fee payable in Units) is HK\$2,071.0 million.

(See paragraph 3.11 for the financial effects if Fortune REIT proceeds only with the acquisitions of Metro Town and Hampton Loft.)

3.3 Method of Financing

If all the Properties are acquired, the Manager expects to finance HK\$1,591.0 million of the Total Acquisition Cost (excluding the Acquisition Fee which is payable in Units) from the net proceeds of the Rights Issue, with the balance of HK\$480.0 million being financed with the Acquisition Facility.

The entire Aggregate Purchase Consideration is to be paid in cash upon the completion of the sale and purchase of the MPI Shares, Caribbean Bazaar and Hampton Loft pursuant to the respective Sale and Purchase Agreements.

(See paragraph 3.9 for further details of the bank financing and paragraph 3.11 for the financial effects if Fortune REIT proceeds only with the acquisitions of Metro Town and Hampton Loft.)

3.4 Completion

Completion is expected to take place on the date of issue of the Rights Units.

The completion of the acquisitions of Metro Town and Hampton Loft under their respective Sale and Purchase Agreements are interconditional upon the completion of each other.

While the Manager is targeting to complete the acquisition of Caribbean Bazaar on the same day, the completion may be delayed or not occur as it is subject to the vendor, MTR Corporation Limited, obtaining the consent to assign from the Director of Lands of the Lands Department of the Hong Kong Government in respect of the commercial development, kindergarten and the wet market (which form part of Caribbean Bazaar) and the granting of such consent or the timing thereof is not within the control of the Manager and is uncertain.

The long-stop date for the acquisition of Caribbean Bazaar is six months after the date of the Sale and Purchase Agreement in relation to Caribbean Bazaar.

(See paragraph 3.8.2 for further details.)

In the event of a delay in the completion of the acquisition of Caribbean Bazaar, the completion of the acquisitions of Metro Town and Hampton Loft will proceed as scheduled without Caribbean Bazaar on the date of issue of the Rights Units, subject to the satisfaction of the conditions set out in the respective Sale and Purchase Agreements.

3.5 Certain Terms and Conditions of the Sale and Purchase Agreements

The completion of each of the Acquisitions will be subject to the satisfaction of a number of conditions including:

- (a) a single resolution for the Acquisitions being passed at the EGM;
- (b) the obligations of the Joint Lead Managers and Underwriters under the Underwriting Agreement becoming unconditional in all respects; and
- (c) the Acquisition Facility being in place and available to be drawn down at Completion for the respective Properties.

Each of the Sale and Purchase Agreements provides that the long-stop date for the satisfaction of the conditions set out therein is six months after the date of the relevant Sale and Purchase Agreement.

Caribbean Bazaar and Hampton Loft are sold on an “as-is” basis and subject to the existing tenancies and licences. The Sale and Purchase Agreement in relation to Metro Town contains certain representations and warranties made by the respective subsidiaries of Cheung Kong and Nan Fung (as vendors) in respect of Metro Town and MPI and its subsidiary, Mega Gain.

The Sale and Purchase Agreement in relation to Metro Town sets out the limitations on the liabilities of the respective subsidiaries of Cheung Kong and Nan Fung (as vendors) in respect of any breach of warranties, including provisions for aggregate maximum liability, minimum threshold claims and a limitation period of 21 months for all claims.

3.5.1 Metro Town Sale and Purchase Agreement

The Sale and Purchase Agreement in relation to Metro Town provides, *inter alia*, that prior to Completion, MPI and its subsidiary must:

- (i) dispose of all of its assets, other than, in the case of MPI, its interest in its subsidiary and the plant and equipment, and, in the case of MPI's subsidiary, Metro Town and the current assets which are to be reflected in the Pro Forma Completion Balance Sheet; and
- (ii) discharge all of its liabilities, other than the existing borrowings of MPI's subsidiary and the current liabilities which are to be reflected in the Pro Forma Completion Balance Sheet and the provision for deferred tax liability which is to be reflected in the completion management accounts of MPI and its subsidiary.

Further, the completion of the acquisition of MPI is contingent upon the completion of the acquisition of Hampton Loft and one of the conditions is that there shall be no material damage to Metro Town and no material breach of the warranties set out in the Sale and Purchase Agreement in relation to Metro Town which, in the reasonable opinion of the Trustee, acting on the recommendation of the Manager, will have a material adverse effect on the financial condition, prospects, earnings, business, undertaking or assets of MPI and Mega Gain or on Metro Town, in each case, taken as a whole.

3.5.2 Caribbean Bazaar Sale and Purchase Agreement

The Sale and Purchase Agreement in relation to Caribbean Bazaar sets out that as a condition for the transfer of rental deposits held by MTR Corporation Limited under the tenancy and licence agreements of Caribbean Bazaar to Genuine Joy Limited on completion of the sale and purchase of Caribbean Bazaar, Genuine Joy Limited is required to execute a deed of indemnity in favour of MTR Corporation Limited to indemnify MTR Corporation Limited in respect of any losses and damages suffered by MTR Corporation Limited if Genuine Joy Limited fails to refund such deposits to the relevant tenants and licensees in accordance with such tenancy and licence agreements.¹

¹ Under Hong Kong law, a covenant to refund tenancy deposit to a tenant under a tenancy agreement is not a covenant that touches and concerns land and therefore does not bind a purchaser who purchases the property, therefore it is the obligation of the landlord vendor, not the purchaser landlord to refund such deposits to the relevant tenants and licensees. In order for the rental deposits to be transferred to the purchaser on completion, the purchaser has to covenant with the vendor that it shall refund the deposits to the tenants and licensees in accordance with the tenancies and licence agreements and indemnify the vendor for failure to do so.

Further, one of the conditions for the completion of the acquisition of Caribbean Bazaar is that Caribbean Bazaar or a material part thereof shall not be damaged by force majeure or calamities beyond the vendor's reasonable control so as to render the same substantially unfit for use and re-building of the same shall be required¹.

3.5.3 Hampton Loft Sale and Purchase Agreement

The Sale and Purchase Agreement in relation to Hampton Loft sets out that as a condition for the transfer of rental deposits held by Global Coin Limited under the tenancy and licence agreements of Hampton Loft to Full Belief Limited on completion of the sale and purchase of Hampton Loft, Full Belief Limited is required to execute a deed of indemnity in favour of Global Coin Limited to indemnify Global Coin Limited in respect of any losses and damages suffered by Global Coin Limited if Full Belief Limited fails to refund such deposits to the relevant tenants and licensees in accordance with such tenancy and licence agreements².

Further, the completion of the acquisition of Hampton Loft is contingent upon the completion of the acquisition of Metro Town and one of the conditions is that there shall be no material damage to Hampton Loft which, in the reasonable opinion of Full Belief Limited, will have a material adverse effect on Hampton Loft.

3.6 Deed of Tax Covenant in Favour of the Trustee

In relation to Metro Town, each of McBride International Limited and Natisone Investments Limited (as vendors), Cheung Kong and Nan Fung, will, on Completion, enter into a deed of tax covenant in favour of the Trustee, covenanting to indemnify the Trustee (for itself or on behalf of MPI and its subsidiary) in respect of any liability of MPI and/or its subsidiary for taxation resulting from or by reference to any event occurring on or before Completion or in respect of any gross receipts, income, profits or gains earned, accrued or received by MPI and/or its subsidiary on or before Completion which is not provided in the Pro Forma Completion Balance Sheet under the Sale and Purchase Agreement.

The limitation period for claims under the deed of tax covenant referred to above is seven years from the date of Completion. The Trustee's right of claim is not prejudiced by any taxation action or proceeding in respect of the relevant tax liability which is the subject matter of the claim not being finally resolved before expiry of the applicable limitation period.

¹ If, after the Sale and Purchase Agreement in relation to Caribbean Bazaar is signed, there is damage to Caribbean Bazaar or a part thereof which does not constitute damage by force majeure or calamities beyond the relevant vendor's reasonable control so as to render Caribbean Bazaar substantially unfit for use and re-building of Caribbean Bazaar shall be required, Fortune REIT will still be required to complete the acquisition of Caribbean Bazaar under the terms of the Sale and Purchase Agreement in relation to Caribbean Bazaar. However, the Manager will procure that appropriate property all risks insurance policies (which will include consequential loss insurance covering loss of gross revenue arising from the risks insured under the relevant policies) will be taken out in respect of Caribbean Bazaar on the signing of the Sale and Purchase Agreement in relation to Caribbean Bazaar.

² Under Hong Kong law, a covenant to refund tenancy deposit to a tenant under a tenancy agreement is not a covenant that touches and concerns land and therefore does not bind a purchaser who purchases the property, therefore it is the obligation of the landlord vendor, not the purchaser landlord to refund such deposits to the relevant tenants and licensees. In order for the rental deposits to be transferred to the purchaser on completion, the purchaser has to covenant with the vendor that it shall refund the deposits to the tenants and licensees in accordance with the tenancies and licence agreements and indemnify the vendor for failure to do so.

3.7 Property Management Agreement

Upon Completion, the operation, maintenance, management and marketing of the Properties will be managed by Goodwell-Fortune Property Services Limited (the “**Property Manager**”), which is an indirect wholly-owned subsidiary of Cheung Kong, subject to the overall management by the Manager pursuant to and in accordance with the terms of the existing property management agreement dated 7 July 2003 entered into by the Trustee, the Manager and the Property Manager, as further extended for a term of five years pursuant to an extension letter entered into between the Property Manager, the Trustee and the Manager dated 1 August 2008 (collectively, the “**Property Management Agreement**”) as provided by the deed of ratification and accession as entered into between each Property Company respectively and the Trustee, the Manager and the Property Manager.

The fees payable to the Property Manager under the Property Management Agreement (which has not changed since the prospectus of Fortune REIT dated 28 July 2003) are as follows:

- (i) property management and lease management fee of 3.0% per annum of Gross Property Revenue; and
- (ii) commission of:
 - (a) one month’s base rent for securing a tenancy of three years or more;
 - (b) one-half month’s base rent for securing a tenancy of less than three years;
 - (c) one-half month’s base rent for securing a renewal of tenancy irrespective of duration of the lease term; and
 - (d) 10.0% of the total license fee for securing a license for a duration of less than 12 months (excluding licenses for use as a showflat granted or to be granted to a member of the Cheung Kong Group).

3.8 Information Regarding the Leasehold Title to the Properties

Each of the Properties is held under a government lease which contains terms and conditions ordinarily found in grants or leases granted by the Hong Kong Government (“**Government Lease**”) such as provisions requiring the lessee:

- (i) to develop or redevelop the land in compliance with the buildings and town planning legislations and regulations;
- (ii) not to exceed the permitted gross floor area or permitted plot ratio and site coverage;
- (iii) to use the land and buildings erected on the land for the permitted use;
- (iv) to maintain all buildings erected on the land in good and substantial repair and condition;
- (v) 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;
- (vi) to pay the yearly government rent and discharge all taxes, rates, charges and assessments imposed on the land; and
- (vii) not to encroach upon or occupy any adjoining Government land.

In relation to each of the Government Leases, the Hong Kong Government has a right to terminate it and re-enter the land in the event the lessee fails to observe or perform the terms and conditions of the Government Lease.

Details of the Government Leases are set out below:

3.8.1 Metro Town

Metro Town is held from the Hong Kong Government for the residue of the term of 50 years commencing on 11 February 2003 and expiring on 10 February 2053 created by a Government Lease deemed to have been issued pursuant to the Conveyancing and Property Ordinance (Cap.219) upon compliance of all the conditions precedent contained in an Agreement and Conditions of Grant registered in the Land Registry as New Grant No.SK9700 (as varied or modified by a Modification Letter registered in the Land Registry by Memorial No.SK626197) subject to and with the benefit of the Deed of Mutual Covenant and subject to all existing tenancies and lettings (if any) and subject also to all subsisting rights and rights of way (if any).

Adjacent to and outside the lot where Metro Town is located, there is a covered footbridge, which can be used by the general public. When Mega Gain acquired Metro Town from MTR Corporation Limited, Mega Gain had undertaken to manage, repair and maintain the covered footbridge and any replacement or substitution thereof in good and substantial repair and condition. In the event that Metro Town ceases to be held by one single owner, the covered footbridge will form part of the common area of Metro Town and each of the co-owners of Metro Town will contribute to the expense for the management, repair and maintenance of the same.

3.8.2 Caribbean Bazaar

Caribbean Bazaar is held from the Hong Kong Government for the residue of the term of 50 years and 5 days commencing on 26 June 1997 and expiring on 30 June 2047 created by an Agreement and Conditions of Grant deposited and registered at the Land Registry as Conditions of Grant No.8102 as varied or modified by three Modification Letters respectively registered in the Land Registry by Memorial Nos.IS275045, IS280575, IS313213 subject to and with the benefit of the Deed of Mutual Covenant and subject to all existing tenancies and lettings (if any) and subject also to all subsisting rights and rights of way (if any).

Pursuant to the conditions of the Government Lease, Caribbean Bazaar being the commercial development of Caribbean Coast should not be assigned or otherwise disposed of except as a whole. Therefore, the grantee, MTR Corporation Limited, is restricted from entering into any agreement or assign any part of the lot on which the Caribbean Bazaar stands without the consent from the Director of Lands of the Lands Department of the Hong Kong Government. The consent to assign in respect of the 117 commercial carparking spaces was issued on 21 May 2008. While the consent to enter into the agreement for sale and purchase in respect of the commercial development, kindergarten and the wet market (forming part of the Caribbean Bazaar) has been given on 27 July 2009, the completion of the Caribbean Bazaar is still subject to MTR Corporation Limited obtaining the consent to assign from the said Director of Lands in respect of the commercial development, kindergarten and the wet market.

The completion of the acquisition of Caribbean Bazaar may be delayed or not occur as it is subject to the vendor, MTR Corporation Limited, obtaining the aforementioned consent to assign and the granting of such consent or the timing thereof is not within the control of the Manager and is uncertain.

Further, a waiver letter registered in the Land Registry by Memorial No.06032901870139 has been granted by the Lands Department of the Hong Kong Government to MTR Corporation Limited so as to permit the operation of the wet market (forming part of Caribbean Bazaar) in the form of a supermarket (the “**Waiver Letter**”). The waiver is for a term of three years from 16 February 2006 to 15 February 2009 subject to payment of an annual waiver fee to the Hong Kong Government and a deposit as security for the due performance and observance of the terms of the Waiver Letter for the first three years of the term and thereafter the term will be quarterly at a revised waiver fee payable quarterly and subject to payment of a revised deposit. The Waiver Letter may be terminated by either party giving to the other party not less than three calendar months’ prior notice in writing. The Waiver Letter is now in subsistence.

The wet market is now being let to A.S. Watson Group (HK) Limited for the operation of a supermarket for the term from 1 February 2006 to 31 January 2012 at a monthly basic rent plus a Turnover Rent (as defined herein) (the “**Wet Market Lease**”). The Wet Market Lease provides that the subsistence and the continuation of the Wet Market Lease are subject to the subsistence and continuation of the Waiver Letter. The Wet Market Lease is connected with the lease of the adjoining premises (“**Connected Lease**”) such that the Connected Lease will automatically terminate upon the termination of the Wet Market Lease.

It is a term in the Sale and Purchase Agreement of Caribbean Bazaar that MTR Corporation Limited will not serve any notice of termination to terminate the Waiver Letter whether before or after completion but only for so long as Genuine Joy Limited remains the owner of the wet market and Genuine Joy Limited is required to execute a deed of indemnity in favour of MTR Corporation Limited on completion to indemnify MTR Corporation Limited against all costs, losses, charges, expenses, damages and liabilities and all claims, actions, demands and proceedings whether made by the Hong Kong Government and/or any person which MTR Corporation Limited may suffer as a result of, in relation to, or in connection with, the discharge of the aforementioned obligation by MTR Corporation Limited not to terminate the Waiver Letter. The liability of Genuine Joy Limited under the deed of indemnity shall cease upon termination of the Waiver Letter or Genuine Joy Limited ceasing to be the owner of the wet market.

3.8.3 Hampton Loft

Hampton Loft is held from the Hong Kong Government for the residue of the term of 50 years commencing on 13 December 1999 and expiring on 12 December 2049 created by a Government Lease deemed to have been issued pursuant to the Conveyancing and Property Ordinance (Cap.219) upon compliance of all the conditions precedent contained in certain Agreement and Conditions of Sale registered in the Land Registry as Conditions of Sale No.12554 (as varied or modified by two several Consent Letters respectively registered in the Land Registry by Memorial Nos.UB8626559 and UB8746937) subject to and with the benefit of the Deed of Mutual Covenant and subject to all existing tenancies and lettings (if any) and subject also to all subsisting rights and rights of way (if any).

3.9 Bank Financing

The Trustee has on 24 August 2009 accepted a letter of commitment from DBS Bank and Standard Chartered Bank (Hong Kong) Limited for a term loan and revolving credit facility that consists of the following:

- (i) Tranche A: the HK\$480.0 million Acquisition Facility. This facility will, along with the Rights Issue net proceeds, be used to finance the Acquisitions¹ and will be due on 28 June 2010;
- (ii) Tranche B: a HK\$2,830.0 million term loan facility (“**Refinancing Facility**”). This facility will be drawn down on or before 28 June 2010 and will be used to refinance the existing term loan facility of Fortune REIT of HK\$2,348.7 million due on 28 June 2010 (“**Existing Term Facility**”) and the Acquisition Facility²; and
- (iii) Tranche C: a HK\$270.0 million revolving loan facility (“**New Revolving Facility**”). This facility will be used for corporate funding purposes,

(together, the “**New Facilities**”).

The Manager intends to have the loan agreements for the New Facilities entered into on or around the date of issue of the Rights Units. The New Facilities each bear an interest margin of 2.0% per annum over the Hong Kong Interbank Offer Rate (“**HIBOR**”). The Refinancing Facility and New Revolving Facility have a term of four years from the loan agreement date.

The Acquisition Facility and the New Revolving Facility will initially be secured by the Properties to the extent that they are financed by the Acquisitions Facility. Upon the drawdown of the Refinancing Facility, the New Facilities will be secured by the Existing Properties and the Properties. In the case of the Waldorf Garden Property and Jubilee Court Shopping Centre, 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 Office) under the terms of the applicable Government Lease. However, subject to the fulfilment of certain conditions precedent, the mortgage over the Properties will be released within 15 business days of the drawdown date of the Refinancing Facility.

The Manager believes it is prudent to have in place the Refinancing Facility and the New Revolving Facility to remove any refinancing risks associated with Fortune REIT’s existing debt, (consisting of the Existing Term Loan Facility, and a HK\$265.0 million revolving credit facility due on 28 June 2010, under which HK\$30.0 million was outstanding as of 30 June 2009 (the “**Existing Revolving Facility**”)) in light of the volatile market conditions.

¹ The Acquisition Facility will be HK\$380.0 million if Fortune REIT proceeds only with the acquisitions of Metro Town and Hampton Loft.

² The Refinancing Facility will be HK\$2,730.0 million if Fortune REIT proceeds only with the acquisitions of Metro Town and Hampton Loft.

Fortune REIT's pro forma total borrowings and Aggregate Leverage as at 30 June 2009 is as follows:

	Before the Acquisitions and the Rights Issue⁽¹⁾	On completion of the Acquisitions and the Rights Issue⁽²⁾	After drawdown of the Refinancing Facility⁽³⁾	After drawdown of the Refinancing Facility and the New Revolving Facility⁽⁴⁾
Total assets (HK\$'000)	9,246,947	11,482,749	11,484,049	11,724,049
Total borrowings (HK\$'000) .	2,378,700	2,858,700	2,860,000	3,100,000
Aggregate Leverage.	25.7%	24.9%	24.9%	26.4%

Notes:

- (1) Based on the unaudited management accounts of Fortune REIT for the six months ended 30 June 2009 ("**1H 2009 Unaudited Financial Statements**").
- (2) Assuming that Fortune REIT had purchased the Properties, completed the Rights Issue, and drawn down on the full Acquisition Facility on 30 June 2009.
- (3) Assuming that the Refinancing Facility is drawn down, and that the full Acquisition Facility and the Existing Term Facility are repaid.
- (4) Assuming that the New Revolving Facility is drawn down in full, and that the Existing Revolving Facility is repaid.

(See paragraph 3.11 for the financial effects if Fortune REIT proceeds only with the acquisitions of Metro Town and Hampton Loft.)

3.10 Pro Forma Financial Effects of the Acquisitions and the Rights Issue

The pro forma financial effects of the Acquisitions on the distribution per unit ("**DPU**") and net asset value ("**NAV**") per Unit presented below are purely for illustration purposes and have been prepared based on:

- (i) the audited financial statements of Fortune REIT for the financial year ended 31 December 2008 ("**FY 2008 Audited Financial Statements**");
- (ii) the unaudited financial statements of MPI for the year ended 31 December 2008 and unaudited management accounts of MPI for the six months ended 30 June 2009;
- (iii) the unaudited management accounts of Caribbean Bazaar and Hampton Loft for the year ended 31 December 2008 and for the six months ended 30 June 2009; and
- (iv) the 1H 2009 Unaudited Financial Statements;

and assuming:

- (a) the cash component of the Total Acquisition Cost is HK\$2,071.0 million;
- (b) 824,879,427 Rights Units are issued at a Rights Issue Price of HK\$2.29 per Rights Unit;
- (c) net proceeds of HK\$1,802.4 million are raised in the Rights Issue after taking into account the estimated costs of the Rights Issue of HK\$86.6 million;

- (d) HK\$1,591.0 million of the net proceeds of the Rights Issue is used to part finance the Acquisitions, HK\$111.4 million is retained or used for working capital, debt related costs in relation to the New Facilities and general corporate purposes and HK\$100.0 million is retained for asset enhancement initiatives;
- (e) HK\$480.0 million of additional borrowings is incurred by Fortune REIT at an annual interest rate of HIBOR as at 30 June 2009 plus 2.0% to part finance the Acquisitions; and
- (f) 6.4 million Units are issued to the Manager in payment of its Acquisition Fee at the TERP of HK\$3.20 per Unit.

3.10.1 Financial Year Ended 31 December 2008

Pro forma DPU and distribution yield

The pro forma financial effects of the Acquisitions on the DPU and distribution yield for FY 2008, as if Fortune REIT had purchased the Properties, completed the Rights Issue, and incurred HK\$480.0 million of additional borrowings on 1 January 2008, and held and operated the Properties through to 31 December 2008, are as follows:

	Before the Acquisitions and Rights Issue ⁽¹⁾	After the Acquisitions and Rights Issue
Distributable income (HK\$'000)	302,855	379,956
Units in issue and to be issued ('000)	820,819	1,653,986
DPU (HK cents)	37.02	22.97
Distribution yield	9.0% ⁽²⁾	7.2% ⁽³⁾

Notes:

- (1) Based on the FY 2008 Audited Financial Statements.
- (2) Based on the actual DPU divided by the Closing Price of HK\$4.10.
- (3) Based on the adjusted DPU divided by the TERP of HK\$3.20 per Unit.

Pro forma NAV per Unit

The pro forma financial effects of the Acquisitions on the NAV per Unit as at 31 December 2008, as if Fortune REIT had purchased the Properties, completed the Rights Issue, and incurred additional borrowings of HK\$480.0 million on 31 December 2008, are as follows:

	Before the Acquisitions and Rights Issue⁽¹⁾	After the Acquisitions and Rights Issue
NAV (HK\$'000)	6,156,364	7,937,656
Units in issue and to be issued ('000)	820,819	1,652,080
NAV per Unit (HK\$)	7.50	4.80

Note:

- (1) Based on the FY 2008 Audited Financial Statements.

Pro forma capitalisation

The following table sets forth the pro forma capitalisation of Fortune REIT as at 31 December 2008, as if Fortune REIT had purchased the Properties, completed the Rights Issue and incurred additional borrowings of HK\$480.0 million on 31 December 2008.

	As at 31 December 2008	
	Actual	As Adjusted
	(HK\$ '000)	(HK\$ '000)
Short-term debt:		
Unsecured	–	–
Secured	–	–
Total short-term debt	–	–
Long-term debt:		
Unsecured	–	–
Secured	2,348,700	2,828,700
Total long-term debt	2,348,700	2,828,700
Total debt	2,348,700	2,828,700
Unitholders funds	6,156,364	7,937,656
Total Capitalisation	8,505,064	10,766,356

3.10.2 Six Months Ended 30 June 2009

Pro forma DPU and distribution yield

The pro forma financial effects of the Acquisitions on the DPU for the six months ended 30 June 2009, as if Fortune REIT had purchased the Properties and completed the Rights Issue and incurred HK\$480.0 million of additional borrowings on 1 January 2009, and held and operated the Properties through to 30 June 2009, are as follows:

	Before the Acquisitions and Rights Issue ⁽¹⁾	After the Acquisitions and Rights Issue
Distributable income (HK\$'000)	161,698	199,432
Units in issue and to be issued ('000)	824,879	1,657,104
DPU (HK cents)	19.60	12.03

Note:

(1) Based on the 1H 2009 Unaudited Financial Statements.

Pro forma NAV per Unit

The pro forma financial effects of the Acquisitions on the NAV per Unit as at 30 June 2009, as if Fortune REIT had purchased the Properties, completed the Rights Issue, and incurred additional borrowings of HK\$480.0 million on 30 June 2009, are as follows:

	Before the Acquisitions and Rights Issue⁽¹⁾	After the Acquisitions and Rights Issue
NAV (HK\$'000)	6,469,178	8,250,134
Units in issue and to be issued ('000)	824,879	1,656,141
NAV per Unit (HK\$)	7.84	4.98

Note:

(1) Based on the 1H 2009 Unaudited Financial Statements.

Pro forma capitalisation

The following table sets forth the pro forma capitalisation of Fortune REIT as at 30 June 2009, as if Fortune REIT had purchased the Properties, completed the Rights Issue and incurred additional borrowings of HK\$480.0 million on 30 June 2009.

	As at 30 June 2009	
	Actual	As Adjusted
	(HK\$'000)	(HK\$'000)
Short-term debt:		
Unsecured	–	–
Secured	2,378,700	2,378,700
Total short-term debt	2,378,700	2,378,700
Long-term debt:		
Unsecured	–	–
Secured	–	480,000
Total long-term debt	–	480,000
Total debt	2,378,700	2,858,700
Unitholders funds	6,469,178	8,250,134
Total Capitalisation	8,847,878	11,108,834

3.11 Pro Forma Financial Effects of Acquiring Metro Town and Hampton Loft and the Rights Issue

While the Manager is targeting to complete the acquisition of Caribbean Bazaar on the date of issue of the Rights Units, the completion may be delayed or not occur as it is subject to the vendor, MTR Corporation Limited, obtaining the consent to assign from the Director of Lands of the Lands Department of the Hong Kong Government in respect of the commercial development, kindergarten and the wet market (which form part of Caribbean Bazaar) and the granting of such consent or the timing thereof is not within the control of the Manager and is uncertain.

In the event of a delay in the completion of the acquisition of Caribbean Bazaar, the completion of the acquisition of Metro Town and Hampton Loft will proceed as scheduled without Caribbean Bazaar on the date of issue of the Rights Units subject to the satisfaction of the conditions set out in the respective Sale and Purchase Agreements.

Should only the acquisitions of Metro Town and Hampton Loft proceed, the total purchase consideration (before adjustment for the consolidated net current assets or net current liabilities of MPI and Mega Gain as at Completion in the case of the acquisition of Metro Town) will be HK\$1,611.0 million. The total cost of acquiring these two Properties, inclusive of the acquisition fee payable to the Manager under the Trust Deed as well as the estimated stamp duty, professional and other fees and expenses incurred or to be incurred, is estimated to amount to HK\$1,643.1 million, of which HK\$1,627.0 million is to be paid in cash.

The Manager intends to finance this total cash cost with HK\$1,247.0 million from the Rights Issue proceeds and HK\$380.0 million from the Acquisition Facility.

The pro forma financial effects on the DPU and NAV per Unit presented below are purely for illustration purposes and have been prepared based on:

- (i) the FY 2008 Audited Financial Statements;
- (ii) the unaudited financial statements of MPI for the year ended 31 December 2008 and unaudited management accounts of MPI for the six months ended 30 June 2009;
- (iii) the unaudited management accounts of Hampton Loft for the year ended 31 December 2008 and for the six months ended 30 June 2009; and
- (iv) the 1H 2009 Unaudited Financial Statements,

and assuming:

- (a) the cash component of the total cost of acquiring Metro Town and Hampton Loft is HK\$1,627.0 million;
- (b) 824,879,427 Rights Units are issued at a Rights Issue Price of HK\$2.29 per Rights Unit;
- (c) net proceeds of HK\$1,802.4 million are raised in the Rights Issue after taking into account the estimated costs of the Rights Issue of HK\$86.6 million;
- (d) HK\$1,247.0 million of the net proceeds of the Rights Issue is used to part finance the Acquisitions, HK\$455.4 million is retained or used for working capital, debt related costs in relation to the New Facilities and general corporate purposes and HK\$100.0 million is retained for asset enhancement initiatives;
- (e) HK\$380.0 million of additional borrowing is incurred by Fortune REIT at an annual interest rate of HIBOR as at 30 June 2009 plus 2.0%; and
- (f) 5.0 million Units are issued to the Manager in payment of its acquisition fee at the TERP of HK\$3.20 per Unit.

3.11.1 Financial Year Ended 31 December 2008

Pro forma DPU and distribution yield

The pro forma financial effects on the DPU and distribution yield for FY 2008, as if Fortune REIT had purchased Metro Town and Hampton Loft, completed the Rights Issue, and incurred HK\$380.0 million of additional borrowings on 1 January 2008, and held and operated the Properties through to 31 December 2008, are as follows:

	Before the acquisitions and Rights Issue⁽¹⁾	After the acquisitions and Rights Issue
Distributable income (HK\$'000)	302,855	363,231
Units in issue and to be issued ('000)	820,819	1,652,250
DPU (HK cents)	37.02	21.98
Distribution yield	9.0% ⁽²⁾	6.9% ⁽³⁾

Notes:

- (1) Based on the FY 2008 Audited Financial Statements.
- (2) Based on the actual DPU divided by the Closing Price of HK\$4.10.
- (3) Based on the adjusted DPU divided by the TERP of HK\$3.20 per Unit.

Pro forma NAV per Unit

The pro forma financial effects on the NAV per Unit as at 31 December 2008, as if Fortune REIT had purchased Metro Town and Hampton Loft, completed the Rights Issue, and incurred additional borrowings of HK\$380.0 million on 31 December 2008, are as follows:

	Before the acquisitions and Rights Issue⁽¹⁾	After the acquisitions and Rights Issue
NAV (HK\$'000)	6,156,364	7,951,706
Units in issue and to be issued ('000)	820,819	1,650,740
NAV per Unit (HK\$)	7.50	4.82

Note:

- (1) Based on the FY 2008 Audited Financial Statements.

Pro forma capitalisation

The following table sets forth the pro forma capitalisation of Fortune REIT as at 31 December 2008, as if Fortune REIT had purchased Metro Town and Hampton Loft, completed the Rights Issue and incurred additional borrowings of HK\$380.0 million on 31 December 2008.

	As at 31 December 2008	
	Actual	As Adjusted
	(HK\$ '000)	(HK\$ '000)
Short-term debt:		
Unsecured	–	–
Secured	–	–
Total short-term debt	–	–
Long-term debt:		
Unsecured	–	–
Secured	2,348,700	2,728,700
Total long-term debt	2,348,700	2,728,700
Total debt	2,348,700	2,728,700
Unitholders funds	6,156,364	7,951,706
Total Capitalisation	8,505,064	10,680,406

3.11.2 Six Months Ended 30 June 2009

Pro forma DPU

The pro forma financial effects on the DPU for the six months ended 30 June 2009, as if Fortune REIT had purchased Metro Town and Hampton Loft, completed the Rights Issue and incurred HK\$380.0 million of additional borrowings on 1 January 2009, and held and operated the Properties through to 30 June 2009, are as follows:

	Before the acquisitions and Rights Issue ⁽¹⁾	After the acquisitions and Rights Issue
Distributable income (HK\$'000)	161,698	191,564
Units in issue and to be issued ('000)	824,879	1,655,564
DPU (HK cents)	19.60	11.57

Note:

(1) Based on the 1H 2009 Unaudited Financial Statements.

Pro forma NAV per Unit

The pro forma financial effects on the NAV per Unit as at 30 June 2009, as if Fortune REIT had purchased Metro Town and Hampton Loft, completed the Rights Issue, and incurred additional borrowings of HK\$380.0 million on 30 June 2009, are as follows:

	Before the acquisitions and Rights Issue⁽¹⁾	After the acquisitions and Rights Issue
NAV (HK\$'000)	6,469,178	8,264,184
Units in issue and to be issued ('000)	824,879	1,654,801
NAV per Unit (HK\$)	7.84	4.99

Note:

(1) Based on the 1H 2009 Unaudited Financial Statements.

Pro forma capitalisation

The following table sets forth the pro forma capitalisation of Fortune REIT as at 30 June 2009, as if Fortune REIT had purchased Metro Town and Hampton Loft, completed the Rights Issue and incurred additional borrowings of HK\$380.0 million on 30 June 2009.

	As at 30 June 2009	
	Actual	As Adjusted
	(HK\$ '000)	(HK\$ '000)
Short-term debt:		
Unsecured	–	–
Secured	2,378,700	2,378,700
Total short-term debt	2,378,700	2,378,700
Long-term debt:		
Unsecured	–	–
Secured	–	380,000
Total long-term debt	–	380,000
Total debt	2,378,700	2,758,700
Unitholders funds	6,469,178	8,264,184
Total Capitalisation	8,847,878	11,022,884

3.11.3 Pro Forma Total Borrowings and Aggregate Leverage

Fortune REIT's pro forma total borrowings and Aggregate Leverage as at 30 June 2009 (assuming Fortune REIT had purchased only Metro Town and Hampton Loft and completed the Rights Issue) is as follows:

	Before the acquisitions and the Rights Issue ⁽¹⁾	On completion of the acquisitions and the Rights Issue ⁽²⁾	After drawdown of the Refinancing Facility ⁽³⁾	After drawdown of the Refinancing Facility and the New Revolving Facility ⁽⁴⁾
Total assets (HK\$'000)	9,246,947	11,399,399	11,400,699	11,640,699
Total borrowings (HK\$'000)	2,378,700	2,758,700	2,760,000	3,000,000
Aggregate Leverage.	25.7%	24.2%	24.2%	25.8%

Notes:

- (1) Based on the 1H 2009 Unaudited Financial Statements.
- (2) Assuming that Fortune REIT had purchased Metro Town and Hampton Loft, completed the Rights Issue, and drawn down HK\$380.0 million of the Acquisition Facility on 30 June 2009.
- (3) Assuming that HK\$2,730.0 million of the Refinancing Facility is drawn down, and that the drawn down HK\$380.0 million of the Acquisition Facility and the Existing Term Facility are repaid.
- (4) Assuming that the New Revolving Facility is drawn down in full, and that the Existing Revolving Facility is repaid.

3.12 Requirement for Unitholders' Approval of the Acquisitions

3.12.1 Interested Person Transaction

(i) The Acquisitions

Under Chapter 9 of the Listing Manual, where Fortune REIT proposes to enter into a transaction with an interested person and the value of the transaction (either in itself or when aggregated with the value of other transactions, each of a value equal to or greater than S\$100,000 with the same interested person during the same financial year) is equal to or exceeds 5.0% of Fortune REIT's latest audited net tangible assets ("NTA"), Unitholders' approval is required in respect of the transaction.

As at the Latest Practicable Date, Cheung Kong is deemed to hold an aggregate indirect interest in 262,815,342 Units (comprising 31.9% of the existing Units) and is therefore regarded as a Controlling Unitholder¹.

As a Controlling Unitholder, Cheung Kong is considered an interested person of Fortune REIT for the purposes of Chapter 9 of the Listing Manual.

¹ Cheung Kong is deemed to be interested in 262,815,342 Units, of which (i) 206,537,342 Units are held by Focus Eagle (a wholly-owned subsidiary of Cheung Kong) and (ii) 56,278,000 Units are held by Ballston (a wholly-owned subsidiary of Hutchison, which in turn is 49.9% owned by Cheung Kong).

Based on the Audited Financial Statements, the NAV of Fortune REIT was HK\$6,156.4 million as at 31 December 2008. Accordingly, if the value of a transaction which is proposed to be entered into by Fortune REIT with an interested person is, in the current financial year, either in itself or in aggregation with all other earlier transactions (each of a value equal to or greater than S\$100,000 or HK\$538,790 based on the exchange rate of S\$1 = HK\$5.3879 as at 21 August 2009¹) entered into with the same interested person during the current financial year, equal to or in excess of HK\$307.8 million, such a transaction would have to be subjected to Unitholders' approval. Given the Aggregate Purchase Consideration of HK\$2,039.0 million (which comprises 33.1% of the NAV of Fortune REIT as at 31 December 2008), the aggregate value of the Acquisitions exceeds the said threshold. As such, the Acquisitions are subject to Unitholders' approval under Chapter 9 of the Listing Manual.

(ii) **Existing Interested Person Transactions**

Prior to the Latest Practicable Date, Fortune REIT had entered into several interested person transactions with associates of Cheung Kong during the course of the current financial year (the "**Existing Interested Person Transactions**").

Details of the Existing Interested Person Transactions may be found in **Appendix E** of this Circular.

(iii) **Fees Payable to the Manager**

Upon Completion, the Manager will be entitled under the Trust Deed to receive an Acquisition Fee of HK\$20.4 million², which is equal to 1.0% of the acquisition price of the Properties under the Sale and Purchase Agreements.

The Acquisition Fee of HK\$20.4 million shall be payable to the Manager in Units to be issued at the TERP of HK\$3.20 per Unit. Whilst Clause 15.2.1(i) of the Trust Deed allows the Manager to receive the Acquisition Fee Units at the Rights Issue Price of HK\$2.29 per Unit, the Manager has elected to receive the Acquisition Fee Units at the higher TERP of HK\$3.20 per Unit instead. As a result, 6.4 million Units will be issued to the Manager. Such Units shall not be sold within one year from their date of issue, in accordance with paragraph 5.6 of the Property Funds Guidelines.

From Completion, the Manager will have the general power of management over the Properties and its main responsibility is to manage the Properties, as well as other assets and liabilities of Fortune REIT, for the benefit of Unitholders. In particular, the Manager is responsible for the day-to-day management of the assets held by the Property Companies³, making recommendations to the Trustee on the annual budget and the management and operation of the Property Companies, and generally carrying out the activities in relation to the Properties in accordance with the provisions of the Trust Deed.

¹ Source: Bloomberg

² The Acquisition Fee will be HK\$16.1 million, and 5.0 million Units will be issued to the Manager, if Fortune REIT proceeds only with the acquisitions of Metro Town and Hampton Loft.

³ "**Property Companies**" refers to the respective owners of the Properties (being Mega Gain, a wholly-owned subsidiary of MPI which directly holds Metro Town and the special purpose vehicles established by Fortune REIT for the purpose of directly holding the other Properties), each a "**Property Company**".

After Completion, the Manager will also be entitled under the Trust Deed to receive from Fortune REIT, management fees attributable to the Properties comprising a base fee of 0.3% per annum of the value of the Properties (the “**Base Fee**”) and from each of the Property Companies a performance fee of 3.0% per annum of the Net Property Income of each of the Property Companies. The Manager will be entitled to the management fees attributable to the Properties in the future for so long as the Properties continue to form part of the investment portfolio of Fortune REIT.

(iv) **Related Tenancy and Licence Agreements**

Upon Completion, Fortune REIT will, through the Property Companies, take over all the tenancy agreements and licence agreements with respect to the Properties, including various tenancy agreements and licence agreements entered into by certain Cheung Kong Subsidiaries and Hutchison Subsidiaries (the “**Related Tenancy and Licence Agreements**”). The aggregate rental and licence fees derived or to be derived from the Related Tenancy and Licence Agreements is estimated at HK\$118.8 million.

The Manager believes that the Related Tenancy and Licence Agreements are made on normal commercial terms and are not prejudicial to the interests of Fortune REIT and Unitholders.

(See **Appendix F** “Related Tenancy and Licence Agreements” for details.)

(v) **Property Management Agreement**

Upon Completion, the operation, maintenance, management and marketing of the Properties will be managed by the Property Manager subject to the overall management by the Manager pursuant to and in accordance with the terms of the Property Management Agreement.

(vi) **Approval by Unitholders**

In approving the Acquisitions, Unitholders are deemed to have approved the relevant Related Tenancy and Licence Agreements, the agreement to include the relevant Properties as part of the properties to be managed by the Property Manager and the agreement for the payment of an advisory fee of HK\$6.3 million to ARA Financial Pte. Ltd. (“**ARA Financial**”), which is indirectly wholly-owned by ARA Asset Management Limited (which wholly-owns the Manager), upon the completion of the Acquisitions. These agreements are, therefore, not subject to Rules 905 and 906 of the Listing Manual (which require Fortune REIT to make an announcement or obtain the approval of Unitholders depending on the materiality of the interested person transactions) insofar as there are no subsequent changes to the rental, rates and/or basis of the fees charged thereunder which will adversely affect Fortune REIT. Future renewal or extension of the agreements will be subject to Rules 905 and 906 of the Listing Manual.

ARA Financial is the ARA Group’s in-house advisory arm and has provided advisory services to the Manager in relation to the acquisition of the Properties, including but not limited to, advising on the structure of the acquisition of the Properties and liaising with Fortune REIT’s professional advisors in connection with the acquisition of the Properties. The Manager’s audit committee is of the view that the advisory fee payable to ARA Financial is based on normal commercial terms and would not be prejudicial to the interests of Fortune REIT or its Unitholders.

(vii) **Relative figures computed on the bases set out in Rule 1006**

The relative figures computed on the following bases set out in Rule 1006(a), 1006(b) and 1006 (c) of the Listing Manual are as follows:

- (I) the net profits attributable to the assets acquired, compared with Fortune REIT's net profits; and
- (II) the aggregate value of the consideration given, compared with Fortune REIT's market capitalisation.

Comparison of:	Metro Town	Fortune REIT	Relative figure (%)
Profits (HK\$ million) ⁽¹⁾	69.6	477.5	14.6
Consideration against market capitalisation (HK\$ million) ⁽²⁾	1,452.0	3,382.0	42.9

Comparison of:	Caribbean Bazaar	Fortune REIT	Relative figure (%)
Profits (HK\$ million) ⁽¹⁾	24.4	477.5	5.1
Consideration against market capitalisation (HK\$ million) ⁽²⁾	428.0	3,382.0	12.7

Comparison of:	Hampton Loft	Fortune REIT	Relative figure (%)
Profits (HK\$ million) ⁽¹⁾	9.1	477.5	1.9
Consideration against market capitalisation (HK\$ million) ⁽²⁾	159.0	3,382.0	4.7

Notes:

(1) Based on Net Property Income for FY2008 (before the Manager's performance fee).

(2) Based on Closing Price of HK\$4.10.

3.12.2 Interested Party Transaction

Paragraph 5 of the Property Funds Guidelines also imposes a requirement to obtain Unitholders' approval for an interested party transaction by Fortune REIT whose value exceeds 5.0% of Fortune REIT's latest audited NAV.

As a Controlling Unitholder, Cheung Kong is considered to be an interested party of Fortune REIT.

Based on the Audited Financial Statements, the NAV of Fortune REIT was HK\$6,156.4 million as at 31 December 2008. Accordingly, if the value of a transaction which is proposed to be entered into by Fortune REIT with an interested party is equal to or greater than HK\$307.8 million, such a transaction would be subject to Unitholders' approval. Given the Aggregate Purchase Consideration of HK\$2,039.0 million (which comprises 33.1% of the NAV of Fortune REIT as at 31 December 2008), the aggregate value of the Acquisitions exceeds the said threshold.

As such, the Acquisitions are also subject to Unitholders' approval under Paragraph 5 of the Property Funds Guidelines.

3.12.3 Interest in Purchase Consideration of Caribbean Bazaar

The Manager understands that the developers of Caribbean Bazaar are companies jointly owned by Cheung Kong and Hutchison. Although Fortune REIT is not acquiring the Properties from the developers of Caribbean Bazaar, part of the purchase consideration for Caribbean Bazaar will be applied by MTR Corporation Limited towards reimbursement of an agreed list of deductible costs relating to the construction and/or development of Caribbean Bazaar paid by the developers of Caribbean Bazaar and others in accordance with the terms of the development agreement entered into between the developers of Caribbean Bazaar, MTR Corporation Limited and others. As Cheung Kong and Hutchison have an interest in part of the purchase consideration of Caribbean Bazaar, the Manager, in the interest of transparency and good corporate governance, has considered the acquisition of Caribbean Bazaar as a Related Party Transaction.

3.13 Advice of the Independent Financial Adviser

The Manager and the Trustee have appointed KPMG Corporate Finance Pte. Ltd. (the “**IFA**”) to advise the Independent Directors of the Manager¹ and the Trustee as to whether the Acquisitions are (a) on normal commercial terms and (b) prejudicial to the interests of Fortune REIT and the Unitholders.

Having considered the factors and made the assumptions set out in its letter, and subject to the qualifications set out therein, the IFA is of the opinion that:

3.13.1 in accordance with Chapter 9 of the Listing Manual, the Acquisitions are on normal commercial terms and not prejudicial to Fortune REIT and the Unitholders, and

3.13.2 in accordance with Paragraph 5 of the Property Funds Guidelines, the Acquisitions are on normal commercial terms and not prejudicial to the Unitholders, based on an assessment of the impact of the Acquisitions on Fortune REIT on an overall basis.

A copy of the letter from the IFA to the Independent Directors and the Trustee (the “**IFA Letter**”), containing its advice in full, is set out in **Appendix G** of this Circular.

¹ “**Independent Directors**” refers to independent directors of the Manager being Mr Lim Lee Meng, Mr Cheng Mo Chi, Moses and Mrs Sng Sow-Mei (alias Poon Sow Mei).

3.14 Interests of Directors and Substantial Unitholders¹

3.14.1 Interests of the Directors of the Manager

The details of the unitholdings of the Directors of the Manager are as follows:

Unitholder	Direct Interest	Deemed Interest	Total Interest	% Interest
Mr Lim Hwee Chiang, John ⁽¹⁾	–	14,457,279	14,457,279	1.7
Mrs Sng Sow-Mei (alias Poon Sow Mei)	110,000	–	110,000	0.01

Note:

- (1) Mr. Lim Hwee Chiang, John is deemed to be interested in 14,457,279 Units as follows:
- (i) 1,761,279 Units held by the Manager (a wholly-owned subsidiary of ARA Asset Management Limited), by virtue of Mr. Lim's shareholdings of 0.2% in the capital of ARA Asset Management Limited (which wholly-owns the Manager) as well as his ownership of 100.0% of the issued shares in the capital of JL Investment Group Limited, which holds 36.4% of the issued shares in the capital of ARA Asset Management Limited; and
 - (ii) 12,696,000 Units held by ARA Asian Income Master Fund. ARA Strategic Capital I Pte Ltd, as the fund manager of ARA Asian Income Master Fund, is deemed to have an interest in these Units. ARA Strategic Capital I Pte Ltd is 100.0% owned by ARA Strategic Capital (Holdings) Pte Ltd which is 75.0% owned by ARA Asset Management Limited.

Mr Lim Hwee Chiang, John is the Group Chief Executive Officer and Executive Director of ARA Asset Management Limited and a Director of ARA Financial.

Mr Chiu Kwok Hung, Justin is the Chairman and Non-Executive Director of ARA Asset Management Limited, a Director of ARA Financial and an Executive Director of Cheung Kong.

Mr Ip Tak Chuen, Edmond is a Non-Executive Director of ARA Asset Management Limited, an Executive Director and Deputy Managing Director of Cheung Kong and a Director of Focus Eagle.

Ms Yeung, Eirene is a Director, Corporate Strategy Unit and Company Secretary of Cheung Kong.

Mr Cheng Mo Chi, Moses is an Independent Non-Executive Director of ARA Asset Management Limited.

Save as disclosed above and based on information available to the Manager, none of the Directors has an interest, direct or indirect, in the Acquisitions.

¹ "Substantial Unitholders" refers to Unitholders with an interest in more than 5.0% of all Units in issue.

3.14.2 Interests of Substantial Unitholders

The details of the unitholdings of the Substantial Unitholders who are interested in the Acquisitions are as follows:

<u>Unitholder</u>	<u>Direct Interest</u>	<u>Deemed Interest</u>	<u>Total Interest</u>	<u>% Interest</u>
Focus Eagle Investments Limited . .	206,537,342	–	206,537,342	25.0
Ballston Profits Limited	56,278,000	–	56,278,000	6.8
Cheung Kong (Holdings) Limited ⁽¹⁾ .	–	262,815,342	262,815,342	31.9
Hutchison Whampoa Limited ⁽²⁾ . . .	–	56,278,000	56,278,000	6.8

Notes:

- (1) Cheung Kong is deemed to be interested in 262,815,342 Units, of which:
- (i) 206,537,342 Units are held by Focus Eagle (a wholly-owned subsidiary of Cheung Kong); and
 - (ii) 56,278,000 Units are held by Ballston (a wholly-owned subsidiary of Hutchison, which in turn is 49.9% owned by Cheung Kong).
- (2) Hutchison is deemed to be interested in 56,278,000 Units held by its wholly-owned subsidiary, Ballston.

DBS Bank holds a direct interest of 51,700,000 Units (comprising 6.3% of the existing Units) and is therefore a Substantial Unitholder. DBS Bank is also one of the Joint Financial Advisers and Joint Lead Managers and Underwriters, as well as one of the lenders under the New Facilities. As at the date of this Circular, the Manager is of the view that the Underwriting Agreement and the letter of commitment in relation to the New Facilities are based on normal commercial terms and in the ordinary course of business.

Whilst Fortune REIT has other Substantial Unitholders (details of which have been announced on the SGXNET), based on information available to the Manager, none of these Substantial Unitholders has an interest, direct or indirect, in the Acquisitions, and therefore their details have not been disclosed in this Unitholders' Circular as such details are not relevant.

3.15 Taxation

Fortune REIT has obtained a tax ruling dated 28 July 2009 from the Inland Revenue Authority of Singapore on the Singapore tax consequences to Fortune REIT, and to the Unitholders, in relation to dividend distributions receivable from three special purpose companies incorporated in the BVI which hold, directly or indirectly, the three Properties in Hong Kong. These dividends are made out of underlying income of the three Properties subject to Hong Kong profits tax.

In this connection, the Singapore taxation consequences of Fortune REIT and that of the Unitholders for such income are described below:

3.15.1 Singapore Taxation of Fortune REIT

Fortune REIT will be exempt from Singapore income tax on the dividends received from the three special purpose companies that are distributed out of underlying income (including interest income and gains from the sale of real properties, if any) which are subject to Hong Kong profits tax at a rate of not less than 15.0%.

The tax exemption on such dividends received from the three special purpose companies is applicable by virtue of the foreign income exemption regime and/or the provisions of Section 13(12) of the Singapore Income Tax Act. As these dividends are exempt from Singapore income tax, Fortune REIT may distribute such income, after deduction of its relevant expenses (the “**Tax-Exempt Income**”) to the Unitholders free of Singapore tax.

3.15.2 Singapore Taxation of the Unitholders

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

3.15.3 Singapore Goods and Services Tax (“GST”)

A GST concession announced in the Singapore Budget 2008 allows Fortune REIT to claim certain GST incurred on the setting up of the special purpose companies that hold its Hong Kong non-residential properties, as well as the GST incurred by the special purpose companies on the acquisition and holding of these Hong Kong non-residential properties during the qualifying period up to 17 February 2010.

The said GST concession allows Fortune REIT to look through the holding structure and treat all taxable (i.e. standard-rated and zero-rated) and exempt supplies made by the multi-tiered structure as if they are those made by Fortune REIT for the purposes of computing GST claims.

The above summary of certain Singapore income tax and GST consequences of Fortune REIT and the Unitholders is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change (which may have a retroactive effect). The summary does not purport to be a comprehensive description of all the tax considerations that may be applicable to Fortune REIT and to all categories of Unitholders, some of whom may be subject to special rules. Unitholders should consult their own tax advisors concerning the application of Singapore income tax laws to their particular situations as well as any consequences of the purchase, ownership and disposition of the Units arising under the laws of any other taxing jurisdiction.

4. DETAILS OF THE RIGHTS ISSUE

4.1 Principal Terms of the Rights Issue

The following is a summary of the principal terms and conditions of the Rights Issue:

Issue Size : The Rights Issue is expected to raise gross proceeds of HK\$1,889.0 million.

The number of Rights Units to be issued under the Rights Issue is 824,879,427, which also reflects the number of Rights Units fully underwritten by the Joint Lead Managers and Underwriters.

Basis of Provisional Allotments : Each Eligible Unitholder is entitled to subscribe for one Rights Unit for every one Existing Unit standing to the credit of his securities account with The Central Depository (Pte) Limited (“**CDP**” and the securities account, the “**Securities Account**”) as at the Rights Issue Books Closure Date.

- Rights Issue Price : HK\$2.29 per Rights Unit. The Rights Units are payable in full upon acceptance and/or application.
- Status of the Rights Units : The Rights Units will, upon allotment and issue, rank *pari passu* in all respects with the existing Units in issue as at the date of issue of the Rights Units, including the right to any distributions which may accrue for the period from 1 July 2009 to 31 December 2009 as well as all distributions thereafter.
- For the avoidance of doubt, the Rights Units will not be entitled to Fortune REIT's distribution for the period from 1 January 2009 to 30 June 2009 which will be paid on 28 August 2009.
- Eligible Unitholders : Eligible Unitholders are Unitholders with Units standing to the credit of their Securities Account and whose registered addresses with CDP are in Singapore as at the Rights Issue Books Closure Date or who have, at least three Market Days¹ prior to the Rights Issue Books Closure Date, provided CDP with addresses in Singapore for the service of notices and documents and such Unitholders who the Manager, on behalf of Fortune REIT, and in consultation with the Joint Lead Managers and Underwriters determine, may be offered Rights Units without breaching applicable securities laws.
- Eligibility of Unitholders to participate in the Rights Issue : Eligible Unitholders are at liberty to accept in part or in full, decline, renounce or trade on the SGX-ST (during the "nil-paid" rights trading period prescribed by the SGX-ST) their provisional allotment of Rights Units under the Rights Issue ("**Rights Entitlements**") and are eligible to apply for Excess Rights Units.
- The procedures for acceptance, excess applications and payment by Eligible Unitholders will be set out in the offer information statement in connection with the Rights Issue to be issued by the Manager to Eligible Unitholders and lodged with the MAS (the "**Offer Information Statement**").
- No provisional allotment of Rights Units will be made to Ineligible Unitholders (as defined herein) and no purported acceptance thereof or application thereof by Ineligible Unitholders will be valid.
- Ineligible Unitholders should refer to the paragraphs under the heading "Ineligible Unitholders" below.

¹ "Market Day" refers to any day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks are open for business in Singapore and the SGX-ST is open for trading.

Trading of the Rights Units	:	Upon the listing of and quotation for the Rights Units on the Main Board of the SGX-ST, the Rights Units will be traded on the Main Board of the SGX-ST under the book-entry (scripless) settlement system. For the purposes of trading on the Main Board of the SGX-ST, each board lot of Units will comprise 1,000 Units. All dealings in and transactions (including transfers) of the Rights Units effected through the SGX-ST and/or CDP shall be made in accordance with the “Terms and Conditions for Operation of Securities Account with CDP”, as the same may be amended from time to time, copies of which are available from CDP.
Trading of Odd Lots of Units	:	Eligible Unitholders who hold odd lots of Units (that is, lots other than board lots of 1,000 Units) and who wish to trade in odd lots are able to trade odd lots of Units on the SGX-ST’s Unit Share Market. The Unit Share Market is a ready market for trading of odd lots of Units with a minimum size of one (1) Unit.
Governing Law	:	Laws of the Republic of Singapore.

The above terms and conditions of the Rights Issue are subject to such changes as the Manager may deem fit. The final terms and conditions of the Rights Issue will be set out in the Offer Information Statement to be despatched by the Manager to Eligible Unitholders in due course.

AS THE RIGHTS ISSUE IS MADE ON A RENOUNCEABLE BASIS, THE PROVISIONAL ALLOTMENTS OF RIGHTS UNITS CAN BE RENOUNCED IN FAVOUR OF A THIRD PARTY OR TRADED ON THE SGX-ST.

Unitholders should note that the Manager will only proceed with the Rights Issue if both Resolutions 1 and 2 are approved by Unitholders.

The Rights Issue is conditional upon, *inter alia*, the lodgement of the Offer Information Statement with the MAS.

The Manager’s authority to issue the Rights Units is based on the recent measure introduced by the SGX-ST on 19 February 2009 allowing for a pro rata rights issue of units of a real estate investment trust (“REIT”) of up to 100.0% of the issued units of the REIT, without the requirement for either a general or specific mandate from unitholders¹.

4.1.1 Excess Rights Units

The Rights Units represented by the provisional allotments (A) of (i) Eligible Unitholders who decline, do not accept, and elect not to renounce or sell their Rights Entitlements under the Rights Issue (during the “nil-paid” rights trading period prescribed by the SGX-ST) and/or (ii) Ineligible Unitholders which have not been sold during the “nil-paid” rights trading period or (B) that have not been validly taken up by the original allottees, renounees of the provisional allotments or the purchasers of “nil-paid” rights Units (collectively, “**Excess Rights Units**”) will be issued to satisfy Excess Rights Units applications as the Manager may, in its absolute discretion, deem fit.

¹ As clarified by the SGX-ST in its advisory. There is also no inconsistency with the Trust Deed in this regard.

In the allotment of Excess Rights Units, preference will be given to the rounding of odd lots (if any). The Cheung Kong Subsidiaries, the Hutchison Subsidiaries, other Substantial Unitholders and Directors will rank last in priority.

4.1.2 Eligible Unitholders

Eligible Unitholders are Unitholders with Units standing to the credit of their Securities Account and whose registered addresses with CDP are in Singapore as at the Rights Issue Books Closure Date or who have, at least three Market Days prior to the Rights Issue Books Closure Date, provided CDP with addresses in Singapore for the service of notices and documents and such Unitholders who the Manager, on behalf of Fortune REIT, in consultation with the Joint Lead Managers and Underwriters determine, may be offered Rights Units without breaching applicable securities laws (“**Eligible Unitholders**”).

Eligible Unitholders will be at liberty to accept in part or in full, decline or otherwise renounce or trade (during the “nil-paid” rights trading period prescribed by the SGX-ST) their Rights Entitlements and are eligible to apply for Excess Rights Units in excess of their Rights Entitlements.

Eligible Unitholders who have subscribed for or purchased Units under the Supplementary Retirement Scheme (“**SRS**”) can only accept their Rights Entitlements by instructing the relevant banks in which they hold their SRS accounts to do so on their behalf. Any application made directly through ATMs by such Eligible Unitholders will be rejected.

4.1.3 Ineligible Unitholders

No provisional allotment of Rights Units will be made to Unitholders other than Eligible Unitholders (“**Ineligible Unitholders**”) and no purported acceptance thereof or application therefore by Ineligible Unitholders will be valid.

The making of the Rights Issue 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 or other relevant laws applicable in countries (other than in Singapore) where Unitholders may have as their addresses registered with CDP, the Rights Issue will not be extended to Ineligible Unitholders. Save as provided herein, Ineligible Unitholders who wish to participate in the Rights Issue will have to provide CDP with addresses in Singapore for the service of notices and documents and any other evidence of eligibility at least three Market Days prior to the Rights Issue Books Closure Date. Save as provided herein and for the avoidance of doubt, the Ineligible Unitholders are not eligible to participate in the Rights Issue.

The “nil-paid” rights entitlements and the Rights Units have not been and will not be registered under the Securities Act or under the securities laws of any state or other jurisdiction of the United States. The “nil-paid” rights entitlements and the Rights Units may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

If it is practicable to do so, the Manager may, at its absolute discretion, arrange for Rights Entitlements which would otherwise have been allotted to Ineligible Unitholders to be sold “nil-paid” on the SGX-ST as soon as practicable after dealings in the Rights Entitlements commence. Such sales may, however, only be effected if the Manager, in its absolute discretion, determines that a premium can be obtained from such sales, after taking into account expenses to be incurred in relation thereto.

The net proceeds from all such sales, after deduction of all expenses therefrom, will be pooled and thereafter distributed to Ineligible Unitholders in proportion to their respective unitholdings determined as at the Rights Issue Books Closure Date and sent to them by ordinary post, provided that where the amount to be distributed to any Ineligible Unitholder is less than HK\$53.88 (or S\$10.00 based on the fixed exchange rate of S\$1.00 = HK\$5.3879 as at 21 August 2009¹), the Manager shall be entitled to retain or deal with such net proceeds as the Manager may, in its absolute discretion, deem fit for the sole benefit of Fortune REIT and no Ineligible Unitholder shall have any claim whatsoever against the Manager, the Joint Lead Managers and Underwriters, the Trustee or CDP in connection herewith.

4.2 Rights Issue Price, Proceeds and Rights Units to be issued

The Manager expects to raise gross proceeds of HK\$1,889.0 million under the Rights Issue.

Based on the 824,879,427 Units in issue as at 21 August 2009, being the latest practicable date prior to the issue of this Circular (the “**Latest Practicable Date**”), the Manager intends to issue a total of 824,879,427 Rights Units, based on a one for one rights ratio, at the Rights Issue Price.

The Rights Issue Price represents a discount of:

- (i) 44.1% to the last traded price of HK\$4.10 per Unit on the SGX-ST on 21 August 2009 (the “**Closing Price**”) being the last trading day of the Units prior to the announcement of the Rights Issue;
- (ii) 28.3% to the theoretical ex-rights price (“**TERP**”) of HK\$3.20 per Unit. For the avoidance of doubt, the TERP is calculated as follows:

$$\text{TERP} = \frac{\text{Market capitalisation of Fortune REIT}^2 + \text{Rights Issue gross proceeds}}{\text{Units in issue after the Rights Issue}}$$

- (iii) 54.0% to the pro forma NAV per Unit after completion of the Rights Issue of HK\$4.98 per Unit.

4.3 Use of Proceeds

4.3.1 In the case of the acquisition of all three Properties, the Manager intends to utilise the net proceeds of HK\$1,802.4 million from the Rights Issue as follows:

Use	Amount (HK\$ million)	%
Part finance the acquisitions of Metro Town, Caribbean Bazaar and Hampton Loft	1,591.0	88.3
Working capital, debt related costs in relation to the New Facilities and general corporate purposes.	111.4	6.2
Asset enhancement initiatives	100.0	5.5

¹ Source: Bloomberg.

² Based on the Closing Price of HK\$4.10.

4.3.2 Should only the acquisitions of Metro Town and Hampton Loft occur, the Manager intends to utilise the net proceeds of HK\$1,802.4 million from the Rights Issue as follows:

Use	Amount (HK\$ million)	%
Part finance the acquisitions of Metro Town and Hampton Loft	1,247.0	69.2
Working capital, debt related costs in relation to the New Facilities and general corporate purposes.	455.4	25.3
Asset enhancement initiatives	100.0	5.5

Notwithstanding the above, the Manager reserves the right to deploy the net proceeds of the Rights Issue at its absolute discretion based on the potential uses as mentioned above.

Pending deployment, the net proceeds from the Rights Issue may be deposited with banks and/or financial institutions, or used for any other purpose on a short-term basis as the Manager may, in its absolute discretion, deem fit.

The Manager will make periodic announcements on the utilisation of the net proceeds of the Rights Issue via SGXNET as and when such funds are materially utilised.

(See paragraph 3.10 above for an illustration of the financial impact of the Acquisitions and the Rights Issue and see paragraph 3.11 above for the financial effects if Fortune REIT proceeds only with the acquisitions of Metro Town and Hampton Loft.)

The Manager is of the view that, in its reasonable opinion, after taking into consideration Fortune REIT's internal resources, its available loan facilities, and the net proceeds of the Rights Issue and the working capital available to Fortune REIT, as at the date of lodgement of this Unitholders' Circular, is sufficient for Fortune REIT's present requirements.

4.4 Costs of the Rights Issue

If Fortune REIT proceeds with the Rights Issue, Fortune REIT will have to bear the following costs and expenses:

- (i) management, underwriting and selling commissions and related expenses of HK\$42.7 million (excluding goods and services tax payable); and
- (ii) estimated advisory, professional and other fees and expenses of approximately HK\$43.9 million in connection with the Rights Issue.

4.5 Underwriting of the Rights Issue and the Focus Eagle and Ballston Commitment

4.5.1 Underwriting of the Rights Issue

The Rights Issue is fully underwritten by the Joint Lead Managers and Underwriters on the terms and subject to the conditions of the Underwriting Agreement. The Joint Lead Managers and Underwriters will be entitled to a commission (the "**Underwriting Commission**") to be shared equally between them, of:

- (i) 1.75% of the Rights Issue Price multiplied by the number of the Pro Rata Units of 262,815,342 Units, representing 31.9% of the Rights Units (which is equivalent to HK\$10.5 million); and

- (ii) 2.50% of the Rights Issue Price multiplied by 562,064,085 Units, representing 68.1% of the Rights Units, being the total number of Rights Units of 824,879,427 Units less the Pro Rata Units of 262,815,342 Units (which is equivalent to HK\$32.2 million),

together with any goods and services tax payable thereon.

The obligations of the Joint Lead Managers and Underwriters are conditional upon certain matters, including the receipt of Unitholders' approval for the Acquisitions and the Whitewash Resolution, Focus Eagle and Ballston having duly executed their respective Pro Rata Undertakings, which shall be in full force and effect and Focus Eagle or (as the case may be) Ballston having subscribed for the Units to be acquired thereunder, and Focus Eagle, Cheung Kong, Ballston and Hutchison having duly executed their respective Sub-Underwriting Agreements, which shall be in full force and effect and there not having been any breach or non-compliance by Focus Eagle and/or Cheung Kong or (as the case may be) Ballston and/or Hutchison of any of their respective obligations thereunder.

It should be noted that the Underwriting Agreement may be terminated upon the occurrence of certain events, including those of a *force majeure* nature, but the Joint Lead Managers and Underwriters will not be entitled to rely on *force majeure* to terminate the Underwriting Agreement on or after the date on which ex-rights trading commences, in compliance with Rule 818 of the Listing Manual.

4.5.2 Focus Eagle and Ballston Commitment

As at the Latest Practicable Date, Focus Eagle owned 206,537,342 Units (comprising 25.0% of the existing Units) and Ballston owned 56,278,000 Units (comprising 6.8% of the existing Units). Focus Eagle is a wholly-owned subsidiary of Cheung Kong and Ballston is a wholly-owned subsidiary of Hutchison, which is in turn 49.9% owned by Cheung Kong. Cheung Kong is thus deemed to hold an aggregate indirect interest in 262,815,342 Units, which is equivalent to 31.9% of the total number of Units in issue as at the Latest Practicable Date.

To demonstrate support for Fortune REIT and the Rights Issue:

- (i) Focus Eagle has provided the Focus Eagle Pro Rata Undertaking to the Manager and Joint Lead Managers and Underwriters, pursuant to which Focus Eagle will accept, and/or procure any one or more of the Cheung Kong Subsidiaries to subscribe for, the Focus Eagle Pro Rata Units;
- (ii) Ballston has provided the Ballston Pro Rata Undertaking to the Manager and the Joint Lead Managers and Underwriters, pursuant to which Ballston will accept and subscribe for the Ballston Pro Rata Units;
- (iii) Focus Eagle has entered into the Focus Eagle Sub-Underwriting Agreement with Cheung Kong and the Joint Lead Managers and Underwriters, pursuant to which Focus Eagle has agreed to, either directly or by procuring one or more of the Cheung Kong Subsidiaries to do so, sub-underwrite 43.2% of the total number of Rights Units to be issued under the Rights Issue, being 356,161,713 Units, such obligation being set off by the number of Focus Eagle Pro Rata Units that are taken up pursuant to the Focus Eagle Pro Rata Undertaking and the number of any Excess Rights Units and Nil-Paid Rights Units that are taken up by any one or more of the Cheung Kong Subsidiaries and/or the Hutchison Subsidiaries, subject to the passing of the Whitewash Resolution (43.2% of the total number of

Rights Units to be issued under the Rights Issue less the number of the Focus Eagle Pro Rata Units, being the Commitment Rights Units). Cheung Kong has, pursuant to the terms of the Focus Eagle Sub-Underwriting Agreement, agreed to unconditionally and irrevocably guarantee the due and punctual payment in accordance with the terms therein of all amounts payable by Focus Eagle under the Focus Eagle Sub-Underwriting Agreement and the due and punctual performance and observance by Focus Eagle of all its obligations, commitments, undertakings and warranties under or pursuant to the Focus Eagle Sub-Underwriting Agreement; and

- (iv) Ballston has entered into the Ballston Sub-Underwriting Agreement with Hutchison and the Joint Lead Managers and Underwriters, pursuant to which Ballston has agreed to sub-underwrite 6.8% of the total number of Rights Units to be issued under the Rights Issue, being the number of the Ballston Pro Rata Units, such obligation being set off by the number of the Ballston Pro Rata Units that are taken up pursuant to the Ballston Pro Rata Undertaking, subject to the passing of the Whitewash Resolution. Hutchison has, pursuant to the terms of the Ballston Sub-Underwriting Agreement, agreed to unconditionally and irrevocably guarantee the due and punctual payment in accordance with the terms therein of all amounts payable by Ballston under the Ballston Sub-Underwriting Agreement and the due and punctual performance and observance by Ballston of all its obligations, commitments, undertakings and warranties under or pursuant to the Ballston Sub-Underwriting Agreement.

Similar to other Unitholders, Focus Eagle and Ballston as Unitholders would also have the option to make applications for Excess Rights Units (and the Excess Rights Units taken up by Focus Eagle and Ballston under the Rights Issue, the “**Aggregate Excess Rights Units**”).

Separately, as the Rights Issue will incorporate a renounceable feature allowing Eligible Unitholders to sell their “nil-paid” rights entitlements on the SGX-ST, the Cheung Kong Subsidiaries and the Hutchison Subsidiaries may acquire “nil-paid” rights entitlements on the open market and subsequently exercise the “nil-paid” rights entitlements to acquire Rights Units (the “**Nil-Paid Rights Units**”).

For the avoidance of doubt, the acquisition of Aggregate Excess Rights Units and Nil-Paid Rights Units would be set off against the Commitment Rights Units which Focus Eagle has committed to subscribe pursuant to the Focus Eagle Sub-Underwriting Agreement.

Pursuant to the Sub-Underwriting Agreements, the Joint Lead Managers and Underwriters agree to pay, from the Underwriting Commission, a sub-underwriting fee comprising the following:

- (a) to Focus Eagle, a fee of 1.75% of the Rights Issue Price multiplied by the number of Focus Eagle Pro Rata Units of 206,537,342 Units, representing 25.0% of the Rights Units (which is equivalent to HK\$8.3 million);
- (b) to Ballston, a fee of 1.75% of the Rights Issue Price multiplied by the number of Ballston Pro Rata Units of 56,278,000 Units, representing 6.8% of the Rights Units (which is equivalent to HK\$2.3 million); and
- (c) to Focus Eagle, a fee of 2.25% of the Rights Issue Price multiplied by the number of Commitment Rights Units of 149,624,371 Units, representing 18.2% of the Rights Units (which is equivalent to HK\$7.7 million),

together with any goods and services tax payable thereon (where applicable) (the “**Sub-Underwriting Commission**”).

The Sub-Underwriting Commission payable to Focus Eagle and Ballston will be paid by the Joint Lead Managers and Underwriters from the Underwriting Commission and the percentage level of the commission payable by the Joint Lead Managers and Underwriters to Focus Eagle and Ballston pursuant to the Sub-Underwriting Agreements will not be more than the percentage level of the commission which the Joint Lead Managers and Underwriters receive pursuant to the Underwriting Agreement.

In the event, among others, that the Underwriting Agreement is terminated, both Focus Eagle’s and Ballston’s obligations under the Pro Rata Undertakings and Sub-Underwriting Agreements will cease entirely.

4.5.3 Waiver from the Singapore Code on Take-overs and Mergers

On 12 August 2009, the Securities Industry Council (the “**SIC**”) granted a waiver (the “**SIC Waiver**”) of the requirement by Cheung Kong and parties acting in concert with it to make a Mandatory Offer for Units under the Code as a result of the Cheung Kong Subsidiaries and the Hutchison Subsidiaries: (i) subscribing for the Pro Rata Units allotted and issued to them pursuant to the Pro Rata Undertakings and/or (ii) if applicable, in the case of the Cheung Kong Subsidiaries only, acquiring the Commitment Rights Units pursuant to the Focus Eagle Sub-Underwriting Agreement and/or (iii) if applicable, acquiring the Aggregate Excess Rights Units and/or (iv) if applicable, acquiring the Nil-Paid Rights Units pursuant to the Rights Issue (collectively, the “**Rights Units Acquisitions**”), subject to, *inter alia*, the approval of the Whitewash Resolution by Independent Unitholders at a general meeting.

4.5.4 Board Confirmation

The board of directors of the Manager (the “**Board**”) ¹ has considered the terms of the:

- (i) Underwriting Agreement (including the commission payable to the Joint Lead Managers and Underwriters) and is of the view that it has been entered into on an arm’s length basis and on normal commercial terms; and
- (ii) the Sub-Underwriting Agreements (including the Sub-Underwriting Commission payable to Focus Eagle and Ballston) and is of the view that the terms are fair, and not prejudicial to Fortune REIT and to other Unitholders and are in the interest of Fortune REIT and its Unitholders as a whole,

on the basis that:

- (A) given the recent months of market uncertainty and volatility, the execution risks posed by the long rights issue execution period and the likely material adverse consequences of an unsuccessful rights issue, it is important for the Rights Issue to be underwritten; and

¹ For good corporate governance, Mr Chiu Kwok Hung, Justin and Mr Ip Tak Chuen, Edmond abstained from taking part in any decisions or recommendations relating to the Pro Rata Undertakings as they are, *inter alia*, directors of Cheung Kong. Ms Yeung, Eirene has also abstained from taking part in any decisions or recommendations relating to the Pro Rata Undertakings as she is an Authorised Representative and the Company Secretary of Cheung Kong.

- (B) the Joint Lead Managers and Underwriters have indicated that they will only underwrite the Rights Issue if Focus Eagle and Ballston enter into the Sub-Underwriting Agreements and the entry into the Sub-Underwriting Agreements will facilitate the underwriting of the Rights Issue by the Joint Lead Managers and Underwriters, thereby ensuring a successful Rights Issue.

None of the Directors dissented with the above opinion.

ARA Asset Management (Singapore) Limited, the manager of Fortune REIT, intends to take up its pro rata entitlements under the Rights Issue. Mrs Sng Sow-Mei (alias Poon Sow Mei) has indicated that she intends to take up her pro rata entitlements under the Rights Issue.

4.6 Lock-Ups

The Manager, has pursuant to the Underwriting Agreement, agreed not to, among other things, offer, issue or contract to issue any Units, and make any announcements in connection with any of the foregoing transactions, until the date falling 90 days after the date on which the Rights Units are listed on the SGX-ST. The restrictions set out in this paragraph do not apply to the Rights Units and the Units to be issued to the Manager in full or part payment of the Manager's fees.

Subject to the exceptions described below, Focus Eagle and Ballston have, pursuant to the Sub-Underwriting Agreements, agreed not to offer, sell, contract to sell or otherwise dispose of (excluding pledging or otherwise encumbering the Units in favour of financial institutions provided that such pledge or encumbrance and the enforcement thereof shall be subject to the terms of these restrictions), directly or indirectly, any of the Units held by Focus Eagle and Ballston respectively, during the period from the date on which the Rights Units are listed on the SGX-ST to the date falling 180 days after the date on which the Rights Units are listed on the SGX-ST (the "**Lock-Up Period**").

The restrictions described in this paragraph do not apply to the transfer of Units by Focus Eagle to and between wholly-owned subsidiaries of Cheung Kong or Hutchison or (as the case may be) the transfer of Units by Ballston to and between wholly-owned subsidiaries of Hutchison or Cheung Kong, provided that (aa) each such subsidiary has executed and delivered to the Joint Lead Managers and Underwriters an undertaking to the effect of the restrictions described in this paragraph, to remain in effect for the remainder of the Lock-Up Period. In addition, Cheung Kong or (as the case may be) Hutchison shall not, and will not cause or permit Focus Eagle or (as the case may be) Ballston, or any such wholly-owned subsidiary of Cheung Kong or Hutchison to, for the duration of the Lock-Up Period, offer, issue, sell or contract to issue or sell or otherwise dispose of, directly or indirectly, any shares in, or any securities convertible into or exchangeable for, shares in, the share capital of Focus Eagle or (as the case may be) Ballston, or such wholly-owned subsidiary of Focus Eagle or (as the case may be) Ballston which holds or owns any Units, or to which any Units have been so transferred.

4.7 Status of the Rights Units Issued Pursuant to the Rights Issue

The Rights Units will, upon allotment and issue, rank *pari passu* in all respects with the existing Units in issue as at the date of issue of the Rights Units, including the right to any distributions which may accrue for the period from 1 July 2009 to 31 December 2009 as well as all distributions thereafter.

For the avoidance of doubt, the Rights Units will not be entitled to Fortune REIT's distribution for the period from 1 January 2009 to 30 June 2009 which will be paid on 28 August 2009.

Eligible Unitholders who validly accept, in full, their Rights Entitlements, will receive such amount of the accrued distributions for the period from 1 July 2009 to 31 December 2009 which they would have been entitled to had the Rights Issue not occurred. Eligible Unitholders who decide not to accept in full their Rights Entitlements can, where applicable, make arrangements to trade their “nil-paid” rights on the SGX-ST under the book-entry (scripless) settlement system.

For Ineligible Unitholders, the Manager may, at its absolute discretion and if it is practicable to do so, arrange for the “nil-paid” rights which would otherwise have been provisionally allotted to Ineligible Unitholders to be sold “nil-paid” on the SGX-ST as soon as practicable after dealings in the “nil-paid” rights commence. Such sales may, however, only be effected if the Manager, in its absolute discretion, determines that the proceeds from such sales can at least cover the expenses to be incurred in relation thereto.

The Manager is of the view that the above arrangement is fair to existing Unitholders.

4.8 Listing Approval

The details of the conditions imposed by the SGX-ST’s in-principal approval of the listing and quotation of the Rights Units are, *inter alia*, as follows:

- (i) compliance with the SGX-ST’s listing requirements and guidelines;
- (ii) Unitholders’ approval of the Acquisitions and Whitewash Resolution;
- (iii) a written undertaking from Fortune REIT that it will make periodic announcements on the use of the proceeds from the Rights Issue and that it will provide status report on the use of the proceeds in the annual report;
- (iv) a written undertaking from Fortune REIT that in the allotment of any Excess Rights Units, preference will be given to the rounding of odd lots, and Directors and Substantial Unitholders will rank last in priority;
- (v) a written confirmation(s) from financial institution(s) that Focus Eagle and Ballston who have given the irrevocable undertakings have sufficient financial resources to fulfil their obligations under its undertakings; and
- (vi) submission of the notification referred to in Rule 864(4) of the Listing Manual, if applicable, upon any significant changes affecting the matter in the application for the listing and quotation of the Rights Units.

5. THE PROPOSED WHITEWASH RESOLUTION

5.1 Rule 14 of the Code

In order for the Rights Issue to proceed on an underwritten basis, the Manager is seeking approval from Independent Unitholders for a waiver of their rights to receive a Mandatory Offer from Cheung Kong and parties acting in concert with it for all the remaining issued Units not owned or controlled by Cheung Kong and parties acting in concert with it, as a result of the Rights Units Acquisitions.

Cheung Kong may possibly, upon the Rights Units Acquisitions, end up acquiring additional Units which exceeds the threshold pursuant to Rule 14.1(b) of the Code. Rule 14.1(b) of the Code states that Cheung Kong and parties acting in concert with it would be required to make a Mandatory Offer if the Cheung Kong Subsidiaries and the Hutchison Subsidiaries acquire additional Units which increases their aggregate unitholding in Fortune REIT by more than 1.0% in any period of six months.

Unless waived by the SIC, pursuant to Rule 14.1(b) of the Code, Cheung Kong and parties acting in concert with it would then be required to make a Mandatory Offer. The SIC has granted this waiver subject to, *inter alia*, the Whitewash Resolution being approved by Independent Unitholders at an EGM.

As at the Latest Practicable Date, Focus Eagle owned 206,537,342 Units (comprising 25.0% of the existing Units) and Ballston owned 56,278,000 Units (comprising 6.8% of the existing Units). Focus Eagle is a wholly-owned subsidiary of Cheung Kong and Ballston is a wholly-owned subsidiary of Hutchison, which is in turn 49.9% owned by Cheung Kong. Cheung Kong is thus deemed to hold an aggregate of 262,815,342 Units, which is equivalent to 31.9% of the total number of Units in issue as at the Latest Practicable Date.

If all Unitholders (including the Cheung Kong Subsidiaries and the Hutchison Subsidiaries) accept their Rights Entitlements in full, the unitholdings of the Cheung Kong Subsidiaries and the Hutchison Subsidiaries after the completion of the Rights Issue and upon the acceptance of all of their provisional allotments under the Rights Issue will remain unchanged at 31.9% (**“Whitewash Scenario 1”**).

In the scenario where the Cheung Kong Subsidiaries and the Hutchison Subsidiaries acquire not only their Pro Rata Units but the Cheung Kong Subsidiaries also acquire all the Commitment Rights Units pursuant to the Focus Eagle Sub-Underwriting Agreement and assuming that the Cheung Kong Subsidiaries and the Hutchison Subsidiaries do not apply for any Excess Rights Units and/or acquire any Nil-Paid Rights Units, the aggregated unitholding of the Cheung Kong Subsidiaries and the Hutchison Subsidiaries immediately after the completion of the Rights Issue and upon the subscription of the Commitment Rights Units will be 40.9% (**“Whitewash Scenario 2”**).

The maximum possible increase in the unitholdings of the Cheung Kong Subsidiaries and the Hutchison Subsidiaries would occur in the scenario where none of the other Unitholders subscribe for their Rights Entitlements, and the Cheung Kong Subsidiaries and the Hutchison Subsidiaries subscribe for not only the Pro Rata Units but also subscribe for all the Excess Rights Units and Nil-Paid Rights Units (*i.e.* such that 100% of the Rights Units are taken up by the Cheung Kong Subsidiaries and the Hutchison Subsidiaries). In this case, the aggregated unitholding of the Cheung Kong Subsidiaries and the Hutchison Subsidiaries after the completion of the Rights Issue and upon acquiring the Commitment Rights Units, the Aggregate Excess Rights Units and the Nil-Paid Rights Units will be 65.9% (**“Whitewash Scenario 3”**).

The following table sets out the respective unitholdings of the Cheung Kong Subsidiaries and the Hutchison Subsidiaries in the scenarios outlined above.

	Before the Rights Issue ⁽¹⁾	Immediately after the Rights Issue		
		Whitewash Scenario 1	Whitewash Scenario 2	Whitewash Scenario 3
Issued Units	824,879,427	1,649,758,854	1,649,758,854	1,649,758,854
Number of Units held by the Cheung Kong Subsidiaries and the Hutchison Subsidiaries	262,815,342	525,630,684	675,255,055	1,087,694,769
Number of Units held by Unitholders, other than the Cheung Kong Subsidiaries and the Hutchison Subsidiaries	562,064,085	1,124,128,170	974,503,799	562,064,085
% of issued Units held by the Cheung Kong Subsidiaries and the Hutchison Subsidiaries	31.9	31.9	40.9	65.9
% of Issued Units held by Unitholders, other than the Cheung Kong Subsidiaries and the Hutchison Subsidiaries	68.1	68.1	59.1	34.1

Note:

(1) As at the Latest Practicable Date.

5.1.1 Interests of Directors and Substantial Unitholders

See paragraph 3.14 above for the interests of Directors and Substantial Unitholders.

5.2 Application for Waiver from Rule 14 of the Code

An application was made to the SIC on 17 July 2009 for the waiver of the obligation of Cheung Kong and parties acting in concert with it to make a Mandatory Offer under Rule 14 of the Code should the obligation to do so arise as a result of the Rights Units Acquisitions. The SIC granted the SIC Waiver on 12 August 2009, subject to, *inter alia*, the satisfaction of the following conditions:

- (i) a majority of Unitholders present and voting at a general meeting, held before the Rights Issue, approve by way of a poll, the Whitewash Resolution to waive their rights to receive a general offer from Cheung Kong and parties acting in concert with it;
- (ii) the Whitewash Resolution is separate from other resolutions;
- (iii) Cheung Kong, parties acting in concert with it and parties not independent of them abstain from voting on the Whitewash Resolution;
- (iv) Cheung Kong and parties acting in concert with it did not acquire or are not to acquire any Units or instruments convertible into and options in respect of Units (other than subscriptions for, rights to subscribe for, instruments convertible into or options in respect of new Units which have been disclosed in this Circular):

- (a) during the period between the announcement of the Rights Issue and the date Unitholders' approval is obtained for the Whitewash Resolution; and
- (b) in the six months prior to the announcement of the Rights Issue, but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Manager in relation to the Rights Issue;
- (v) Fortune REIT appoints an independent financial adviser to advise the Independent Unitholders on the Whitewash Resolution;
- (vi) Fortune REIT sets out clearly in this Circular:
 - (a) details of the Rights Issue and the Rights Units Acquisitions;
 - (b) the dilution effect of the Rights Units Acquisitions to existing Unitholders;
 - (c) the number and percentage of Units as well as the number of instruments convertible into, rights to subscribe for and options in respect of Units held by Cheung Kong and parties acting in concert with it as at the Latest Practicable Date;
 - (d) the number and percentage of Units to be issued to Cheung Kong and parties acting in concert with it as a result of the Rights Units Acquisitions; and
 - (e) that Unitholders, by voting for the Whitewash Resolution, are waiving their rights to a general offer from Cheung Kong and parties acting in concert with it at the highest price paid by Cheung Kong and parties acting in concert with it for Units in the six months preceding the commencement of the offer;
- (vii) this Circular states that the waiver granted by SIC to Cheung Kong and parties acting in concert with it from the requirement to make a general offer under Rule 14 of the Code is subject to the conditions set out in sub-paragraphs 5.2(i) to 5.2(vi) above;
- (viii) Fortune REIT obtains SIC's approval in advance for the paragraphs of this Circular that refer to the Whitewash Resolution; and
- (ix) to rely on the Whitewash Resolution, the Rights Units Acquisitions must be completed within three months of the date of approval of the Whitewash Resolution.

Independent Unitholders should note that by voting for the Whitewash Resolution, they are waiving their rights to receive a Mandatory Offer from Cheung Kong and parties acting in concert with it at the highest price paid or agreed to be paid by Cheung Kong and parties acting in concert with it for Units in the six months preceding the acquisition by the Cheung Kong Subsidiaries and the Hutchison Subsidiaries of Pro Rata Units and/or the acquisition by the Cheung Kong Subsidiaries of Commitment Rights Units pursuant to the Focus Eagle Sub-Underwriting Agreement and/or the acquisition by the Cheung Kong Subsidiaries and the Hutchison Subsidiaries of Aggregate Excess Rights Units and/or Nil-Paid Rights Units resulting in an obligation to make a Mandatory Offer.

Independent Unitholders should further note that the Cheung Kong Subsidiaries and the Hutchison Subsidiaries, may choose to apply for any number of Excess Rights Units and/or acquire the Nil-Paid Rights Units under the Rights Issue and in the event that none of the Rights Units provisionally allotted to Eligible Unitholders other than the Cheung Kong Subsidiaries and the Hutchison Subsidiaries are subscribed for by such Unitholders or by the purchasers of the Rights Entitlements and the Cheung Kong Subsidiaries and the Hutchison Subsidiaries accept their provisional allotments and subscribe for all the Excess Rights Units and/or acquire Nil-Paid Rights Units under the

Rights Issue such that 100.0% of the Rights Units are taken up by the Cheung Kong Subsidiaries and the Hutchison Subsidiaries, the proportionate aggregate interest of the Cheung Kong Subsidiaries and the Hutchison Subsidiaries in the issued Units will be 65.9% at the completion of the Rights Issue. As the Cheung Kong Subsidiaries and the Hutchison Subsidiaries would then hold more than 49.0% of the issued Units, they would be free to thereafter acquire further Units without incurring any obligation under Rule 14 of the Code to make a Mandatory Offer.

The Manager is a wholly-owned subsidiary of ARA Asset Management Limited, a company listed on the SGX-ST. Cheung Kong has an indirect interest of 15.6% in the shares of ARA Asset Management Limited (and thus the Manager) held through its wholly-owned subsidiary, Cheung Kong Investment Company Limited. In the interest of good corporate governance and full transparency, the Manager discloses herewith its acquisition of Units in the past six months preceding the date of this Circular.

On 6 April 2009 and 10 July 2009, the Manager acquired 2,299,231 Units and 1,761,221 Units respectively, as part payment of the Base Fee component of the management fee due from Fortune REIT to the Manager for the period from 1 January 2009 to 31 March 2009 and 1 April 2009 to 30 June 2009 respectively, and all of the Units issued on 6 April 2009 have been sold to raise proceeds for working capital.

5.3 Rationale for the Whitewash Resolution

The rationale for the Whitewash Resolution is set out below:

Rationale to subscribe for the Pro Rata Units and the Commitment Rights Units

Given the current challenging market conditions, the Joint Lead Managers and Underwriters have confirmed that they will only underwrite the Rights Issue if Focus Eagle and Ballston enter into the Sub-Underwriting Agreements. By committing to this arrangement, they are demonstrating their support for Fortune REIT and facilitating the underwriting of the Rights Issue by the Joint Lead Managers and Underwriters, thereby ensuring a successful Rights Issue.

Rationale to allow the Cheung Kong Subsidiaries and the Hutchison Subsidiaries to apply for the Excess Rights Units and/or acquire the Nil-Paid Rights Units

The Manager is of the view that the Cheung Kong Subsidiaries and the Hutchison Subsidiaries should not be treated differently from any other Unitholder and should be given the opportunity to apply for Excess Rights Units and/or acquire Nil-Paid Rights Units. In addition, any application for Excess Rights Units, to be made by the Cheung Kong Subsidiaries and the Hutchison Subsidiaries at their discretion, will further demonstrate their support for and confidence in the Rights Issue and their long-term commitment to Fortune REIT and will ensure a successful Rights Issue.

In the allotment of Excess Rights Units, preference will be given to the rounding of odd lots (if any). The Cheung Kong Subsidiaries, the Hutchison Subsidiaries, other Substantial Unitholders and Directors will rank last in priority.

5.4 Advice of the Independent Financial Adviser

The Manager has appointed KPMG Corporate Finance Pte. Ltd. as the IFA to advise the Independent Directors in relation to the Whitewash Resolution. A copy of the IFA Letter to the Independent Directors, containing its advice in full, is set out in **Appendix G** of this Circular and Unitholders are advised to read the IFA Letter carefully.

Having considered the factors and made the assumptions set out in its letter, and subject to the qualifications set out therein, the IFA is of the view that the Whitewash Resolution is on normal commercial terms and is not prejudicial to the interests of Fortune REIT and its Independent Unitholders.

The IFA is of the view that the Independent Directors can recommend that Independent Unitholders vote in favour of the Whitewash Resolution to be proposed at the EGM.

6. THE PROPOSED TRUST DEED AMENDMENT TO FACILITATE EQUITY FUND RAISINGS

6.1 Current Trust Deed Provision Relating to the Issue of New Units

The Trust Deed currently stipulates in Clause 5.1.4 that where specific approval is required for the issue of Units exceeding the limit (if any), set out in any applicable laws, regulations and the Listing Rules, relating to the issue of Units, an Extraordinary Resolution is required.

6.2 Proposed Trust Deed Amendment to Facilitate Equity Fund Raisings

The Manager is seeking Unitholders' approval to amend Clause 5.1.4 of the Trust Deed to allow the Manager to obtain Unitholders' approval for the issue of Units, where such approval is required under the Trust Deed, by way of an Ordinary Resolution instead of an Extraordinary Resolution. The proposed amendment to the Trust Deed will require Unitholders' approval by way of an Extraordinary Resolution.

6.3 Rationale for the Trust Deed Amendment to Facilitate Equity Fund Raisings

The current financial crisis has adversely affected the ability of REITs to raise funds from financial institutions through the issue of Units and/or debt financing.

The Manager believes that allowing it to obtain Unitholders' approval for the issue of Units, where specific approval is required, by way of an Ordinary Resolution instead of an Extraordinary Resolution is in line with recently constituted REITs whose trust deeds require approval to be obtained only by way of an Ordinary Resolution and REITs which have recently made such amendments to their trust deeds, and would give the Manager more flexibility in raising funds.

(See **Appendix H** of this Circular for the proposed form of the Trust Deed Amendment to Facilitate Equity Fund Raisings.)

7. RECOMMENDATIONS

7.1 On the Acquisitions

Based on the opinion of the IFA (as set out in the IFA Letter in **Appendix G** of this Circular), Mr Lim Lee Meng, Mr Cheng Mo Chi, Moses and Mrs Sng Sow-Mei (alias Poon Sow Mei), being the Independent Directors, believe that the Acquisitions are based on normal commercial terms and would not be prejudicial to the interests of Fortune REIT or its Unitholders.

(See paragraph 2.2 above for details of the rationale for the Acquisitions and paragraph 3.13 above for the advice of the IFA.)

Accordingly, the Independent Directors recommend that Unitholders vote at the EGM in favour of the resolution to approve the Acquisitions.

7.2 On the Proposed Whitewash Resolution

The Independent Directors have considered and concurred with the advice of the IFA in relation to the Whitewash Resolution. The Independent Directors believe that the Whitewash Resolution would be beneficial to, and is in the interests of, Fortune REIT.

(See paragraph 5.3 above for details of the rationale for the Whitewash Resolution and paragraph 5.4 above for the advice of the IFA.)

Accordingly, the Independent Directors recommend that Independent Unitholders vote in favour of the Whitewash Resolution.

7.3 On the Proposed Trust Deed Amendment to Facilitate Equity Fund Raisings

Having regard to the rationale for the Trust Deed Amendment to Facilitate Equity Fund Raisings as set out in paragraph 6.3 above, the Directors believe that the Trust Deed Amendment to Facilitate Equity Fund Raisings would be beneficial to, and is in the interests of, Fortune REIT.

Accordingly, the Directors recommend that Unitholders vote in favour of the resolution relating to the Trust Deed Amendment to Facilitate Equity Fund Raisings.

8. EXTRAORDINARY GENERAL MEETING

The EGM will be held at 2.30 p.m. on 11 September 2009 at Capricorn Room, Level 1, Marina Mandarin Hotel, 6 Raffles Boulevard, Marina Square, Singapore 039594 for the purpose of considering and, if thought fit, passing with or without modification, the resolutions set out in the Notice of EGM, which is set out on pages I-1 to I-4 of this Circular.

A Depositor shall not be regarded as a Unitholder entitled to attend the EGM and to speak and vote unless he is shown to have Units entered against his name in the Depository Register, as certified by CDP as at 48 hours before the EGM.

Unitholders should note that the Acquisitions resolution and the Whitewash Resolution are subject to, and contingent upon, each other. The resolution relating to the Trust Deed Amendment to Facilitate Equity Fund Raisings is not subject to, or contingent upon, any of the other resolutions.

9. ABSTENTIONS FROM VOTING

Rule 919 of the Listing Manual prohibits interested persons and their associates (as defined in the Listing Manual) from voting on a resolution in relation to a matter in respect of which such persons are interested in the EGM.

Given that Cheung Kong is a Controlling Unitholder, Cheung Kong has undertaken that it will abstain, and will procure that Focus Eagle will abstain, from voting at the EGM on the Acquisitions resolution. Similarly, Hutchison has undertaken that it will abstain, and will procure that Ballston will abstain, from voting at the EGM on the Acquisitions resolution.

Pursuant to the SIC Waiver granted in relation to the Whitewash Resolution, Cheung Kong, parties acting in concert with it and parties not independent of Cheung Kong are required to abstain from voting on the Whitewash Resolution.

10. ACTION TO BE TAKEN BY UNITHOLDERS

You will find enclosed in this Circular the Notice of EGM and a Proxy Form.

If a Unitholder is unable to attend the EGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the enclosed Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Manager at 6 Temasek Boulevard, #16-02 Suntec Tower Four, Singapore 038986 not later than 2.30 p.m. on 9 September 2009, being 48 hours before the time fixed for the EGM. The completion and return of the Proxy Form by a Unitholder will not prevent him from attending and voting in person if he so wishes.

11. DIRECTORS' RESPONSIBILITY STATEMENT

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.

12. JOINT LEAD MANAGERS AND UNDERWRITERS' RESPONSIBILITY STATEMENTS

The Joint Lead Managers and Underwriters confirm that, having made all reasonable enquiries and to the best of their knowledge and belief, based on information made available by the Manager, the information about the Rights Issue contained in paragraphs 4.1, 4.2 and 4.4 above constitutes true disclosure of all material facts about the Rights Issue as at the date of this Circular and that there are no omission of material facts which would make any statement about the Rights Issue contained in the said paragraphs misleading in any material respect as at the date of this Circular.

13. CONSENTS

Each of the IFA and the Independent Valuers has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and, respectively, the IFA Letter, the Knight Frank Summary Valuation Report from Knight Frank and the Savills Summary Valuation Report from Savills, and all references thereto, in the form and context in which they are included in this Circular.

14. DOCUMENTS ON DISPLAY

Copies of the following documents are available for inspection during normal business hours at the registered office of the Manager at 6 Temasek Boulevard, #16-02 Suntec Tower Four, Singapore 038986 from the date of this Circular up to and including the date falling three months after the date of this Circular:

- (i) the Sale and Purchase Agreement relating to Metro Town and the disclosure letter relating thereto;
- (ii) the Sale and Purchase Agreement relating to Caribbean Bazaar;
- (iii) the Sale and Purchase Agreement relating to Hampton Loft;
- (iv) the full valuation report on the Properties (dated 21 August 2009) issued by Knight Frank;
- (v) the full valuation report on the Properties (dated 21 August 2009) issued by Savills;
- (vi) the Knight Frank Summary Valuation Report;
- (vii) the Savills Summary Valuation Report;
- (viii) the Retail Market Overview and Catchment Area Analysis by Savills;
- (ix) the building survey reports on the Properties by Vigers Building Consultancy Ltd.;
- (x) the FY 2008 Audited Financial Statements;
- (xi) the 1H 2009 Unaudited Financial Statements;
- (xii) the IFA Letter; and
- (xiii) the valuation reports on the Existing Properties (each dated 9 July 2009) issued by Savills.

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

Yours faithfully
ARA ASSET MANAGEMENT (SINGAPORE) LIMITED
(as manager of Fortune Real Estate Investment Trust)
Company registration number: 200303151G

Lim Hwee Chiang, John
Director

IMPORTANT NOTICE

The value of Units and the income 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 may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in 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. 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.

If you have sold or transferred all your Units, you should immediately forward this Circular, together with the Notice of EGM and the accompanying Proxy Form, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

This Circular is not for distribution, directly or indirectly, in or into the United States and does not constitute an offer of securities into the United States. The "nil-paid" rights entitlements and the Rights Units have not been and will not be registered under the Securities Act or under the securities laws of any state or other jurisdiction of the United States. The "nil-paid" rights entitlements and the Rights Units may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. There will be no public offer of securities in the United States.

GLOSSARY

In this Circular, the following definitions apply throughout unless otherwise stated:

1H 2009 Unaudited Financial Statements	: The unaudited management accounts of Fortune REIT for the six months ended 30 June 2009
Acquisition Facility	: The HK\$480.0 million term loan facility which will, along with the Rights Issue net proceeds, be used to finance the Acquisitions, and will be HK\$380 million if Fortune REIT proceeds only with the acquisitions of Metro Town and Hampton Loft
Acquisition Fee	: The acquisition fee which the Manager will be entitled under Clause 15.2.1(i) of the Trust Deed to receive from Fortune REIT upon completion of the Acquisitions
Acquisitions	: The acquisitions by the Trustee, by itself and through special purpose vehicles of Fortune REIT, of the Properties, pursuant to the terms of the respective Sale and Purchase Agreements
Aggregate Excess Rights Units	: Excess Rights Units taken up by Focus Eagle and Ballston and/or through the Cheung Kong Subsidiaries and the Hutchison Subsidiaries (as the case may be)
Aggregate Leverage	: The ratio of the value of total borrowings and deferred payments (if any) to the value of the gross assets of Fortune REIT, including all its authorised investments held or deemed to be held under the Trust Deed
Aggregate Purchase Consideration	: The total purchase consideration of HK\$2,039.0 million for the Properties (before adjustment for the consolidated net current assets or net current liabilities of MPI and Mega Gain as at Completion in the case of the acquisition of Metro Town)
ARA Financial	: ARA Financial Pte. Ltd.
ATM	: Automated teller machine
Ballston	: Ballston Profits Limited, a wholly-owned subsidiary of Hutchison which is in turn 49.9% owned by Cheung Kong
Ballston Pro Rata Undertaking	: The undertaking dated 24 August 2009 provided by Ballston to the Manager and the Joint Lead Managers and Underwriters, pursuant to which Ballston will accept and subscribe for the Ballston Pro Rata Units
Ballston Pro Rata Units	: Ballston's provisional allocation of Rights Units being 56,278,000 Rights Units
Ballston Sub-Underwriting Agreement	: The sub-underwriting agreement dated 24 August 2009 entered into between Ballston, Hutchison and the Joint Lead Managers and Underwriters pursuant to which Ballston has agreed to sub-underwrite 6.8% of the total number of Rights Units to be issued under the Rights Issue, being the number of

the Ballston Pro Rata Units, such obligation being set off by the number of the Ballston Pro Rata Units that are taken up pursuant to the Ballston Pro Rata Undertaking, subject to the passing of the Whitewash Resolution

- Base Fee** : The base fee payable to the Manager under the Trust Deed (being 0.3% per annum of the Property Value)
- Board** : The board of directors of the Manager
- BVI** : British Virgin Islands
- Caribbean Bazaar** : Caribbean Bazaar at 1 Kin Tung Road, Tung Chung, Hong Kong comprises the commercial development, kindergarten, wet market and 117 commercial carparking spaces in Phase VI car park of the residential development called “Caribbean Coast”
- Cazenove Singapore** : Cazenove & Co. (Singapore) Pte. Limited (a Standard Chartered group company)
- CDP** : The Central Depository (Pte) Limited
- 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 Block 32 to 38 of Laguna City located at the junction of Cha Kwo Ling Road and Sin Fat Road, Kowloon, Hong Kong
- 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
- Cheung Kong** : Cheung Kong (Holdings) Limited
- Cheung Kong Group** ; Cheung Kong and its subsidiaries, and the term “member of the Cheung Kong Group” shall be construed accordingly
- Cheung Kong Subsidiaries** : Subsidiaries of Cheung Kong
- Circular** : This circular to Unitholders dated 24 August 2009
- 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) at the Ground Floor, 4th Floor and the Roof;
 - (b) the free standing commercial podium known as City One Plaza (Commercial Block B) at the Ground Floor, 1st Floor and portion of the Roof, Roof Garden, Centre Garden and kiosks thereof;
 - (c) the wet market and kindergarten below residential tower blocks 34 – 36, at ground floor level only;

	(d) various single shops and non-domestic units dispersed throughout the development at the Ground Floor level of 12 individual tower blocks; and
	(e) 658 car parking spaces within the development
Closing Price	: The last traded price of HK\$4.10 per Unit on the SGX-ST on 21 August 2009
Code	: The Singapore Code on Take-overs and Mergers
Commitment Rights Units	: 149,624,371 Rights Units being 43.2% of the total number of Rights Units less the total number of Focus Eagle Pro Rata Units
Completion	: The completion of the sale and purchase of the MPI Shares, Caribbean Bazaar and/or (as the case may be) Hampton Loft pursuant to the respective Sale and Purchase Agreements
Connected Lease	: The lease of the adjoining premises being connected with the Wet Market Lease
Controlling Unitholder	: A person who: <ul style="list-style-type: none"> (a) holds directly or indirectly, 15.0% or more of the nominal amount of Units; or (b) in fact exercises control over Fortune REIT, as defined in the Listing Manual
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
Directors	: The directors of the Manager
DPU	: Distribution per Unit
EGM	: The extraordinary meeting of Unitholders to be held on 11 September 2009 at 2.30 p.m. to approve the matters set out in the Notice of EGM on pages I-1 to I-4 of this Circular
Eligible Unitholders	: Unitholders with Units standing to the credit of their Securities Account and whose registered addresses with CDP are in Singapore as at the Rights Issue Books Closure Date or who have, at least three Market Days prior to the Rights Issue Books Closure Date, provided CDP with addresses in Singapore for the service of notices and documents, and such Unitholders who the Manager, on behalf of Fortune REIT, in

consultation with the Joint Lead Managers and Underwriters determine, may be offered Rights Units without breaching applicable securities laws

- Enlarged Portfolio** : Consisting of Fortune REIT's Existing Properties and the Properties
- Excess Rights Units** : The Rights Units represented by the provisional allotments (A) of (i) Eligible Unitholders who decline, do not accept, and elect not to renounce or sell their Rights Entitlements under the Rights Issue (during the "nil-paid" rights trading period prescribed by the SGX-ST) and/or (ii) Ineligible Unitholders which have not been sold during the "nil-paid" rights trading period or (B) that have not been validly taken up by the original allottees, renouncees of the provisional allotments or the purchasers of the "nil-paid" rights units
- Existing Interested Person Transactions** : The interested person transactions described in **Appendix E** of this Circular
- Existing Properties** : City One Shatin Property, Ma On Shan Plaza, The Metropolis Mall, Waldorf Garden Property, Smartland, Tsing Yi Square Property, Jubilee Court Shopping Centre, The Household Center, Centre de Laguna Property, Lido Garden Property and Rhine Garden Property
- Existing Revolving Facility** : The HK\$265.0 million revolving credit facility due on 28 June 2010, under which HK\$30.0 million was outstanding as of 30 June 2009
- Existing Term Facility** : The existing term loan facility of Fortune REIT of HK\$2,348.7 million due on 28 June 2010
- Existing Unit** : Each Unit in issue as at the Rights Issue Books Closure 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
- Focus Eagle** : Focus Eagle Investments Limited, a wholly-owned subsidiary of Cheung Kong
- Focus Eagle Pro Rata Undertaking** : The undertaking dated 24 August 2009 provided by Focus Eagle to the Manager and the Joint Lead Managers and Underwriters, pursuant to which Focus Eagle will accept, and/or procure any one or more of the Cheung Kong Subsidiaries to subscribe for the Focus Eagle Pro Rata Units
- Focus Eagle Pro Rata Units** : Focus Eagle's provisional allocation of Rights Units being 206,537,342 Rights Units
- Focus Eagle Sub-Underwriting Agreement** : The sub-underwriting agreement dated 24 August 2009 entered into between Focus Eagle, Cheung Kong and the Joint Lead Managers and Underwriters pursuant to which Focus Eagle has agreed to, either directly or by procuring one

or more of the Cheung Kong Subsidiaries to do so, sub-underwrite 43.2% of the total number of Rights Units to be issued under the Rights Issue, such obligation being set off by the number of the Focus Eagle Pro Rata Units that are taken up pursuant to the Focus Eagle Pro Rata Undertaking and the number of any Aggregate Excess Rights Units and Nil-Paid Rights Units that are taken up by any one or more of the Cheung Kong Subsidiaries and/or the Hutchison Subsidiaries, subject to the passing of the Whitewash Resolution

- Fortune REIT** : Fortune Real Estate Investment Trust
- FY** : Financial Year
- FY 2008 Audited Financial Statements** : The audited consolidated financial statements of Fortune REIT for the financial year ended 31 December 2008
- Government Lease** : In respect of each Property, the government lease/conditions under which such Property is held from the Government of Hong Kong
- Gross Floor Area** : In respect of a property, the gross floor area of that property being the area contained within the external walls of the building measured at each floor level (including any floor below the level of the ground), together with the area of each balcony in the building, which shall be calculated from the overall dimensions of the balcony (including the thickness of the sides thereof), and the thickness of external walls of the building excluding any floor space that is constructed or intended to be used solely for parking motor vehicles, loading or unloading of motor vehicles, or for refuse storage chambers, refuse storage and material recovery chambers, material recovery chambers, refuse storage and material recovery rooms refuse chutes, refuse hopper rooms and other types of facilities provided to facilitate the separation of refuse, or for access facilities for telecommunications and broadcasting services, or occupied solely by machinery or equipment for any lift, air-conditioning or heating system or any similar service
- Gross Property Revenue** : Gross Revenue less (i) charge-out collections (being air conditioning charges, management fees, promotional charges, government rates, government rents, utility charges, cleaning and other charges payable by the tenants and licensees) and (ii) parking facilities income (being all income accruing or resulting from the operation of parking facilities)
- Gross Rentable Area or GRA** : In respect of a property, the portion of the Gross Floor Area of that property determined by the relevant property company at any given time to be rentable
- Gross Rental Income** : Consists of rental income and license income due from tenancies but excludes Turnover Rent

Gross Revenue	: The aggregate of the Gross Rental Income, the Charge-out Collections and all other income accruing or resulting from the operation of the real estate owned by Fortune REIT including licence fees, the Turnover Rent, car parking revenues and other revenues
GST	: Singapore Goods and Services Tax
Hampton Loft	: Hampton Loft at 11 Hoi Fan Road, Kowloon, Hong Kong comprises the commercial units on level five and level six and 35 commercial carparking spaces on level one of the residential development called “Hampton Place”
HIBOR	: Hong Kong Interbank Offer Rate
Hong Kong	: The Hong Kong Special Administrative Region of the People’s Republic of China
Hutchison	: Hutchison Whampoa Limited
Hutchison Subsidiaries	: Subsidiaries of Hutchison
IFA Letter	: The letter from the IFA to the Independent Directors containing its advice in relation to the Acquisitions and the Whitewash Resolution
Independent Accountants	: Deloitte & Touche LLP
Independent Directors	: The independent directors of the Manager, being Mr Lim Lee Meng, Mr Cheng Mo Chi, Moses and Mrs Sng Sow-Mei (alias Poon Sow Mei)
Independent Financial Adviser or IFA	: KPMG Corporate Finance Pte. Ltd.
Independent Property Consultant	: Savills
Independent Unitholders	: Unitholders, other than Cheung Kong, parties acting in concert with it and parties which are not independent of Cheung Kong
Independent Valuers	: Knight Frank and Savills (each an “ Independent Valuer ”)
Ineligible Unitholders	: Unitholders other than Eligible Unitholders
Joint Financial Advisers and Joint Lead Managers and Underwriters	: Cazenove Singapore and DBS Bank
Jubilee Court Shopping Centre	: The commercial property (comprising retail premises and parking spaces) called “Jubilee Court Shopping Centre” located at Jubilee Gardens, Nos. 2 – 18 Lok King Street, Shatin, New Territories, Hong Kong
Knight Frank	: Knight Frank Petty Limited

Knight Frank Summary Valuation Report	: The summary of the valuation report on the Properties (dated 21 August 2009) issued by Knight Frank, attached as Appendix B of this Circular
Latest Practicable Date	: 21 August 2009 being the latest practicable date prior to the issue 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
Lock-Up Period	: The period from the date on which the Rights Units are listed on the SGX-ST to the date falling 180 days after the date on which the Rights Units are listed on the SGX-ST
Manager	: ARA Asset Management (Singapore) Limited, as manager of Fortune REIT
Mandatory Offer	: Mandatory offer from Cheung Kong and parties acting in concert with it for all the remaining issued Units not owned or controlled by Cheung Kong and parties acting in concert with it in accordance with Rule 14 of the Code
Ma On Shan Plaza	: The commercial property (comprising a podium of retail premises and public parking spaces) called “Ma On Shan Plaza”, located at Bayshore Towers, No. 608 Sai Sha Road, Shatin, New Territories, Hong Kong
Market Day	: Any day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks are open for business in Singapore and the SGX-ST is open for trading
MAS	: Monetary Authority of Singapore
Mega Gain	: Mega Gain Resources Limited
Metro Town	: Metro Town at 8 King Ling Road, Tseung Kwan O, Hong Kong, is located on top of the MTR Tiu Keng Leng Station. It comprises the commercial development on the ground level, level one, level two, level three and level five, and the covered footbridge as well as the whole commercial car park (with 74 commercial carparking spaces) on level two of the residential development called “Metro Town”
MPI	: Marvel Point Investments Limited
MPI Shares	: The entire issued share capital of MPI
MTR	: Mass Transit Railway
Nan Fung	: Nan Fung Development Limited
NAV	: Net asset value

Net Property Income	: The aggregate of Gross Revenue less Property Operating Expenses
New Facilities	: Comprises: <ul style="list-style-type: none"> (i) the Acquisition Facility; (ii) the Refinancing Facility; and (iii) the New Revolving Facility
New Revolving Facility	: A HK\$270.0 million revolving loan facility which will be used for corporate funding purposes
New Territories	: The area being north of Boundary Street to the Shenzhen River and 235 islands
Nil-Paid Rights Units	: The Rights Units taken up after the “nil-paid” rights entitlements acquired by the Cheung Kong Subsidiaries and the Hutchison Subsidiaries on the open market are exercised
NTA	: Net tangible assets
Offer Information Statement	: The offer information statement to be issued by the Manager and lodged with the MAS in connection with the Rights Issue
Ordinary Resolution	: A resolution proposed and passed as such by a majority consisting of 50.0% or more of the total number of votes cast for and against such resolution at a meeting of Unitholders convened in accordance with the provisions of the Trust Deed
Performance Fee	: The performance fee payable to the Manager under the Trust Deed (being 3.0% of the Net Property Income)
Pro Forma Completion Balance Sheet	: The pro forma completion balance sheet for MPI and Mega Gain to be prepared for the purposes of Completion
Properties	: The three properties comprising Metro Town, Caribbean Bazaar and Hampton Loft (each a “ Property ”)
Property Companies	: The respective owners of the Properties (being Mega Gain, a wholly-owned subsidiary of MPI which directly holds Metro Town and the special purpose vehicles established by Fortune REIT for the purpose of directly holding the other Properties (each a “ Property Company ”))
Property Funds Guidelines	: The guidelines for real estate investment trusts as found in Appendix 2 of the Code on Collective Investment Schemes issued by the MAS
Property Management Agreement	: The property management agreement dated 7 July 2003 entered into by the Trustee, the Manager and the Property Manager as further extended for a term of 5 years pursuant to the property management extension letter entered into between the Property Manager, the Trustee and the Manager dated 1 August 2008

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
Property Value	: The value of all real estate properties of Fortune REIT whether directly held by the Trustee or indirectly held by the Trustee through a property holding company
Pro Rata Undertakings	: The Focus Eagle Pro Rata Undertaking and the Ballston Pro Rata Undertaking
Pro Rata Units	: The Focus Eagle Pro Rata Units and the Ballston Pro Rata Units
Refinancing Facility	: A HK\$2,830.0 million term loan facility which will be drawn down on or before 28 June 2010 and will be used to refinance the Existing Term Facility of Fortune REIT due on 28 June 2010 and the Acquisition Facility
REIT	: Real estate investment trust
Related Party Transactions	: A transaction which is an "interested person transaction" (as defined in the Listing Manual) and an "interested party transaction" (as defined in the Property Funds Guidelines), (each a " Related Party Transaction ")
Related Tenancy and Licence Agreements	: The tenancy agreements and licence agreements entered into by certain Cheung Kong Subsidiaries and Hutchison Subsidiaries as set out in Appendix F of this Circular
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
Rights Entitlements	: The provisional allotments of Rights Units to Eligible Unitholders under the Rights Issue
Rights Issue	: The proposed issue of new Units on a fully underwritten and renounceable basis to Eligible Unitholders on the basis of one Rights Unit for every one Existing Unit held as at the Rights Issue Books Closure Date at the Rights Issue Price
Rights Issue Books Closure Date	: 5.00 p.m. on 17 September 2009 being the time and date on which the Transfer Books and Register of Unitholders are closed to determine the Rights Entitlements
Rights Issue Price	: HK\$2.29 being the issue price per Rights Unit

Rights Units	: The new Units proposed to be issued by way of the Rights Issue
Rights Units Acquisitions	: The acquisition by the Cheung Kong Subsidiaries and the Hutchison Subsidiaries of (i) the Pro Rata Units allotted and issued to them pursuant to the Pro Rata Undertakings and/or (ii) if application, the acquisition by the Cheung Kong Subsidiaries of the Commitment Rights Units pursuant to the Focus Eagle Sub-Underwriting Agreement and/or (iii) if applicable, the Aggregate Excess Rights Units and/or (iv) if applicable, the Nil-Paid Rights Units
Sale and Purchase Agreements	: The sale and purchase agreements dated 24 August 2009 in relation to the acquisition of Properties or MPI Shares by the Trustee by itself and through special purpose vehicles of Fortune REIT, from the respective Vendors (each a “ Sale and Purchase Agreement ”)
Savills	: Savills Valuation and Professional Services Limited
Savills Summary Valuation Report	: The summary of the valuation report on the Properties (dated 21 August 2009) issued by Savills, attached as Appendix C of this Circular
SEC	: U.S. Securities and Exchange Commission
Securities Account	: Unitholders’ securities accounts with CDP
Securities Act	: U.S. Securities Act of 1933, as amended
SGX-ST	: Singapore Exchange Securities Trading Limited
SIC	: Securities Industry Council
SIC Waiver	: The waiver granted by the SIC on 12 August 2009 of the requirement by Cheung Kong and parties acting in concert with it to make a Mandatory Offer for Units under the Code as a result of the Rights Units Acquisitions by the Cheung Kong Subsidiaries and the Hutchison Subsidiaries, subject to, <i>inter alia</i> , the approval of the Whitewash Resolution by Independent Unitholders at a general meeting
Smartland	: The majority portion, being 80.9% of the collective strata title shares, in the four-storey commercial portion of the East Asia Garden development (comprising parking spaces and a podium of retail premises), called “Smartland”, located at East Asia Gardens, Nos. 36 – 60 Texaco Road, Nos. 1 and 3 – 21 Tsuen Fu Street, Nos. 16 and 24 Tsuen Wah Street and Nos. 2 and 4 Tsuen Wing Street, Tsuen Wan, New Territories, Hong Kong
sq ft	: Square feet
sq m	: Square metres
SRS	: Supplementary Retirement Scheme

- Substantial Unitholder** : A Unitholder with an interest in more than 5.0% of all Units in issue
- Sub-Underwriting Agreements** : The Focus Eagle Sub-Underwriting Agreement and the Ballston Sub-Underwriting Agreement
- Sub-Underwriting Commission** : The commission pursuant to the Sub-Underwriting Agreements, which the Joint Lead Managers and Underwriters agree to pay to Focus Eagle and Ballston, from the Underwriting Commission:
- (i) a fee of 1.75% of the Rights Issue Price multiplied by the number of Focus Eagle Pro Rata Units of 206,537,342 Units, representing 25.0% of the Rights Units (which is equivalent to HK\$8.3 million);
 - (ii) a fee of 1.75% of the Rights Issue Price multiplied by the number of Ballston Pro Rata Units of 56,278,000 Units, representing 6.8% of the Rights Units (which is equivalent to HK\$2.3 million; and
 - (ii) a fee of 2.25% of the Rights Issue Price multiplied by the number of Commitment Rights Units of 149,624,371 Units, representing 18.2% of the Rights Units (which is equivalent to HK\$7.7 million),
- together with any goods and services tax payable thereon (where applicable)
- Tax-Exempt Income** : The tax exemption on the dividends received from the three special purpose companies as applicable by virtue of the foreign income exemption regime and/or the provisions of Section 13(12) of the Singapore Income Tax Act. As these dividends are exempt from Singapore income tax, Fortune REIT may distribute such income, after deduction of its relevant expenses, to the Unitholders free of Singapore tax.
- TERP** : The theoretical ex-rights price which is calculated as follows:
- $$\text{TERP} = \frac{\text{Market capitalisation of Fortune REIT based on the Closing Price} + \text{Gross proceeds from the Rights Issue}}{\text{Units in issue after the Rights Issue}}$$
- The Household Center** : The commercial property (comprising commercial units and commercial parking spaces) called “The Household Center”, located at Nob Hill, 8 King Lai Path, Kwai Chung, New Territories, Hong Kong
- The Metropolis Mall** : The commercial property (comprising commercial units and parking facilities) called “The Metropolis Mall”, located at No. 6 Metropolis Drive, The Metropolis, Kowloon, Hong Kong
- Total Acquisition Cost** : The total cost of the Acquisitions, inclusive of the Aggregate Purchase Consideration, the Acquisition Fee payable to the Manager under the Trust Deed in respect of the Acquisitions as well as the estimated stamp duty, professional and other

fees and expenses to be incurred in connection with the Acquisitions, is estimated to amount to HK\$2,091.4 million

- Trust Deed** : The trust deed dated 4 July 2003 entered into between the Trustee and the Manager constituting Fortune REIT (as amended by the Amending and Restating Deed dated 29 June 2005 and a 2nd Supplemental Deed dated 20 April 2006)
- Trust Deed Amendment to Facilitate Equity Fund Raisings** : The amendment to the Trust Deed for the purpose of allowing the Manager to obtain Unitholders' approval for the issue of Units, where such approval is required under the Trust Deed, by way of an Ordinary Resolution instead of an Extraordinary Resolution
- 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
- Turnover Rent** : Rent calculated with reference to a fixed percentage of a tenant's monthly sales turnover
- Underwriting Agreement** : The management and underwriting agreement entered into between the Manager and the Joint Lead Managers and Underwriters on 24 August 2009
- Underwriting Commission** : The underwriting commission which the Joint Lead Managers and Underwriters will be entitled to pursuant to the Underwriting Agreement which comprise:
- (i) 1.75% of the Rights Issue Price multiplied by the number of the Pro Rata Units of 262,815,342 Units, representing 31.9% of the Rights Units (which is equivalent to HK\$10.5 million);
 - (ii) 2.50% of the Rights Issue Price multiplied by 562,064,085 Units, representing 68.1% of the Rights Units being 824,879,427 Units which are fully underwritten by the Joint Lead Managers and Underwriters under the terms of the Underwriting Agreement less the Pro Rata Units of 262,815,342 Units (which is equivalent to HK\$32.2 million),
- together with goods and services tax payable thereon
- Unit** : A unit representing an undivided interest in Fortune REIT
- Unitholders** : Unitholders of Fortune REIT
- Unit Share Market** : Ready market of the SGX-ST for trading of odd lots of Units with a minimum size of one Unit

- U.S.** : United States of America
- Vendors** : McBride International Limited and Natisone Investments Limited in the case of Metro Town, MTR Corporation Limited in the case of Caribbean Bazaar and Global Coin Limited in the case of Hampton Loft
- Waiver Letter** : The waiver letter registered in the Land Registry by Memorial No.06032901870139 is granted by the Lands Department of the Hong Kong Government to MTR Corporation Limited so as to permit the operation of the wet market (forming part of Caribbean Bazaar) in the form of a supermarket
- 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:
- (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
- Wet Market Lease** : The lease for the wet market which is now being let to A.S. Watson Group (HK) Limited as supermarket for the term from 1 February 2006 to 31 December 2012 at a monthly basic rent plus a Turnover Rent
- Whitewash Resolution** : The proposed whitewash resolution for the waiver of the rights of Independent Unitholders to receive a Mandatory Offer from Cheung Kong and parties acting in concert with it for all the remaining Units not owned or controlled by Cheung Kong and parties acting in concert with it, in the event that they incur a mandatory bid obligation pursuant to Rule 14 of the Code as a result of the acquisition by (a) Focus Eagle and/or the Cheung Kong Subsidiaries and (b) Ballston and/or the Hutchison Subsidiaries of:
- (a) the Pro Rata Units; and/or
 - (b) the Commitment Rights Units; and/or
 - (c) the Aggregate Excess Rights Units; and/or
 - (d) the Nil-Paid Rights Units
- Whitewash Scenario 1** : The scenario where all Unitholders (including the Cheung Kong Subsidiaries and the Hutchison Subsidiaries) accept their Rights Entitlements in full, the unitholdings of the Cheung Kong Subsidiaries and the Hutchison Subsidiaries after the

completion of the Rights Issue and upon the acceptance of all of their provisional allotments under the Rights Issue will remain unchanged at 31.9%

Whitewash Scenario 2 : The scenario where the Cheung Kong Subsidiaries and the Hutchison Subsidiaries subscribe for not only their Pro Rata Units but also subscribe for all the Commitment Rights Units pursuant to the Sub-Underwriting Agreements and assuming that the Cheung Kong Subsidiaries and the Hutchison Subsidiaries do not apply for any Excess Rights Units and/or acquire any Nil-Paid Rights Units, the aggregated unitholding of the Cheung Kong Subsidiaries and the Hutchison Subsidiaries immediately after the completion of the Rights Issue and upon the subscription of the Commitment Rights Units will be 40.9%

Whitewash Scenario 3 : The scenario where none of the other Unitholders subscribe for their Rights Entitlements, and the Cheung Kong Subsidiaries and the Hutchison Subsidiaries subscribe for not only the Pro Rata Units but also subscribe for all the Excess Rights Units and Nil-Paid Rights Units (*i.e.* such that 100% of the Rights Units are taken up by the Cheung Kong Subsidiaries and the Hutchison Subsidiaries). In this case, the aggregated unitholding of the Cheung Kong Subsidiaries and the Hutchison Subsidiaries after the completion of the Rights Issue and upon acquiring the Commitment Rights Units, the Aggregate Excess Rights Units and the Nil-Paid Rights Units will be 65.9%

HK\$ and HK cents : Hong Kong Dollars and Hong Kong Cents

S\$: Singapore Dollars

% : Per centum or percentage

The terms “Depositor” and “Depository Register” shall have the meanings ascribed to them respectively 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 include corporations.

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

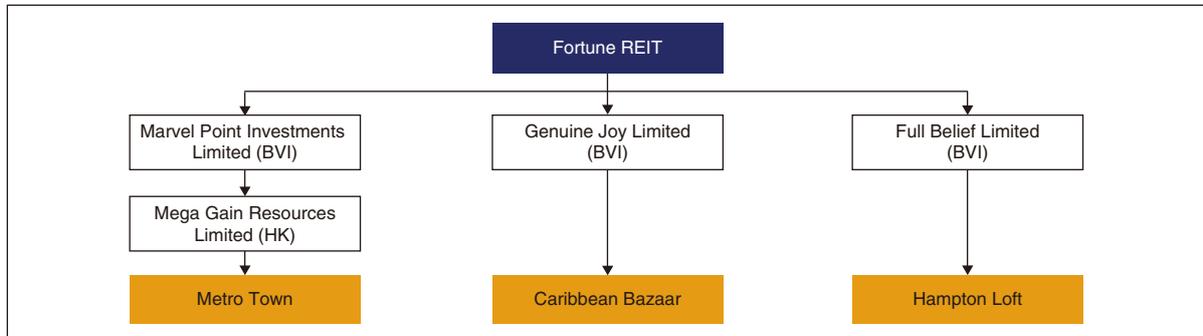
Any reference to a time of day in this Circular shall be a reference to Singapore time unless otherwise stated.

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.

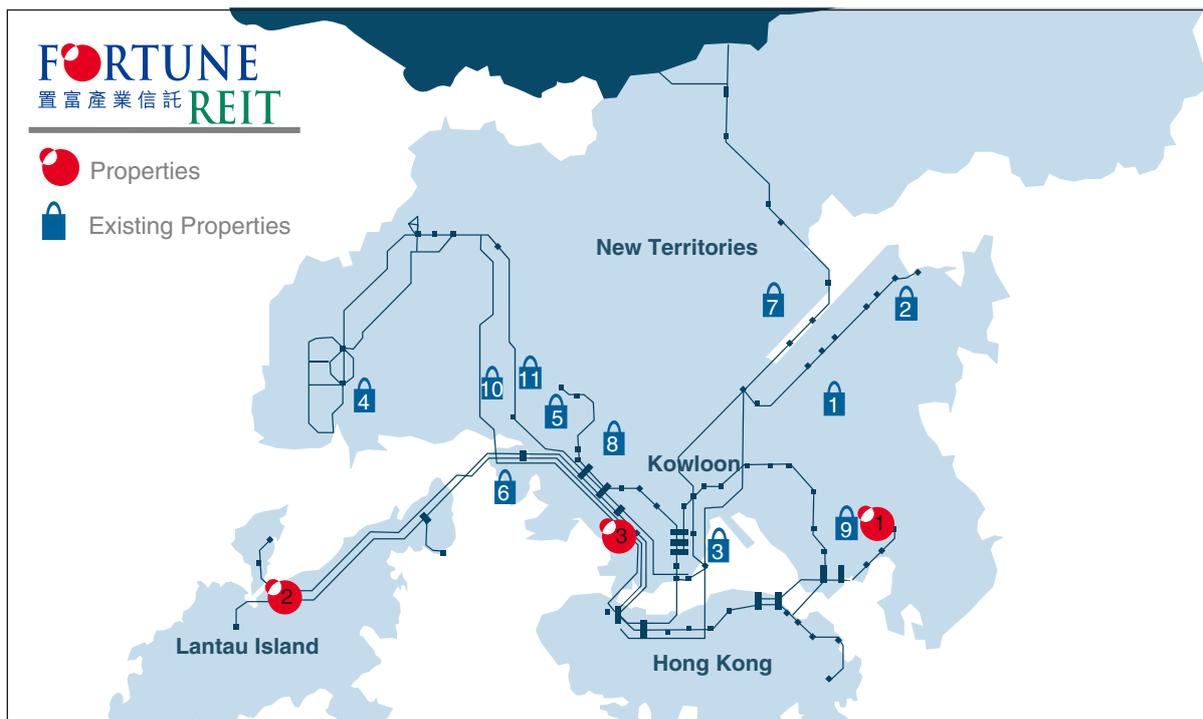
Any discrepancies in the tables, graphs and charts between the listed amounts and totals thereof are due to rounding. Where applicable, figures and percentages are rounded to one decimal place.

PROPERTY INFORMATION

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. The following chart summarises the relationship between each of the Property Companies and Fortune REIT after completion of the Acquisitions:



LOCATION OF PROPERTIES AND EXISTING PROPERTIES IN HONG KONG



1 Metro Town **2** Caribbean Bazaar **3** Hampton Loft

- 1** City One Shatin Property
- 2** Ma On Shan Plaza
- 3** The Metropolis Mall
- 4** Waldorf Garden Property
- 5** Smartland

- 6** Tsing Yi Square Property
- 7** Jubilee Court Shopping Centre
- 8** The Household Center
- 9** Centre de Laguna Property
- 10** Lido Garden Property
- 11** Rhine Garden Property

METRO TOWN

Metro Town at 8 King Ling Road, Tseung Kwan O, Hong Kong, is located on top of the MTR Tiu Keng Leng Station. It comprises the commercial development on the ground level, level one, level two, level three and level five, and the covered footbridge as well as the whole commercial car park (with 74 commercial carparking spaces) on level two of the residential development called “Metro Town”.

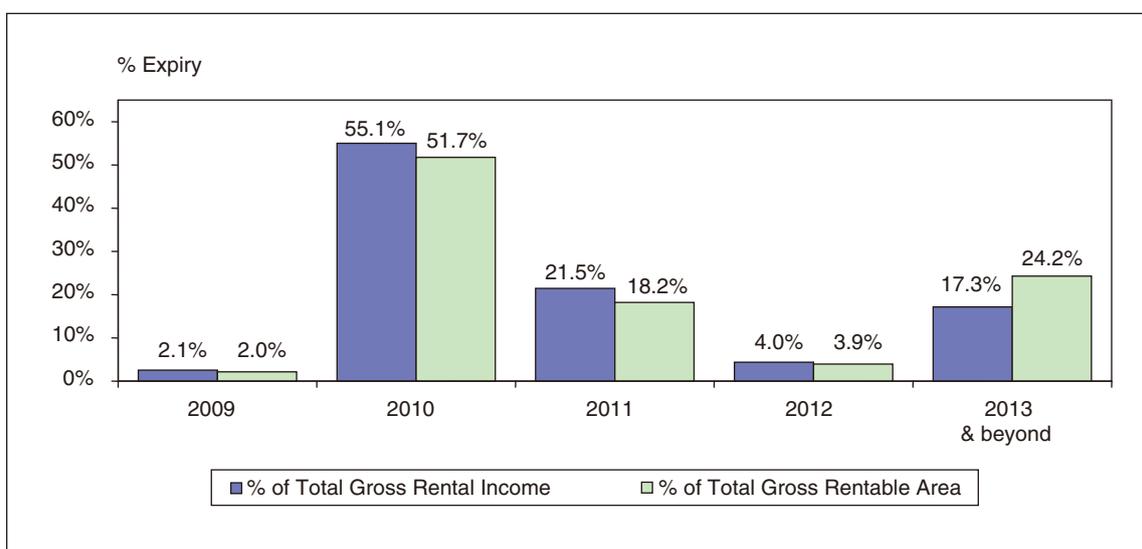
Metro Town is located in the southwest of Tseung Kwan O and on top of MTR Tiu Keng Leng station which is an interchange for the Kwun Tong Line and the Tseung Kwan O Line. It is further connected via several pedestrian bridges to other large residential developments including Ocean Shore, a 5,728-unit private residential development, Kin Ming Estate, a 7,000-unit public housing estate and Choi Ming Court, a 4,720-unit public housing estate/home ownership scheme development. The ground floor of the mall links to a bus terminal connecting the Tiu Keng Leng area with other parts of Tseung Kwan O as well as the main urban areas of Hong Kong and Kowloon.

The following table sets out selected information about Metro Town:

Location	8 King Ling Road, Tseung Kwan O
Government Lease Expiry	10 February 2053
Date of Completion	1 June 2006
Gross Rentable Area	180,822 sq ft
Car Park Lots	74
Number of Tenants	100
Valuation by Knight Frank (as at 30 June 2009)	HK\$1,481.0 million
Valuation by Savills (as at 30 June 2009)	HK\$1,480.0 million
Purchase Consideration	HK\$1,452.0 million
Occupancy (as at 30 June 2009)	93.1%
Net Property Income for FY 2008	HK\$69.6 million
Net Property Yield for FY 2008	4.8%

Tenancy Expiry Profile for Metro Town (as at 30 June 2009)

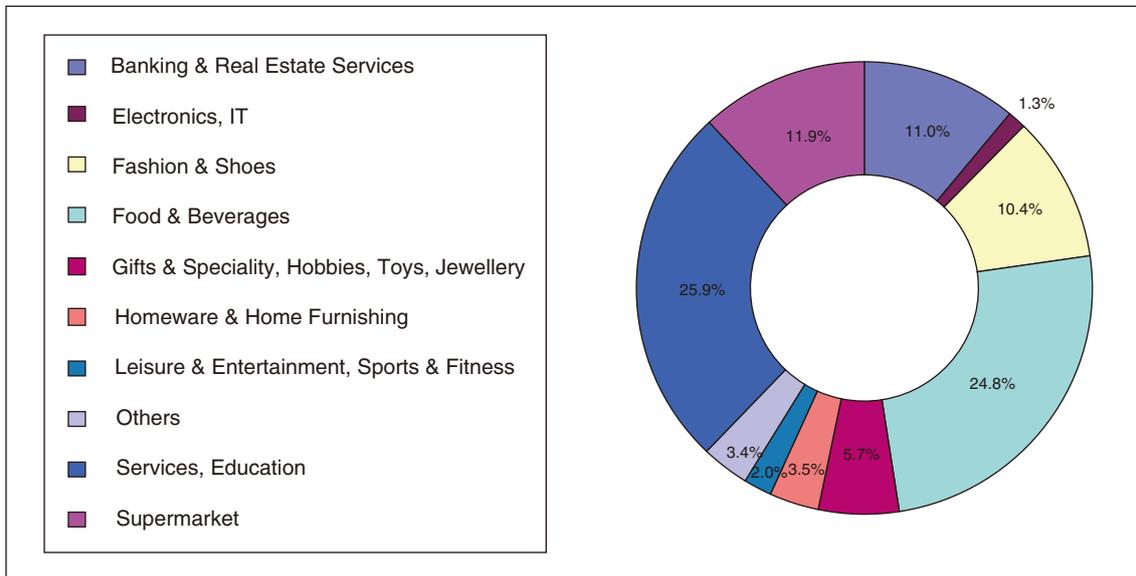
The following graph illustrates the tenancy expiry profile of Metro Town by GRI and GRA:



Trade Sub-Sector Analysis for Metro Town (as at 30 June 2009)

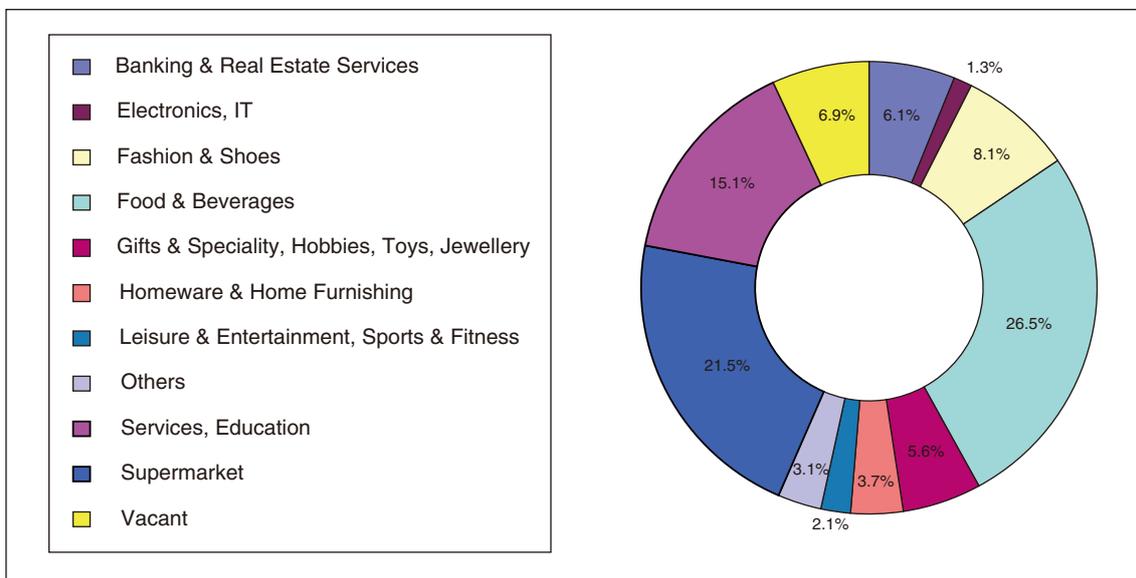
By Gross Rental Income

The following chart provides a breakdown by GRI of the different trade sub-sectors represented in Metro Town:



By Gross Rentable Area

The following chart provides a breakdown by GRA of the different trade sub-sectors represented in Metro Town:



Top Ten Tenants of Metro Town by Gross Rental Income (as at 30 June 2009)

The following table sets out selected information about the top ten tenants of Metro Town by total GRI:

No.	Tenant	Trade Sector	Lease Expiry Date ⁽¹⁾⁽²⁾	Gross Rentable Area (sq ft)	% of Total Gross Rentable Area	% of Total Gross Rental Income ⁽³⁾
1	Park'N Shop ⁽⁴⁾	Supermarket	Jan 2013	27,431	15.1	11.9
2	Max Gold International Development Ltd.	Food & Beverages	Mar 2013	13,368	7.4	5.5
3	Fairwood ⁽⁵⁾	Food & Beverages	Jan 2010	10,275	5.7	4.2
4	Sweetheart Garden Restaurant ⁽⁶⁾	Food & Beverages	Jan 2010	6,206	3.4	4.1
5	The Bank of East Asia ⁽⁷⁾	Banking & Real Estate Services	Jan 2010	4,428	2.5	3.2
6	Super Super ⁽⁸⁾	Food & Beverages	May 2010	6,150	3.4	2.8
7	Bank of Communications Tiu Keng Leng Sub-branch ⁽⁹⁾	Banking & Real Estate Services	Dec 2010	3,081	1.7	2.7
8	Circle K Convenience Store ⁽¹⁰⁾	Services, Education	Mar 2010 Mar 2010	1,458 1,135	1.4	2.6
9	Watsons ⁽⁴⁾	Services, Education	May 2010	4,068	2.3	2.0
10	Individual Tenant ⁽¹¹⁾	Food & Beverages	Feb 2011	2,769	1.5	1.9
Top 10 Tenants					44.4	40.9
Other Tenants					55.6	59.1
Total					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) Only the expiry dates for the shop units are included.
- (3) Based on each tenant's percentage contribution to Gross Rental Income of Metro Town for the month ended 30 June 2009.
- (4) The tenant under the tenancy agreement is A.S. Watson Group (HK) Ltd.
- (5) The tenant under the tenancy agreement is Fairwood Fast Food Limited.
- (6) The tenant under the tenancy agreement is Sweetheart Garden Restaurant Limited.
- (7) The tenant under the tenancy agreement is The Bank of East Asia, Limited.
- (8) The tenant under the tenancy agreement is Brilliantwin Limited.
- (9) The tenant under the tenancy agreement is Bank of Communications Co., Ltd.
- (10) The tenant under the tenancy agreement is Circle K Convenience Stores Limited.
- (11) In compliance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) the name of tenant who is an individual is not disclosed.

CARIBBEAN BAZAAR

Caribbean Bazaar at 1 Kin Tung Road, Tung Chung, Hong Kong comprises the commercial development, kindergarten, wet market and 117 commercial carparking spaces in Phase VI car park of the residential development called “Caribbean Coast”.

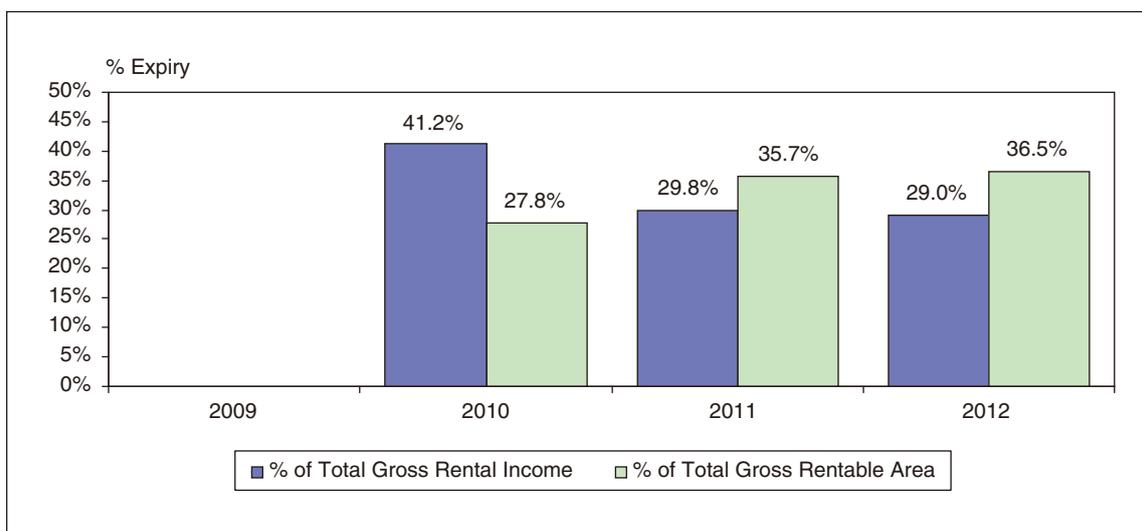
Caribbean Bazaar is located on the northern shore of Tung Chung and is the shopping center of Caribbean Coast, a 5,336-unit residential development, and adjacent to Coastal Skyline, a 3,370 unit residential development. Tung Chung is mainly connected to other urban areas by the MTR Tung Chung Line as well as a number of bus routes which connects the Hong Kong International Airport with urban areas via Tung Chung.

The following table sets out selected information about Caribbean Bazaar:

Location	1 Kin Tung Road, Tung Chung
Government Lease Expiry	30 June 2047
Date of Completion	30 September 2004
Gross Rentable Area	63,018 sq ft
Car Park Lots	117
Number of Tenants	40
Valuation by Knight Frank (as at 30 June 2009)	HK\$431.0 million
Valuation by Savills (as at 30 June 2009)	HK\$430.0 million
Purchase Consideration	HK\$428.0 million
Occupancy (as at 30 June 2009)	97.5%
Net Property Income for FY 2008	HK\$24.4 million
Net Property Yield for FY 2008	5.7%

Tenancy Expiry Profile for Caribbean Bazaar (as at 30 June 2009)

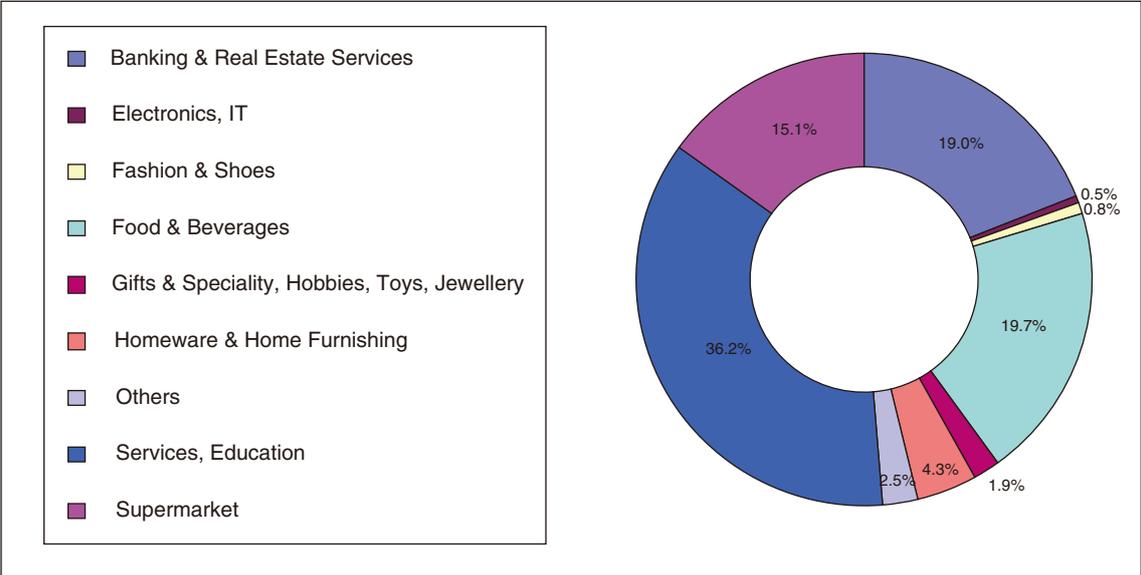
The following graph illustrates the tenancy expiry profile of Caribbean Bazaar by GRI and GRA:



Trade Sub-Sector Analysis for Caribbean Bazaar (as at 30 June 2009)

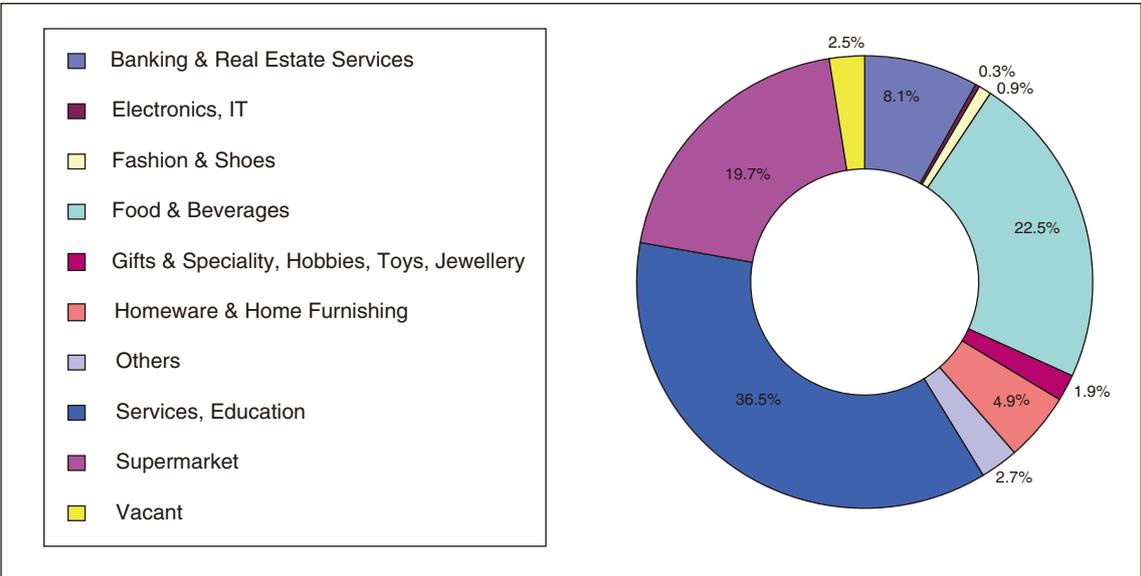
By Gross Rental Income

The following chart provides a breakdown by GRI of the different trade sub-sectors represented in Caribbean Bazaar:



By Gross Rentable Area

The following chart provides a breakdown by GRA of the different trade sub-sectors represented in Caribbean Bazaar:



Top Ten Tenants of Caribbean Bazaar by Gross Rental Income (as at 30 June 2009)

The following table sets out selected information about the top ten tenants of Caribbean Bazaar by total GRI:

No.	Tenant	Trade Sector	Lease Expiry Date ⁽¹⁾⁽²⁾	Gross Rentable Area (sq ft)	% of Total Gross Rentable Area	% of Total Gross Rental Income ⁽³⁾
1	Park'N Shop ⁽⁴⁾	Supermarket	Jan 2012 Jan 2012	7,005 5,476	19.7	15.1
2	Centaline Properties Limited ⁽⁵⁾	Banking & Real Estate Services	Jan 2010 May 2010	1,571 724	3.6	8.9
3	Ricacorp Properties Limited	Banking & Real Estate Services	Feb 2010 Feb 2010	1,337 401	2.8	8.2
4	Greenfield English (International) Kindergarten ⁽⁶⁾	Services, Education	Jul 2011	7,294	11.6	6.9
5	Buddies café ⁽⁷⁾	Food & Beverages	Mar 2012	4,488	7.1	6.6
6	Yeh Lam Kwok Restaurant ⁽⁸⁾	Food & Beverages	Dec 2011	3,949	6.2	4.7
7	7-Eleven ⁽⁹⁾	Services, Education	Jan 2011	1,538	2.4	4.6
8	Fairwood ⁽¹⁰⁾	Food & Beverages	Dec 2011	3,257	5.2	4.6
9	Essential Health Family Clinic ⁽¹¹⁾	Services, Education	Feb 2010	1,175	1.9	3.3
10	JFA Town Health Integrated Medical Centre ⁽¹²⁾	Services, Education	Feb 2010	1,148	1.8	3.2
Top 10 Tenants					62.3	66.1
Other Tenants					37.7	33.9
Total					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) Only the expiry dates for the shop units are included.
- (3) Based on each tenant's percentage contribution to Gross Rental Income of Caribbean Bazaar for the month ended 30 June 2009.
- (4) The tenant under the tenancy agreement is A.S. Watson Group (HK) Ltd.
- (5) The tenant under the tenancy agreement is Centaline Property Agency Ltd.
- (6) The tenant under the tenancy agreement is Fain Nation Limited.
- (7) The tenant under the tenancy agreement is Fairwood Fast Food Limited.
- (8) The tenant under the tenancy agreement is Power Stage Limited.
- (9) The tenant under the tenancy agreement is The Dairy Farm Company Limited.
- (10) The tenant under the tenancy agreement is Fairwood Fast Food Limited.
- (11) The tenant under the tenancy agreement is Essential Health Limited.
- (12) The tenant under the tenancy agreement is JFA Town Health Limited.

HAMPTON LOFT

Hampton Loft at 11 Hoi Fan Road, Kowloon, Hong Kong comprises the commercial units on level five and level six and 35 commercial carparking spaces on level one of the residential development called "Hampton Place".

Hampton Loft is located on the northwestern shore of West Kowloon near the MTR Olympic station, which is a newly developed area originated from the MTR Airport Express line project and is the shopping center of Hampton Place, a 880-unit residential development. Most of the adjacent projects are newly completed private residential developments including the 1,829-unit The Long Beach and the 700-unit One Silver Sea. The property is also within a 5 minute walking distance from the 2,314-unit residential development Island Harbourview.

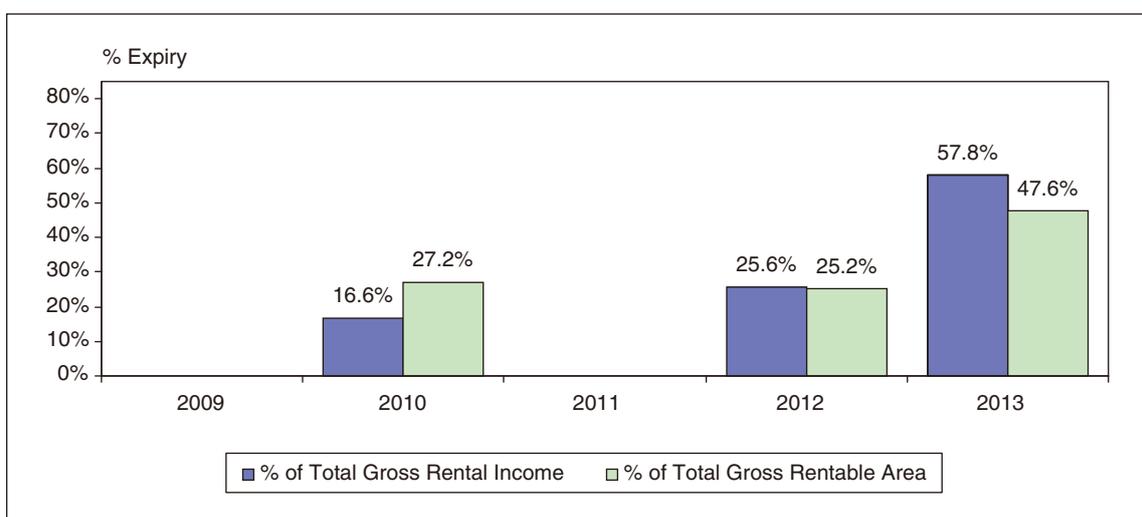
Hampton Loft is easily accessible via the Olympic MTR station, buses, public light buses and taxis.

The following table sets out selected information about Hampton Loft:

Location	11 Hoi Fan Road, Kowloon
Government Lease Expiry	12 December 2049
Date of Completion	2 September 2003
Gross Rentable Area	74,734 sq ft
Car Park Lots	35
Number of Tenants	3
Valuation by Knight Frank (as at 30 June 2009)	HK\$161.0 million
Valuation by Savills (as at 30 June 2009)	HK\$160.0 million
Purchase Consideration	HK\$159.0 million
Occupancy (as at 30 June 2009)	100.0%
Net Property Income for FY 2008	HK\$9.1 million
Net Property Yield for FY 2008	5.7%

Tenancy Expiry Profile for Hampton Loft (as at 30 June 2009)

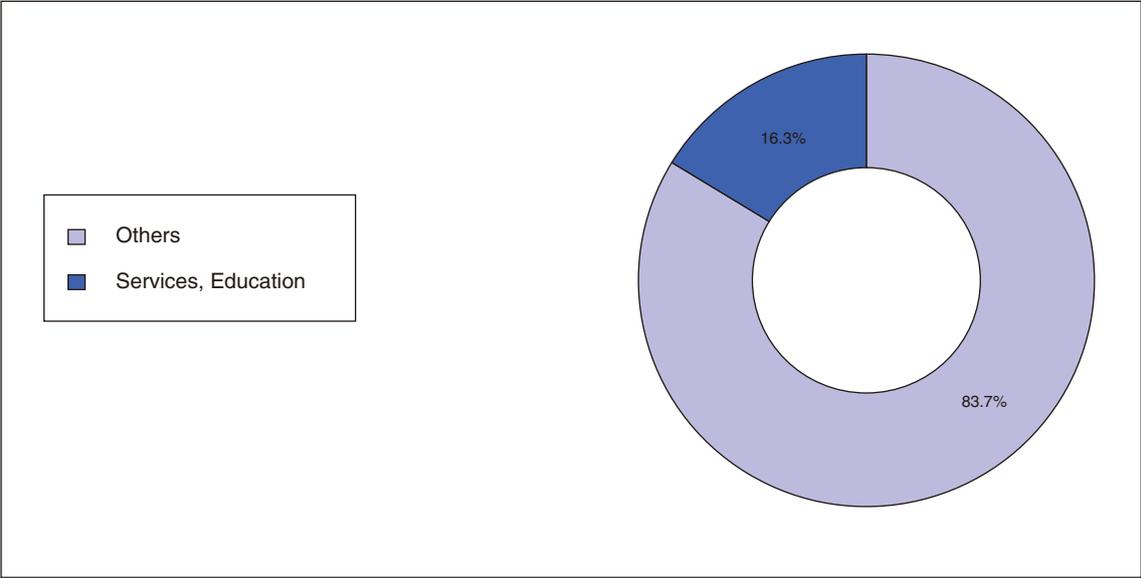
The following graph illustrates the tenancy expiry profile of Hampton Loft by GRI and GRA:



Trade Sub-Sector Analysis for Hampton Loft (as at 30 June 2009)

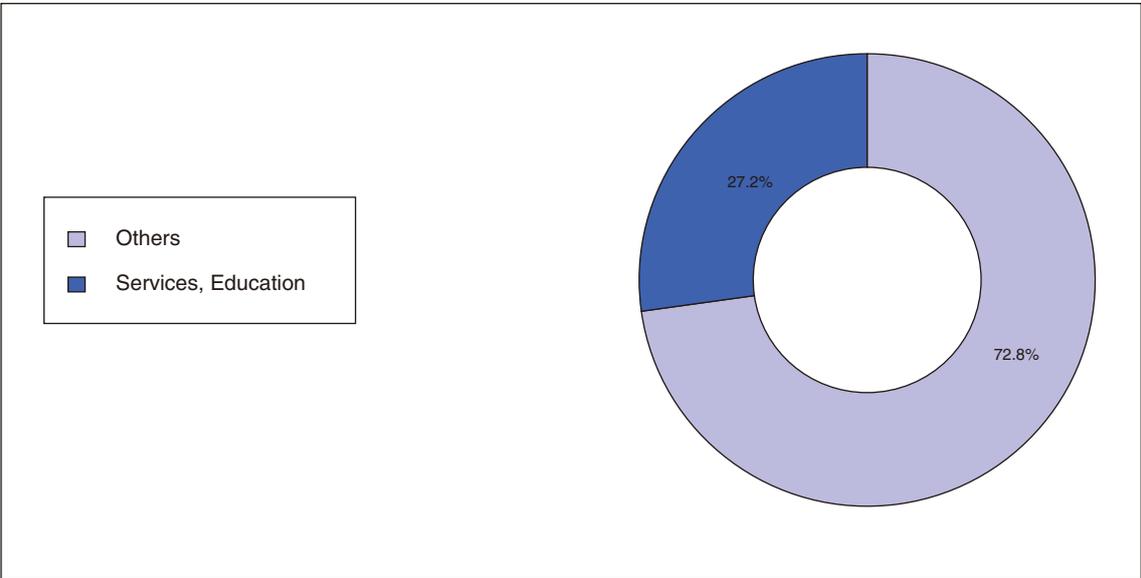
By Gross Rental Income

The following chart provides a breakdown by GRI of the different trade sub-sectors represented in Hampton Loft:



By Gross Rentable Area

The following chart provides a breakdown by GRA of the different trade sub-sectors represented in Hampton Loft:



Tenants of Hampton Loft by Gross Rental Income (as at 30 June 2009)

The following table sets out selected information about the tenants of Hampton Loft by total GRI:

No.	Tenant	Trade Sector	Lease Expiry Date ⁽¹⁾	Gross Rentable Area (sq ft)	% of Total Gross Rentable Area	% of Total Gross Rental Income ⁽²⁾
1	AMTD Strategic Capital Limited	Others	Aug 2013	35,562	47.6	57.9
2	Citybase Property Management Limited	Others	Jan 2012	18,834	25.2	25.6
3	Learning Habitat Kindergarten and Nursery ⁽³⁾	Services, Education	Jul 2010	20,338	27.2	16.3
Total Tenants					100.0	99.8
Other Income ⁽⁴⁾					0.0	0.2
Total					100.0	100.0

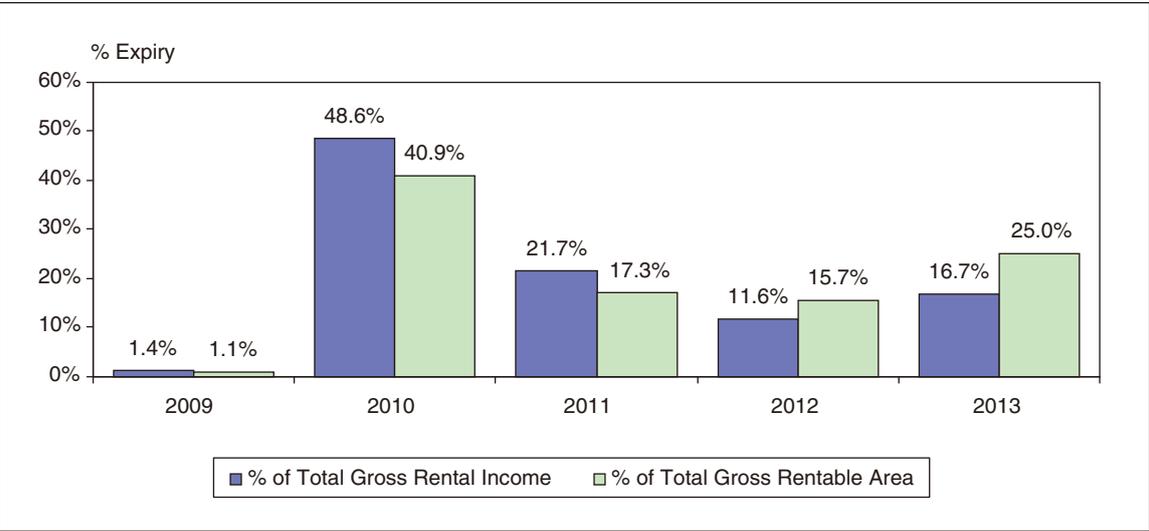
Notes:

- (1) Only the expiry dates for the shop units are included.
- (2) Based on each tenant's percentage contribution to Gross Rental Income of Hampton Loft for the month ended 30 June 2009.
- (3) The tenant under the tenancy agreement is Pre-School Habitat (Hampton Loft) Co. Ltd.
- (4) Included in the calculation is a license agreement in respect of an antenna of Hutchison Telephone Company Limited.

THE PROPERTIES (COMPRISING METRO TOWN, CARIBBEAN BAZAAR AND HAMPTON LOFT)

Tenancy Expiry Profile for the Properties (as at 30 June 2009)

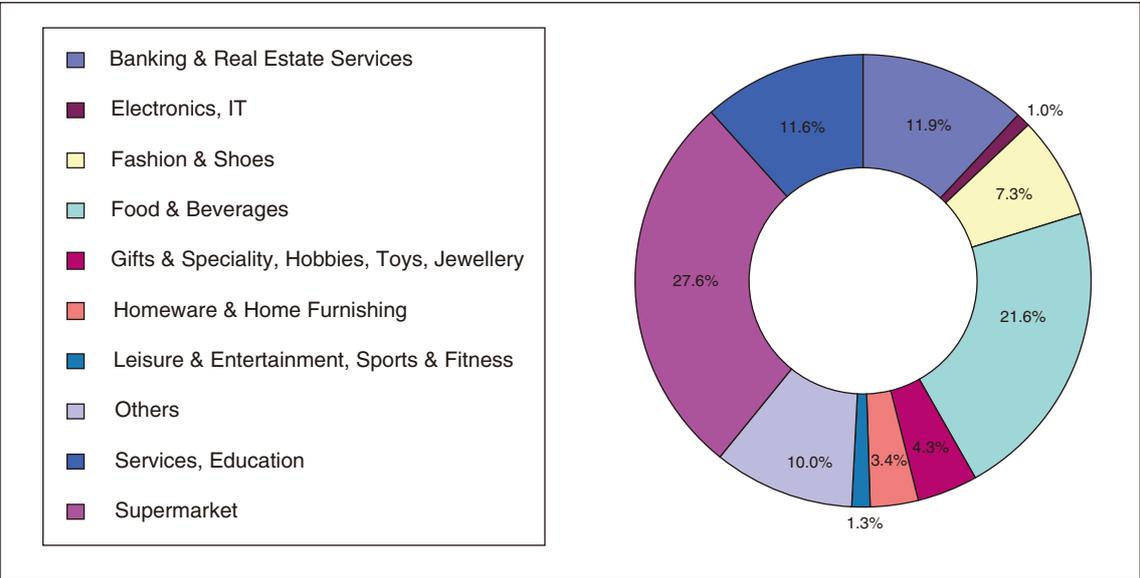
The following graph illustrates the tenancy expiry profile of the Properties by GRI and GRA:



Trade Sub-Sector Analysis for the Properties (as at 30 June 2009)

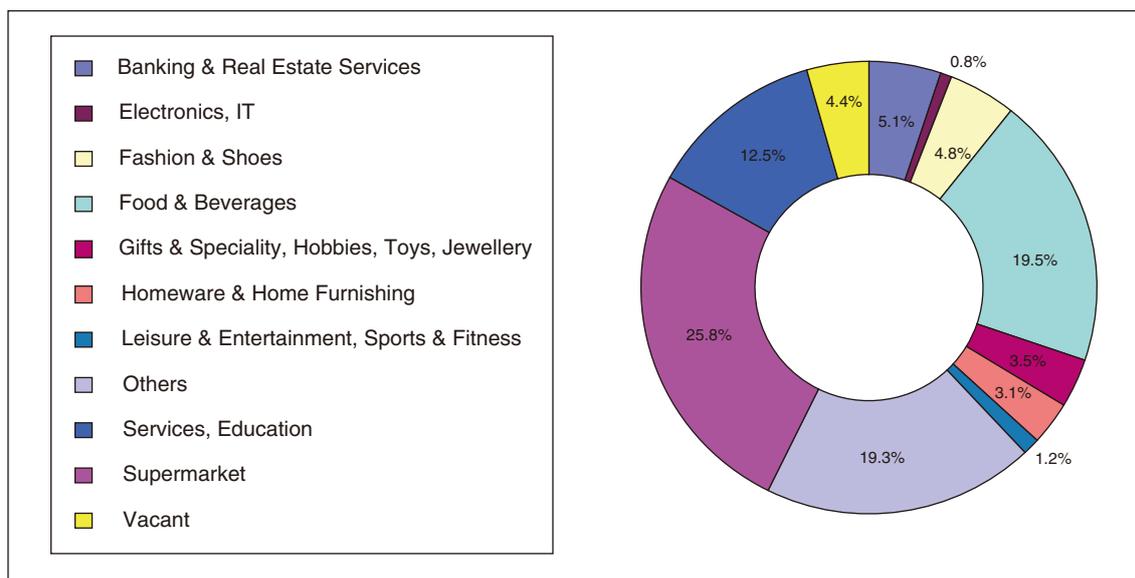
By Gross Rental Income

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



By Gross Rentable Area

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



Top Ten Tenants of the Properties by Gross Rental Income (as at 30 June 2009)

The following table sets out selected information about the top ten tenants of the Properties by total GRI:

No.	Tenant	Trade Sector	Lease Expiry Date ⁽¹⁾⁽²⁾	Gross Rentable Area (sq ft)	% of Total Gross Rentable Area	% of Total Gross Rental Income ⁽³⁾
1	Park'N Shop ⁽⁴⁾	Supermarket	Jan 2012 Jan 2012 Jan 2013	7,005 5,476 27,431	12.5	11.6
2	AMTD Strategic Capital Limited	Others	Aug 2013	35,562	11.2	4.9
3	Fairwood ⁽⁵⁾	Food & Beverages	Jan 2010 Dec 2011	10,275 3,257	4.3	4.0
4	Max Gold International Development Ltd.	Food & Beverages	Mar 2013	13,368	4.2	3.7
5	Ricacorp Properties Limited	Banking & Real Estate Services	Feb 2010 Feb 2010 Feb 2010 Feb 2011	1,337 973 401 564	1.0	3.2
6	Sweetheart Garden Restaurant ⁽⁶⁾	Food & Beverages	Jan 2010	6,206	2.0	2.8
7	Centaline Property Agency ⁽⁷⁾	Banking & Real Estate Services	Jan 2010 May 2010 Feb 2011	1,571 724 505	0.9	2.5

No.	Tenant	Trade Sector	Lease Expiry Date ⁽¹⁾⁽²⁾	Gross Rentable Area (sq ft)	% of Total Gross Rentable Area	% of Total Gross Rental Income ⁽³⁾
8	Circle K Convenience Store ⁽⁸⁾	Services, Education	Jan 2010 Mar 2010 Mar 2010	1,476 1,458 1,135	1.3	2.4
9	The Bank of East Asia ⁽⁹⁾	Banking & Real Estate Services	Jan 2010	4,428	1.4	2.2
10	Citybase Property Management Ltd.	Others	Jan 2012	18,834	5.9	2.2
Top 10 Tenants					44.7	39.5
Other Tenants					55.3	60.5
Total					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) Only the expiry dates for the shop units are included.
- (3) Based on each tenant's percentage contribution to Gross Rental Income of the Properties for the month ended 30 June 2009.
- (4) The tenant under the tenancy agreement is A.S. Watson Group (HK) Ltd.
- (5) The tenant under the tenancy agreement is Fairwood Fast Food Limited.
- (6) The tenant under the tenancy agreement is Sweetheart Garden Restaurant Limited.
- (7) The tenant under the tenancy agreement is Centaline Property Agency Ltd.
- (8) The tenant under the tenancy agreement is Circle K Convenience Stores Limited.
- (9) The tenant under the tenancy agreement is The Bank of East Asia, Limited.

EXISTING PROPERTIES

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

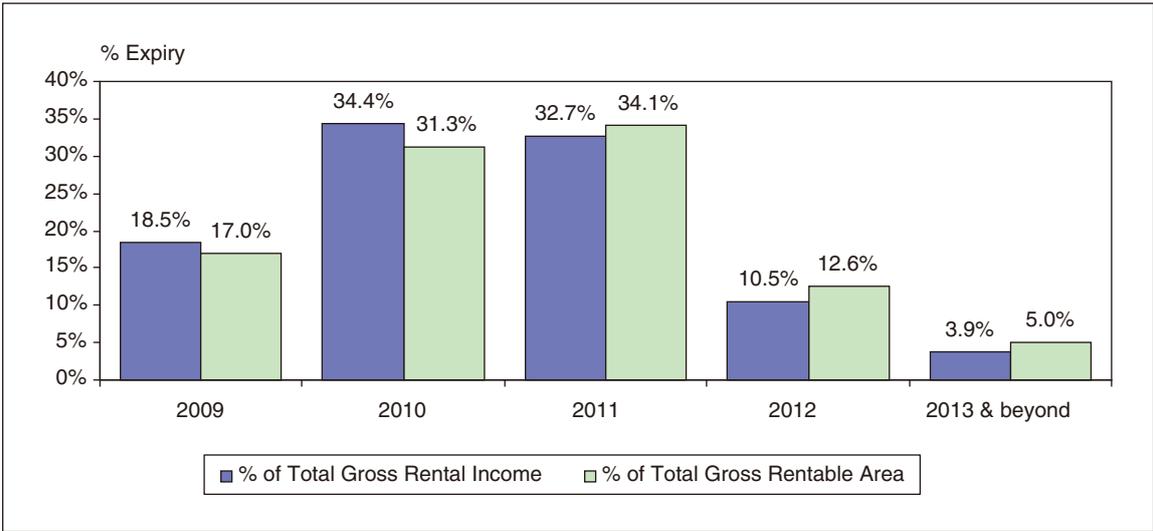
	City One Shatin Property	Ma On Shan Plaza	The Metropolis Mall	Waldorf Garden Property	Smartland	Tsing Yi Square Property	Jubilee Court Shopping Centre	The Household Center	Centre de Laguna Property	Lido Garden Property	Rhine Garden Property	Total
Gross Rentable Area (sq ft)	414,469	310,084	332,168	80,842	123,544	78,836	170,616	91,779	43,000	9,836	14,604	1,669,778
Number of Tenants (as at 30 June 2009)	247	140	124	46	90	61	46	50	21	10	4	839
Car Park Spaces	658	290	179	73	67	27	97	43	-	-	-	1,434
Government lease expiry	30 June 2047	30 June 2047	30 June 2047	30 June 2047	30 June 2047	30 June 2047	30 June 2047	16 July 2048	30 June 2047	30 June 2047	30 June 2047	-
Valuation (as at 30 June 2009) (HK\$ million)	3,370	1,841	1,382	770	362	297	292	265	162	97	62	8,900
Occupancy Rate (as at 30 June 2009)	97.2%	100.0%	88.4%	100.0%	76.7%	98.4%	75.9%	88.0%	99.4%	100.0%	100.0%	92.1% ⁽¹⁾

Note:

(1) Weighted average occupancy rate.

Tenancy Expiry Profile for the Existing Properties (as at 30 June 2009)

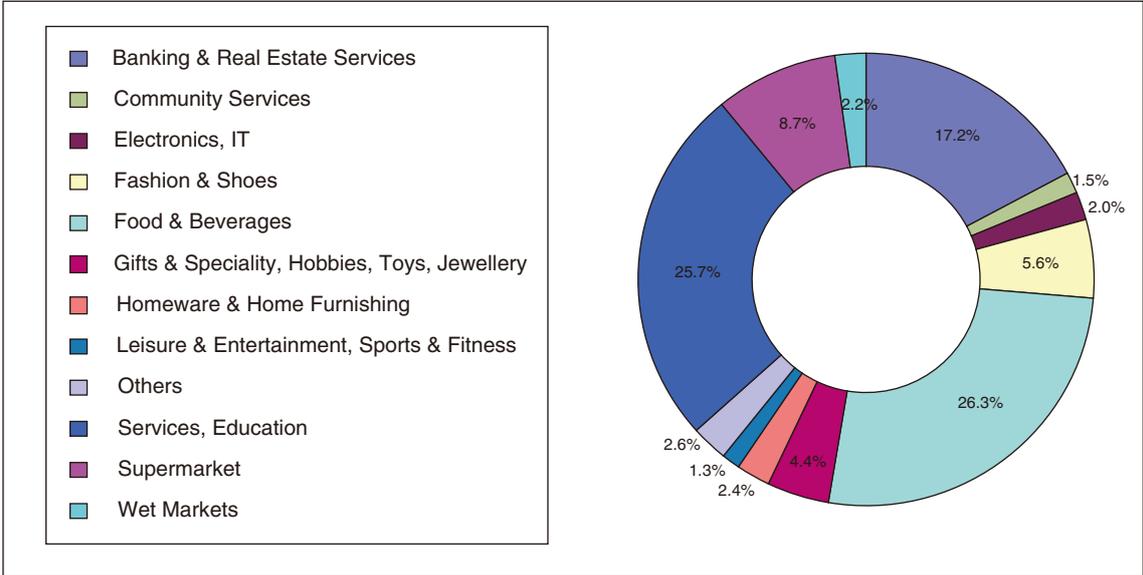
The following graph illustrates the tenancy expiry profile of the Existing Properties by GRI and GRA:



Trade Sub-Sector Analysis for the Existing Properties (as at 30 June 2009)

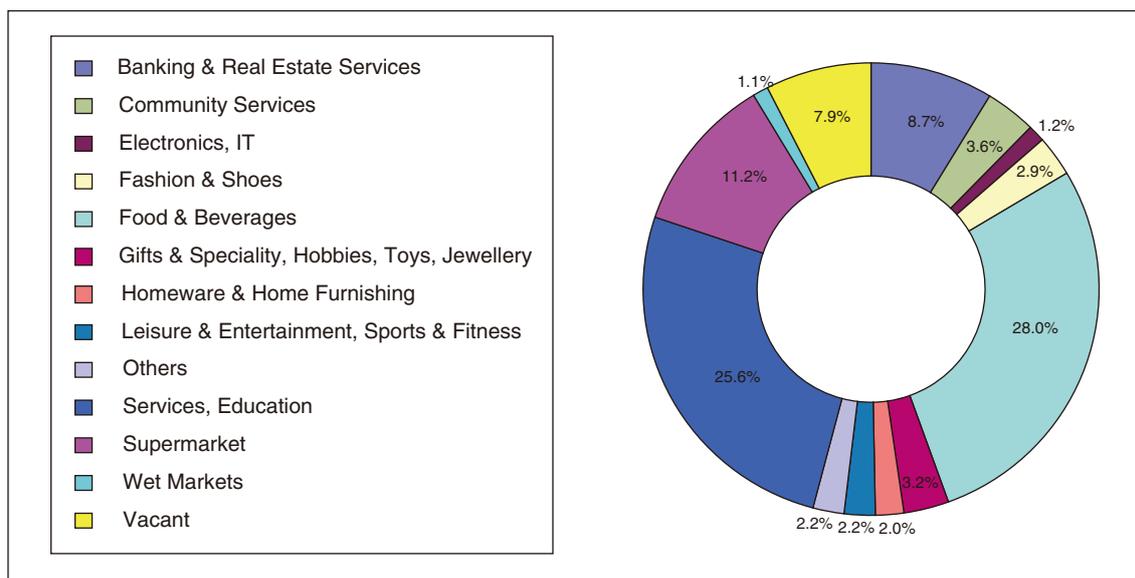
By Gross Rental Income

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



By Gross Rentable Area

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



Top Ten Tenants of the Existing Properties by Gross Rental Income (as at 30 June 2009)

The following table sets out selected information about the top ten tenants of the Existing Properties by total GRI:

No.	Tenant	Trade Sector	Lease Expiry Date ⁽¹⁾⁽²⁾	Gross Rentable Area (sq ft)	% of Total Gross Rentable Area	% of Total Gross Rental Income ⁽³⁾
1	Park'N Shop ⁽⁴⁾	Supermarket	Aug 2009 Nov 2009 May 2010 Jul 2010 Aug 2010 May 2011 Jul 2011 Jul 2011 Oct 2011 Feb 2012 May 2014	8,229 13,000 9,425 11,804 55,706 14,022 31,446 696 6,376 23,306 8,008	10.9	8.2
2	Bank of China (Hong Kong) Limited	Banking & Real Estate Services	Jan 2011 May 2011 Oct 2011 Nov 2011	683 1,236 7,643 15,130	1.5	3.7
3	Cheung Kong Property Development	Banking & Real Estate Services	Oct 2009 Apr 2011	17,796 31,383	3.0	2.3

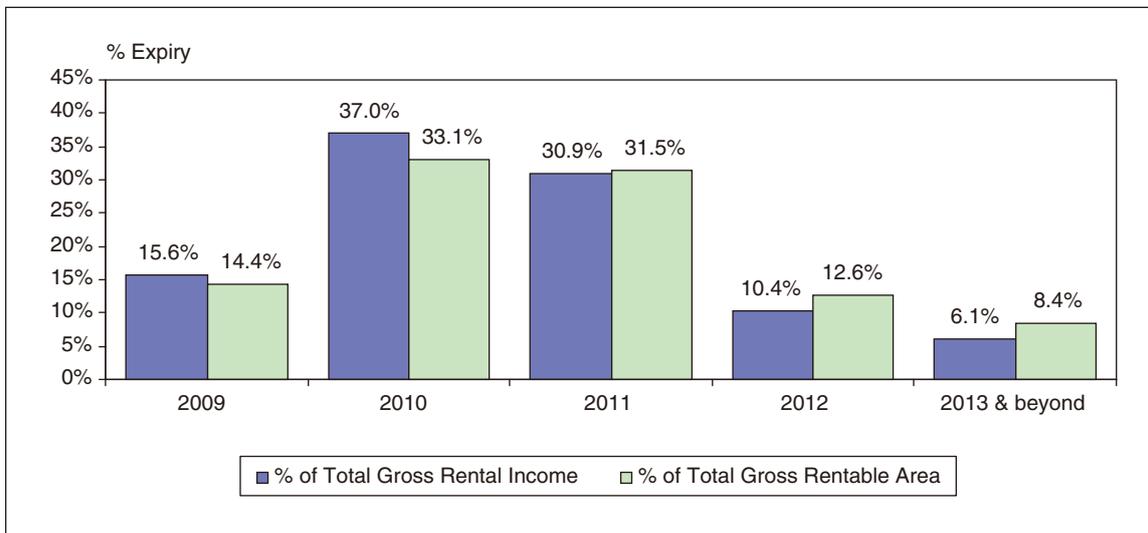
No.	Tenant	Trade Sector	Lease Expiry Date ⁽¹⁾⁽²⁾	Gross Rentable Area (sq ft)	% of Total Gross Rentable Area	% of Total Gross Rental Income ⁽³⁾
4	7-Eleven ⁽⁵⁾	Services, Education	Aug 2009 Sep 2009 Oct 2009 Dec 2009 Jan 2010 Mar 2010 Aug 2010 Sep 2010 Jan 2011 May 2012	2,177 892 1,290 466 226 3,188 321 1,544 592 556	0.7	1.8
5	Maxim's Chinese Restaurant ⁽⁶⁾	Food & Beverages	Aug 2011	49,014	2.9	1.7
6	Midland Realty ⁽⁷⁾	Banking & Real Estate Services	Jul 2009 Dec 2009 Dec 2009 Jan 2010 Jan 2010 Jun 2010	1,338 1,271 678 589 665 1,304	0.4	1.4
7	Watsons ⁽⁴⁾	Services, Education	Aug 2009 Aug 2010 Jan 2011 Jun 2011	4,802 5,447 3,477 2,475	1.0	1.3
8	Fook Choi Seafood Restaurant ⁽⁸⁾	Food & Beverages	Apr 2011	33,220	2.0	1.3
9	Cambridge Nursing Home (City One) Ltd.	Services, Education	Apr 2012	25,448	1.5	1.1
10	Choi Fook Royal Banquet ⁽⁹⁾	Food & Beverages	Aug 2011 Aug 2011	6,971 1,313	1.1	1.1
Top 10 Tenants					25.0	23.9
Other Tenants					75.0	76.1
Total					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) Only the expiry dates for the shop units are included.
- (3) Based on each tenant's percentage contribution to Gross Rental Income of the Existing Property for the month ended 30 June 2009.
- (4) The tenant under the tenancy agreement is A.S. Watson Group (HK) Ltd.
- (5) The tenant under the tenancy agreement is The Dairy Farm Limited.
- (6) The tenant under the tenancy agreement is Maxim's Caterers Limited.
- (7) The tenant under the tenancy agreement is Midland Corporate Management Limited, Midland Leasing (VIII) Limited, Midland Property Services Limited, Midland Property Administration Limited and Midland Property Management Co., Ltd.
- (8) The tenant under the tenancy agreement is Wellking Corporation Limited.
- (9) The tenant under the tenancy agreement is Profit Bright Development Limited.

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

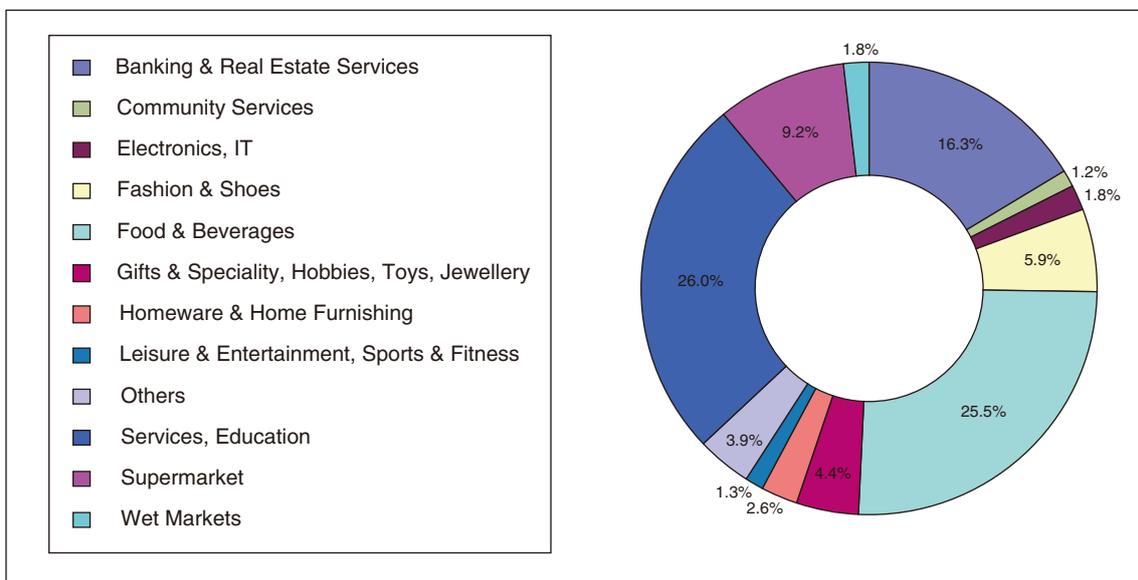
The following graph illustrates the tenancy expiry profile of Fortune REIT’s enlarged portfolio comprising the Properties and the Existing Properties by GRI and GRA (as at 30 June 2009):



Trade Sub-Sector Analysis for Enlarged Fortune REIT Portfolio (as at 30 June 2009)

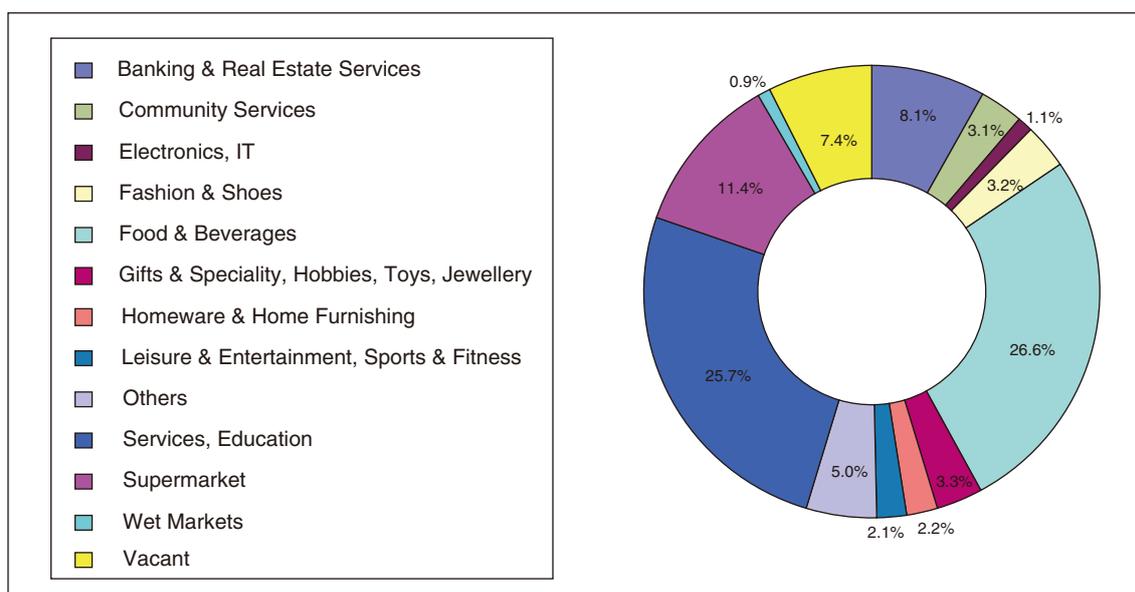
By Gross Rental Income

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



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:



Top Ten Tenants of the Enlarged Fortune REIT Portfolio by Gross Rental Income (as at 30 June 2009)

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 total Gross Rental Income:

No.	Tenant	Trade Sector	Lease Expiry Date ⁽¹⁾⁽²⁾	Gross Rentable Area (sq ft)	% of Total Gross Rentable Area	% of Total Gross Rental Income ⁽³⁾
1	Park'N Shop ⁽⁴⁾	Supermarket	Aug 2009	8,229	11.2	8.8
			Nov 2009	13,000		
			May 2010	9,425		
			Jul 2010	11,804		
			Aug 2010	55,706		
			May 2011	14,022		
			Jul 2011	696		
			Jul 2011	31,446		
			Oct 2011	6,376		
			Jan 2012	7,005		
			Jan 2012	5,476		
			Feb 2012	23,306		
			Jan 2013	27,431		
			May 2014	8,008		
2	Bank of China ⁽⁵⁾	Banking & Real Estate Services	Jan 2011	683	1.2	3.1
			May 2011	1,236		
			Oct 2011	7,643		
			Nov 2011	15,130		

No.	Tenant	Trade Sector	Lease Expiry Date ⁽¹⁾⁽²⁾	Gross Rentable Area (sq ft)	% of Total Gross Rentable Area	% of Total Gross Rental Income ⁽³⁾
3	Cheung Kong Property Development Limited	Banking & Real Estate Services	Oct 2009 Apr 2011	17,796 31,383	2.5	2.7
4	7-Eleven ⁽⁶⁾	Services, Education	Aug 2009 Sep 2009 Oct 2009 Dec 2009 Jan 2010 Feb 2010 Mar 2010 Aug 2010 Sep 2010 Jan 2011 Jan 2011 Feb 2011 May 2012	2,177 892 1,290 466 226 687 3,188 321 1,544 592 1,538 1,295 556	0.7	1.9
5	Fairwood ⁽⁷⁾	Food & Beverages	Jan 2010 Nov 2010 Oct 2011	10,275 4,270 2,959	1.0	1.5
6	Maxim's Chinese Restaurant ⁽⁸⁾	Food & Beverages	Aug 2011	49,014	2.5	1.4
7	Midland Realty ⁽⁹⁾	Banking & Real Estate Services	Jul 2009 Dec 2009 Dec 2009 Jan 2010 Jan 2010 Jan 2010 Feb 2010 Jun 2010	1,338 1,271 678 589 980 665 1,056 1,304	0.4	1.4
8	Watsons ⁽⁴⁾	Services, Education	Aug 2009 May 2010 Aug 2010 Jan 2011 Jun 2011	4,802 4,068 5,447 3,477 2,475	1.0	1.3
9	Centaline Property Agency Limited	Banking & Real Estate Services	Jun 2009 Jul 2009 Dec 2009 Jan 2010 May 2010 May 2010 Feb 2011 Apr 2011	697 1,159 1,055 1,571 462 724 505 441	0.3	1.3
10	The Bank of East Asia ⁽¹⁰⁾	Banking & Real Estate Services	Jan 2010 Apr 2010 Aug 2011	4,428 3,362 4,981	0.6	1.3
Top 10 Tenants					21.4	24.7
Other Tenants					78.6	75.3
Total					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) Only expiry dates for the excluded licence income (antenna income, lightbox income, column income, banner etc.).
- (3) Based on each tenant's percentage contribution to Gross Rental Income of the Enlarged Properties for the month ended 30 June 2009.
- (4) The tenant under the tenancy agreement is A.S. Watson Group (HK) Ltd.
- (5) The tenant under the tenancy agreement is Bank of China (Hong Kong) Limited.
- (6) The tenant under the tenancy agreement is The Dairy Farm Limited.
- (7) The tenant under the tenancy agreement is Fairwood Fastfood Limited.
- (8) The tenant under the tenancy agreement is Maxim's Caterers Limited.
- (9) The tenant under the tenancy agreement is Midland Corporate Management Limited, Midland Leasing (VIII) Limited, Midland Property Services Limited, Midland Property Administration Limited and Midland Property Management Co., Ltd.
- (10) The tenant under the tenancy agreement is The Bank of East Asia, Limited.

KNIGHT FRANK SUMMARY VALUATION REPORT

Knight Frank 萊坊



Our Ref : GV/AN/MC/CH/b/03-0446(159-151)

21 August 2009

HSBC Institutional Trust Services (Singapore) Limited
 (as Trustee of Fortune Real Estate Investment Trust)
 21 Collyer Quay
 #14-01 HSBC Building
 Singapore 049320

ARA Asset Management (Singapore) Limited
 (as Manager of Fortune Real Estate Investment Trust)
 6 Temasek Boulevard
 #16-02 Suntec Tower 4
 Singapore 038986

Dear Sirs

Market Valuation of the following Properties for Fortune REIT :

1. **Metro Town**
 The Shopping Centre of Metro Town, 8 King Ling Road, Tseung Kwan O, New Territories, Hong Kong
2. **Caribbean Bazaar**
 Commercial Development, Wet Market, Kindergarten and Various Carparks, Caribbean Coast, 1 Kin Tung Road, Tung Chung, Lantau Island, New Territories, Hong Kong
3. **Hampton Loft**
 Hampton Loft, Hampton Place, 11 Hoi Fan Road, Tai Kok Tsui, Kowloon, Hong Kong
 (hereinbelow collectively referred to as the "Properties")

In accordance with your instructions for us to value the Properties, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the Properties as at 30 June 2009 for acquisition purposes.

Basis of Valuation

Our valuation is our opinion of the market value of the property which we would define as intended to mean the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale or purchase, and without offset for any associated taxes.

In undertaking our valuation, we have regard to the requirements contained in The HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors and the Red Book (Sixth Edition 2008) published by Royal Institution of Chartered Surveyors (RICS).

4/F Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong 香港灣仔港灣道6-8號匯豐中心4字樓
 T 電話 +852 2840 1177 F 傳真 +852 2840 0600 www.knightfrank.com.hk

Knight Frank Pte Ltd (Singapore) Ltd (Sole) No. C-012047
 Knight Frank Hong Kong Limited (Sole) No. C-012047
 Knight Frank (Services) Limited (Sole) No. C-012047





Valuation Basis, Methodologies and Valuation

We have valued the Properties subject to their respective tenancies and assuming that their titles were being free of any material encumbrances and defects as at the date of valuation.

In arriving at our opinion of market values, we have considered the prevailing market conditions as at the date of valuation, especially those pertaining to the retail sectors of the property market. The valuation methods adopted to arrive at our opinion of values are the Income Capitalization Approach, Discounted Cash Flow Approach and Direct Comparison Approach. Each method has been used as a check against the others.

A summary of the particulars of each portion of the Properties, our valuation and the Discount Rate and Terminal Yield adopted in our valuation is summarized below:-

Property	Approximate Gross Rentable Area (sq ft)	No. of Parking Lots	Market Value as at 30 June 2009 (HK\$)	Discount Rate (%)	Terminal Yield (%)
Metro Town	180,822	74	1,481,000,000	7.75	5.00
Caribbean Bazaar	63,018	117	431,000,000	8.50	5.75
Hampton Loft	74,734	35	161,000,000	8.50	5.75
Total	318,574	226	2,073,000,000		

We are of the opinion that the aggregate market values of the Properties as at 30 June 2009 was in the sum of HK\$2,073,000,000 (HONG KONG DOLLARS TWO BILLION AND SEVENTY THREE MILLION) subject to the valuation basis and assumptions as stated throughout this valuation summary and the individual properties' comprehensive valuation reports.

The details of individual portions of the Properties are attached to this letter.

General Conditions

Our valuation is subject to the following general assumptions and conditions.

Source of Information

We have relied to a very considerable extent on information given by the Manager and have accepted advice given to us on such matters as planning approvals, waivers or statutory notices, easements, tenure, occupancies, lettings, incomes, rates, government rents, expenditures, site areas, gross rentable areas, net areas and all other relevant matters.

We confirm that we have not been instructed to verify the information provided to us and we have assumed that this information is true and correct. We do not undertake to certify the authenticity of the information provided to us and we have no reason to doubt the truth and accuracy of this information which is material to the valuation. All information provided to us is treated as correct and we accept no responsibility for subsequent changes in information and reserve the right to change our opinion of values if any other information provided were to materially change.

Inspection and Measurement

We have inspected the exterior, and where possible, the interior of the Properties valued. However, we have not carried out on-site measurement to verify the correctness of the gross rentable areas and net areas of the Properties valued and have assumed that the site area and floor areas shown on the documents handed to us are correct.

Title Documents and Encumbrances

We have not been provided with extracts from title documents to the Properties but we have caused searches to be made at the Land Registry. We have not, however, searched the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies handed to us.



No allowance has been made in our valuation for any charge, mortgage or amount owing on the Properties. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions, title defects and outgoings of an onerous nature which could affect their values.

Whilst we have taken every care to investigate the titles of the Properties valued, we do not accept liability for any interpretation which we have placed on such information, which is more properly within the sphere of your legal advisers.

Structural Condition

We have not undertaken any structural survey or tested the services of the Properties. Our valuation has therefore been undertaken on the basis that the Properties were all in satisfactory repair and condition with services functioning satisfactorily and are free from rot, infestation or any other structural defect.

Contamination

We have not arranged for any investigation to be carried out to determine whether any deleterious or hazardous material has been used in the construction of the Properties and have therefore assumed in our valuation that none of the said material was contained in the Properties.

DCF Calculations

Our DCF calculations comprise assumptions such as rental growth rate, inflation, vacancy allowance, retention rate, expenditure, etc. throughout a defined cash flow period. These assumptions are based on our understanding of the prevailing economic and market conditions as at the date of valuation, but are not a guarantee of future performance. We have relied on a very considerable extent on the retail growth rates and capital expenditures for improvement works as provided by the Manager and his duly appointed consultants.

Valuer's Interest

We hereby confirm that each of the valuers taking part in this valuation are authorized under law to practice as a valuer and has necessary expertise and experience in valuing similar types of Properties.

The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, unbiased professional analyses, opinions and conclusions. We have no present or prospective interest in the Properties and are not a related corporation of nor do we have a relationship with the Manager, the Trustee or any other party or parties who the Fortune REIT is contracting with. The valuers' compensation is not contingent upon the reporting of a predetermined value or direction in value that favours the case of its vendor, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

Limiting Conditions

We have prepared this summary report for inclusion in the Circular of the Fortune REIT and we specifically disclaim liability to any person in the event of any omission from or false or misleading statement included in the Circular, other than that in respect of the information provided within this valuation summary. We do not make any warranty or representation as to the accuracy of the information in any part of the Circular other than that as expressly made or given in this valuation summary.

The valuation summary is for the use of the Manager, the board of directors of the Manager and the Trustee for acquisition purposes. No responsibility is accepted to any other party for the whole or any part of its contents.

This summary report alone does not contain the comprehensive data and support information included in our comprehensive valuation report for individual property. For further information to that contained therein, reference should be made to the comprehensive valuation reports.



The reports and valuation have been prepared on the basis of information available as at 30 June 2009. We accept no responsibility for subsequent changes in information as to income, expenses or market conditions.

Conversion Factors

Conversion factors used in this report are
1 square metre = 10.764 square feet
1 metre = 3.2808 feet

Yours faithfully
For and on behalf of
Knight Frank Petty Limited


Alex S L Ng
MRICS MHKIS RPS(GP)
Executive Director

Erc

Note: Alex S L Ng, MRICS, MHKIS, RPS(GP), has been a qualified valuer with Knight Frank Petty Limited since 1995 and has 23 years' experience in the valuation of properties in Hong Kong.



VALUATION BRIEF – Metro Town

Address of Premises	: The Shopping Centre of Metro Town 8 King Ling Road Tseung Kwan O New Territories Hong Kong
Number of Parking Lots	: 74
Lot Number	: Tseung Kwan O Town Lot No 73
Tenure	: 50 years commencing from 11 February 2003
Registered Owner	: MTR Corporation Limited (An Agreement for Sale and Purchase and a Supplemental Agreement both in favour of Mega Gain Resources Limited were registered against the property in the land registry vide memorial nos 06120801360015 and 07090301480125 dated 22 November 2006 and 21 August 2007 respectively.)
Brief Description	: Metro Town at No 8 King Ling Road, Tseung Kwan O, Hong Kong, is located on top of the Mass Transit Railway ("MTR") Tiu Keng Leng Station. It comprises the commercial development on the ground level, level 1, level 2, level 3, level 5 and the covered footbridge as well as 74 commercial carparking spaces on level 2 of the 3,772-unit residential development called "Metro Town". The retail spaces of the property is located on ground level, level 2 and level 3 of the 5-storey commercial / carparking /recreational podium at Metro Town. The 74 commercial car parking spaces are located on level 2 of the podium. The main entrance of the commercial / carparking podium is located on the ground level which is connected to the MTR (Tiu Keng Leng) Station and there are secondary entrances onto the pedestrian pavement facing Chui Ling Road and onto the public transport interchange. Level 2 of the podium is connected to the nearby developments via two pedestrian footbridges. The commercial / caparking podium is served by various pairs of escalators, common staircases and residents lifts. Vehicular access to and from the commercial carparking spaces is via Choi Ming Street. Shops in the retail portion are mainly occupied by estate agencies, beauty salons, clinics, drugs stores, boutique, banks, bakeries, groceries, restaurants, a supermarket, etc.
Gross Rentable Area	: Approximately 180,822 sq ft
Year Built	: 2006
Occupancy Rate	: 93.1% (as at 30 June 2009)
Town Planning Zoning	: "Other Specified Uses (Commercial/ Residential Development with Public Transport Interchange)" under Tseung Kwan O OZP No S/TKO/17 dated 12 June 2009
Market Value as at 30 June 2009	: HK\$1,481,000,000



VALUATION BRIEF – Caribbean Bazaar

Address of Premises	: Commercial Development, Wet Market, Kindergarten and Various Carparks Caribbean Coast 1 Kin Tung Road Tung Chung Lantau Island New Territories Hong Kong
Number of Parking Lots	: 117
Lot Number	: Tung Chung Town Lot No 5
Tenure	: From 26 June 1997 to 30 June 2047
Registered Owner	: MTR Corporation Limited
Brief Description	: Caribbean Bazaar at 1 Kin Tung Road, Tung Chung, Hong Kong comprises the commercial development, wet market and the kindergarten on the ground floor and 117 commercial carparking spaces of the 5,336-unit commercial/residential development called "Caribbean Coast". The commercial development and the wet market of the property is located at a single storey shopping centre underneath the residential towers, and the kindergarten is located on the ground floor landscaped podium of Caribbean Coast. The shopping centre is roughly of irregular rectangular shape with the shop units arranged along both sides of the arcade corridor. Main entrances of the shopping centre are located at the ends of the arcade corridor. Shops within the property are mainly occupied by estate agencies, beauty salons, drugs store, clinics, restaurants, a supermarket, etc.
Gross Rentable Area	: Approximately 63,018 sq ft
Year Built	: 2004
Occupancy Rate	: 97.5% (as at 30 June 2009)
Town Planning Zoning	: "Comprehensive Development Area" under Tung Chung Town Centre OZP No S/I-TCTC/16 dated 24 April 2009
Market Value as at 30 June 2009	: HK\$431,000,000



VALUATION BRIEF – Hampton Loft

Address of Premises	: Hampton Loft Hampton Place 11 Hoi Fan Road Kowloon Hong Kong
Number of Parking Lots	: 35
Lot Number	: Kowloon Inland Lot No 11107
Tenure	: 50 years commencing from 13 December 1999
Registered Owner	: Global Coin Limited
Brief Description	: Hampton Loft at 11 Hoi Fan Road, Kowloon, Hong Kong comprises the commercial units on the 5th floor and 6th floor and 35 commercial carparking spaces on 1st floor of the commercial/residential development called "Hampton Place". Access to the commercial units on 5th and 6th floors of the property is served by various passenger lifts and various common staircases via an entrance lobby on 1st Floor facing Hoi Fan Road. The carpark entrance is via Hoi Fan Road. Portion of 5th floor of the property is occupied by a kindergarten whilst the remaining portion on 5th floor and the whole of 6th floor are occupied as customer services centres.
Gross Rentable Area	: Approximately 74,734 sq ft
Year Built	: 2003
Occupancy Rate	: 100% (as at 30 June 2009)
Town Planning Zoning	: "Residential (Group A) 1" under South West Kowloon OZP No S/K20/23 dated 29 May 2009
Market Value as at 30 June 2009	: HK\$161,000,000

SAVILLS SUMMARY VALUATION REPORT



HSBC Institutional Trust Services (Singapore) Limited
 (as Trustee of Fortune Real Estate Investment Trust)
 21 Collyer Quay
 #14-01 HSBC Building
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ARA Asset Management (Singapore) Limited
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21 August 2009

Our Ref: GV/2009/ARA/0007/CC/ES/HA/cl

Dear Sirs

RE: MARKET VALUATION OF THE FOLLOWING PROPERTIES

- (1) THE SHOPPING CENTRE OF METRO TOWN, 8 KING LING ROAD, TSEUNG KWAN O , NEW TERRITORIES ("METRO TOWN")
- (2) COMMERCIAL DEVELOPMENT, KINDERGARTEN, WET MARKET AND VARIOUS CARPARKS, CARIBBEAN COAST, 1 KIN TUNG ROAD, TUNG CHUNG, LANTAU ISLAND, NEW TERRITORIES ("CARIBBEAN BAZAAR")
- (3) HAMPTON LOFT, HAMPTON PLACE, 11 HOI FAN ROAD, TAI KOK TSUI, KOWLOON ("HAMPTON LOFT")
 (COLLECTIVELY THE "PROPERTIES")

In accordance with your instructions for us to value the Properties, we confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the Properties as at 30 June 2009 for inclusion in public circular purposes.

Our valuation of each property is our opinion of its market value which we would define as intended to mean "the estimated amount for which a Property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, deferred term contracts, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

Our valuation is prepared in accordance with The HKIS Valuation Standards on Properties (1st Edition 2005) published by The Hong Kong Institute of Surveyors.

In arriving at our opinion of value, we have considered the prevailing market conditions, especially those pertaining to the retail sectors of the property market. The valuation methods adopted to arrive at our opinion of value are the Investment Method, Direct Comparison Method and Discounted Cash Flow Analysis. Each method has been used as a check against the other.



A summary of our opinion of the Market Value for each property is given below:-

Property	Approximate Gross Rentable Area (sq ft)	No. of Parking Lots	Valuation as at 30 June 2009 (HK\$)	Discount Rate (%)	Terminal Yield (%)
Metro Town	180,822	74	1,480,000,000	7.3	5.0
Caribbean Bazaar	63,018	117	430,000,000	8.0	5.8
Hampton Loft	74,734	35	160,000,000	8.0	5.8
Total	318,574	226	2,070,000,000		

Valuation certificates for individual properties are attached to this letter.

Where applicable, information such as the title particulars, land area, ownership and tenure has been obtained from searches carried out at the Land Registry of Hong Kong. We have also relied on the information provided by the Manager on matters such as gross rentable areas, tenancy details, ground lease expiry, ground rent, annual value, etc. All information provided to us is treated as correct and we accept no responsibility for subsequent changes in information and reserve the right to change our opinion of value if any other information provided were to materially change.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Properties, nor for any expenses or taxation which may be incurred in effecting a sale. It is assumed that the Properties are free from any major or material encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

We have inspected the exterior of the Properties and where possible, we have also inspected the interior of the premises. No structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report that these properties are free from rot, infestation or any other structural defect. No tests were carried out to any of the services.

This valuation summary is for the use of ARA Asset Management (Singapore) Limited (the Manager), the board of directors of the Manager, the Trustee and the Agent. No responsibility is accepted to any other party for the whole or any part of its contents.

We have relied upon the property data supplied by the Manager which we assume to be true and accurate. We take no responsibility for inaccurate data supplied by the Manager and subsequent conclusions derived from such data.

The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, unbiased professional analyses, opinions and conclusions. We have no present or prospective interest in the Properties and are not a related corporation of nor do we have a relationship with the Manager or other party/parties whom the Fortune REIT is contracting with.

Neither the whole or any part of this letter and valuation certificate nor any reference thereto may be included in any documents, circular or statement without our written approval of the form and context in which it will appear.



In accordance with our standard practice, we must state that this letter and valuation certificate are for the use only of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents.

We hereby certify that our valuers undertaking these valuations are authorised to practise as valuers and have the necessary expertise and experience in valuing similar types of properties.

Yours faithfully
For and on behalf of
Savills Valuation and Professional Services Limited

Charles C K Chan
MSc FRICS FHKIS MCI Arb RPS(GP)
Managing Director

Enc



VALUATION CERTIFICATE

Metro Town

- Address of Property : The Shopping Centre of Metro Town
8 King Ling Road
Tseung Kwan O
New Territories
Hong Kong
- Number of Parking Lots : 74
- Lot Number : Tseung Kwan O Town Lot No. 73
- Tenure : For a term of 50 years from 11 February 2003 to 10 February 2053
- Registered Owner : MTR Corporation Limited
- Brief Description : The property comprises the entire retail premises on the ground level, level 1, level 2, level 3 and level 5, and the covered footbridge as well as 74 commercial carparking spaces on level 2 of a four-storey commercial podium of a private residential development known as Metro Town.
- The main entrances of the subject shopping centre are located on the ground floor which two of them are directly connected to the Tiu King Leng MTR Station and the other two are connected to the public transport interchange. Vertical access for patronage between the three levels of arcade is served by three pairs of escalators and various staircases and passenger lifts. Two footbridges on levels 2 and 3 connecting Kin Ming Estate and Ocean Shores respectively provide covered walkways for pedestrian from the adjacent developments to the MTR Station.
- Gross Rentable Area : Approximately 180,822 sq ft
- Year of Completion : 2006
- Occupancy Rate : 93.1% (as at 30 June 2009)
- Town Planning Zoning : Other Specified Uses (Commercial/ Residential Development with Public Transport Interchange) under Tseung Kwan O OZP No. S/TKO/17 dated 2 June 2009.
- Market Value as at 30 June 2009 : HK\$1,480,000,000



VALUATION CERTIFICATE

Caribbean Bazaar

Address of Property	:	Commercial Development, Kindergarten, Wet Market and Various Carparks Caribbean Coast 1 Kin Tung Road Tung Chung Lantau Island New Territories Hong Kong
Number of Parking Lots	:	117
Lot Number	:	Tung Chung Town Lot No. 5
Tenure	:	From 26 June 1997 to 30 June 2047
Registered Owner	:	MTR Corporation Limited
Brief Description	:	<p>The property comprises the entire retail premises, a kindergarten and a wet market on the ground floor (collectively known as Caribbean Bazaar) and 117 commercial carparking spaces in a three-storey commercial podium (including two basements) of a private residential development known as Caribbean Coast. Caribbean Coast is completed in five phases which comprises a total of 13 high-rise and 8 low-rise apartment blocks with ancillary commercial, recreational and carparking facilities.</p> <p>The main entrance of the subject shopping centre is located on the level 1 abutting onto Man Tung Road together with four side entrances. The main entrance leads to a pedestrian hall where a pair of escalators is provided for vertical access to the 1st floor.</p>
Gross Rentable Area	:	Approximately 63,018 sq ft
Year of Completion	:	2003
Occupancy Rate	:	97.5% (as at 30 June 2009)
Town Planning Zoning	:	"Comprehensive Development Area" under Tung Chung Town Centre OZP No. S/I-TCTC/16 dated 31 March 2009.
Market Value as at 30 June 2009	:	HK\$430,000,000



VALUATION CERTIFICATE

Hampton Loft

Address of Property : Hampton Loft
Hampton Place
11 Hoi Fan Road
Tai Kok Tsui
Kowloon
Hong Kong

Number of Parking Lots : 35

Lot Number : Kowloon Inland Lot No. 11107

Tenure : For a term of 50 years from 13 December 1999 to 12 December 2049

Registered Owner : Global Coin Limited

Brief Description : The property comprises the entire retail premises on the 5th and 6th floors and 35 commercial carparking spaces on the 1st floor of a commercial podium, known as Hampton Loft, of a private residential development known as Hampton Place.

The entrance of the subject shopping centre is located on the level 1 abutting Hoi Fan Road which leads to the level 5 and level 6 arcade via various passenger lifts and internal staircases.

Gross Rentable Area : Approximately 74,734 sq ft

Year of Completion : 2003

Occupancy Rate : 100% (as at 30 June 2009)

Town Planning Zoning : "Residential (Group A) 1" under South West Kowloon OZP No. S/K20/23 dated 29 May 2009.

Market Value as at 30 June 2009 : HK\$160,000,000

* * * * *

RETAIL MARKET OVERVIEW AND CATCHMENT AREA ANALYSIS



Savills Valuation and Professional Services Limited
23/F Two Exchange Square
Central, Hong Kong

August 21, 2009

ARA Asset Management (Singapore) Limited
(as manager of Fortune Real Estate Investment Trust)
6 Temasek Boulevard
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Dear Sir,

As requested we have prepared a Retail Market Overview for ARA Asset Management (Singapore) Limited, in its capacity as manager of Fortune Real Estate Investment Trust, which includes an overview of the retail sector in Hong Kong. We have also undertaken an assessment of the three shopping centres to be included in Fortune Real Estate Investment Trust in the form of Catchment Analysis. The three shopping centres are: Metro Town in Tseung Kwan O; Caribbean Bazaar in Tung Chung; and Hampton Loft in West Kowloon.

1.0 RETAIL MARKET OVERVIEW

1.1 Economic Overview

1.1.1 International Comparisons

Hong Kong is one of the world's most open and dynamic economies benefiting from its strategic location as a gateway to Mainland China ("China" or the "Mainland") and its location in a time zone between Asia and Europe. Hong Kong performs an important role as an international finance, trade, business and communications centre. The Hong Kong Stock Exchange was ranked 7th among the world's major stock markets¹ in terms of market capitalization at the end of January 2009 and 3rd largest in Asia after Tokyo Stock Exchange and Shanghai Stock Exchange. In terms of merchandise trade, Hong Kong was the 13th largest trading entity in the world in 2007².

In terms of economic strength and competitiveness, Hong Kong is highly ranked compared to other countries in the world and in 2008, Hong Kong's gross domestic product ("GDP") per capita stood at US\$43,811³ (adjusted for purchasing power parity ("PPP")), ranking it ahead of the United Kingdom, Switzerland, Japan and Singapore. Hong Kong has been ranked the freest economy by the Heritage Foundation in 2009, the 15th consecutive year that it has maintained such status⁴. Further, Hong Kong scores well in the World Competitiveness Scorecard⁵, compiled by the Swiss-based International Institute for Management and Development. For 2009 to-date, the most competitive economy was the United States (the "U.S."), with Hong Kong ranked the second most competitive economy. Singapore and Switzerland were ranked third and fourth, respectively. In terms of trade efficiency, Hong Kong also ranks highly in a global context, and is in 2nd place in the 2009 Enabling Trade Index, after Singapore⁶.

1.1.2 Closer Integration with Mainland China

Since the introduction of the Mainland's open door policy in 1978, Hong Kong has developed even closer links with Mainland China and this will remain one of the key factors in the future economic growth of Hong Kong. In

¹ Source: World Federation of Exchanges

² Source: World Trade Organization

³ Source: IMF, World Economic Outlook Database, April 2009.

⁴ Source: 2009 Index of Economic Freedom, The Heritage Foundation

⁵ Source: World Competitiveness Yearbook 2009, International Institute for Management and Development.

⁶ Source: The Global Enabling Trade Report 2009, World Economic Forum

support of this, the Hong Kong Government and the Central People's Government reached an agreement on May 9, 2009 to further liberalise measures governing Hong Kong's trade with the Mainland under the Closer Economic Partnership Arrangement (CEPA). Concessions granted under CEPA give Hong Kong companies a first-mover advantage and encourage better synchronisation of the chain of cross-boundary financial activity, goods production and distribution, service provision and recognition of professional qualifications.

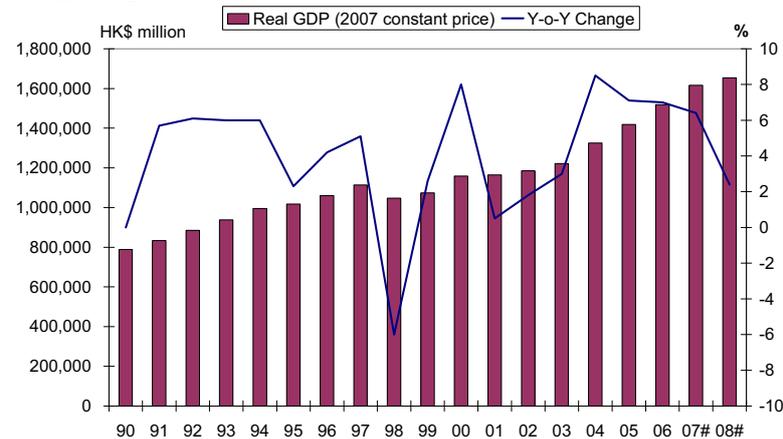
Under the Individual Visit Scheme (IVS), which was first introduced in July 2003 as a liberalization measure under CEPA, residents of selected Mainland cities may visit Hong Kong in their own capacity. The coverage of the IVS has been expanded in the past four years and is now implemented in 49 Mainland cities, covering approximately 250 million residents in total. In 2008, Mainland Chinese residents made more than 9.6 million trips to Hong Kong, an increase of 12 per cent from 2007. These visitors accounted for 57.0 per cent of all Mainland visitors travelling to Hong Kong or 32.6 per cent of total visitor arrivals⁷. The latest arrangement effective from April 1, 2009 allows qualified (permanent) Shenzhen residents to apply for year-round multiple-entry visas to visit Hong Kong, a move which is expected to strengthen already strong Mainland arrivals figures.

1.2 Key Economic and Demographic Indicators

1.2.1 Key Economic Indicators

Hong Kong's economy has been growing strongly since the confinement of Severe Acute Respiratory Syndrome (SARS) in 2003, and with the closer integration of Mainland China and the flourishing financial and trading sectors inducing average real GDP growth of 6.4 per cent per annum from 2003 to 2007. Nevertheless, the global economic slowdown as a result of the sub prime mortgage crisis last year has adversely affected the local economy, and as such real GDP growth slowed significantly to 2.4 per cent in 2008, and recorded a decline of 7.8 per cent in the first quarter of 2009, the largest year-on-year decline in quarterly GDP since the Asian Financial Crisis in 1998. The economy stabilized quickly alongside the global economy in the second quarter with GDP registering a more moderate 3.8 per cent year-on-year decline.

Hong Kong Real GDP and Y-o-Y Growth, 1990 – 2008



Source: Census and Statistics Department, Savills Research & Consultancy # Provisional Figures

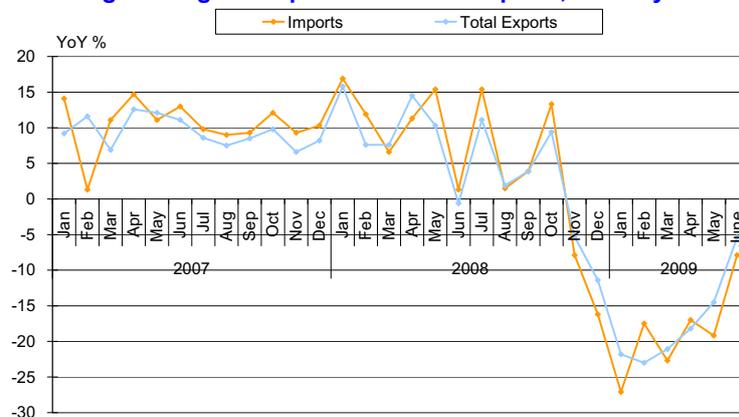
The seasonally adjusted unemployment rate increased from a 10-year low of 3.2 per cent for the three months ended August 2008 to 5.4 per cent for the three months ended June 2009, reflecting the rapid worsening of the employment situation over the past nine months as the global economy has deteriorated.

⁷ Source: Hong Kong Tourism Board (HKTB)

Unemployment rates increased moderately from 5.3 per cent in May to 5.4 per cent in June. Given that the economy has yet to recover from recession and that fresh graduates and school-leavers are expected to enter the labour market in the summer, the unemployment rate may face further upward pressure in the coming months.

The trading sector, which has experienced seven years of consecutive growth since 2001 and is still regarded as one of the key drivers of the local economy, has been hard hit since the financial turmoil late last year. Both imports and total exports recorded double-digit year-on-year declines from December 2008 to June 2009. However, the year-on-year rate of decline slowed from 27 and 22 per cent for imports and total exports in January to 7.9 and 5.4 per cent in June respectively.

Percentage Change of Imports and Total Exports, January 2007 – June 2009



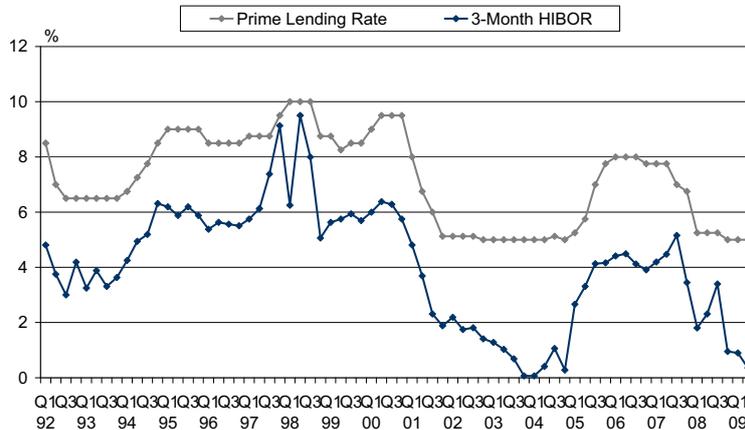
Source: Census and Statistics Department, Savills Research & Consultancy

Hong Kong's prolonged period of deflation came to an end in mid-2004 as a result of improved economic conditions, strong consumer demand and higher import prices, and inflation rates have remained positive since, with the exception of a brief decline in January 2005. The Composite Consumer Price Index (CPI) recorded an increase of 2.0 per cent in 2007 and 4.3 per cent in 2008. Inflation slowed to 0.8 per cent in the first half year of 2009, mainly due to receding price pressures as the economy adjusted downwards, as well as some one-off Government relief measures, the most significant being the monthly HK\$300 electricity charge subsidy from September 2008 to August 2009.

Interest rates, both the Prime Lending Rate (PLR, for mortgages and personal lending) and the Hong Kong Interbank Offer Rate (HIBOR, for corporate lending), have seen large fluctuations over the past two decades. After a prolonged period of high interest rates in the early 1990s, which saw both PLR and 3-month HIBOR moving in the range of 6 to 10 per cent, consecutive rate cuts following the end of the dot com bubble in 2000 pushed rates down to unprecedented levels with 3-month HIBOR reaching 0.7 per cent in 2003 / 04. The effort to curb inflation in 2005 and 2006 saw rates rebounding to 8 per cent (PLR) and 5 per cent (3-month HIBOR) respectively, but the quantitative easing measures adopted by the U.S. and other major economies as rescue measures last year quickly pushed rates back down again, with 3-month HIBOR again declining below 1 per cent in the first two quarters of 2009. The abundant liquidity in the banking system⁸ has been one of the drivers of the quick rebound in asset values in Hong Kong, in both equity and property markets, over the first six months of the year.

⁸ Reflected by the HK\$217 billion aggregate balance of settlement accounts at the end of June 2009, an all time high. Source: Hong Kong Monetary Authority (HKMA)

Prime Lending Rate and 3-month HIBOR, Q1/1992 – Q2/2009



Source: Census and Statistics Department, Savills Research & Consultancy

1.2.2 Economic Forecast

The global economy has shown signs of stabilisation recently with the stock market rally and the Mainland economy gradually improving due to a raft of policy support measures. It is possible that the 7.8 per cent contraction in real GDP over the first quarter may represent the worst quarterly contraction of 2009. Real GDP is forecast to decline by 4.0 per cent in 2009 before reverting to positive growth of 3.1 per cent in 2010⁹. The long-term forecast for real GDP growth (2011 – 2013) is that it will reach 4.1 per cent per annum¹⁰, similar to the average of the past 20 years.

Unemployment rates are forecast to reach 5.7 per cent on average in 2009 and to remain at similar level in 2010 and 2011 before trending down to 5.4 per cent in 2012 and 4.8 per cent in 2013¹¹, suggesting that the employment market is only expected to improve when economic recovery is well underway. Interest rates are expected to remain at low levels until mid-2010.

Forecast Economic Data, 2009E to 2013E

%	2009E	2010E	2011E	2012E	2013E
Gross Domestic Product	-4.0	3.1	3.8	4.2	4.2
Consumer Prices	0.6	1.7	2.5	2.7	2.9
Unemployment Rate	5.7	5.6	6.1*	5.4*	4.8*
Prime Lending Rate	5.0**	5.1***	-	-	-
3-month HIBOR	0.5**	0.8***	-	-	-

Source: Consensus Economics, Savills Research and Consultancy

* Sourced separately from EIU Data Tracker July 23 2009

** End of November 2009

***End of August 2010

⁹ Source: Consensus Economics, August 2009

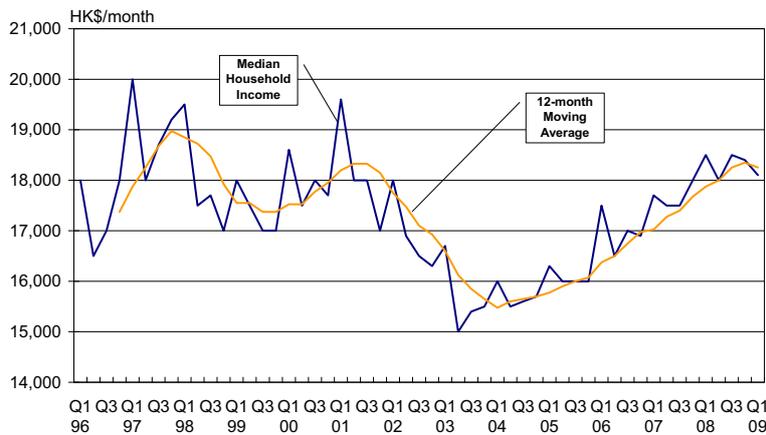
¹⁰ Source: Consensus Economics, April 2009

¹¹ Source: Consensus Economics, August 2009 and EIU Data Tracker July 23 2009

1.2.3 Key Demographic Indicators

At the end of 2008, there were a total of 7.01 million residents in Hong Kong¹². Population growth has rebounded slightly but remains at a low level, with an average annual growth rate of 0.7 per cent recorded over the five-year period from 2004 to 2008, compared with 0.5 per cent and 1.9 per cent from 1999 to 2003 and from 1994 to 1998 respectively.

Median Monthly Household Income, Q1/1996 – Q1/2009



Source: Census & Statistics Department, Savills Research & Consultancy

Median monthly household income is the primary measure of the incomes of the Hong Kong population. Income levels reached a recent high of HK\$20,000 per month in 1997 before declining by 5 per cent in the subsequent year due to the Asian Financial Crisis. Incomes rebounded briefly during the dot.com boom by 3 per cent, but continued to decline thereafter until the second half of 2003 before resuming an upward trend alongside economic recovery and declining unemployment rates. The latest financial crisis has also affected income levels, with median household incomes recording consecutive declines in Q4/2008 and Q1/2009, in the order of 0.5 and 1.6 per cent respectively and reached HK\$18,100 per month in Q1/2009.

1.2.4 Tourist Arrivals

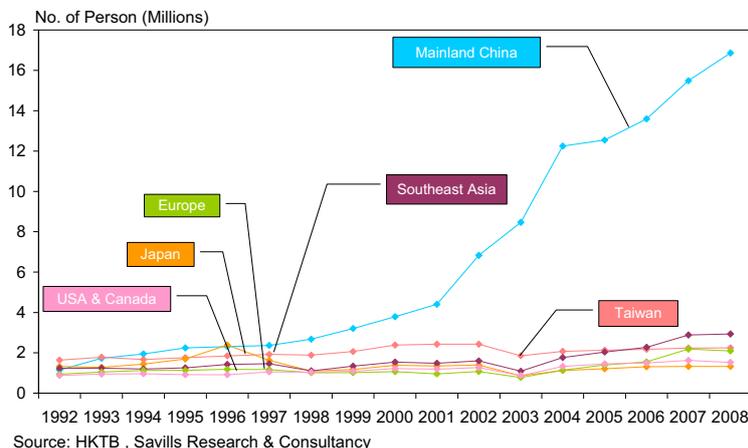
Hong Kong ranked 2nd in Asia (just behind Singapore) and 12th in the world in terms of travel and tourism competitiveness, according to the Travel & Tourism Competitiveness Index ("TTCI") in 2009 compiled by the World Economic Forum, which covers 133 countries around the world.

Since the implementation of IVS in 2004, visitor arrivals, in particular those from the Mainland, have been increasing dramatically. Visitor arrivals increased by 40 per cent in 2004 before recording more moderate growth of 7, 8 and 12 per cent in 2005, 2006 and 2007 respectively. The financial crisis hit the tourism market hard in the second half of 2008, especially in the U.S. and Europe, and with visitors from these two areas recording 7 and 4 per cent decline in 2008 respectively. Overall visitor growth slowed to 5 per cent in the same year.

The tremendous growth in Mainland Chinese arrivals since IVS implementation has made them the single most important source of tourists to Hong Kong and in 2008 their number totalled approximately 16.9 million, representing approximately 57.1 per cent of that year's arrivals.

¹² Source: Census and Statistics Department

Visitor Arrivals by Major Market of Origin, 1992 – 2008



Visitor arrivals continued to be hit by the economic slowdown in the first six months of 2009, and the global outbreak of Influenza A (H1N1) in March 2009 further hindered international travel. On June 11, 2009, the World Health Organization decided to raise the level of influenza pandemic alert to the highest phase 6, which indicated that a global pandemic of H1N1 is underway. Visitor arrivals numbers for almost all countries / regions declined over the first six months of 2009, with Mainland China the only one place to record growth over the period.

Visitor Arrivals by Country / Territory, January to June 2009

Country / Territory	Visitor Arrival ('000)	Y-o-Y Change
The Americas	752.4	-14.8%
Europe, Africa & the Middle East	934.7	-14.2%
Australia, New Zealand & South Pacific	336.3	-11.6%
Japan	546.6	-13.6%
South Korea	299.2	-40.2%
South & Southeast Asia	1,328.2	-6.6%
Taiwan	942.6	-13.1%
Macau	294.9	-0.8%
Mainland China	8,261.9	+4.6%
Total / Weighted Average	13,696.8	-3.4%

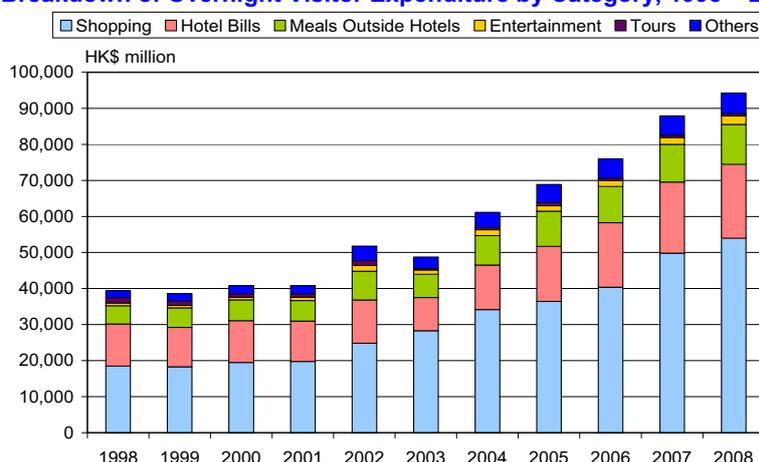
Source: HKTB, Savills Research & Consultancy

According to the World Travel Organization (UNWTO), international tourist arrivals declined by 8 per cent worldwide from January to April 2009, while arrivals for the Asia Pacific region declined by a more moderate 6 per cent over the same period. Hong Kong's tourism market, with strong support from Mainland arrivals, outperformed and recorded a growth of 1.5 per cent in visitor arrivals over the first four months of 2009.

1.2.5 Tourist Expenditure

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

Breakdown of Overnight Visitor Expenditure by Category, 1998 – 2008



Source: HKTB, Savills Research & Consultancy

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

1.3 Hong Kong Infrastructure

There are a number of transport and tourism infrastructure projects underway / under planning which will further enhance the integration of Hong Kong with southern China, as well as improving the attraction of Hong Kong to overseas tourists. Major transport infrastructure includes the Hong Kong–Zhuhai–Macao Bridge and the Guangzhou–Shenzhen–Hong Kong Express Rail Link, while major tourism infrastructure includes the Cruise Terminal, the redevelopment of Ocean Park and the expansion of Disneyland.

Key Transportation and Tourism Infrastructure

Projects	Type	State	Expect Completion
Hong Kong–Zhuhai–Macao Bridge	Bridge	Under Design	2015 / 2016
Guangzhou–Shenzhen–Hong Kong Express Rail Link	Railway	Under Design	2014 / 2015
Kowloon Southern Link	Railway	Under Construction	August 2009
Tseung Kwan O Line Extension	Railway	In Operation	July 2009
West Island Line	Railway	Under Design	2013 / 2014
South Island Line (East)	Railway	Planning	No later than 2015
Shatin to Central Link	Railway	Planning	2015 (Shatin to Hung Hom) 2019 (Hung Hom to Admiralty)
Central Kowloon Route	Road	Planning	2016
Tuen Mun Western Bypass and Tuen Mun – Chek Lap Kok Link	Road	Planning	2016
New Border Control Point in Heung Yuen Wai and Liantang	Border Control Point	Planning	2018
Hong Kong International Airport – Third Runway	Airport	Planning	Under Review

Projects	Type	State	Expect Completion
New Cruise Terminal	Tourism Infrastructure	Planning	First berth in operation in 2013
Redevelopment of Ocean Park	Tourism Infrastructure	Under Construction	2009 (Phase 1) 2012 / 2013 (Phase 2)
Expansion of Disneyland	Tourism Infrastructure	Planning	2014

Source: Hong Kong SAR Government, Savills Research & Consultancy

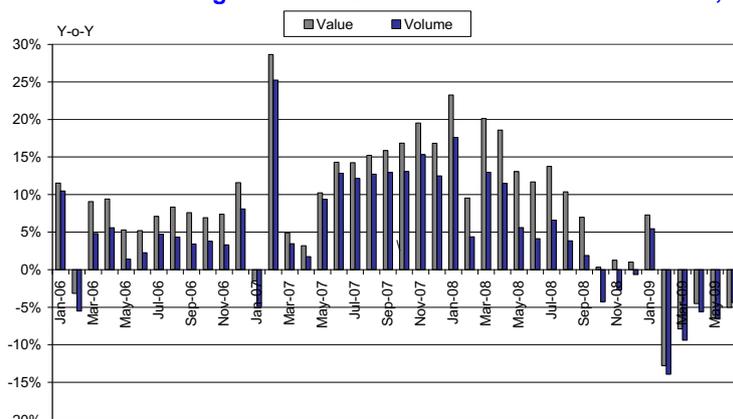
1.4 Retail Market Overview

1.4.1 Retail Sales Performance

Total Retail and Restaurant Sales

Retail sales have grown strongly over the past few years until the second half of 2008, when the global economic downturn began to exert pressure on the local economy as well as the employment market, weakening local consumer confidence. Nevertheless, the change in retail sales value remained in positive territory until February 2009, and retail sales value and volume declined by 4.5 and 5.4 per cent year-on-year from January to June 2009, respectively.

Year-on-Year Change in Retail Sales Value and Volume Indices, January 2006 – June 2009



Source: Census and Statistics Department, Savills Research & Consultancy

Restaurant receipts also faced softening demand towards the second half of 2008 after years of strong growth (with double digit year-on-year growth maintained from Q4/2006 to Q3/2008). Nevertheless, the F&B sector held up relatively better than the retail sector and only saw year-on-year growth slowing to 8.9 and 1.4 per cent, respectively in Q4/2008 and Q1/2009, before declining slightly by 0.7 per cent in Q2/2009.

Retail Sales by Trade Category

In terms of trade category, the best performing sub-sector during the economic slowdown has been necessities trades, with food, alcoholic drinks & tobacco and supermarket sales recording 3.1 per cent and 5.6 per cent year-on-year growth respectively from January to June 2009. Motor vehicles and parts retailers were the hardest hit with sales values declining significantly by 32.9 per cent over the same period. Jewellery, watches and clocks, and valuable gifts, which have been supported by strong Mainland visitor spending over the past few years, saw sales values plummeting by 8.5 per cent in June 2009 and recording a 6.9 per cent year-on-year decline from January to June 2009.

Percentage Change in Retail Sales by Category, January – June 2009 over January – June 2008

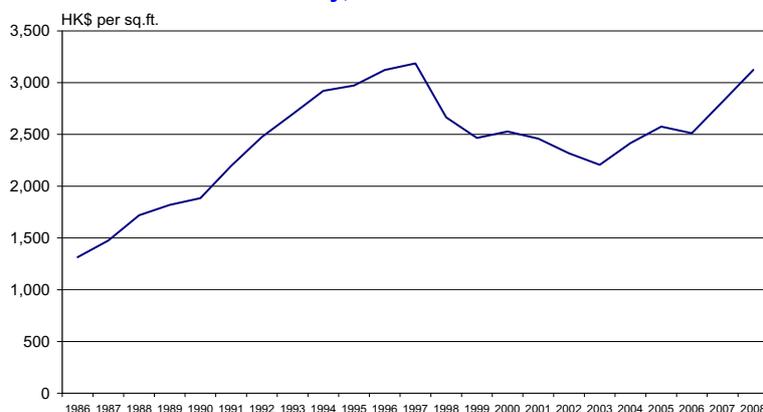
Trade Category	Jan – Jun 2009 over Jan – Jun 2008
Food, Alcoholic Drinks & Tobacco	+3.1%
Supermarket	+5.6%
Fuels	-14.8%
Clothing, Footwear & Allied Products	-7.2%
Consumer Durable Goods	-13.2%
- Motor vehicles and parts	-32.9%
- Electrical goods and photographic equipment	-3.6%
- Furniture and fixtures	-7.4%
- Other consumer durable goods, not elsewhere classified	-8.9%
Department Stores	-4.0%
Jewellery, Watches and clocks, and Valuable Gifts	-6.9%
Other Consumer Goods	-2.3%

Source: Census and Statistics Department, Savills Research & Consultancy

Retail Sales Productivity

Retail sales productivity is a means of measuring how productive retail space is in generating retail revenue and is defined as retail sales on a per square foot basis. In order to calculate retail sales productivity, both retail sales and restaurant receipts of a particular year are aggregated as “Total Retail Sales” before dividing by total private commercial stock to derive total retail sales productivity in that year.

Total Retail Sales Productivity, 1986 – 2008



Source: Census and Statistics Department, Rating and Valuation Department, Savills Research & Consultancy

After a period of exceptional growth of over 140 per cent from 1986 to 1997, total retail sales productivity declined from 1998 after the local economy was hit by the Asian Financial Crisis, and tourist numbers were subsequently affected by the 9/11 attacks and SARS. Total retail sales productivity drifted downwards by 30 per cent to 2003, before a recovering local economy and the introduction of the IVS induced a strong upturn in retail sales. Coupled with a relatively low level of retail supply over the past two years, total retail sales productivity rebounded by 17 per cent from 2003 to 2005, similar to the growth rate of total retail sales over the same period.

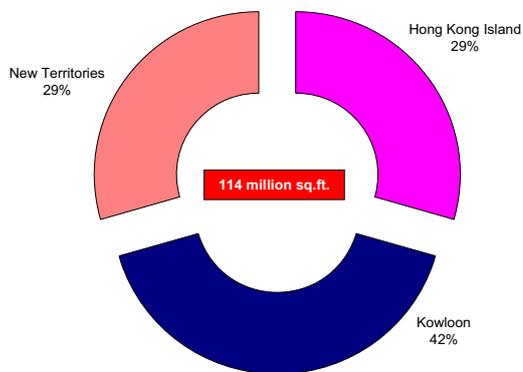
Notably, total retail sales productivity declined by 3 per cent over 2006 largely as a result of the addition of 10.3 million sq.ft. of retail area from The Link REIT into the private commercial sector. These shopping centres were previously publicly held and managed by the Hong Kong Housing Authority. Total retail sales productivity rebounded strongly in 2007 and 2008 and reached HK\$3,125 per sq.ft. in 2008, almost at par with the previous peak in 1997.

1.4.2 Stock and Supply

Existing Stock

The total stock of private commercial premises¹³ in Hong Kong doubled between 1980 and 2008. Total stock at the end of 2008 was 114 million sq.ft.¹⁴. In 2008, more than 42 per cent of private commercial stock was located in Kowloon while Hong Kong Island and the New Territories accounted for around 29 per cent of the remaining commercial stock respectively.

Total Private Commercial Stock by District, 2008



Source: Rating and Valuation Department, Savills Research & Consultancy

New Supply

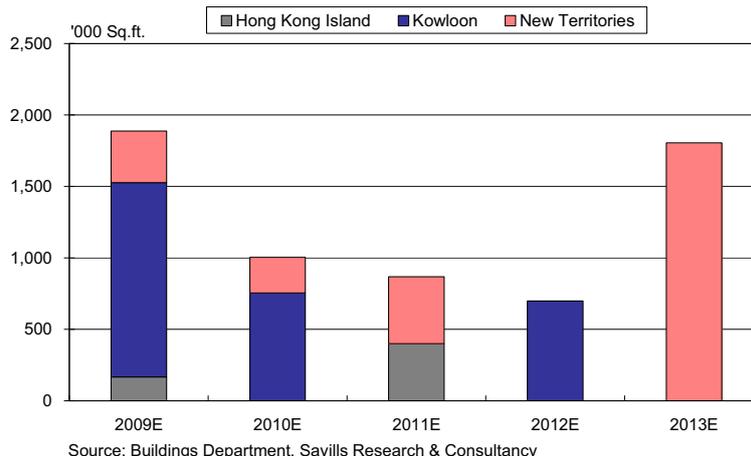
Private commercial supply averaged approximately 2.1 million sq.ft. between 1980 and 2008 per annum. However, supply levels were significantly lower in the 2000s compared with the previous two decades. Shopping centre supply reached a recent peak in 2006 when some 2.0 million sq.ft. was completed, including some larger-scale malls such as Elements in Tsimshatsui, Kowloon, and MegaBox, located in Kowloon Bay.

¹³ Defined by the Rating and Valuation Department, private commercial premises include retail premises and other premises designed or adopted for commercial use, with the exception of purpose-built offices. Car park space is excluded.

¹⁴ According to the Rating and Valuation Department, from 2006 onwards private commercial stock figures include properties owned by The Link REIT, which has a total IFA of 10.3 million sq.ft. in 2006.

A majority of new retail supply currently scheduled for completion is being built in fringe areas as Hong Kong's traditional core retail districts¹⁵ are aging and increasingly constrained in their ability to expand and adapt to changing consumer needs. Many new shopping centres forecast for completion by 2013 will be located either on newly reclaimed land or in Hong Kong's New Towns¹⁶.

Major Shopping Centre¹⁷ Supply, 2009E – 2013E



Supply of major shopping centres in Hong Kong is expected to fall to an average of 1.2 million sq.ft.¹⁸ per annum between 2009 and 2013, with the highest proportion of new centres located in Kowloon and the New Territories, representing 45 and 46 per cent, respectively. There will be three major retail developments completed in Tsimshatsui in 2009 including K11, iSQUARE and 1881 Heritage, while the Chinese Estates project The One in Tsimshatsui (former Tung Ying Building Redevelopment) is expected to be completed in 2010. No new supply is scheduled on Hong Kong Island until 2011, when the Hennessy Centre Redevelopment is completed.

¹⁵ Central, Causeway Bay, Tsimshatsui and Mongkok.

¹⁶ The basic concept for developing a new town is to provide a balanced and self-contained community as far as possible in terms of provision of infrastructure and community facilities. Hong Kong has developed nine new towns since the initiation of its New Town Development Programme in 1973 to cope with the increase in population and to improve the living environment by de-centralizing the population from the over-crowded urban districts. The nine new towns are Tsuen Wan, Sha Tin, Tuen Mun, Tai Po, Fanling / Sheung Shui, Yuen Long, Tseung Kwan O, Tin Shui Wai and Tung Chung. Source: Civil Engineering and Development Department.

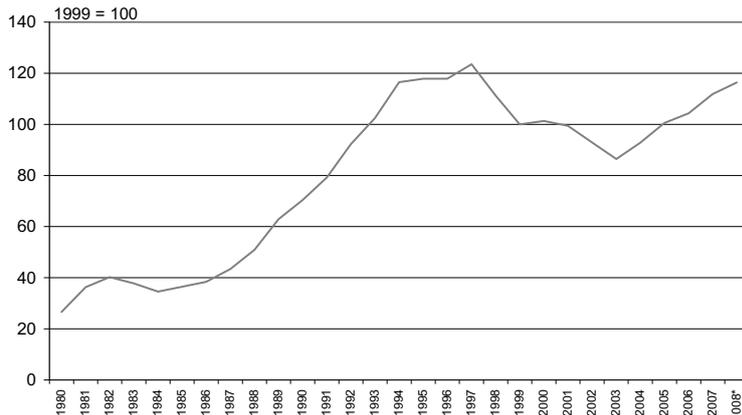
¹⁷ Over 50,000 sq.ft.

¹⁸ Gross floor area (GFA), is the area contained within the external walls of the building measured at each floor level, including any floor below the level of the ground, excludes any floor space that the Building Authority is satisfied is constructed or intended to be used solely for parking motor vehicles, loading or unloading of motor vehicles or occupied solely by machinery or equipment for any lift, air-conditioning or heating system or any similar service.

1.4.3 Retail Rents and Prices

Rental Trends

Private Retail Rental Index, 1980 – 2008



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

The strong rebound in the local economy as well as the implementation of the IVS induced a strong recovery in the retail market, and private retail rents increased by around 35 per cent from 2003 to 2008. Average prime shopping centre rents in Hong Kong stood at HK\$259 per sq.ft. gross at the end of 2008¹⁹, surpassing their 1997 peak.

Private Retail Rental Index Growth Rate (Month-on-Month), January 2009 – June 2009

Jan-2009	-2.4%
Feb-2009	-0.8%
March-2009	-0.1%
April-2009	-1.1%
May-2009	+2.1%
June-2009	+1.4%

The recent weakening of the economy and the fall in retail sales since early 2009 have both pushed retail rents down in 2009. Retail rents recorded a fall over four consecutive months from January 2009 to April 2009, but rebounded slightly by 2.1 and 1.4 per cent in May and June 2009 respectively.

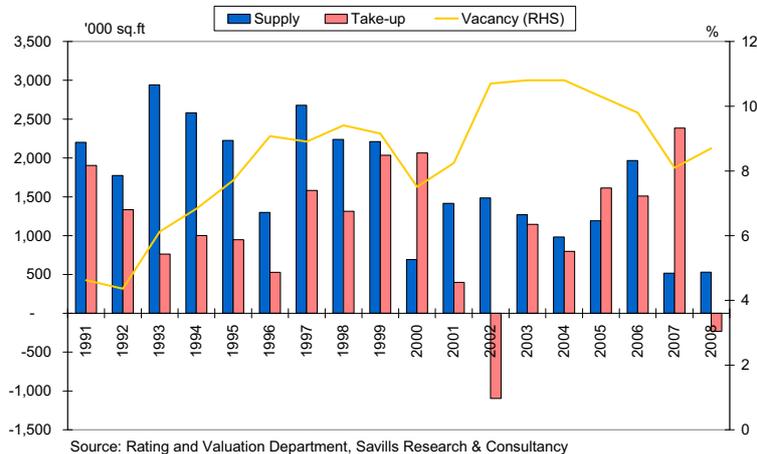
Take-up and Vacancy

Average take-up between 1980 and 1989, between 1990 and 1999, and between 2000 and 2008 stood at approximately 2.3 million sq.ft., 1.4 million sq.ft. and 1 million sq.ft., respectively. Besides the maturing nature of the market, the falling take-up is also attributable to falling supply levels. Take-up rebounded from 0.8 million sq.ft. in 2004 to 2.4 million sq.ft. in 2007.

The negative take-up of retail space in 2008 is the result of demand contraction on the back of the global financial crisis, and a number of chain retailers have closed in Hong Kong, examples being Tai Lam and U-Right, which both closed towards the end of last year. Vacancy rates increased to 8.7 per cent in 2008 as a result.

¹⁹ Source: Savills Research & Consultancy

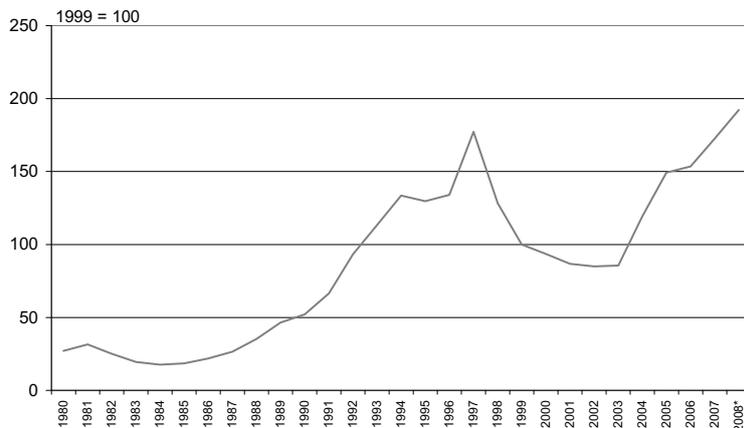
Private Commercial Supply, Take-up and Vacancy Rate, 1991 – 2008



Source: Rating and Valuation Department, Savills Research & Consultancy

Price Trends

Private Retail Price Index, 1980 – 2008



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

Prices of private retail space in Hong Kong have generally followed the same trend as rents. Prices grew along with rising rents from 1984 but have been rising more swiftly since the early 1990's, fuelled by negative real interest rates. A total increase of 650 per cent was recorded over the 1984 to 1994 period, representing average annual growth of 21 per cent. A marginal decline in prices was recorded in 1995 but values rose again in 1996 and 1997. Asset deflation took hold after the financial crisis and prices have dropped by 52 per cent to 2002. After rising by more than 125 per cent from the trough in 2003 to 2008, yield compression became a stumbling block for most investors looking for investment properties.

Private Retail Prices Index Growth Rate (Month-on-Month), January 2009 – June 2009

Jan-2009	-4.2%
Feb-2009	-0.6%
March-2009	+2.0%
April-2009	+1.8%
May-2009	+6.1%
June-2009	+4.7%

Investment activities in retail properties has been limited since late 2008. Prices of private retail premises in Hong Kong thus recorded a fall of 4.2 and 0.6 per cent in January and February 2009 respectively. Nevertheless, availability of relatively cheap capital and rebounding investment sentiment due to the stock market rally has revived interest in retail properties and prices rebounded by nearly 15.3 per cent from March to June 2009.

Shopping Centre Transactions

Major Shopping Centre Transactions, 2004 – 2009

Transaction Date	District	Property	Unit	Consideration (HK\$)	Gross Area (sq. ft.)	Gross Unit Price (HK\$/psf)	Vendor	Purchaser
Mar-04	Mongkok	Grandview Building, 8–8A Nelson Street	1/F-3/F & Entrance Hall on G/F	\$393,000,000	21,883	\$17,959	Growth Bright Ltd.	Standard Investment Ltd.
May-04	Causeway Bay	8 Russell Street	G/F-3/F	\$525,000,000	22,642	\$23,187	Bestpro Holdings	Keenworld Corp. Ltd.
May-04	Southside	Beach Centre, 33 & 35 Beach Road	Whole Block	\$100,000,000	N/A	N/A	Wellcome Co. Ltd.	Wellson Properties Ltd.
Aug-04	Sham Shui Po	Golden Shopping Centre, 94 Yen Chow Street	B/F-1/F	\$143,500,000	28,912	\$4,963	Special Shine Investments Ltd.	China Wealthy Enterprises Ltd.
Nov-04	Central	Silver Fortune Plaza, 1 Wellington Street	LG/F-4/F	\$280,000,000	28,953	\$9,671	Lucky Country Development	United Central Ltd.
Jul-05	Causeway Bay	Elizabeth House, 250-254 Gloucester Road	G/F-6/F & Carparks	\$1,480,000,000	235,000	\$6,298	Winsworld Properties Ltd.	Express Chain Ltd.
Aug-05	Mongkok	Far East Bank Mongkok Building, 11 Nelson Street	Portion of G/F & 1/F-5/F	\$399,880,000	N/A	N/A	Shaw Theatres (Hong Kong) Ltd.	Easy Will Enterprise Ltd.
Aug-05	Tsim Sha Tsui	26 Kimberley Street	Comm'l Development & Carparks	\$501,000,000	N/A	N/A	Bushell Ltd.	Sinoking Inv Ltd.
Jan-06	Kowloon Tong	Festival Walk	50% share	\$6,180,000,000	1,210,000 (all)	\$10,215	CITIC Pacific	Swire Properties
Jan-07	Mongkok	Mong Kok Computer Centre, 8–8A Nelson Street	1/F & Others	\$750,000,000	26,000	\$28,846	Standard Investment	Preciousbud Ltd.
Feb-07	Mongkok	Golden Plaza, 745 to 747 Nathan Road	B/F-G/F & Others	\$515,000,000	N/A	N/A	Perfect Manor Ltd.	Bliss Investments Ltd.
May-07	Tai Po	La Fontaine, 6 Chui Lok Street	Comm'l Podium Incl. Common Area & Service Facilities	\$120,200,000	29,804	\$4,033	Great Rich Holdings Ltd.	Fu Lam Finance Co. Ltd.
Jun-07	Tsuen Wan	Allway Gardens Shopping Centre & Carparks	Ph 1 G/F & 2/F, Ph 2 G/F & M/F, Ph 3 6/F & Carparks	\$221,800,000	223,000	\$995	Goldhill Investments Ltd.	Max Rainbow Enterprise Ltd.
Sep-08	Tung Chung	Seaview Crescent	Kindergarten & retail shop	\$100,000,000	38,000	\$2,632	Newfoundworld Site 3 (Retail) Ltd.	Grand Idea Enterprises Ltd.
Apr-09	Tin Shui Wai	Grandeur Terrace	G/F-1/F	\$303,000,000	46,716	\$6,486	Rich Score Development Ltd.	New Golden Investments Ltd.

Source: EPRC, Company Announcements, Savills Research & Consultancy

Shopping centre²⁰ transactions in Hong Kong have been limited over the past five years as many shopping centres in good locations, no matter core retail areas or suburban areas, are tightly held by their developers and only a handful are generally available for sale.

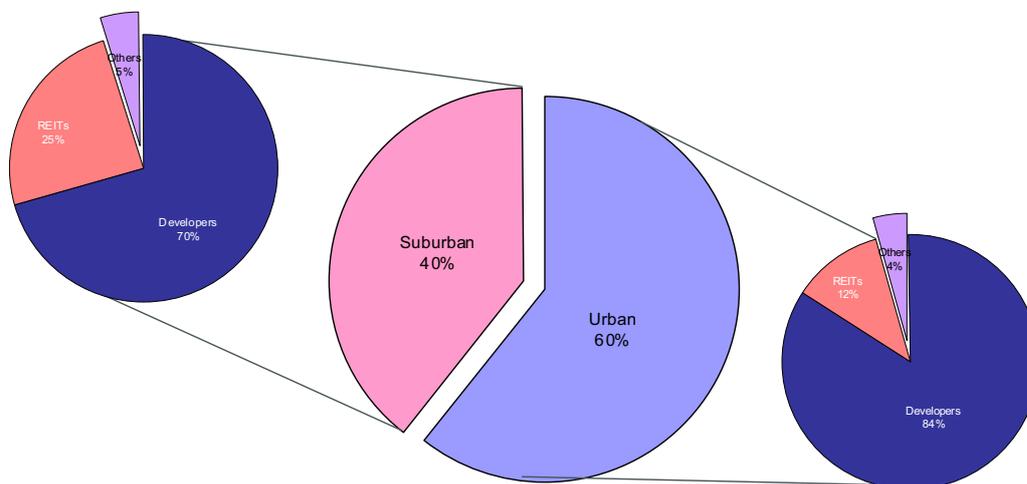
²⁰ Exclude multi-floor retail units which are often occupied by one or a few retailers with no branding of a shopping centre and no specific trade / tenant mix.

The largest transaction recorded in terms of consideration from 2005 to 2009 was Festival Walk in Kowloon Tong in a deal between CITIC Pacific and Swire Properties. Swire properties acquired a 50 per cent interest in Festival Walk from CITIC Pacific with a consideration of HK\$6.1 billion, or HK\$10,215 per sq.ft. of gross area, on January 20, 2006. More recently, the retail podium of Grandeur Terrace in Tin Shui Wai has been sold for HK\$303 million, or HK\$6,486 per sq.ft. of gross area, on April 20, 2009.

According to the above transaction table, which is sourced from company announcements and EPRC, from 2004 to 2009 only three shopping centres over 120,000 sq.ft. have been transacted.

A few other shopping centres are reported to have been sold over the period, including the retail podium of Ocean Shores, but such transactions are not recorded above as no official information is currently available.

Shopping Centre with GFA over 120,000 sq.ft., Breakdown by Floor Area²¹



Source: Company Reports, Savills Research & Consultancy

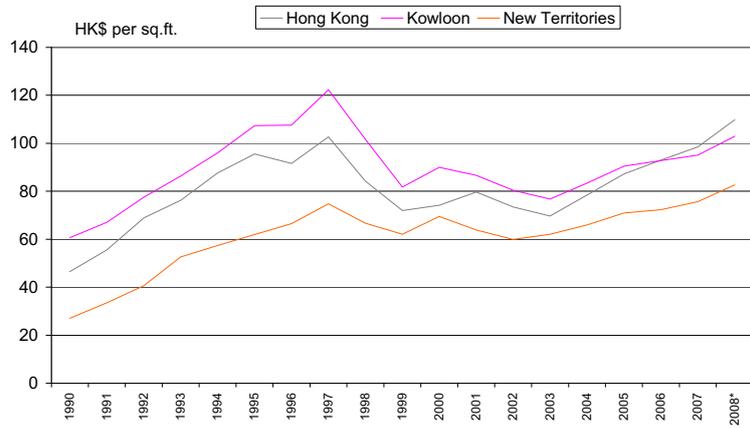
According to various company reports and Savills' estimates, 60 per cent of shopping centre in Hong Kong with a gross floor area over 120,000 sq.ft. are located in urban areas (Hong Kong Island and Kowloon), while the rest are situated in suburban area (the New Territories). In both areas, over 95 per cent of centres are held in the hands of developers and REITs and are not frequently transacted.

1.4.4 Suburban Retail Market

As site availability becomes increasingly scarce in urban areas, new retail premises over the past decade have been completed in more remote areas in fringe Kowloon and the New Territories, forming the suburban retail market. Major characteristics of suburban retail centres are that they often come in the form of large retail podiums of new residential developments, with a strong and often captive primary catchment, offering mainly daily necessities and basic comparison goods with a strong F&B presence. The ratio of suburban retail completions to total retail completions increased dramatically from 18 per cent for the period 1980 to 1998 to 33 per cent for the period 1999 to 2008, revealing that nearly one-third of the centres completed over the past decade have been suburban centres, most of which are located in the New Territories.

²¹ While properties held by Real Estate Investment Trusts (REITs) are clearly shown in their respective annual reports, Savills has only loosely categorized properties held by 'Developers' and 'Others' and thus the percentage shown in this chart can only be regarded as rough estimates.

Private Retail Rents by Districts, 1990 - 2008



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

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

1.5 Retail Market Outlook

Though early signs of a market stabilization have been noted, it is the consensus view that the general economy will not recover until next year, and the employment market may still take one to two years to stabilize. With incomes facing downward pressure and general consumer confidence remaining weak, the retail market outlook is cautious over the short-term. While the anticipated return of positive economic growth and a stable labour market should improve local spending sentiment, continuing strong arrivals of Mainland visitors and a possible rebound in long haul arrivals from next year should help to boost visitor spending on shopping.

Statistically, total retail sales growth has been highly related to the rate of unemployment (negative) as well as growth in real GDP (positive) over the past two decades ($R^2 = 75\%$). Extrapolating this historic relationship into the future, the total retail sales value is expected to decline by 10 per cent in 2009 before stabilizing in 2010 and 2011. Moderate growth of 2.8 per cent per annum in retail sales is then forecast in both 2012 and 2013.

Retail rental growth has also shown a relatively high positive correlation with the growth of total retail sales productivity over the past two decades ($R^2 = 66\%$), indicating that retail rents were affected by both the money generated from, and the provision of, retail space over the period. Retail rents are expected to decline by 8 per cent in 2009, slightly increase by 1 per cent in 2010 before reverting to average growth of 2.8 per cent from 2011 to 2013.

Summary of Private Retail Rental Forecast, 2009E – 2013E

Year	Rental Growth
2009	-8%
2010	+1%
2011	+1%
2012	+3%
2013	+4%

Source: Savills Research & Consultancy

2.0 CATCHMENT AND INDIVIDUAL ASSET ANALYSIS

The subject portfolio comprises three suburban retail centres, namely Metro Town in Tseung Kwan O, Caribbean Bazaar in Tung Chung and Hampton Loft in West Kowloon. All of them are retail centres attached to a residential development, namely Metro Town, Caribbean Coast and Hampton Place respectively.

All three shopping malls benefit from extensive transport infrastructure, in particular the MTR railway network, with easy access to MTR stations and other modes of transport, and are thus well connected to the urban area and other parts of Hong Kong.

To varying degrees, the three shopping malls will benefit from future extensions to the rail and road networks currently in operation or under planning.

The three shopping malls are underpinned by stable demand from local catchments and are relatively well-insulated from the rental volatility seen in prime centres.

2.1 Metro Town

2.1.1 Location

Location Map



Source: Savills Research & Consultancy

Legend ▲ Shopping Centre ⊙ Public Transport Interchange - - - MTR Tseung Kwan O Line

Metro Town is located above the MTR Tiu Keng Leng Station in the southwest of Tseung Kwan O, and is the retail podium of the 3,772-unit residential development Metro Town developed by Cheung Kong in two phases, completed in 2006 and 2007 respectively.

The centre comprises the entire shopping centre from the ground floor to levels 2 and 3 as well as 74 parking lots on Level 2 of the four-storey podium and has a gross rentable area of 180,822 sq.ft..

Metro Town is well-connected to adjacent residential developments with direct footbridge linkages on Level 3 to Ocean Shores, a 5,728-unit private residential development, and on Level 2 to Kin Ming Estate and Choi Ming Court, a public housing estate and a public housing estate / home ownership scheme (HOS) development with 7,000 and 2,800²² / 1,920 residential units respectively. The ground floor of the shopping centre links to the bus terminus connecting the Tiu Keng Leng area with other parts of Tseung Kwan O as well as the main urban area.

2.1.2 District Analysis

District Overview

Tseung Kwan O is one of the last batch of new towns and has been expanding rapidly since the late 1980s. The area housed around 345,000 people in 2006 according to the Population By-census, and the planned population of the area is expected to increase to 450,000 people²³ upon full development.

Tseung Kwan O District Overview



Source: Savills Research & Consultancy

Legend - - - MTR Line

²² Includes flats under Public Rental Housing only

²³ Source: Civil Engineering & Development Department



The development of Tseung Kwan O has been planned along the MTR Tseung Kwan O Line with clusters of public and private developments erected around each of the four existing MTR stations in phases. Therefore, we can generally segregate Tseung Kwan O into four key sub-districts, namely Po Lam, Hang Hau, Tseung Kwan O (Town Centre) and Tiu Keng Leng, where Metro Town is located. The gradual completion of residential and commercial developments in LOHAS Park should shape it into a fifth sub-district in the future. Further to the southeast of LOHAS Park stand the Tseung Kwan O Industrial Estate and Tseung Kwan O TVB City.

Besides public housing estates and community facilities, each sub-district features at least one large-scale development, namely Metro City in Po Lam (6,768 residential units with a 1.4 million sq.ft. shopping centre), East Point City in Hang Hau (2,184 residential units with a 415,000 sq.ft. shopping centre), Park Central in Tseung Kwan O Town Centre (4,542 residential units with a 350,000 sq.ft. shopping centre) and Metro Town as well as Ocean Shores in Tiu Keng Leng.

Other than the MTR, Tseung Kwan O is also well connected to other parts of Hong Kong via a comprehensive road network. The Tseung Kwan O Tunnel connects the area to Kwun Tong as well as other parts of Kowloon and Hong Kong Island, while Hang Hau Road connects the area to Clear Water Bay and Sai Kung.

Future Development

Tseung Kwan O is a vibrant area with a number of new developments and infrastructure projects still underway. The largest private residential development to come on stream is LOHAS Park in the southeast of Tseung Kwan O, representing a total of over 20,000 units to be completed over a span of more than 10 years. Package One, The Capitol, developed by Cheung Kong with 2,096 units, was completed last year while Package Two (4,273 units) and Package Three (1,700 units) are scheduled for completion from 2009 to 2012 respectively, and other packages are in the pipeline for tender. Upon full completion, the scale of the residential development is comparable to that of Taikoo Shing, but the retail provision (expected to total between 430,000 and 540,000 sq.ft.) will only be half that of Cityplaza (over 1.1 million sq.ft.), the shopping centre serving the Taikoo Shing area.

Other upcoming private residential developments include Area 56 near Tseung Kwan O MTR Station in the south of Tseung Kwan O (1,150 units to be completed in 2011) and Area 85 near Tseung Kwan O Industrial Estate in the southeast of Tseung Kwan O (1,842 units to be completed in 2011). Two public housing estates, one in Area 73B to the southwest of Metro Town (1,974 units to be completed in 2010/11) and one in Area 65 near Tseung Kwan O MTR Station (1,850 units to be completed in 2014) will also be constructed. All of these developments are within two MTR stations of Metro Town.

Regarding future shopping centre completions, besides the retail provision in LOHAS Park, the shopping centre to be constructed in Area 56 adjacent to the residential development there, which will amount to over 200,000 sq.ft., is the only other upcoming retail project in the Tseung Kwan O area of comparable size to Metro Town.

Besides residential developments, there are also commercial and public developments to be completed in Tseung Kwan O which may enhance the population of the area and thus patronage to Metro Town. The two closest developments, which will both be adjacent to Metro Town, are the new campus of the Hong Kong Design Institute (to the northeast of Metro Town) to be completed in 2010/11, as well as the new campus for Caritas – Hong Kong in Area 73B, which will house approximately 1,400 students.

Two other new developments are to be constructed in Area 56: a 626,000-sq.ft. hotel will be completed on top of the proposed shopping centre and adjacent to the residential development, while the Joint-University hostel with 520 places (Hong Kong University of Science and Technology and Hong Kong Baptist University) will also be built in 2013. A multi-purpose sports ground, Tseung Kwan O Sports Ground, is now under construction to the northeast of Tseung Kwan O MTR Station. It will become the main venue for track and field events for the 2009 East Asian Games and is scheduled to be completed by mid-2009. It will become an important local venue thereafter.

Other new developments in Tseung Kwan O include the proposed relocation of the Inland Revenue Department to Area 67 (near Tseung Kwan O MTR Station) and the proposed relocation of the Fire Department Training Facilities to Pak Shing Kok in the east of Tseung Kwan O.

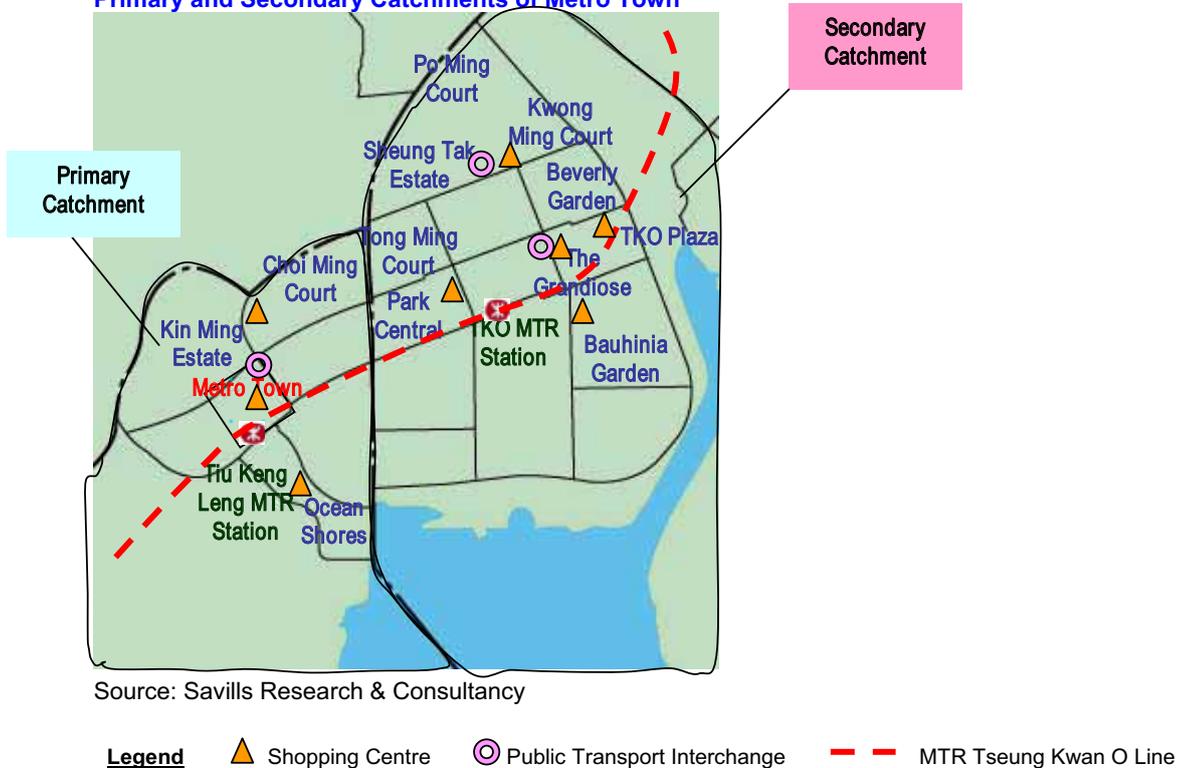
Transport Infrastructure

Tseung Kwan O is well served by both road and rail and this transport infrastructure will be further enhanced to accommodate the on-going expansion of the area. The recently opened LOHAS Park Station further extends The MTR Tseung Kwan O Line, and there will be a shuttle train operating between LOHAS Park Station and Tiu Keng Leng Station during off-peak hours at 12-minute intervals, while one out of every four trains during peak hours will commute from North Point directly to LOHAS Park Station.

The proposed construction of Route 6 by 2016 will enhance the road accessibility of Tseung Kwan O. Route 6 is comprised of four sections, two of which will be located in Tseung Kwan O. The proposed Tseung Kwan O–Lam Tin Tunnel (TKO-LT Tunnel) is a dual two-lane highway of approximately 4.8 km connecting Tseung Kwan O at Po Yap Road in the east with Trunk Road T2 on the Kai Tak Development in the West. The Cross Bay Link (CBL) is a dual two-lane carriageway of around 1.8 km with a cycle track and a footpath across Junk Bay mainly on the viaduct, connecting the TKO-LT Tunnel to Wan Po Road near Area 86 of Tseung Kwan O. Trunk Road T2 will connect TKO-LT Tunnel to the proposed Central Kowloon Route to complete Route 6, which will provide an east-west express link between West Kowloon and Tseung Kwan O.

2.1.3 Catchment Area Analysis

Primary and Secondary Catchments of Metro Town



Source: Savills Research & Consultancy

Basic Demographics

The catchment area of Metro Town can be segregated into primary and secondary catchments, with a primary catchment including developments around Metro Town, namely Ocean Shore, Kin Ming Estate, Choi Ming Court and Area 73B (to the southwest of Metro Town), and Metro Town itself, all of which are within a 10-minute walk. Residents in these developments are expected to patronize Metro Town at least weekly.

The secondary catchment is defined as the area within a 10-minute ride (or a 20-minute walk) and these residents would patronize Metro Town on a monthly basis. The secondary catchment includes the Tseung Kwan O Town Centre area. Basic demographics of the primary (excluding Metro Town) and secondary catchments are listed in the following table:

Basic Demographics of the Catchment Areas of Metro Town, 2006

	Primary	Secondary	The Whole Territory
LSBG No.	833/04-10, 833/12 & 833/14, 833/13	838/01, 838/02 & 838/08, 838/04, 838/05-07, 838/09, 838/10-14 & 838/19	
Population	50,454	85,477	6,864,346
Median Age	32 – 35	33 – 37	39
No. Households	16,988	26,252	2,226,546
Average Household Size	2.96	3.26	3.0
Median Household Income (HK\$) per month	11,000 – 42,400	16,165 – 32,000	17,250
Ratio between mortgage/loan repayment and median household income (%)	27.7 – 28.1	24.1 – 29.0	26.6
Ratio between rent and median household income (%)	16.3 – 21.7	15.9 – 31.9	16.0

Source: Census and Statistics Department, Savills Research & Consultancy

The total population of the primary and secondary catchments stood at 135,931 in 2006 while the number of households totalled 43,240. The income ranges within the two catchments were wide, reflecting a balanced mix of public and private housing estates.

The total disposable income pool is derived by deducting total mortgage / loan repayments and total rental payments of all households from the total monthly income of all households within a given catchment area. This income pool can be regarded as the maximum potential spending of all households within any given catchment.

The total disposable income pools within the primary and secondary catchments were estimated at HK\$287 million and HK\$459 million respectively in 2006. Dividing by the number of households in both areas, the per capita (household) disposable incomes of the primary and secondary catchments were HK\$16,900 and HK\$17,500 respectively, both higher than the New Territories average of HK\$14,700 in 2006.

The immediate primary catchment of Metro Town, incorporating 3,772 residential units, was not occupied in 2006 and thus was not included in the 2006 By-census data above. We have therefore estimated the number of households, population and income levels of the occupants of these apartments by their selling prices and sales rates since their respective launches in 2005 and 2006.



Based on Savills' estimates, an additional 3,656 households and 11,921 residents could be included in the primary catchment, earning monthly household incomes ranging from HK\$36,026 to HK\$68,015, which is at the higher end of the household income range of the primary catchment. We estimate that these new occupants have brought an additional total disposable income of HK\$125 million to the primary catchment in 2009.

Assuming total disposable income of the original primary catchment increases by 3.4 per cent from 2006 to 2009 (the growth rate of median household incomes in Hong Kong over the period), the total disposable income pool of the primary catchment could reach HK\$422 million.

The secondary catchment demographics and income pool have also risen with the gradual occupation of The Grandiose, a residential development, after 2006. We estimate that the scheme represents an additional 1,419 households, 4,171 residents and an additional total disposable income of HK\$42 million in 2009.

Assuming that the total disposable income of the original secondary catchment increases by 3.4 per cent from 2006 to 2009, the total disposable income pool of the secondary catchment would reach HK\$517 million.

Projected Demographics of Metro Town, 2009

	Primary Catchment	Secondary Catchment	The Whole Territory
Population	62,375	89,648	6,864,346
Number of Households	20,644	27,671	2,226,546
Total Disposable Income Pool (HK\$ million)	422	517	33,191
Per Capita (Household) Disposable Income (HK\$) per month	20,457	18,680	14,907

Source: Census and Statistics Department, EPRC, Savills Research & Consultancy

2.1.4 Competition Analysis

Besides Metro Town, there are two other retail centres in the Tiu Keng Leng area (the primary catchment of Metro Town), Choi Ming Shopping Centre and Ocean Shores retail podium, which are regarded as the most direct competing centres to Metro Town.

Choi Ming Shopping Centre

Choi Ming Shopping Centre comprises two retail blocks, one 2-storey retail facility (with carpark on the ground floor and wet market on the first floor) in Choi Ming Court and one 1-storey retail podium (connected to the second floor of Choi Ming Court) in Kin Ming Estate, from which it connects to Level 2 of Metro Town. The total internal floor area (IFA) of the shopping centre is 100,102 sq.ft. (or gross floor area of approximately 131,000 sq.ft.)

Managed by The Link, Choi Ming Shopping Centre is gradually upgrading from a local centre to introduce a more diverse tenant mix including chain retailers (Mannings, Wellcome, Japan Home Centre) and large F&B operators (Cafe de Coral, McDonald's), as well as a very large local Chinese restaurant, but the majority of tenants are still small local operators selling low-priced products.

The scale of Metro Town (180,000 sq.ft.) gives it the advantage of a varied trade and tenant mix to suit the needs of different shoppers, while Choi Ming Shopping Centre appears more narrowly focused in this respect.

Metro Town enjoys a locational advantage over Choi Ming Shopping Centre as Metro Town sits directly on top of the MTR Tiu Keng Leng Station as well as the bus terminal, creating a convenient shopping environment for residents not only of Metro Town, but also those of Kin Ming Estate and Choi Ming Court.

We therefore conclude that although Choi Ming Shopping Centre comprises some tenants of a comparable standard to Metro Town, the centre's size, overall variety of trades, convenience, layout and shopping experience lends Metro Town an advantage.

Ocean Shores Retail Podium

The retail podium of Ocean Shores (around 32,000 sq.ft.) is split into two sections, one on the LG1 level of Phase 1, which is currently vacant, and the other on the LG2 level of Phase 3 just under the footbridge link between Metro Town and Ocean Shores.

The retail podium is more limited in scale, and the accessibility of the retail podium (only one entrance from Chui Ling Road with all other entrances connecting to the private area within Ocean Shores) also hinders patronage from outside the estate. Therefore we do not regard this retail podium as a direct threat to Metro Town.

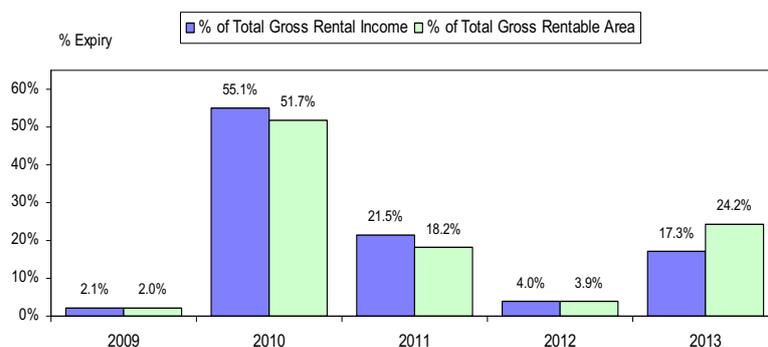
In conclusion, competition within the primary catchment area is weak and Metro Town should be able to capture the majority of the patronage and potential spending in the primary catchment.

Competing Malls in the Secondary Catchment

The secondary catchment of Metro Town, Tsueng Kwan O Town Centre, features key shopping centres, namely Park Central (around 350,000 sq.ft.), The Edge (around 128,000 sq.ft.), Tseung Kwan O Plaza (around 315,000 sq.ft.), the retail podium of Bauhinia Garden (around 36,000 sq.ft.) and Sheung Tak Shopping Centre (around 133,000 sq.ft. IFA). Although these shopping centres attract the patronage of nearby residents for daily and weekly shopping, their scattered nature and distance from the MTR Tsueng Kwan O Station (all centres have no direct link to the station) means that residents in the area may choose to patronise Metro Town on an occasional basis, such as once a month or once every other month.

2.1.5 Metro Town Performance Analysis

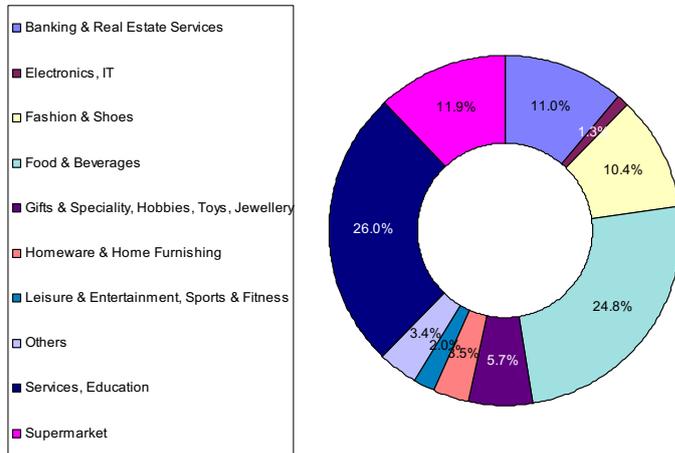
Lease Expiry Profile of Metro Town, 2009 – 2013



Source: ARA Asset Management (Singapore) Limited, Savills Research & Consultancy

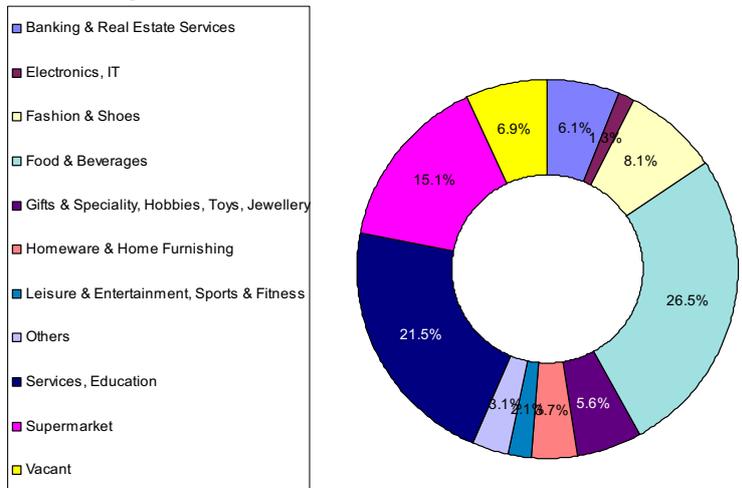
Lease expiries are concentrated in 2010 both in terms of gross rental income and floor area, with 50 per cent of leases expiring in that year. The larger tenants with lease expiries are Fairwood, Bank of East Asia, Watson's and two specialty restaurants, all geared towards daily / necessity shopping.

Trade Mix by Gross Rental Income of Metro Town, June 2009



Source: ARA Asset Management (Singapore) Limited, Savills Research & Consultancy

Trade Mix by GRA of Metro Town, June 2009



Source: ARA Asset Management (Singapore) Limited, Savills Research & Consultancy

In terms of both gross rental income and floor area occupied, Food & Beverages and Services, Education are the major occupiers with each trade accounting for over 20 per cent of the centre's total gross rent and occupying over 20 per cent of the centre's floor space as in June 2009. The largest rent payer and occupier is Park'N Shop, which contributes 11.9 per cent of total gross rental income and occupies around 27,000 sq.ft.

2.1.6 Outlook and SWOT Analysis

Metro Town, as a suburban centre with a strong primary catchment, should be well insulated during the market downturn and this is supported by the fact that rents and occupancy have proved relatively stable in 2008 and over the first half of 2009. Together with the opening of LOHAS Park Station in mid-2009, and the opening of the Tseung Kwan O Sports Ground for the 2009 East Asian Games in late 2009, we expect a relatively lower decrease in rents for Metro Town, in the region of 2 per cent, for 2009.

2010 will represent both challenges and opportunities to the landlord of Metro Town as over 50 per cent of leases will expire in that year. The scheduled completion of the new campus of the Hong Kong Design Institute in 2010/11 should provide additional patronage to the centre. We therefore anticipate rental growth to be around 1 per cent in 2010, in line with the market overall.

The completion and gradual occupation of the proposed public housing estate in Area 73B (an addition of 2,000 households) from 2010/11 onwards, adjacent to Metro Town, should have a positive impact on the rental growth of the centre over those years. We therefore expect rents to outperform the market in 2011 and 2012 before developing in line with the market in 2013.

Notably, we have not taken into account the residential and other developments coming on stream in the secondary catchment over the next few years, as we believe most of the positive impact of this additional demand will be absorbed by the 200,000-sq.ft. retail centre in Area 56 to be completed about the same time as the residential and hotel components of Area 56. Nevertheless, the active upgrading of the Tseung Kwan O area should benefit Metro Town in general.

Rental Forecast for Metro Town, 2009E – 2013E

	Market	Metro Town	Events related to Metro Town
2009	-8%	-2%	Opening of LOHAS Park Station, opening of Tseung Kwan O Sports Ground for 2009 East Asian Games
2010	+1%	+1%	High concentration of expiries, opening of new campus of Hong Kong Design Institute
2011	+1%	+2%	Completion and gradual intake of public housing estate in Area 73B
2012	+3%	+4%	Gradual intake of public housing estate in Area 73B
2013	+4%	+4%	-

Source: Savills Research & Consultancy

SWOT Analysis

<p>Strengths</p> <ul style="list-style-type: none"> ▪ Strong primary catchment with relatively high disposable income ▪ Few competitions within the primary catchment ▪ Convenient location with direct MTR linkage ▪ High occupancy rate with stable rental income 	<p>Opportunities</p> <ul style="list-style-type: none"> ▪ New residential and school developments within the primary catchment to further increase patronage ▪ Improving transport infrastructure to further enhance accessibility ▪ Evolving and upgrading of Tseung Kwan O to boost image of Metro Town in general
<p>Weaknesses</p> <ul style="list-style-type: none"> ▪ High number of small fashion retailers which may be vulnerable during market downturn ▪ More competition in the secondary catchment area 	<p>Threats</p> <ul style="list-style-type: none"> ▪ Future competing centres in Area 56 and LOHAS Park

2.2 Caribbean Bazaar

2.2.1 Location

Location Map



Source: Savills Research & Consultancy

Legend	Shopping Centre	Public Transport Interchange
	MTR Airport Express	MTR Tung Chung Line
	Ngong Ping 360 Cable Car	

Caribbean Bazaar is the retail podium of Caribbean Coast, a 5,336-unit residential development completed in phases from 2002 to 2008. The complex is located on the northern shore of Tung Chung to the north of Tung Chung Town Centre, and is adjacent to another private development, the 3,370-unit Coastal Skyline, developed in phases from 2002 to 2007.



The centre comprises retail premises on Level 1 of a three-storey podium (including B1 and B2) of Caribbean Coast, and has a gross rentable area of 63,018 sq.ft.. The main entrance of the subject shopping centre is located on Level 1 adjacent to Man Tung Road together with four side entrances. The main entrance leads to a pedestrian hall where two escalators are provided for vertical access to Level 1.

Further to the west and southwest of Caribbean Coast is the Tung Chung Crescent and Seaview Crescent developments, which comprise 4,374 units, and Citygate, the 500,000-sq.ft. shopping centre, part of which has been transformed into a factory outlet mall.

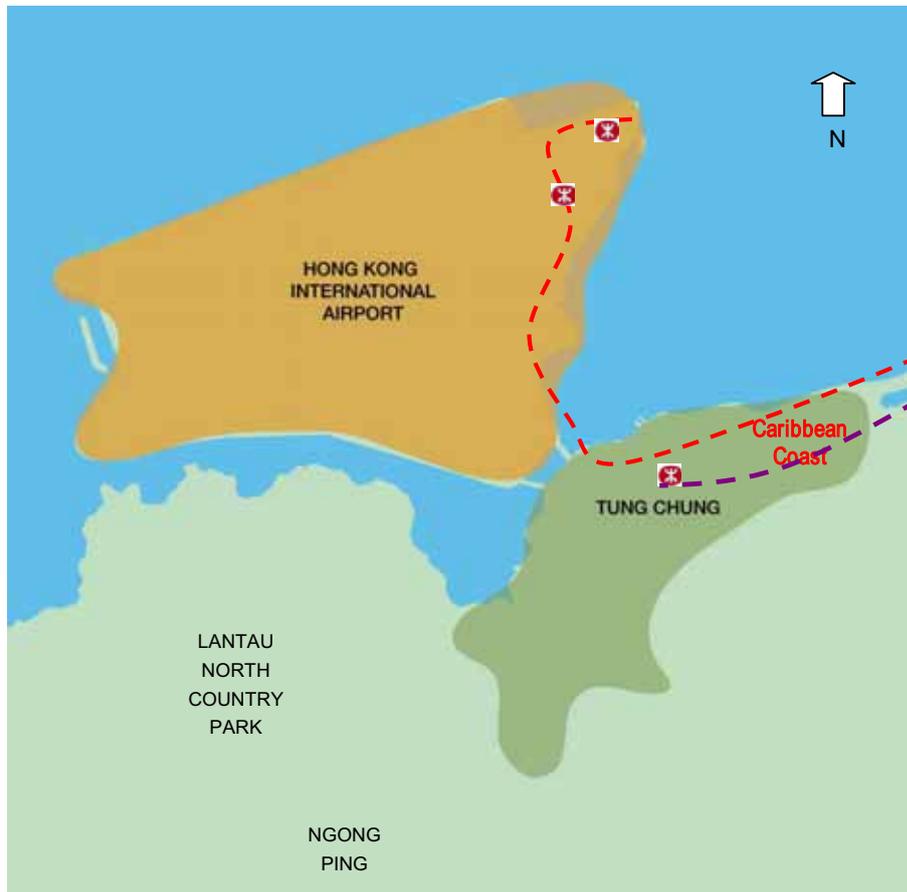
2.2.2 District Analysis

District Overview

Tung Chung is one of the last batch of new towns developed since the 1990s and is a 10-minute bus ride from Hong Kong International Airport (HKIA). The area housed around 34,000 people in 2006 according to the Population By-census, with the planned population of the area expected to increase to 71,000 persons²⁴ upon full development.

²⁴ Source: Civil Engineering & Development Department

Tung Chung District Overview



Source: Savills Research & Consultancy

Legend — MTR Airport Express — MTR Tung Chung Line

Tung Chung is on the northern shore of Lantau Island and is close to Hong Kong International Airport (HKIA). The area is also close to other amenities on Lantau Island, namely Disneyland and Ngong Ping 360. Similar to other new towns, the occupation of the area began with the completion of a public housing estate, Fu Tung Estate in 1997, with other private and public developments completed thereafter in phases.

The area has a cluster of private and public developments, with the 1,700-unit Fu Tung Estate and the 2,640-unit Home Ownership Scheme Yu Tung Court immediately next to the MTR Tung Chung Station, and the 12,000-units Yat Tung Estate further to the southwest. Several schools and government facilities are scattered within the vicinity of Caribbean Bazaar, and the Ngong Ping 360 Cable Car Terminal is also located near the MTR Tung Chung Station. The following is a list of schools within the vicinity of Caribbean Bazaar:

Primary and Secondary Schools in Tung Chung

School	Location	Number of Students
Ho Yu College & Primary School (Sponsored by Sik Sik Yuen)	Caribbean Coast	394 (Primary) 1,012 (Secondary)

School	Location	Number of Students
Ling Liang Church E Wun Secondary School	Coastal Skyline	1,028
Ling Liang Church Sau Tak Primary School	Coastal Skyline	752
Po On Commercial Association Wan Ho Kan Primary School	Fu Tung Estate	714
PLK Mrs. Ma Kam Ming – Cheung Fook Sien College	Fu Tung Estate	1,099
Ching Chung Hau Po Woon Primary School	Fu Tung Estate	760
HKFEW Wong Cho Bau Secondary School	Fu Tung Estate	1,020
HKFEW Wong Cho Bau School	Yat Tung Estate	958
Tung Chung Catholic School	Yat Tung Estate	1,009 (Primary) 1,060 (Secondary)
The Salvation Army Lam Butt Chung Memorial School	Yat Tung Estate	977
Caritas Charles Vath College	South of Yat Tung Estate	404
YMCA of Hong Kong Christian College	South of Yat Tung Estate	835

Source: Education Bureau, Savills Research & Consultancy

The students from the three schools in Caribbean Coast and Coastal Skyline, with a total of around 3,200 pupils, could be expected to patronize Caribbean Bazaar on a regular basis.

Tung Chung is mainly connected to other urban areas by the MTR Tung Chung Line as well as a number of bus routes which connect the HKIA with urban areas via Tung Chung.

Future Development

No new residential developments are scheduled for completion in Tung Chung over the next five years, but there are plans to build a total of 3,600 public housing units on the newly reclaimed land to the north of Caribbean Coast. The exact date of completion is yet to be decided.

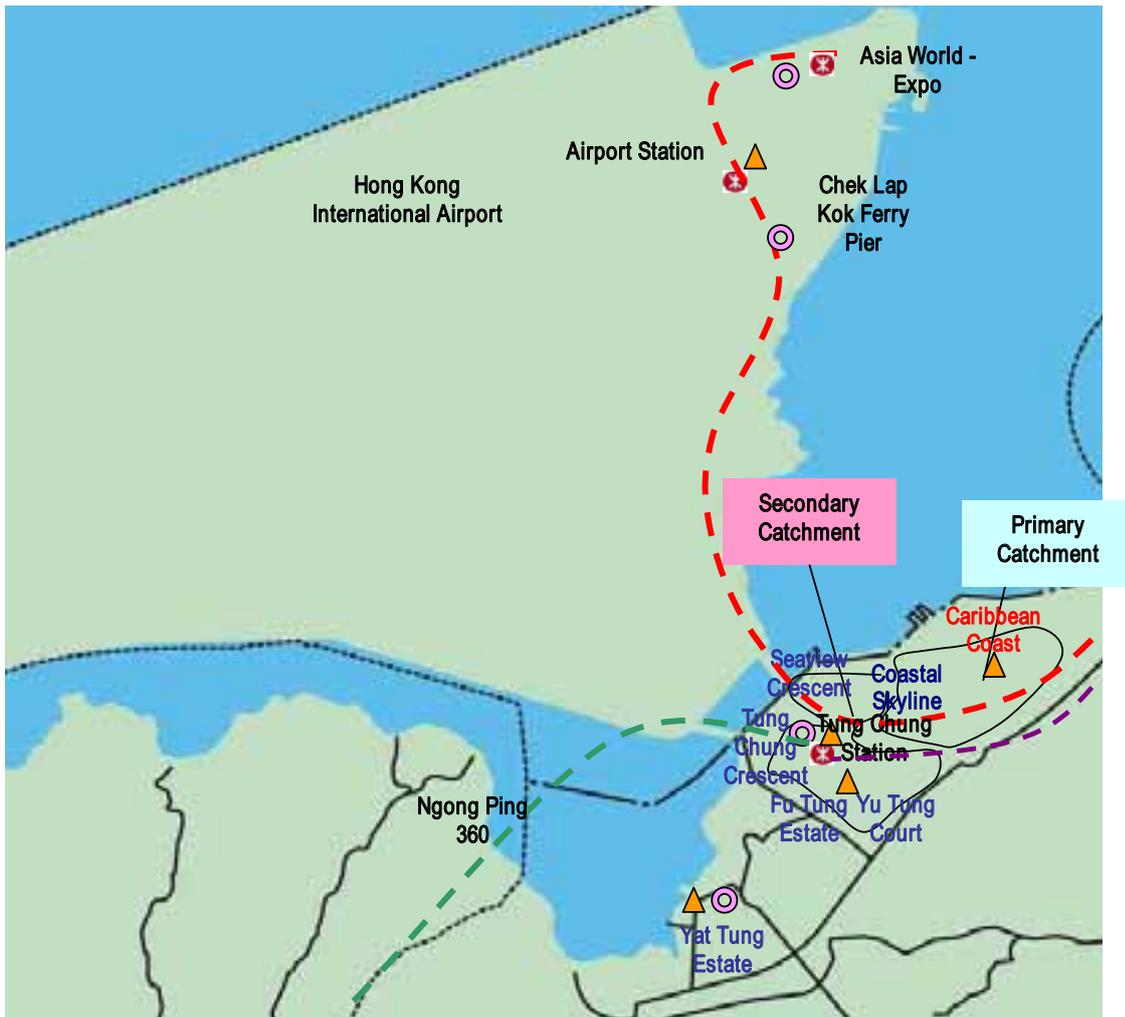
Besides residential developments, the Government has also earmarked a 4.9-hectare piece of land south of Fu Tung Estate to develop a public hospital to service the area. Phase 1 of the hospital (1.9 hectares) is scheduled for completion by the end of 2012.

Transport Infrastructure

While internal linkages are already comprehensive, two major transport infrastructure projects, namely the Hong Kong-Zhuhai-Macao Bridge (HKZMB) and the Tuen Mun-Chek Lap Kok Link and Tuen Mun Western Bypass (TM-CLK Link), should help to improve the overall accessibility of Tung Chung. The HKZMB will connect Hong Kong with Zhuhai and Macao via a 30-km bridge and is expected to be completed in 2015/16. The connecting point at the Hong Kong side will be in the northeast of the Airport Island. The TM-CLK Link, upon its completion in 2016, will connect Tuen Mun in the north and the HKIA and Tung Chung in the south via a 9-km dual two-lane highway.

2.2.3 Catchment Area Analysis

Primary and Secondary Catchments of Caribbean Bazaar



Source: Savills Research & Consultancy

Legend	Shopping Centre	Public Transport Interchange
	MTR Airport Express	MTR Tung Chung Line
	Ngong Ping 360 Cable Car	

Basic Demographics

The catchment area of Carribbean Bazaar can be segregated into primary and secondary catchments, with the primary catchment including Coastal Skyline and Caribbean Coast itself, both of which are within a 10-minute walk. Residents of these developments are expected to patronize Carribbean Bazaar at least once a week.

The secondary catchment is defined as the area within a 20-minute walk and these residents could be expected to patronize Caribbean Bazaar on a monthly basis. The secondary catchment includes mainly Tung Chung Crescent, Seaview Crescent, Fu Tung Estate and Yu Tung Court. Basic demographics of the primary (excluding later phases of Coastal Skyline and Caribbean Coast) and secondary catchments are listed in the following table:

Basic Demographics of the Catchment Areas of Caribbean Bazaar, 2006

	Primary	Secondary	The Whole Territory
Building Group No.	IS0035 – 38, 40 – 41	IS0033 – 34, 62, 68 – 70, 75 – 77	
Population	11,045	21,260	6,864,346
Median Age	35 – 36	32 – 39	39
No. Households	4,728	7,310	2,226,546
Average Household Size	2.33	2.91	3.0
Median Household Income per month (HK\$)	23,900 – 33,000	14,250 – 41,000	17,250
Ratio between mortgage/loan repayment and median household income (%)	28.6 – 32	24.2 – 29.4	26.6
Ratio between rent and median household income (%)	19.9 – 28.1	10.0 – 50.0	16.0

Source: Census and Statistics Department, Savills Research & Consultancy

The total population of the primary and secondary catchments in 2006 stood at 32,305 representing 12,038 households. Monthly incomes in the primary catchment ranged from HK\$23,900 to HK\$33,000, while those in the secondary catchment represented a much wider range of HK\$14,250 to HK\$41,000, reflecting the mix of private and public housing residents in the secondary catchment.

The total disposable income pool is derived by deducting the total mortgage / loan repayments and total rental payments of all households from the total monthly income of all households within a given catchment area. This income pool can be regarded as the maximum potential spending of all households within any given catchment area.

The total disposable income pools of the primary and secondary catchments were estimated at HK\$101 million and HK\$146 million respectively in 2006. Dividing by the number of households in both areas, the per capita (household) disposable incomes of the primary and secondary catchments were HK\$21,400 and HK\$19,900 respectively, both higher than the New Territories average of HK\$14,700.

It is noteworthy that the newer phases of Coastal Skyline (Phases 3 & 4) and Caribbean Coast (Tower 12 of Phase 3 and Phase 4) within the primary catchment were not occupied in 2006 and thus were not included in the 2006 By-census statistics. We have therefore estimated the number of households, population and income levels of the occupants of these apartments by using their selling prices and sales rates since their respective launches from 2006 to 2008.

Based on Savills' estimates, an additional 2,291 households and 6,926 residents could be included in the primary catchment, with monthly household incomes ranging from HK\$23,608 to HK\$58,850, which is at the higher end of the household income range of the primary catchment. These new occupants bring an additional total disposable income of HK\$55 million to the catchment in 2009.

Assuming total disposable income of the original primary catchment increases by 3.4 per cent from 2006 to 2009, the total disposable income pool of the primary catchment can be expected to reach HK\$160 million.

Assuming that the total disposable income of the original secondary catchment increases by 3.4 per cent from 2006 to 2009, the total disposable income pool of the secondary catchment could reach HK\$151 million.

Projected Demographics of Caribbean Bazaar, 2009

	Primary Catchment	Secondary Catchment	The Whole Territory
Population	17,971	21,260	6,864,346
Number of Households	7,019	7,310	2,226,546
Total Disposable Income Pool (HK\$ million)	160	151	33,191
Per Capita (Household) Disposable Income per month (HK\$)	22,820	20,612	14,907

Source: Census and Statistics Department, EPRC, Savills Research & Consultancy

2.2.4 Competition Analysis

There are no competing centres within the primary catchment of Caribbean Bazaar, and thus we can expect Caribbean Bazaar to capture most of the patronage and potential spending power of the primary catchment. Nevertheless, there exist two competing centres, the 500,000-sq.ft. Citygate and the 100,000-sq.ft. (IFA) Fu Tung Estate, within the secondary catchment area. Yat Tung Estate also comprises a 200,000-sq.ft. (IFA) shopping centre, but since it is located outside both the primary and secondary catchment area of Caribbean Bazaar, this should not be regarded as competition.

Citygate

Citygate, the 500,000-sq.ft. centre of the Tung Chung Crescent development, became popular among both local residents and visitors when the majority of the centre was transformed into a factory outlet in 2006, with most of the tenants serving mid market customers. The centre has become a retail destination which attracts weekend patronage apart from meeting the needs of nearby residents.

Fu Tung Shopping Centre

Fu Tung Shopping Centre serves as a compliment to Citygate as it provides more basic offerings to local residents. Managed by The Link, the tenant mix of the centre is gradually shifting from purely small local operators to large chain retailers, such as Wellcome, Mannings, Cafe de Coral and Maxim's.

Together with Citygate, the two centres serve most of the basic needs and weekend patronage of the secondary catchment area, which makes it difficult for Caribbean Bazaar to lure residents from this area even on an occasional basis. Nevertheless, the 7,000-sq.ft. Park'N Shop in Caribbean Bazaar, the only such superstore in Tung Chung, should still serve to attract customers from the secondary catchment area.

2.2.5 Caribbean Bazaar Performance Analysis

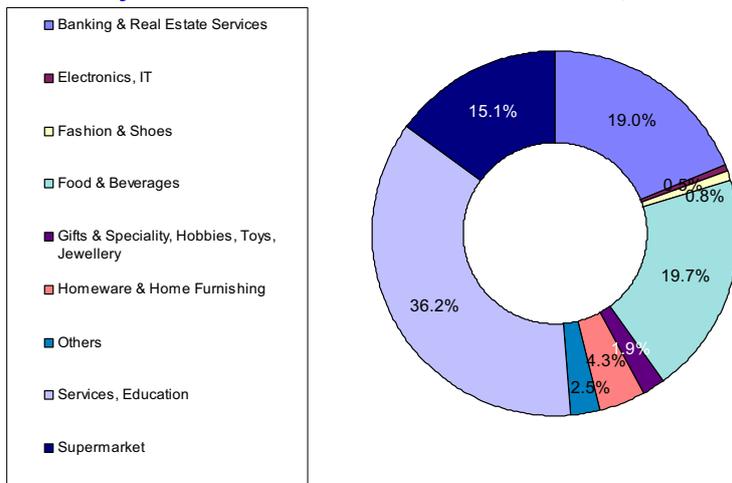
Lease Expiry Profile of Caribbean Bazaar, 2009 – 2013



Source: ARA Asset Management (Singapore) Limited, Savills Research & Consultancy

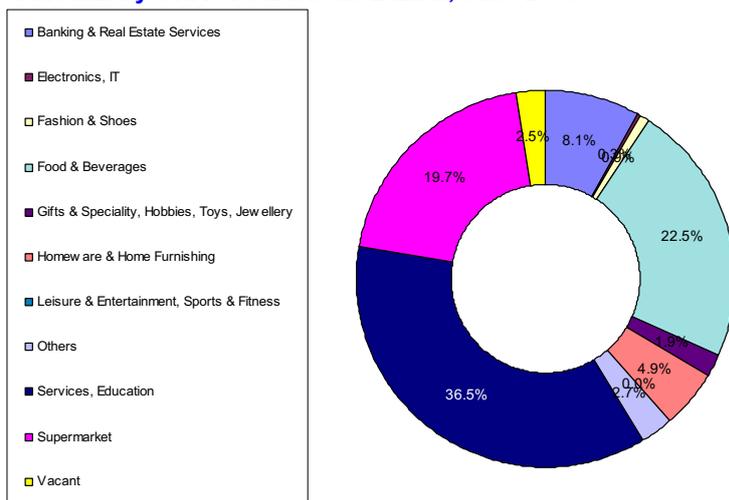
While expiry by floor area occupied is quite evenly distributed from 2010 to 2012, we note that in terms of gross rental income, 41 per cent of leases will expire in 2010. Two of the highest paying tenants are both estate agents and efforts are needed to retain these tenants or the landlord will risk a reduction in rental income as any replacement tenants not in the same industry may not be able to afford such rental levels. In June 2009, Banking & Real Estate Services tenants paid HK\$76 per sq.ft., much higher than the centre average of HK\$33 per sq.ft.

Trade Mix by Gross Rental Income of Caribbean Bazaar, June 2009



Source: ARA Asset Management (Singapore) Limited, Savills Research & Consultancy

Trade Mix by GRA of Caribbean Bazaar, June 2009



Source: ARA Asset Management (Singapore) Limited, Savills Research & Consultancy

Services, Education is the largest trade category in Caribbean Bazaar both in terms of rental income as well as floor area (around 36%), while Food & Beverages also represents roughly 20 per cent of rental income and 23 per cent of occupied space, reflecting the fact that a majority of trades are serving daily necessities of local



residents. Banking and Real Estate tenants, who represent 19 per cent of gross income, only account for 8 per cent of floor space, reflecting their high rent paying status.

2.2.6 Outlook and SWOT Analysis

Caribbean Bazaar, as a suburban centre with a strong and captive primary catchment, should be well insulated during the market downturn. We therefore expect a more moderate softening in rents for Caribbean Bazaar, in the region of 4 per cent, for 2009.

With 41 per cent of leases in terms of rental income expiring in 2010, the landlord may need to take proactive measure to retain the higher rent paying tenants, and this may include the pre-emptive renegotiation of leases. We believe this will be the case and the landlord should be able to retain tenants with a minimal impact on rents, and we therefore anticipate that rents in the centre to increase slightly by 1 per cent, in line with the market overall.

While other new developments in Tung Chung will only have a marginal impact on Caribbean Bazaar, the proposed development of 3,600 public housing units to the north of the centre should improve patronage. Nevertheless, the timing of the completion of the estates is unknown and thus the positive impact on the centre's rents may well lie beyond our five-year forecast period.

Rental Forecast for Caribbean Bazaar, 2009E – 2013E

	Market	Caribbean Bazaar	Events related to Caribbean Bazaar
2009	-8%	-4%	High occupancy, captive primary catchment
2010	+1%	+1%	Expiry of high paying tenants
2011	+1%	+1%	-
2012	+3%	+3%	-
2013	+4%	+4%	-

Source: Savills Research & Consultancy

SWOT Analysis

<p>Strengths</p> <ul style="list-style-type: none"> ▪ Strong primary catchment with relatively high disposable income ▪ No competition within the primary catchment ▪ Captive environment ▪ High occupancy with stable rental income 	<p>Opportunities</p> <ul style="list-style-type: none"> ▪ New public housing developments within the primary catchment to further increase patronage in the long-term ▪ Improving transport infrastructure to further enhance accessibility
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Weaknesses	Threats
<ul style="list-style-type: none"><li data-bbox="252 472 638 555">▪ High number of small retailers which may be vulnerable during market downturn<li data-bbox="252 555 614 638">▪ Strong competition in the secondary catchment, limiting occasion patronage	

2.3 Hampton Loft

2.3.1 Location

Location Map



Source: Savills Research & Consultancy

Legend ▲ Shopping Centre ⊙ Public Transport Interchange - - - MTR Tung Chung Line

Hampton Loft is the 2-storey retail podium of Hampton Place, an 880-unit residential development completed in 2003. The complex is located on the Northwestern shore of West Kowloon near MTR Olympic Station, and is within a 5-minute walk of Olympian City Phase 1, a 160,000-sq.ft. shopping centre, as well as the 2,314-unit Island Harbourview.

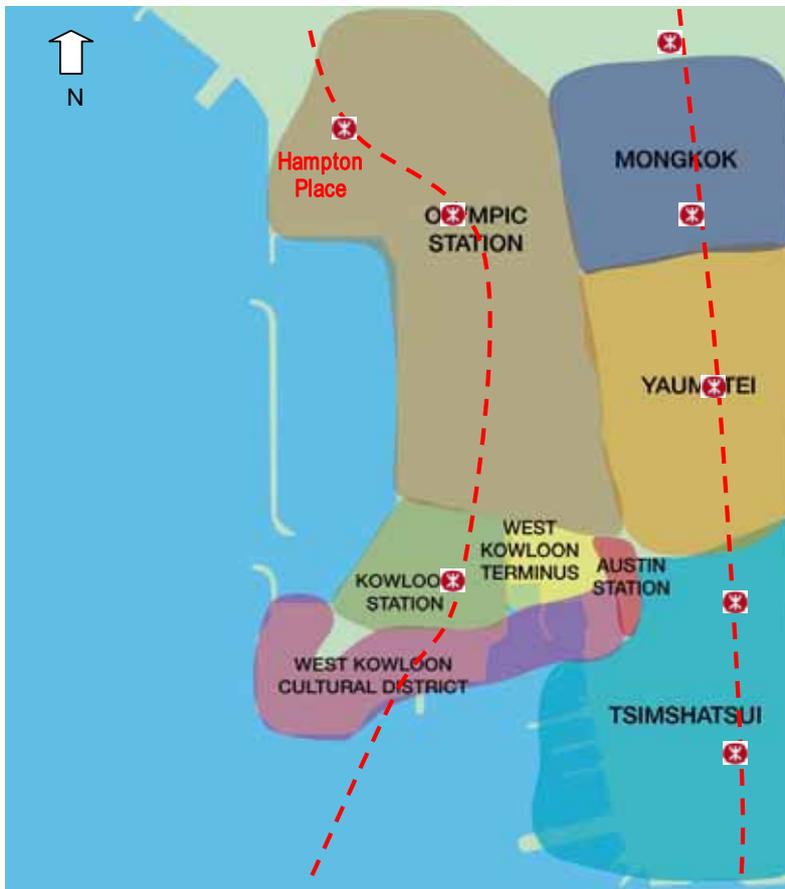
The centre comprises two shop units on the 5th floor and two shop units on the 6th floor, as well as 35 parking lots on the 1st floor of Hampton Place, and has a gross rentable area of 74,734 sq.ft. The entrance of the subject shopping centre is located on Level 1 adjacent to Hoi Fan Road which leads to the Level 5 and Level 6 arcade via various passenger lifts and internal staircases.

Most of the adjacent projects are newly completed private residential developments including the 1,829-unit The Long Beach and the 700-unit One SilverSea, both within a 5-minute walk south of Hampton Loft. The Long Beach comprises a 200,000-sq.ft. commercial and retail space, which is a 3-storey complex, while One SilverSea has a 100,000-sq.ft. commercial space, part of which will be converted into a boutique hotel pending government approval. To the north of the development are mainly schools and government facilities.

2.3.2 District Analysis

District Overview

West Kowloon District Overview



Source: Savills Research & Consultancy

Legend - - - MTR Lines

West Kowloon is a newly developed residential and commercial area mostly constructed over reclaimed land, and spans three MTR stations (Kowloon, Olympic and Nam Cheong). The area has undergone very rapid development over the past few years with a number of mid- to high-end residential developments, as well as commercial and retail facilities being developed.

As the West Kowloon District spans a large area with a wide variety of residential and working profiles, we will focus on the Olympic Station area to better understand the immediate vicinity of Hampton Loft.



Besides nearby residential developments, two office developments, namely HSBC Centre (around 990,000 sq.ft. completed in 1998) and Bank of China Centre (around 330,000 sq.ft. completed in 2000) are also located within the vicinity of Hampton Loft.

Further to the southeast of MTR Olympic Station is a cluster of private and public residential developments, namely Park Avenue and Central Park (1,624 and 1,312 units respectively, both completed in 2001), public housing estate Hoi Fu Court (2,800 units completed in 1999) and Hoi Ning Court²⁵ (629 units completed in 2000) and HOS project Charming Garden (3,908 units completed in 1998). The area also features the 500,000-sq.ft. Olympian City Phase 2, which is the retail podium of both Park Avenue and Central Park.

The Olympic Station area is mainly connected to other urban areas via the MTR Tung Chung Line, with the MTR Olympic Station serving as the major transport node. In addition, the bus terminals on the ground levels of Olympian Station Phase 1 and HSBC Centre provides additional road transport connections to the area.

Future Development

One residential development is scheduled to come on stream in the immediate vicinity of Hampton Loft: a 663-unit project to be erected on the site on Hoi Fai Road between The Long Beach and One SilverSea, which is expected to be completed in 2012.

Within the broader Olympic Station area, two large scale residential developments will come on stream. The 852-unit development on Hoi Wang and Hoi Ting Roads is expected to be completed in 2010, while the residential development above Nam Cheong Station, which is expected to accommodate over 3,000 units, is still under planning.

Regarding potential competition, besides the existing Olympian City Phase 1 and Phase 2 and the commercial and retail space in The Long Beach, two new retail podiums, both attached to upcoming residential developments, are scheduled for completion over the next five years, namely the 146,000-sq.ft. retail podium of the Hoi Wang and Hoi Ting Roads development (to be completed in 2010), as well as the 122,000-sq.ft. retail podium²⁶ of the Hoi Fai Road development (to be completed in 2012). The other possible completion would be the retail podium of Nam Cheong Station, but the scale and timing of the development of the podium is still unknown.

Transport Infrastructure

Major new transport infrastructure includes the Central Kowloon Route, which forms part of Route 6 and extends to the Kai Tak Redevelopment Area as well as Tseung Kwan O in the east. The expected completion of the Route is 2016.

²⁵ Under Buy-or-Rent Option

²⁶ According to the Particulars and Condition of Sale by Public Auction held on June 12, 2007 for the site on Kowloon Inland Lot No. 11146 (the Hoi Fai Road development), one residential care home for the elderly with a net operational floor area of not less than 1,575 sq.m. (around 16,953 sq.ft.) has to be constructed.

2.3.3 Catchment Area Analysis

Primary and Secondary Catchments of Hampton Loft



Source: Savills Research & Consultancy

Legend ▲ Shopping Centre ⊙ Public Transport Interchange - - - MTR Tung Chung Line

Basic Demographics

The catchment area of Hampton Loft can be segregated into primary and secondary catchments, with the primary catchment taking in the developments around Hampton Loft, namely The Long Beach and One Silver Sea to the south, the schools and government facilities to the north, and Hampton Place itself, all of which are within a 10-minute walk. Residents from these developments are expected to patronize Hampton Loft at least weekly.

The secondary catchment is defined as the area within a 20-minute walk and these residents would be expected to patronize Hampton Loft on a monthly basis. This secondary catchment would mainly include Island Harbourview, the two office developments and Harbour Green. The basic demographics of the primary (excluding The Long Beach and One Silver Sea) and secondary (excluding Harbour Green) catchments are listed in the following table:

Basic Demographics of the Catchment Areas of Hampton Loft, 2006

	Primary	Secondary	The Whole Territory
LSBG No.	254/01 – 08	254/13 – 16, 254/09 – 12	
Population	1,772	7,857	6,864,346
Median Age	34	36	39
No. Households	831	2,501	2,226,546
Average Household Size	2.13	3.14	3.0
Median Monthly Household Income (HK\$)	45,000	30,835 – 55,000	17,250
Ratio between mortgage/loan repayment and median household income (%)	26.8	32.7	26.6
Ratio between rent and median household income (%)	30.5	5.8 – 29.5	16.0

Source: Census and Statistics Department, Savills Research & Consultancy

The total population of the primary and secondary catchments stood at 9,629 representing 3,332 households in 2006. The monthly income ranges of the two catchments were between HK\$30,835 and HK\$55,000, a lot higher than the territory-wide average reflecting the middle class status of a majority of residents.

The total disposable income pool is derived by deducting total mortgage / loan repayments and total rental payments of all households from the total monthly income of all households within a given catchment area. This income pool can be regarded as the maximum potential spending of all households within any given catchment.

The total disposable income pools of the primary and secondary catchments were estimated at HK\$27 million and HK\$98 million respectively in 2006. Dividing by the number of households in both areas, the per capita (household) disposable incomes of the primary and secondary catchments were HK\$32,900 and HK\$39,200 respectively, much higher than the Kowloon average of HK\$13,000 in 2006.

The two newer developments within the primary catchment, namely The Long Beach and One Silver Sea, were not occupied in 2006 and thus were not included in the statistics above which are derived from the 2006 Population By-census. We have therefore estimated the number of households, population and income levels of the occupants of these apartments by using their selling prices and sales rates since their respective launches in 2007 and 2005.

Based on Savills' estimates, an additional 1,237 households and 3,846 residents could be included in the primary catchment, with monthly household incomes ranging from HK\$69,161 to HK\$223,886, which is much higher than the household income range of the original primary catchment. These new occupants bring an additional total disposable income of HK\$108 million to the catchment in 2009.



Assuming total disposable income of the original primary catchment increases by 3.4 per cent from 2006 to 2009, the total disposable income pool of the primary catchment could reach HK\$136 million.

The secondary catchment demographics and income pool have also risen with the gradual occupation of Harbour Green subsequent to its completion in 2006. We estimate that the scheme represents an additional 1,389 households, 4,149 residents and an additional total disposable income of HK\$59 million in 2009.

Assuming that the total disposable income of the original secondary catchment increases by 3.4 per cent from 2006 to 2009, the total disposable income pool of the secondary catchment could reach HK\$161 million.

Projected Demographics of Hampton Loft, 2009

	Primary Catchment	Secondary Catchment	The Whole Territory
Population	5,618	12,006	6,864,346
Number of Households	2,068	3,890	2,226,546
Total Disposable Income Pool (HK\$ million)	136	161	33,191
Per Capita (Household) Monthly Disposable Income (HK\$)	65,788	41,318	14,907

Source: Census and Statistics Department, EPRC, Savills Research & Consultancy

Besides the primary and secondary catchments, there exists a visitor catchment from elsewhere in the territory as the only retail tenant in Hampton Loft, Learning Habitat Kindergarten & Bilingual Nursery, is a popular kindergarten and attracts parents and their offspring from outside the Olympic Station area. In September 2007, the kindergarten had a total of 158 pupils. With their annual fee for 2008 / 2009 set at HK\$40,800 to HK\$66,600 (HK\$3,400 to HK\$5,550 per month), one would expect that the families sending their children to this kindergarten fall into the higher income bracket.

2.3.4 Competition Analysis

The commercial and retail space in The Long Beach is the only competing project within the primary catchment of Hampton Loft, and there is a strong competing centre, the 140,000-sq.ft. Olympian City Phase 1, within the secondary catchment area.

The Long Beach Commercial and Retail Space

The Long Beach was completed in 2004 and is adjacent to Hampton Loft, and thus geographically competes directly with Hampton Loft. Nevertheless, the commercial and retail space is now leased to two large occupiers, namely Bossini Group, which occupies the entire first floor for commercial use, and the Hong Kong Institute of Education, which occupies the entire second floor as its town centre campus. No other retail trades can be observed in the commercial and retail space. With the clear delineation of trade mixes (Hampton Loft has a kindergarten and two service centres as tenants), we do not regard The Long Beach Commercial and Retail Space as a direct threat to Hampton Loft.

Olympian City Phase 1

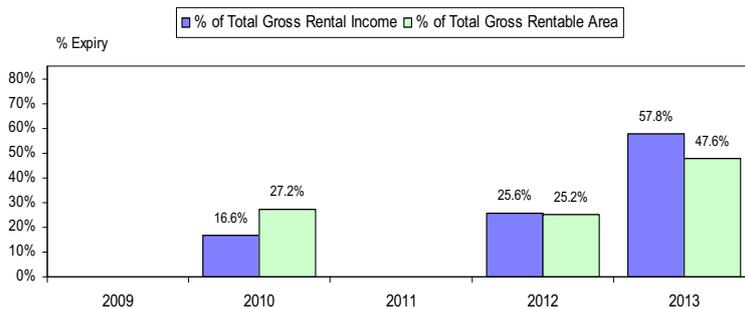
As the retail podium of Island Harbourview, Olympian City Phase 1 was completed in 2000 and is the main shopping centre within the Olympic Station area, having direct access to the MTR Olympic Station, Island Harbourview, Bank of China Tower and Harbour Green. Twice the size of Hampton Loft, the centre offers a reasonable variety of trades, with a focus on Beauty & Health Care and Education & Entertainment, and to a certain degree F&B and services.

As the only centre within both the primary and secondary catchments of Hampton Loft with such a comprehensive trade coverage, Olympian City Phase 1 poses some threats to Hampton Loft not only capturing most of the secondary catchment of Hampton Loft, but also to a certain extent attracting residents within the primary catchment of Hampton Loft, in particular from One Silver Sea. The visitor catchment could remain

relatively untouched as the kindergarten offering is not represented in the trade and tenant mix of Olympian City Phase 1.

2.3.5 Hampton Loft Performance Analysis

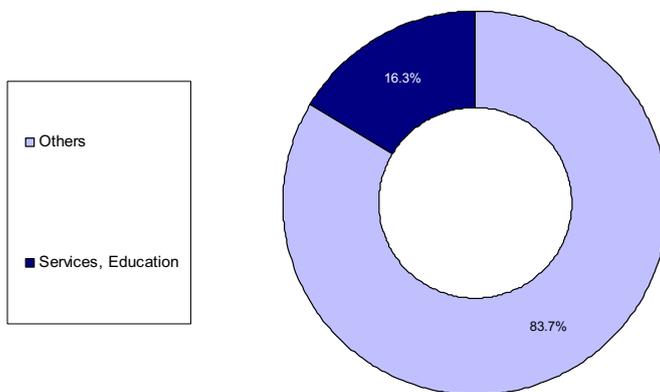
Lease Expiry Profile of Hampton Loft, 2009 – 2013



Source: ARA Asset Management (Singapore) Limited, Savills Research & Consultancy

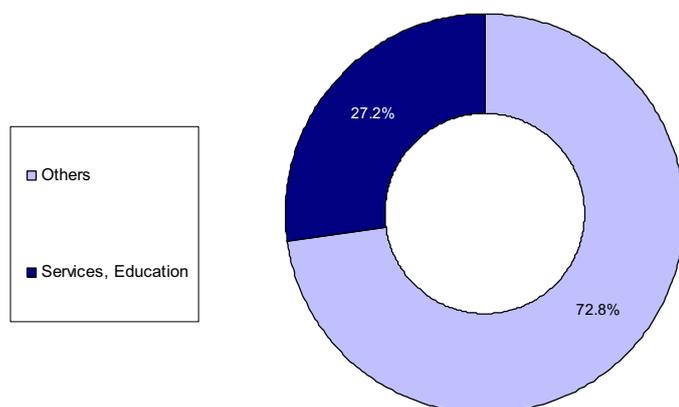
Lease expiries are concentrated in 2013 both in terms of rental income and floor area occupied, but as the expiring tenant is the affiliate of the landlord, the real concern would be the retention of the kindergarten (expiry in 2010), which has proven to be popular among affluent parents.

Trade Mix by Gross Rental Income of Hampton Loft, June 2009



Source: ARA Asset Management (Singapore) Limited, Savills Research & Consultancy

Trade Mix by GRA of Hampton Loft, June 2009



Source: ARA Asset Management (Singapore) Limited, Savills Research & Consultancy

The two affiliates of the landlord, which primarily occupy the space as service centres, represent 84 per cent of income and 73 per cent of space occupied of Hampton Loft in June 2009, and are paying higher average rents than the kindergarten.

2.3.6 Outlook and SWOT Analysis

Hampton Loft is enjoying a stable income and full occupancy currently. Nevertheless, because of the competition from The Long Beach and Olympian City Phase 1 and its subdued retail ambience due to its size and small number of tenants, we believe the current appeal of the centre within both the primary and secondary catchments is relatively weak, but its visitor catchment should remain strong with the popular kindergarten. We therefore expect a slightly more moderate softening in rents for Hampton Loft, in the region of 6 per cent, for 2009.

While the expiry of the kindergarten's lease in 2010 remains a concern, we believe the landlord should have the ability to renew its lease as the kindergarten has enjoyed reasonable success in this location. We would anticipate rents to increase slightly by 1 per cent in 2010 as in the overall retail market. Rents are expected to move in line with the retail market thereafter with a higher-than-market rental growth expected in 2012 as the new 663-unit residential development is completed in the primary catchment, providing an extra source of students for the kindergarten. The competition from the 122,000-sq.ft. retail space within the same development for the visitor catchment is expected to be minimal.

There is also potential for Hampton Loft to tap the rich and sizable primary and secondary catchments if it can gradually transform itself into a retail offering to serve the daily needs of both local residents as well as parents and pupils of the kindergarten. This may have a huge positive impact on rents but may also embed higher income risk and will take considerable time to implement, beyond our five-year forecast period.

Rental Forecast for Hampton Loft, 2009E – 2013E

	Market	Hampton Loft	Events related to Hampton Loft
2009	-8%	-6%	Full occupancy, strong visitor catchment but weak primary and secondary catchment
2010	+1%	+1%	Expiry of kindergarten
2011	+1%	+1%	-

	Market	Hampton Loft	Events related to Hampton Loft
2012	+3%	+4%	Completion of new residential development (663 units) within the primary catchment
2013	+4%	+4%	-

Source: Savills Research & Consultancy

SWOT Analysis

<p>Strengths</p> <ul style="list-style-type: none"> ▪ Strong visitor catchment with relatively affluent families ▪ Full occupancy with stable rental income ▪ Simple lease management with two tenants affiliated to the landlord 	<p>Opportunities</p> <ul style="list-style-type: none"> ▪ New residential development to further enhance the visitor catchment ▪ Capturing of the primary and secondary catchment with gradual transformation to a retail centre in the long run
<p>Weaknesses</p> <ul style="list-style-type: none"> ▪ Non-retail ambience ▪ Strong competition from Olympian City Phase 1 	<p>Threats</p>



Limitations on Report

This report contains forward looking statements which state Savills Valuation and Professional Services Limited's (the Consultant) beliefs, expectations, forecasts or predictions for the future. The Consultants stress that all such forecasts and statements other than statements of historical facts outlined in this report should be regarded as an indicative assessment of possibilities rather than absolute certainties. The process of making forecasts involves assumptions about a considerable number of variables which are very sensitive to changing conditions. Variations of any one may significantly affect outcomes and the Consultant draws your attention to this.

The Consultant therefore can give no assurance that the forecasts outlined in this report will be achieved or that such forecasts and forward looking statements will prove to have been correct and you are cautioned not to place undue reliance on such statements. The Consultant undertakes no obligation to publicly update or revise any forward looking statements contained in this report, whether as a result of new information, future events or otherwise, except as required by law and all forward-looking statements contained in this summary report, is qualified by reference to this cautionary statement.

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Yours sincerely,
Savills Valuation and Professional Services Limited

Simon Smith
Deputy Managing Director
Head of Research & Consultancy

EXISTING INTERESTED PERSON TRANSACTIONS

Details of the Existing Interested Person Transactions entered into between Fortune REIT and certain Cheung Kong Subsidiaries and Hutchison Subsidiaries in the current financial year are set out below:

	Interested Person	Nature of Transaction	Area (sf.)	Start Date	Value of Transaction (HK\$ million)	Percentage of NAV ⁽¹⁾
1	A.S. Watson Group (HK) Limited	Tenancy at The Household Center	23,306	Mar 09	11.9	0.19%
2	Citybase Property Management Limited	Tenancy at the Metropolis Mall	3,905	May 09	3.1	0.05%
3	Hutchison Telephone Company Limited	Licence at City One Shatin Property	466	Feb 09	0.6	0.01%
4	Perfect Idea Limited	Licence at the Metropolis Mall	14,713	Sep 09	4.6	0.07%
				Total	20.2	0.33%

Note:

⁽¹⁾ NAV as at 31 December 2008 of HK\$6,156.4 million.

These Existing Interested Person Transactions have been subject to the internal control procedures established by the Manager to ensure that such transactions are undertaken on normal commercial terms and are not prejudicial to the interests of Fortune REIT or its minority Unitholders. These procedures include the review and approval of such transactions by the Manager's audit committee. These transactions reported comply with the requirements of Chapter 9 of the Listing Manual.

Rationale and Benefit of Existing Interested Person Transactions

The Existing Interested Person Transactions relate to leases signed by the various interested persons as tenants of the Existing Properties. In addition to contributing to the income of the Existing Properties, these tenants are, by and large, very well-known major retailers in Hong Kong. For instance, Park'N Shop (which is a part of A.S. Watson Group (HK) Limited) is the leading supermarket chain and Watsons (which is also part of A.S. Watson Group (HK) Limited) is one of the largest personal care retailers in Hong Kong. Their presence enhances shopper traffic at the Existing Properties thereby improving the attractiveness of the Existing Properties.

RELATED TENANCY AND LICENCE AGREEMENTS

Upon Completion, Fortune REIT will, through the Property Companies, take over all the tenancy agreements and licence agreements with respect to the Properties, including various Related Tenancy and Licence Agreements. The aggregate rental and licence fees derived or to be derived from the Related Tenancy and Licence Agreements is estimated at HK\$118.8 million.

	Interested Person	Nature of Transaction	Area (sf.)	Start Date	Term (Years)	Value of Transaction (HK\$ million)	Percentage of NAV ⁽¹⁾
1	A.S. Watson Group (HK) Limited	Tenancies at Caribbean Bazaar	12,481	Feb 06	6	73.8	1.20%
		Tenancies at Metro Town	27,431	Feb 07	6		
		Tenancies at Metro Town	4,068	May 07	3		
2	AMTD Strategic Capital Limited	Tenancy at Hampton Loft	35,562	Sep 07	3	30.4	0.49%
		Tenancy at Hampton Loft	35,562	Sep 10	3		
3	Citybase Property Management Limited	Tenancy at Hampton Loft	18,834	Feb 06	6	12.2	0.20%
4	Hutchison Telephone Company Limited	Licence at Metro Town	n/a	Sep 07	3	2.4	0.04%
					Total	118.8	1.93%

Note:

⁽¹⁾ NAV as at 31 December 2008 of HK\$6,156.4 million.

IFA LETTER

The Independent Directors
 ARA Asset Management (Singapore) Limited (the
 manager of Fortune Real Estate Investment Trust)
 6 Temasek Boulevard
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 Singapore 038986

Our Ref: SR/AH

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HSBC Institutional Trust Services (Singapore) Limited
 (the trustee of Fortune Real Estate Investment Trust)
 21 Collyer Quay
 #14-01 HSBC Building
 Singapore 049320

24 August 2009

Dear Sirs

INDEPENDENT FINANCIAL ADVISER'S ADVICE IN RESPECT OF:

(1) THE PROPOSED ACQUISITIONS OF:

- (A) METRO TOWN;**
- (B) CARIBBEAN BAZAAR; AND**
- (C) HAMPTON LOFT.**

(2) THE PROPOSED WHITEWASH RESOLUTION.

*For the purpose of this letter, capitalised terms not otherwise defined herein shall have the same meaning given as in the circular to the unit holders of Fortune Real Estate Investment Trust (the "**Unitholders**") ("**Fortune REIT**") in relation to the Acquisitions and the Whitewash Resolution (as respectively defined below) (the "**Circular**").*

1. INTRODUCTION

1.1 General Overview

On 24 August 2009, ARA Asset Management (Singapore) Limited in its capacity as manager of Fortune REIT (the "**Manager**") announced that HSBC Institutional Trust Services (Singapore) Limited in its capacity as trustee of Fortune REIT (the "**Trustee**") had entered into three separate sale and purchase agreements (the "**Sale and Purchase Agreements**" and each a "**Sale and Purchase Agreement**") to acquire the following three properties located in Hong Kong, which are briefly summarised below:

Metro Town

Metro Town at 8 King Ling Road, Tseung Kwan O, Hong Kong, is located on top of the Mass Transit Railway (“**MTR**”) Tiu Keng Leng Station. It comprises the commercial development on the ground level, level one, level two, level three and level five, and the covered footbridge as well as the whole commercial car park (with 74 commercial car parking spaces) on level two of the residential development called “Metro Town”.

The following information is relevant:

- The acquisition of Metro Town will be effected via the acquisition of the entire issued share capital of Marvel Point Investments Limited (“**MPI**”) which wholly owns Metro Town through ownership of Mega Gain Resources Limited (“**Mega Gain**”).
- The purchase price for the acquisition of MPI is HK\$1,452.0 million, which is subject to adjustment for the consolidated net current assets/net current liabilities of MPI and Mega Gain as at completion.
- The vendors are McBride International Limited, a subsidiary of Cheung Kong (Holdings) Limited (“**Cheung Kong**”) and Natisone Investments Limited, a subsidiary of Nan Fung Development Limited (“**Nan Fung**”).

Caribbean Bazaar

Caribbean Bazaar at 1 Kin Tung Road, Tung Chung, Hong Kong comprises the commercial development, kindergarten, wet market and 117 commercial car parking spaces in Phase VI car park of the residential development called “Caribbean Coast”.

The following information is relevant:

- The acquisition of Caribbean Bazaar will be effected through the purchase of the asset itself, without any transfer of shares occurring. The sale of the Caribbean Bazaar asset will therefore be done on an ‘as is’ basis, subject to the existing tenancies and licenses.
- The purchase price for the acquisition of Caribbean Bazaar is HK\$428.0 million.
- The vendor is MTR Corporation Limited (“**MTR Corporation**”).

Hampton Loft

Hampton Loft at 11 Hoi Fan Road, Kowloon, Hong Kong comprises the commercial units on level five and level six and 35 commercial car parking spaces on level one of the residential development called “Hampton Place”.

The following information is relevant:

- The acquisition of Hampton Loft will be effected through the purchase of the asset itself, without any transfer of shares occurring. The sale of the Hampton Loft asset will therefore be done on an ‘as is’ basis, subject to the existing tenancies and licenses.
- The purchase price for the acquisition of Hampton Loft is HK\$159.0 million.

- The vendor is Global Coin Limited, a subsidiary of Cheung Kong.

(the abovementioned acquisition interests are collectively referred to as the “**Properties**”) (the “**Acquisitions**”)

The total acquisition cost is estimated to be HK\$2,091.4 million (the “**Total Acquisition Cost**”). The Manager intends to finance the cash component of this Total Acquisition Cost, being an amount of HK\$2,071.0 million, through:

- A new term loan facility of HK\$480.0 million (the “**Acquisition Facility**”).
- The issuance of 824,879,427 rights units (the “**Rights Units**”) on a fully underwritten and renounceable basis, on a basis of one Rights Unit for every one existing Unit at an issue price of HK\$2.29 per Rights Unit (the “**Rights Issue Price**”) (the “**Rights Issue**”). The Manager expects to raise gross proceeds of HK\$1,889.0 million, of which HK\$1,591.0 million will be used to finance the Acquisitions.

1.2 Regulatory Regime

Related Party Transactions

Cheung Kong is deemed to hold an aggregate indirect interest in 262,815,342 existing Units (comprising 31.9% of the existing Units) and is therefore regarded as a Controlling Unitholder. As Metro Town and Hampton Loft are being acquired from subsidiaries of Cheung Kong, their acquisitions will constitute:

- An “interested person transaction” under Chapter 9 of the Listing Manual of the SGX-ST (the “**Listing Manual**”).
- An “interested party transaction” under Paragraph 5 of the Property Funds Guidelines at Appendix 2 of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore (the “**Property Funds Guidelines**”).

(collectively, “**Related Party Transactions**”, and each, a “**Related Party Transaction**”)

Further to the above, as companies jointly owned by Cheung Kong and Hutchison Whampoa Limited (“**Hutchison**”), which is 49.9% owned by Cheung Kong, have an interest in part of the purchase consideration of Caribbean Bazaar, the Manager, in the interest of transparency and good corporate governance, has considered the acquisition of Caribbean Bazaar as a Related Party Transaction as well.

Due to the fact that the value of the Acquisitions is more than 5.0% of the latest audited net tangible assets of Fortune REIT, Rule 906(1) of the Listing Manual requires that the Acquisitions be subject to the approval of Unitholders. Due to the fact that the value of the Acquisitions is more than 5.0% of the latest audited net asset value of Fortune REIT, Paragraph 5 of the Property Funds Guidelines requires that the Acquisitions be subject to the approval of Unitholders.

Whitewash Waiver

In connection with the Rights Issue, Cheung Kong and parties acting in concert with it (“**Concert Parties**”) may acquire additional Units and in doing so increase their unitholding in excess of that permitted under Rule 14.1(b) of the Singapore Code on Take-overs and Mergers (the “**Code**”): which dictates that Cheung Kong and its Concert Parties would be required to make a mandatory offer (“**Mandatory Offer**”) if they acquire additional Units which increase their aggregate unitholding in Fortune REIT by more than 1.0% in any period of six months.

On 12 August 2009 the Securities Industry Council (the “**SIC**”) granted a waiver (the “**SIC Waiver**”) of the abovementioned requirement subject to, *inter alia*, the Unitholders passing a resolution waiving their rights to receive a Mandatory Offer from Cheung Kong and its Concert Parties for all the remaining issued Units not owned or controlled by Cheung Kong and its Concert Parties (“**Whitewash Resolution**”).

In accordance with the abovementioned requirements, which are more particularly described in sections 3.12, 4.5 and 5 of the Circular, KPMG Corporate Finance Pte Ltd (“**KPMG Corporate Finance**”) has been appointed as the independent financial adviser (“**IFA**”):

- The Manager and the Trustee have appointed KPMG Corporate Finance as the IFA to advise the independent directors of the Manager (the “**Independent Directors**”) and the Trustee as to whether the Acquisitions are: (a) on normal commercial terms; and (b) prejudicial to the interests of Fortune REIT and the Unitholders.
- The Manager has appointed KPMG Corporate Finance as the IFA to advise the Independent Directors as to whether the Whitewash Resolution is: (a) on normal commercial terms; and (b) prejudicial to the interests of Fortune REIT and the Unitholders.

Further details concerning the abovementioned regulatory matters can be obtained throughout the Circular, in particular within sections 3.12, 4.5 and 5. We recommend that the Independent Directors advise Unitholders to read these sections of the Circular carefully.

2. TERMS OF REFERENCE

Our responsibility is to provide opinions in respect of the Acquisitions and Rights Issue/Whitewash Resolution.

Our opinions are delivered solely for the use and benefit of the addressees of this letter (the “**Addressees**”) (as appropriate) for their deliberations on the Acquisitions and Rights Issue/Whitewash Resolution, before arriving at a decision on the merits or demerits of the Acquisitions and Rights Issue/Whitewash Resolution, and in making any recommendations. We were not involved in any aspect of the negotiations pertaining to the Acquisitions and Rights Issue/Whitewash Resolution, nor were we involved in the deliberations leading up to the decisions of and recommendations by the Addressees (as appropriate) to proceed with the Acquisitions and Rights Issue/Whitewash Resolution. The decisions of and recommendations made by the Addressees (as appropriate) shall remain their sole responsibility.

Our opinions should not be relied on as recommendations to any Unitholders as to how such Unitholders should vote in relation to the Acquisitions and Rights Issue/Whitewash Resolution or any matters related thereto. The Unitholders may have different investment objectives and considerations and should seek professional advice.

We have not conducted a comprehensive review of the business, operations or financial condition of Fortune REIT. Our terms of reference also do not require us to evaluate or comment on the merits and/or risk, whether strategic, commercial, financial or otherwise, of the Acquisitions and Rights Issue/Whitewash Resolution or on the future prospects of Fortune REIT and as such, we do not express an opinion thereon. Such evaluation or comments remain the sole responsibility of the Addressees (as appropriate).

It is also not within our terms of reference to compare the relative merits of the Acquisitions and Rights Issue/Whitewash Resolution to any alternative transactions previously considered by, or that may have been available to, Fortune REIT or any alternative transactions that may be available in the future. Such evaluations or comments remain the sole responsibility of the Addressees (as appropriate), although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion.

In addition, we have not made any independent evaluation or appraisal of the existing or proposed assets or liabilities (including without limitation, real property) of Fortune REIT.

In formulating our opinions, we have held discussions with the board of directors of the Manager (the “**Directors**”) and its management team. We have considered the information contained in the Circular, publicly available information collated by us as well as information, both written and verbal, provided by the Manager and its professional advisers, which may include solicitors, auditors, tax advisers and valuers. We have not independently verified such information, whether written or verbal, and accordingly cannot and do not make any representation or warranty, express or implied, in respect of and do not accept any responsibility for the accuracy, completeness or adequacy of all such information, provided or otherwise made available to us or relied on by us. We have nevertheless made reasonable enquiries and used our judgment in assessing such information and have found no reason to doubt the reliability of such information.

We have relied upon the representation of the Directors (including those who may have delegated detailed supervision of the Circular, the Acquisitions and the Rights Issue/Whitewash Resolution) that they have taken all reasonable care to ensure that all information and facts stated in the Circular are fair and accurate in all material respects and all material information and facts in relation to the Acquisitions and Rights Issue/Whitewash Resolution have been disclosed to us, and that no material information and facts have been omitted, the omission of which would render any statement in the Circular, information and facts disclosed to us or our opinion in this letter to be inaccurate, incomplete or misleading in any material respect. The Directors (including those who may have delegated detailed supervision of the Circular, the Acquisitions and the Rights Issue/Whitewash Resolution) have jointly and severally accepted responsibility in the “Directors’ Responsibility Statement” of the Circular. Accordingly, no representation or warranty, express or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of all such information and facts.

Our opinion is based upon market, economic, industry, monetary and other conditions (where applicable) in effect on the latest practicable date prior to the printing of the Circular, being 21 August 2009 (the “**Latest Practicable Date**”). Such conditions and information can change significantly over a relatively short period of time. We assume no responsibility to update, revise or reaffirm our opinion in the light of any subsequent changes or developments after the Latest Practicable Date even if it may affect our opinion contained herein.

In rendering our opinion, we did not have regard to the general or specific investment objectives, financial situation, risk profiles, tax position or particular needs and constraints of any Unitholder. As different Unitholders would have different investment objectives and profiles, we would advise the Independent Directors to recommend that any Unitholder who may require specific advice in relation to his investment portfolio(s) should consult his or their stockbroker, bank manager, accountant or other professional advisers.

The Addressees (as appropriate) have been separately advised by their own professional advisers in the preparation of the Circular (other than this letter). We have no role or involvement and have not and will not provide any advice, financial or otherwise, whatsoever in the preparation, review and verification of the Circular (other than this letter). Accordingly, we take no responsibility for and express no views, expressed or implied, on the contents of the Circular (other than this letter).

While a copy of this letter may be reproduced in the Circular, no person may reproduce, disseminate or quote this letter or any part thereof for any purpose, other than for the purpose stated herein, without the prior written consent of KPMG Corporate Finance.

Our opinions in relation to the Acquisitions and Whitewash Resolution should be considered in the context of the entirety of this letter and the Circular.

3. DETAILS CONCERNING THE ACQUISITIONS

3.1 The Properties

We note the following important information in relation to Metro Town:

Selected information about Metro Town	
Location	8 King Ling Road, Tseung Kwan O
Government Lease Expiry	10-Feb-2053
Date of Completion	01-Jun-2006
Gross Rentable Area	180,822 sq ft
Car Park Lots	74
Number of Tenants	100
Occupancy (as at 30 June 2009)	93.1%
Net Property Income for FY 2008	HK\$69.6 million
Net Property Yield for FY 2008	4.8%

We note the following information in relation to Caribbean Bazaar:

Selected information about Caribbean Bazaar	
Location	1 Kin Tong Road, Tung Chung
Government Lease Expiry	30-Jun-2047
Date of Completion	30-Sep-2004
Gross Rentable Area	63,018 sq ft
Car Park Lots	117
Number of Tenants	40
Occupancy (as at 30 June 2009)	97.5%
Net Property Income for FY 2008	HK\$24.4 million
Net Property Yield for FY 2008	5.7%

We note the following information in relation to Hampton Loft:

Selected information about Hampton Loft	
Location	11 Hoi Fan Road, Kowloon
Government Lease Expiry	12-Dec-2049
Date of Completion	02-Sep-2003
Gross Rentable Area	74,734 sq ft
Car Park Lots	35
Number of Tenants	3
Occupancy (as at 30 June 2009)	100.0%
Net Property Income for FY 2008	HK\$9.1 million
Net Property Yield for FY 2008	5.7%

Further details concerning the Properties can be obtained throughout the Circular, in particular within section 2, as well as Appendix A. We recommend that the Independent Directors advise Unitholders to read these sections of the Circular carefully.

3.2 Acquisition costs

The Total Acquisition Cost is estimated to be HK\$2,091.4 million, and is comprised of the following:

- The purchase consideration payable in respect of the Acquisitions is as follows (the “**Aggregate Purchase Consideration**”):

Cost of the Acquisitions	
Property	Purchase Consideration (HK\$ million)
Metro Town	1,452.0 ⁽¹⁾
Caribbean Bazaar	428.0
Hampton Loft	159.0
Total	2,039.0

Note:

- (1) The purchase consideration for Metro Town is HK\$1,452.0 million and is subject to adjustment for the consolidated net current assets/net current liabilities of MPI and Mega Gain as at completion. Current assets include receivables from and in connection with the operation of Metro Town (including rental and license fees and refundable utility and other deposits placed with the relevant authorities or suppliers), while current liabilities include rental and license fees received in advance, payment due to creditors and accruals of property operating, renovation and alteration expenses (including leasing commissions, government rates and rents and other expenses) and a portion of the existing borrowings of Mega Gain which will be repaid at completion.

Of the HK\$1,452.0 million purchase consideration for Metro Town, HK\$747.8 million will be applied towards repayment and refinancing of the existing borrowings of Mega Gain while the remaining HK\$704.2 million will be applied towards payment for the shares of MPI. Part of the existing borrowings of Mega Gain amounting to HK\$330.0 million will be repaid at completion from drawing down on the Acquisition Facility while the balance of the existing borrowings amounting to HK\$417.8 million will be paid by the Trustee to the lenders of such existing borrowings who will then assign the balance of the existing borrowings on a dollar-for-dollar basis to the Trustee.

- An acquisition fee that the Manager is entitled to pursuant its management mandate of HK\$20.4 million, being 1.0% of the Aggregate Purchase Consideration.
- Other estimated fees and expenses, including stamp duty, advisory fees, professional fees and expenses, of HK\$32.0 million incurred or to be incurred in connection with the Acquisitions.

Further details concerning the Total Acquisition Cost can be obtained throughout the Circular, in particular within section 3.2. We recommend that the Independent Directors advise Unitholders to read this section of the Circular carefully.

3.3 Other relevant information

Conditional nature of Acquisitions

The Acquisitions are subject to the satisfaction of a number of conditions including:

- The resolution for the Acquisitions being passed by Unitholders at an extraordinary general meeting (the “**EGM**”).
- The Acquisitions are dependent on the approval of Unitholders for the Whitewash Resolution. In the event that approval cannot be obtained for the Whitewash Resolution, the Acquisitions will not proceed.
- The obligations of the Joint Lead Managers and Underwriters under an underwriting agreement entered into on 24 August 2009 (the “**Underwriting Agreement**”) becoming unconditional in all respects.
- The Acquisition Facility being in place and available to be drawn down at completion for the respective Properties.

Further details in relation to the conditions attached to the Acquisitions can be obtained throughout the Circular, in particular within section 3.5. We recommend that the Independent Directors advise Unitholders to read this section of the Circular carefully.

Completion

We note the following in relation to the intended completion of the Acquisitions:

- The completion of Caribbean Bazaar may be delayed or not occur as it is subject to the vendor, MTR Corporation, obtaining the consent to assign from the Director of Lands of the Lands Department of the Hong Kong Government in respect of the commercial development, kindergarten and the wet market (which form part of Caribbean Bazaar). The granting of such consent or the timing thereof is not within the control of the Manager and is uncertain.
- In the event of a delay in the completion of the acquisition of Caribbean Bazaar, the completion of the acquisitions of Metro Town and Hampton Loft will proceed as scheduled without Caribbean Bazaar on the date of issue of the Rights Units, subject to the satisfaction of the conditions set up in the respective Sale and Purchase Agreements.
- The completion of Metro Town is contingent on the completion of the acquisition of Hampton Loft.
- The completion of Hampton Loft is contingent on the completion of the acquisition of Metro Town.

Further details in relation to the completion conditions in respect of the Acquisitions can be obtained throughout the Circular, in particular within sections 3.4 and 3.5. We recommend that the Independent Directors advise Unitholders to read these sections of the Circular carefully.

Method of financing

The method of financing is intended to be as follows:

- If all of the Acquisitions are completed, the Manager expects to finance HK\$1,591.0 million of the Total Acquisition Cost from the net proceeds of the Rights Issue, with the balance of HK\$480.0 million being financed from the Acquisition Facility.
- If only Metro Town and Hampton Loft are completed, the Manager expects to finance HK\$1,246.9 million of the Total Acquisition Cost from the net proceeds of the Rights Issue, with HK\$380.0 million being financed from the Acquisition Facility.

Further details concerning the method of financing for the Acquisitions can be obtained throughout the Circular, in particular within section 3. We recommend that the Independent Directors advise Unitholders to read this section of the Circular carefully.

4. DETAILS CONCERNING THE RIGHTS ISSUE/WHITEWASH RESOLUTION

4.1 Overview of the Rights Issue

For the purpose of partly funding the Acquisitions, the Manager proposes to issue 824,879,427 Rights Units on a fully underwritten and renounceable basis to eligible Unitholders, on the basis of one Rights Unit for every one Unit at an issue price of HK\$2.29 per Rights Unit to raise gross proceeds of HK\$1,889.0 million.

The Whitewash Resolution is dependent on the satisfaction of certain conditions precedent, including Unitholders' approval of the Acquisitions.

4.2 Use of proceeds

It is envisaged that the proceeds from the Rights Issue will be utilised as follows:

- In the case of the acquisition of all three Properties, the Manager intends to utilise the net proceeds of HK\$1,802.4 million from the Rights Issue as follows:

Use of proceeds for acquisition of all three properties		
Use	Amount (HK\$ million)	%
Part finance the acquisitions of Metro Town, Caribbean Bazaar and Hampton Loft	1,591.0	88.3
Working capital, debt related costs in relation to the New Facilities and general corporate purposes	111.4	6.2
Asset enhancement initiatives	100.0	5.5

- Should only the acquisitions of Metro Town and Hampton Loft occur, the Manager intends to utilise the net proceeds of HK\$1,802.4 million from the Rights Issue as follows:

Use of proceeds for acquisition of Metro Town and Hampton Loft		
Use	Amount (HK\$ million)	%
Part finance the acquisitions of Metro Town and Hampton Loft	1,247.0	69.2
Working capital, debt related costs in relation to the New Facilities and general corporate purposes	455.4	25.3
Asset enhancement initiatives	100.0	5.5

4.3 Underwriting of the Rights Issue and the Focus Eagle and Ballston Commitment

Underwriting of the Rights Issue

The Rights Issue is fully underwritten by the Joint Lead Managers and Underwriters on the terms and subject to the conditions of the Underwriting Agreement.

Focus Eagle and Ballston Commitment

As at the Latest Practicable Date, Focus Eagle owned 206,537,342 Units (comprising 25.0% of the existing Units) and Ballston owned 56,278,000 Units (comprising 6.8% of the existing Units). Focus Eagle is a wholly-owned subsidiary of Cheung Kong and Ballston is a wholly-owned subsidiary of Hutchison, which is in turn 49.9% owned by Cheung Kong. Cheung Kong is thus deemed to hold an aggregate indirect interest in 262,815,342 Units, which is equivalent to 31.9% of the total number of Units in issue as at the Latest Practicable Date.

To demonstrate support for Fortune REIT and the Rights Issue:

- Focus Eagle has provided an undertaking (the “**Focus Eagle Pro Rata Undertaking**”) to the Manager and Joint Lead Managers and Underwriters, pursuant to which Focus Eagle will accept, and/or procure any one or more of the Cheung Kong Subsidiaries to subscribe for, its provisional allocation of Rights Units in proportion to its unitholdings in Fortune REIT (the “**Focus Eagle Pro Rata Units**”);
- Ballston has provided an undertaking (the “**Ballston Pro Rata Undertaking**”, together with the Focus Eagle Pro Rata Undertaking, the “**Pro Rata Undertakings**”) to the Manager and the Joint Lead Managers and Underwriters, pursuant to which Ballston will accept and subscribe for its provisional allocation of Rights Units in proportion to its unitholdings in Fortune REIT (the “**Ballston Pro Rata Units**”, together with the Focus Eagle Pro Rata Units, the “**Pro Rata Units**”);
- Focus Eagle has entered into a sub-underwriting agreement with Cheung Kong and the Joint Lead Managers and Underwriters, pursuant to which Focus Eagle has agreed to, either directly or by procuring one or more of the Cheung Kong Subsidiaries to do so, sub-underwrite 43.2% of the total number of Rights Units to be issued under the Rights

Issue, such obligation being set off by the number of Focus Eagle Pro Rata Units that are taken up pursuant to the Focus Eagle Pro Rata Undertaking and the number of any Excess Rights Units and Nil-Paid Rights Units that are taken up by any one or more of the Cheung Kong Subsidiaries and/or the Hutchison Subsidiaries, subject to the passing of the Whitewash Resolution (the “**Focus Eagle Sub-Underwriting Agreement**”) (43.2% of the total number of Rights Units to be issued under the Rights Issue less the number of the Focus Eagle Pro Rata Units, being the “**Commitment Rights Units**”). Cheung Kong has, pursuant to the terms of the Focus Eagle Sub-Underwriting Agreement, agreed to unconditionally and irrevocably guarantee the due and punctual payment in accordance with the terms therein of all amounts payable by Focus Eagle under the Focus Eagle Sub-Underwriting Agreement and the due and punctual performance and observance by Focus Eagle of all its obligations, commitments, undertakings and warranties under or pursuant to the Focus Eagle Sub-Underwriting Agreement; and

- Ballston has entered into a sub-underwriting agreement with Hutchison and the Joint Lead Managers and Underwriters, pursuant to which Ballston has agreed to sub-underwrite 6.8% of the total number of Rights Units to be issued under the Rights Issue, being the number of the Ballston Pro Rata Units, such obligation being set off by the number of the Ballston Pro Rata Units that are taken up pursuant to the Ballston Pro Rata Undertaking, subject to the passing of the Whitewash Resolution (the “**Ballston Sub-Underwriting Agreement**”, and together with the Focus Eagle Sub-Underwriting Agreement, collectively the “**Sub-Underwriting Agreements**”). Hutchison has, pursuant to the terms of the Ballston Sub-Underwriting Agreement, agreed to unconditionally and irrevocably guarantee the due and punctual payment in accordance with the terms therein of all amounts payable by Ballston under the Ballston Sub-Underwriting Agreement and the due and punctual performance and observance by Ballston of all its obligations, commitments, undertakings and warranties under or pursuant to the Ballston Sub-Underwriting Agreement.

Similar to other Unitholders, Focus Eagle and Ballston as Unitholders would also have the option to make applications for Excess Rights Units (and the Excess Rights Units taken up by Focus Eagle and Ballston under the Rights Issue, the “**Aggregate Excess Rights Units**”).

Separately, as the Rights Issue will incorporate a renounceable feature allowing eligible Unitholders to sell their “nil-paid” rights entitlements on the SGX-ST, the Cheung Kong Subsidiaries and the Hutchison Subsidiaries may acquire “nil-paid” rights entitlements on the open market and subsequently exercise the “nil-paid” rights entitlements to acquire Rights Units (the “**Nil-Paid Rights Units**”).

For the avoidance of doubt, the acquisition of Aggregate Excess Rights Units and Nil-Paid Rights Units would be set off against the Commitment Rights Units which Focus Eagle has committed to subscribe pursuant to the Focus Eagle Sub-Underwriting Agreement.

Pursuant to the Sub-Underwriting Agreements, the Joint Lead Managers and Underwriters agree to pay, from the Underwriting Commission, a sub-underwriting fee comprising of the following:

- to Focus Eagle, a fee of 1.75% of the Rights Issue Price multiplied by the number of Focus Eagle Pro Rata Units of 206,537,342 Units, representing 25.0% of the Rights Units (which is equivalent to HK\$8.3 million);

- to Ballston, a fee of 1.75% of the Rights Issue Price multiplied by the number of Ballston Pro Rata Units of 56,278,000 Units, representing 6.8% of the Rights Units (which is equivalent to HK\$2.3 million); and
- to Focus Eagle, a fee of 2.25% of the Rights Issue Price multiplied by the number of Commitment Rights Units of 149,624,371 Units, representing 18.2% of the Rights Units (which is equivalent to HK\$7.7 million),

together with any goods and services tax payable thereon (where applicable) (the “**Sub-Underwriting Commission**”).

4.4. Rule 14 of the Code

In order for the Rights Issue to proceed on an underwritten basis, the Manager is seeking approval from independent Unitholders for a waiver of their rights to receive a Mandatory Offer from Cheung Kong and Concert Parties for all the remaining issued Units not owned or controlled by Cheung Kong and Concert Parties as a result of the acquisition by Cheung Kong Subsidiaries and the Hutchison Subsidiaries of:

- the Pro Rata Units allotted and issued to them pursuant to the Pro Rata Undertakings; and/or
- if applicable, the acquisition by the Cheung Kong Subsidiaries of the Commitment Rights Units pursuant to the Focus Eagle Sub-Underwriting Agreement; and/or
- if applicable, the Aggregate Excess Rights Units; and/or
- if applicable, the Nil-Paid Rights Units.

Cheung Kong may end up acquiring additional Units which exceed the threshold prescribed within Rule 14.1(b) of the Code. Rule 14.1(b) of the Code states that Cheung Kong and Concert Parties would be required to make a Mandatory Offer if the Cheung Kong Subsidiaries and the Hutchison Subsidiaries acquire additional Units which increases their aggregate unitholding in Fortune REIT by more than 1.0% in any period of six months.

Unless waived by the SIC, pursuant to Rule 14.1(b) of the Code, Cheung Kong and Concert Parties would then be required to make a Mandatory Offer.

The SIC has granted this waiver subject to, *inter alia*, the Whitewash Resolution being approved by independent Unitholders at an EGM.

Further details concerning the Rights Issue/Whitewash Resolution can be obtained throughout the Circular, in particular within section 5. We recommend that the Independent Directors advise Unitholders to read this section of the Circular carefully.

5. EVALUATION OF THE ACQUISITIONS

In arriving at our opinion in relation to the Acquisitions, we have taken into account the following key factors:

5.1 Rationale for the Acquisitions

The Manager believes, and states within the Circular, that the following rationale supports the decision to enter into the Acquisitions. The following is a summarised version of the rationale:

- The Acquisitions provide Fortune REIT with a valuable opportunity to own a sizable portfolio of suburban retail space in Hong Kong.
- The Acquisitions are in line with the Manager's acquisition growth strategy of owning retail properties with high occupancy and long term growth potential.
- The Acquisitions are expected to improve the diversification of Fortune REIT's portfolio and reduce the extent of reliance of Fortune REIT's income stream on any one single property.
- Funding the Aggregate Purchase Consideration primarily via a Rights Issue provides additional benefits to Unitholders, being: (a) increased liquidity and free float; (b) an opportunity for existing Unitholders to subscribe for additional Units at an attractive price; and (c) it ensures the maintenance of a conservative gearing ratio.

Further information regarding the rationale for the Acquisitions can be obtained throughout the Circular, in particular within section 2. We recommend that the Independent Directors advise Unitholders to read this section of the Circular carefully.

5.2 Financial assessment of the Acquisitions

In evaluating the reasonableness of the Aggregate Purchase Consideration, we have considered the following factors which have a bearing on our assessment:

Basis for arriving at the purchase consideration of the Acquisitions

Pursuant to the Sale and Purchase Agreements, the Aggregate Purchase Consideration for the Properties is HK\$2,039.0 million. The purchase consideration for each of the Properties is displayed immediately below.

Cost of the Acquisitions	
Property	Purchase Consideration (HK\$ million)
Metro Town	1,452.0 ⁽¹⁾
Caribbean Bazaar	428.0
Hampton Loft	159.0
Total	2,039.0

Note:

- (1) Before adjustment to the consolidated net current assets/net current liabilities of MPI and Mega Gain as at completion.

We note that the purchase consideration for each of the Acquisitions was arrived at on a willing buyer and a willing seller basis after taking into account the valuations of the Properties by Knight Frank Petty Limited (“**Knight Frank**”) and Savills Valuation and Professional Services Limited (“**Savills**”).

Valuation of the Properties by the Independent Valuers

Two independent property valuers were appointed for the purpose of determining the market value of the Properties as at 30 June 2009:

- Knight Frank was appointed by the Trustee to value Metro Town, Caribbean Bazaar and Hampton Loft.
- Savills was appointed by the Manager to value Metro Town, Caribbean Bazaar and Hampton Loft.

Summarised versions of the valuation reports (the “**Valuation Reports**”) are contained in Appendices B and C of the Circular, with the determined market values as at 30 June 2009 for each of the Properties displayed immediately below:

Valuation of the Properties by the Independent Valuers		
(HK\$ million)		
Property	Appraised Value by Knight Frank	Appraised Value by Savills
Metro Town	1,481.0	1,480.0
Caribbean Bazaar	431.0	430.0
Hampton Loft	161.0	160.0
Total	2,073.0	2,070.0

Our observations in relation to the Valuation Reports are as follows:

- The Valuation Reports prepared by Knight Frank were completed having regard to the requirements contained in the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors and the Red Book (Sixth Edition 2008) published by Royal Institution of Chartered Surveyors (RICS).

The Valuation Reports prepared by Savills were prepared in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors.

- The Valuation Reports assess the ‘market value’ as at 30 June 2009 for each of the Properties, which is close to the dates for the respective Sale and Purchase Agreements. The market value is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the transacting parties have each acted knowledgeably, prudently and without compulsion.

- The following approaches were used for the purposes of completing the Valuation Reports: (a) the discounted cash flow method; (b) the income capitalisation method or investment method; and (c) the direct comparison method.

The discounted cash flow method was, according to both Knight Frank and Savills, the most precise way of assessing the market values for each of the Properties. This was due to the fact the discounted cash flow method permitted explicit itemisation of variable factors.

Each method was used as a check against the others, and was conducted having regard to the prevailing market conditions as at 30 June 2009, especially those pertaining to the retail sectors of the property market.

- In relation to each of the Properties we note as follows:
 - The assessed market value for Metro Town as at 30 June 2009 was between HK\$1,480.0 million and HK\$1,481.0 million. The agreed purchase consideration, assuming no adjustment, is HK\$1,452.0 million. We note that the purchase consideration is below the assessed market values as determined by both Knight Frank and Savills.
 - The assessed market value for Caribbean Bazaar as at 30 June 2009 was between HK\$430.0 million and HK\$431.0 million. The agreed purchase consideration, assuming no adjustment, is HK\$428.0 million. We note that the purchase consideration is below the assessed market values as determined by both Knight Frank and Savills.
 - The assessed market value for Hampton Loft as at 30 June 2009 was between HK\$160.0 million and HK\$161.0 million. The agreed purchase consideration, assuming no adjustment, is HK\$159.0 million. We note that the purchase consideration is below the assessed market values as determined by both Knight Frank and Savills.

In addition to the Valuation Reports reviewed, we were provided with a copy of the Retail Market Overview and Catchment Analysis Report by Savills, in relation to which we note the following:

- The improvement of the Mainland Chinese economy, with forecasted real GDP growth of 3.1 per cent in 2010.
- Supply of major shopping centres in Hong Kong is expected to fall to an average of 1.2 million square feet per annum between 2009 and 2013, with the highest proportion of new centres located in Kowloon and the New Territories.
- Shopping centre transactions in Hong Kong have been limited over the past five years as many shopping centres in good locations, no matter whether in core retail areas or suburban areas, are tightly held by their developers and only a handful are generally available for sale.
- Private retail rents in the areas between Boundary Street to the Shenzhen River and 235 islands (the “**New Territories**”) have proved to be relatively more stable than rents on the Hong Kong Island and in Kowloon, especially during market downturns.

- All three shopping malls benefit from extensive transport infrastructure, in particular the MTR railway network, with easy access to MTR stations and other modes of transport.
- The three shopping malls are underpinned by stable demand from local catchments and are relatively well insulated from the rental volatility seen in prime centres.

Further information concerning the Valuation Reports and the Retail Market Overview and Catchment Analysis Report can be obtained throughout the Circular, in particular within Appendices B, C and D of the Circular. We recommend that the Independent Directors advise Unitholders to read these sections of the Circular carefully.

5.3 Financial effects of the Acquisitions and the Rights Issue/Whitewash Waiver

The pro-forma financial effects of the Proposed Acquisition and the Rights Issue/Whitewash Waiver are set out in sections 3.10 and 3.11 of the Circular, and are reproduced below for convenience. We note that assumptions were made for the purposes of analysing the pro-forma financial effects. We recommend that the Independent Directors advise Unitholders to read these carefully, as well as take them into consideration when considering the financial effects displayed.

Pro-forma financial effects of acquiring Metro Town, Hampton Loft and Caribbean Bazaar

Financial Year Ended 31 December 2008

Pro-forma DPU and distribution yield

The pro-forma financial effects of the Acquisitions on the DPU and distribution yield for FY2008, as if Fortune REIT had purchased the Properties, completed the Rights Issue, and incurred HK\$480.0 million of additional borrowings on 1 January 2008, and held and operated the Properties through to 31 December 2008, are as follows:

	Before the Acquisitions and Rights Issue⁽¹⁾	After the Acquisitions and Rights Issue
Distributable income (HK\$'000)	302,855	379,956
Units in issue and to be issued ('000)	820,819	1,653,986
DPU (HK cents)	37.02	22.97
Distribution yield	9.0% ⁽²⁾	7.2% ⁽³⁾

Notes:

- (1) Based on the FY 2008 Audited Financial Statements.
 (2) Based on the actual DPU divided by the closing price of the Unit of HK\$4.10.
 (3) Based on the adjusted DPU divided by the TERP of HK\$3.20 per Unit.

Based on the figures above, we note that the distribution yield will decrease from 9.0% to 7.2%.

Pro-forma NAV per Unit

The pro-forma financial effects of the Acquisitions on the NAV per Unit as at 31 December 2008, as if Fortune REIT had purchased the Properties, completed the Rights Issue, and incurred additional borrowings of HK\$480.0 million on 31 December 2008, are as follows:

	Before the Acquisitions and Rights Issue⁽¹⁾	After the Acquisitions and Rights Issue
NAV (HK\$'000)	6,156,364	7,937,656
Units in issue and to be issued ('000)	820,819	1,652,080
NAV per Unit (HK\$)	7.50	4.80

Note:

(1) Based on the FY 2008 Audited Financial Statements.

Based on the figures above, we note that the pro-forma NAV per Unit will decrease from HK\$7.50 to HK\$4.80.

Pro-forma capitalisation

The following table sets forth the pro-forma capitalisation of Fortune REIT as at 31 December 2008, as if Fortune REIT had purchased the Properties, completed the Rights Issue and incurred additional borrowings of HK\$480.0 million on 31 December 2008.

	As at 31 December 2008	
	Actual	As Adjusted
	(HK\$ '000)	(HK\$ '000)
Short-term debt:		
Unsecured	–	–
Secured	–	–
Total short-term debt	–	–
Long-term debt:		
Unsecured	–	–
Secured	2,348,700	2,828,700
Total long-term debt	2,348,700	2,828,700
Total debt	2,348,700	2,828,700
Unitholders funds	6,156,364	7,937,656
Total Capitalisation	8,505,064	10,766,356

Based on the figures above, we note that the total capitalisation will increase from HK\$8,505,064,000 to HK\$10,766,356,000.

Six Months Ended 30 June 2009

Pro-forma DPU

The pro-forma financial effects of the Acquisitions on the DPU for the six months ended 30 June 2009, as if Fortune REIT had purchased the Properties and completed the Rights Issue and incurred HK\$480.0 million of additional borrowings on 1 January 2009, and held and operated the Properties through to 30 June 2009, are as follows:

	Before the Acquisitions and Rights Issue⁽¹⁾	After the Acquisitions and Rights Issue
Distributable income (HK\$'000)	161,698	199,432
Units in issue and to be issued ('000)	824,879	1,657,104
DPU (HK cents)	19.60	12.03

Note:

(1) Based on the 1H 2009 Unaudited Financial Statements.

Pro-forma NAV per Unit

The pro-forma financial effects of the Acquisitions on the NAV per Unit as at 30 June 2009, as if Fortune REIT had purchased the Properties, completed the Rights Issue, and incurred additional borrowings of HK\$480.0 million on 30 June 2009, are as follows:

	Before the Acquisitions and Rights Issue⁽¹⁾	After the Acquisitions and Rights Issue
NAV (HK\$'000)	6,469,178	8,250,134
Units in issue and to be issued ('000)	824,879	1,656,141
NAV per Unit (HK\$)	7.84	4.98

Note:

(1) Based on the 1H 2009 Unaudited Financial Statements.

Based on the figures above, we note that the pro-forma NAV per Unit will decrease from HK\$7.84 to HK\$4.98.

Pro-forma capitalisation

The following table sets forth the pro-forma capitalisation of Fortune REIT as at 30 June 2009, as if Fortune REIT had purchased the Properties, completed the Rights Issue and incurred additional borrowings of HK\$480.0 million on 30 June 2009.

	As at 30 June 2009	
	Actual	As Adjusted
	(HK\$ '000)	(HK\$ '000)
Short-term debt:		
Unsecured	–	–
Secured	2,378,700	2,378,700
Total short-term debt	2,378,700	2,378,700
Long-term debt:		
Unsecured	–	–
Secured	–	480,000
Total long-term debt	–	480,000
Total debt	2,378,700	2,858,700
Unitholders funds	6,469,178	8,250,134
Total Capitalisation	8,847,878	11,108,834

Based on the figures above, we note that the total capitalisation will increase from HK\$8,847,878,000 to HK\$11,108,834,000.

Pro-forma financial effects of acquiring Metro Town and Hampton Loft and not Caribbean Bazaar

Financial Year Ended 31 December 2008

Pro-forma DPU and distribution yield

The pro-forma financial effects on the DPU and distribution yield for FY2008, as if Fortune REIT had purchased Metro Town and Hampton Loft, completed the Rights Issue, and incurred HK\$380.0 million of additional borrowings on 1 January 2008, and held and operated the Properties through to 31 December 2008, are as follows:

	Before the Acquisitions and Rights Issue⁽¹⁾	After the Acquisitions and Rights Issue
Distributable income (HK\$'000)	302,855	363,231
Units in issue and to be issued ('000)	820,819	1,652,250
DPU (HK cents)	37.02	21.98
Distribution yield	9.0% ⁽²⁾	6.9% ⁽³⁾

Notes:

- (1) Based on the FY 2008 Audited Financial Statements.
- (2) Based on the actual DPU divided by the closing price of the Unit of HK\$4.10.
- (3) Based on the adjusted DPU divided by the TERP of HK\$3.20 per Unit.

Based on the figures above, we note that the distribution yield will decrease from 9.0% to 6.9%.

Pro-forma NAV per Unit

The pro-forma financial effects on the NAV per Unit as at 31 December 2008, as if Fortune REIT had purchased Metro Town and Hampton Loft, completed the Rights Issue, and incurred additional borrowings of HK\$380.0 million on 31 December 2008, are as follows:

	Before the Acquisitions and Rights Issue⁽¹⁾	After the Acquisitions and Rights Issue
NAV (HK\$'000)	6,156,364	7,951,706
Units in issue and to be issued ('000)	820,819	1,650,740
NAV per Unit (HK\$)	7.50	4.82

Note:

(1) Based on the FY 2008 Audited Financial Statements.

Based on the figures above, we note that the pro-forma NAV per Unit will decrease from HK\$7.50 to HK\$4.82.

Pro-forma capitalisation

The following table sets forth the pro-forma capitalisation of Fortune REIT as at 31 December 2008, as if Fortune REIT had purchased Metro Town and Hampton Loft, completed the Rights Issue and incurred additional borrowings of HK\$380.0 million on 31 December 2008.

	As at 31 December 2008	
	Actual	As Adjusted
	(HK\$ '000)	(HK\$ '000)
Short-term debt:		
Unsecured	–	–
Secured	–	–
Total short-term debt	–	–
Long-term debt:		
Unsecured	–	–
Secured	2,348,700	2,728,700
Total long-term debt	2,348,700	2,728,700
Total debt	2,348,700	2,728,700
Unitholders funds	6,156,364	7,951,706
Total Capitalisation	8,505,064	10,680,406

Based on the figures above, we note that the total capitalisation will increase from HK\$8,505,064,000 to HK\$10,680,406,000.

Six Months Ended 30 June 2009

Pro-forma DPU

The pro-forma financial effects on the DPU for the six months ended 30 June 2009, as if Fortune REIT had purchased Metro Town and Hampton Loft, completed the Rights Issue and incurred HK\$380.0 million of additional borrowings on 1 January 2009, and held and operated the Properties through to 30 June 2009, are as follows:

	Before the Acquisitions and Rights Issue⁽¹⁾	After the Acquisitions and Rights Issue
Distributable income (HK\$'000)	161,698	191,564
Units in issue and to be issued ('000)	824,879	1,655,564
DPU (HK cents)	19.60	11.57

Note:

(1) Based on the 1H 2009 Unaudited Financial Statements.

Pro-forma NAV per Unit

The pro-forma financial effects on the NAV per Unit as at 30 June 2009, as if Fortune REIT had purchased Metro Town and Hampton Loft, completed the Rights Issue, and incurred additional borrowings of HK\$380.0 million on 30 June 2009, are as follows:

	Before the Acquisitions and Rights Issue⁽¹⁾	After the Acquisitions and Rights Issue
NAV (HK\$'000)	6,469,178	8,264,184
Units in issue and to be issued ('000)	824,879	1,654,801
NAV per Unit (HK\$)	7.84	4.99

Note:

(1) Based on the 1H 2009 Unaudited Financial Statements.

Based on the figures above, we note that the pro-forma NAV per Unit will decrease from HK\$7.84 to HK\$4.99.

Pro-forma capitalisation

The following table sets forth the pro-forma capitalisation of Fortune REIT as at 30 June 2009, as if Fortune REIT had purchased Metro Town and Hampton Loft, completed the Rights Issue and incurred additional borrowings of HK\$380.0 million on 30 June 2009.

	As at 30 June 2009	
	Actual	As Adjusted
	(HK\$ '000)	(HK\$ '000)
Short-term debt:		
Unsecured	–	–
Secured	2,378,700	2,378,700
Total short-term debt	2,378,700	2,378,700
Long-term debt:		
Unsecured	–	–
Secured	–	380,000
Total long-term debt	–	380,000
Total debt	2,378,700	2,758,700
Unitholders funds	6,469,178	8,264,184
Total Capitalisation	8,847,878	11,022,884

Based on the figures above, we note that the total capitalisation will increase from HK\$8,847,878,000 to HK\$11,022,884,000.

We make the following comments in relation to the various financial effects displayed above:

1. The pro-forma NAV per Unit, in each instance analysed, falls assuming completion of the Acquisitions and Rights Issue/Whitewash Waiver.

We note that the abovementioned fall is largely due to the Rights Units being offered at a discount to the existing NAV per unit of Fortune REIT as well as the increase in the number of Units pursuant to the Rights Issue.

2. The pro-forma distribution yields generated by Fortune REIT, in each instance analysed, falls assuming completion of the Acquisitions and Rights Issue/Whitewash Waiver.

We note that the pro-forma distribution yields generated by Fortune REIT, assuming completion of the Acquisitions and Rights Issue/Whitewash Waiver, are within the range of distribution yield figures exhibited by a selection of comparable companies operating in Hong Kong.

Assuming the Acquisitions and Rights Issue/Whitewash Waiver proceed, existing Unitholders who do not subscribe for new Rights Units will be in a less favorable position vis-a-vis existing Unitholders who subscribe for new Rights Units due to the dilution impacts associated with the new Rights Units being at a discount to the applicable NAV per Unit and trading prices.

5.4 Other relevant factors

Metro Town adjustment

The purchase consideration for Metro Town is HK\$1,452.0 million and is subject to adjustment as noted in section 3.2 of this letter.

We note that the adjustment for the consolidated net current assets/net current liabilities needs to be made because Fortune REIT will be acquiring Metro Town indirectly by acquiring the special purpose company which indirectly holds Metro Town, being MPI. MPI holds Metro Town through its subsidiary, Mega Gain. In an acquisition of a company, it is common for an adjustment mechanism to be provided so that what the purchaser is paying to the vendor takes into account the exact current assets and current liabilities of the company at the point when the company is transferred to the purchaser.

Working capital statement

The Manager opines that, taking into consideration Fortune REIT's internal resources, its available loan facilities, and the net proceeds of the Rights Issue and the working capital available to Fortune REIT, as at the date of lodgement of this Unitholders' Circular, is sufficient for the present requirements of Fortune REIT.

6. EVALUATION OF THE PROPOSED WHITEWASH RESOLUTION

In arriving at our opinion in relation to the Whitewash Resolution, we have taken into account the following key factors:

6.1 Rationale in relation to the Whitewash Resolution

The Manager believes, and states within the Circular, the following rationale in relation to the Rights Issue/Whitewash Waiver. The following is a summarised version of the rationale:

- **Rationale to subscribe for the Pro Rata Units and the Commitment Rights Units**

Given the current challenging market conditions, the Joint Lead Managers and Underwriters have confirmed that they will only underwrite the Rights Issue if Focus Eagle and Ballston enter into the Sub-Underwriting Agreements. By committing to this arrangement, they are demonstrating their support for Fortune REIT and facilitating the underwriting of the Rights Issue by the Joint Lead Managers and Underwriters, thereby ensuring a successful Rights Issue.

- **Rationale to allow the Cheung Kong Subsidiaries and the Hutchison Subsidiaries to apply for the Excess Rights Units and/or acquire the Nil-Paid Rights Units**

The Manager is of the view that the Cheung Kong Subsidiaries and the Hutchison Subsidiaries should not be treated differently from any other Unitholder and should be given the opportunity to apply for Excess Rights Units and/or acquire Nil-Paid Rights Units. In addition, any application for Excess Rights Units, to be made by the Cheung Kong Subsidiaries and the Hutchison Subsidiaries at their discretion, will further demonstrate their support for and confidence in the Rights Issue and their long-term commitment to Fortune REIT and will ensure a successful Rights Issue.

Further information in relation to the rationale surrounding the Rights Issue/Whitewash Resolution can be obtained throughout the Circular, in particular within section 5.3. We recommend that the Independent Directors advise Unitholders to read this section of the Circular carefully.

6.2 Pricing of the Rights Units

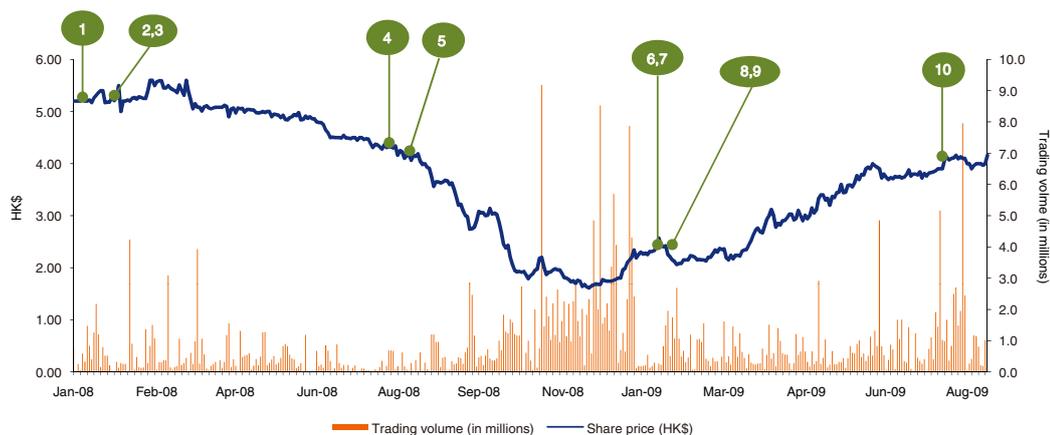
The Rights Issue Price of HK\$2.29 per Unit is set out in greater detail in section 4.2 of the Circular. The Rights Issue Price represents a discount of:

- 44.1% to the closing price of HK \$4.10 per Unit on the SGX-ST on 21 August 2009 being the last trading day of the Units prior to the announcement of the Rights Issue; and
- 28.3% to the theoretical ex-rights price (“TERP”) of HK \$3.20 per Unit.⁽¹⁾

Historical price performance of the Units

We have considered the historical price performance of the Units.⁽²⁾

The following chart shows the price performance of the Units for the period beginning 1 January 2008 to the Latest Practicable Date:



Notes:

- (1) The abovementioned figures are reproduced from section 4.2 of the Circular.
- (2) The figures have been obtained from Capital IQ.

Legend		
No.	Date	Description
1	07 Jan 08	Appointment of Mr. Stephen Chu as the Chief Executive Officer.
2	29 Jan 08	Release of financial results for the year ended 31 December 2007.
3	29 Jan 08	Completion of independent valuations as at 31 December 2007 for the eleven properties.
4	29 Jul 08	Release of financial results for the six months ended 30 June 2008.
5	07 Aug 08	Election of mode of payment of Manager's base fee in the form of Units.
6	21 Jan 09	Release of financial results for the year ended 31 December 2008.
7	21 Jan 09	Completion of independent valuations as at 31 December 2008 for the eleven properties.
8	28 Jan 09	Appointment of Ms. Justina Chiu as Chief Operating Officer.
9	29 Jan 09	Resignation of Mr. Stephen Chu as Chief Executive Officer.
10	28 Jul 09	Release of financial results for the six months ended 30 June 2009.

Source: Capital IQ, company announcements of Fortune REIT on the SGX-ST website.

The volume weighted average prices ("VWAP") for various periods beginning up to 12 months prior to the Latest Practicable Date are set out below:

VWAP analysis				
Reference period	Highest price (HK\$)	Lowest price (HK\$)	VWAP (HK\$)	Discount of Rights Issue Price over VWAP
Periods prior to the Latest Practicable Date				
One year prior	4.160	1.610	2.655	13.8%
6 month prior	4.160	2.130	3.532	35.2%
3 month prior	4.160	3.440	3.927	41.7%
1 month prior	4.160	3.900	4.046	43.4%
One market day prior	4.000	4.000	4.000	42.8%
Latest Practicable Date	4.10	4.10	4.10	44.1%

Source: Capital IQ

During the 12-month period prior to the Latest Practicable Date, the Units had traded within a range of HK\$1.610 and HK\$4.160. The VWAP of the Units over the reference period was approximately HK\$2.655.

We note that the Rights Issue Price represents a discount of approximately 43.4%, 41.7%, 35.2% and 13.8% to the VWAP per Unit for the 1, 3, 6, and 12 months period prior to the Latest Practicable Date.

We further note that the Rights Issue Price represents a discount of approximately 42.8% to the VWAP of the Unit one market day prior to the Latest Practicable Date.

Comparison of selected precedent rights issue

We have reviewed and selected completed precedent rights issues announced by companies listed on SGX-ST during the 12-month period prior to the Latest Practicable Date.

For each completed precedent rights issue, we have considered the discount implied by the issue price to the last traded price prior to the announcement date of the rights issue price and to its respective theoretical ex-rights price ("TERP").

Precedent selected rights issue					
Company Name	Date of announcement	Terms of rights issue	Rights issue price	Discount of rights issue price to LTP ⁽¹⁾	Discount of rights issue price to TERP ⁽²⁾
Starhill Global REIT	22 Jun 2009	1 for 1	S\$0.350	45.31%	29.29%
Neptune Orient Lines Limited	02 Jun 2009	3 for 4	S\$1.300	15.03%	9.18%
Europtronic Group Ltd	22 May 2009	1 for 1	S\$0.025	16.67%	9.09%
CapitaCommercial Trust	22 May 2009	1 for 1	S\$0.590	44.34%	28.48%
Lifebrandz Ltd	30 Apr 2009	3 for 2	S\$0.005	66.67%	44.44%
Keppel Land Limited	24 Apr 2009	9 for 10	S\$1.090	42.02%	27.61%
Unionmet Singapore Ltd	23 Mar 2009	2 for 3	S\$0.020	50.00%	37.50%
Sing Holdings Limited	11 Mar 2009	1 for 2	S\$0.100	39.39%	30.23%
Capitaland Limited	09 Feb 2009	1 for 2	S\$1.300	44.92%	35.22%
CapitaMall Trust	09 Feb 2009	9 for 10	S\$0.820	43.45%	28.79%
OSIM International Ltd	14 Jan 2009	2 for 9	S\$0.055	26.67%	22.93%
Jasper Investments Ltd	31 Dec 2008	3 for 4	S\$0.130	35.00%	23.53%
Serial System Ltd	31 Dec 2008	1 for 5	S\$0.055	15.38%	13.16%
Mirach Energy Limited	29 Dec 2008	3 for 1	S\$0.022	37.14%	12.87%
DBS Group Holdings Ltd	22 Dec 2008	1 for 2	S\$5.420	44.97%	35.25%
HG Metal Manufacturing Limited	25 Nov 2008	1 for 2	S\$0.090	25.00%	18.18%
Popular Holdings Limited	29 Oct 2008	1 for 2	S\$0.100	20.00%	14.29%
Shanghai Asia Holdings Ltd	12 Sep 2008	3 for 8	S\$0.100	47.37%	39.56%
			Min	15.03%	9.09%
			Mean	36.63%	25.53%
			Median	40.71%	28.05%
			Max	66.67%	44.44%
Fortune REIT⁽³⁾	21 Aug 2009	1 for 1	HK\$2.29	44.15%	28.33%

Source: Capital IQ, rights issue announcements of companies on SGX-ST website.

Notes:

- (1) Last traded price prior to the announcement date of the rights issue price.
- (2) TERP = (Market capitalisation prior to the announcement date of the rights issue price + gross proceeds from the rights issue)/total shares/units outstanding after the rights issue.
- (3) Based on Latest Practicable Date.

Based on the Rights Issue Price of HK\$2.29 and the table above, we note that:

- The discount of approximately 44.15% of the Rights Issue Price to the closing price of HK\$4.10 on the Latest Practicable Date, is greater than the mean discount of 36.63% and median discount of 40.71% of the selected precedent rights issues;
- The discount of approximately 44.15% of the Rights Issue Price to the closing price of HK\$4.10 on the Latest Practicable Date, is within the range of corresponding discounts of 15.03% and 66.67% for the selected precedent rights issues;
- The discount of approximately 28.33% of the Rights Issue Price to the TERP of HK\$3.20, is greater than the mean discount of 25.53% and median discount of 28.05% of the selected precedent rights issues; and
- The discount of approximately 28.33% of the Rights Issue Price to the TERP of HK\$3.20, is within the range of corresponding discounts of 9.09% and 44.44% of the selected precedent rights issues.

The Independent Directors should note that certain circumstances and terms relating to the selected precedent rights issues are unique and might not be identical to the Rights Issue, and are largely dependent on the market sentiments prevailing at the time of such precedent rights issues.

The selected companies which had carried out the selected precedent rights issues might be different from Fortune REIT in terms of composition of business activities, scale of operations, risk profile, geographical spread of activities, track record, future prospects and other relevant criteria. In addition, the list of selected precedent rights issues is by no means exhaustive and information relating to the selected companies was compiled from publicly available information.

Consequently, the Independent Directors should note that the above comparison is merely for illustrative purposes and serves as a general guide only.

6.3 Financial effects of the Rights Issue

The financial effects of the Acquisitions and Rights Issue are set out in sections 3.10 and 3.11 of the Circular and are reproduced with applicable commentary in section 5.3 of this letter.

6.4 Potential dilution arising from the Rights Issue and the impact on potential third-party takeover offers for Fortune REIT

As at the Latest Practicable Date, Focus Eagle owned 206,537,342 Units (comprising 25.0% of the existing Units) and Ballston owned 56,278,000 Units (comprising 6.8% of the existing Units). Focus Eagle is a wholly-owned subsidiary of Cheung Kong and Ballston is a wholly-owned subsidiary of Hutchison, which is in turn 49.9% owned by Cheung Kong. Cheung Kong is thus deemed to hold an aggregate of 262,815,342 Units, which is equivalent to 31.9% of the total number of Units in issue as at the Latest Practicable Date.

We have analysed the following three scenarios for the purposes of assessing the potential dilutive impact of the Rights Issue:

- If all Unitholders (including the Cheung Kong Subsidiaries and the Hutchison Subsidiaries) accept their Rights entitlements in full, the unitholdings of the Cheung Kong Subsidiaries and the Hutchison Subsidiaries after the completion of the Rights Issue and upon the acceptance of all of their provisional allotments under the Rights Issue will remain unchanged at 31.9% (“**Whitewash Scenario 1**”). There will be no dilution in the collective unitholdings of the Independent Unitholders in Whitewash Scenario 1.
- In the scenario where the Cheung Kong Subsidiaries and the Hutchison Subsidiaries acquire not only their Pro Rata Units but the Cheung Kong Subsidiaries also acquire all the Commitment Rights Units pursuant to the Focus Eagle Sub-Underwriting Agreement and assuming that the Cheung Kong Subsidiaries and the Hutchison Subsidiaries do not apply for any Excess Rights Units and/or acquire any Nil-Paid Rights Units, the aggregated unitholding of the Cheung Kong Subsidiaries and the Hutchison Subsidiaries immediately after the completion of the Rights Issue and upon the subscription of the Commitment Rights Units will be 40.9% (“**Whitewash Scenario 2**”). Accordingly, the collective unitholdings of the independent Unitholders will be diluted in Whitewash Scenario 2.
- The maximum possible increase in the unitholdings of the Cheung Kong Subsidiaries and the Hutchison Subsidiaries would occur in the scenario where none of the other Unitholders subscribe for their Rights Entitlements, and the Cheung Kong Subsidiaries and the Hutchison Subsidiaries subscribe for not only the Pro Rata Units but also subscribe for all the Excess Rights Units and Nil-Paid Rights Units (i.e. such that 100% of the Rights Units are taken up by the Cheung Kong Subsidiaries and the Hutchison Subsidiaries). In this case, the aggregated unitholding of the Cheung Kong Subsidiaries and the Hutchison Subsidiaries after the completion of the Rights Issue and upon acquiring the Commitment Rights Units, the Aggregate Excess Rights Units and the Nil-Paid Rights Units will be 65.9% (“**Whitewash Scenario 3**”). Accordingly, the collective unitholdings of the independent Unitholders will be diluted in Whitewash Scenario 3.

The following table sets out the respective unitholdings of the Cheung Kong Subsidiaries and the Hutchison Subsidiaries in the scenarios outlined above.

Unitholdings of the Cheung Kong Subsidiaries and the Hutchison Subsidiaries under various scenarios				
	Before the Rights Issue ⁽¹⁾	Immediately after the Rights Issue		
		Whitewash Scenario 1	Whitewash Scenario 2	Whitewash Scenario 3
Issued Units	824,879,427	1,649,758,854	1,649,758,854	1,649,758,854
Number of Units held by the Cheung Kong Subsidiaries and the Hutchison Subsidiaries	262,815,342	525,630,684	675,255,055	1,087,694,769
Number of Units held by Unitholders, other than the Cheung Kong Subsidiaries and the Hutchison Subsidiaries	562,064,085	1,124,128,170	974,503,799	562,064,085

Unitholdings of the Cheung Kong Subsidiaries and the Hutchison Subsidiaries under various scenarios				
	Immediately after the Rights Issue			
	Before the Rights Issue⁽¹⁾	Whitewash Scenario 1	Whitewash Scenario 2	Whitewash Scenario 3
% of issued Units held by the Cheung Kong Subsidiaries and the Hutchison Subsidiaries	31.9	31.9	40.9	65.9
% of Issued Units held by Unitholders, other than the Cheung Kong Subsidiaries and the Hutchison Subsidiaries	68.1	68.1	59.1	34.1

Note:

(1) As at the Latest Practicable Date.

The Independent Directors should note that in the event that the Whitewash Resolution is passed by a majority of the independent Unitholders, Cheung Kong Subsidiaries and the Hutchison Subsidiaries may increase their unitholdings in Fortune REIT in accordance with the table shown.

It is possible that Cheung Kong Subsidiaries and the Hutchison Subsidiaries may hold 50% or more of the unitholdings in Fortune REIT after the completion of the Rights Issue. As a result, Fortune REIT may be a relatively less favourable target for third party offers, assuming that it is the intention of the offerors to acquire a significant interest or control in Fortune REIT, should Cheung Kong Subsidiaries and the Hutchison Subsidiaries intend to retain majority control of Fortune REIT.

6.5 Offering of the Rights Issue on a renounceable basis

Eligible Unitholders will be at liberty to accept in part or in full, decline or otherwise renounce or trade (during the “nil-paid” rights trading period prescribed by the SGX-ST) their Rights Entitlements and are eligible to apply for excess Rights Units in excess of their Rights Entitlements.

6.6 Other considerations

Fee payable to Focus Eagle and Ballston in relation to the Sub-Underwriting Agreements

Pursuant to the Sub-Underwriting Agreements, the Joint Lead Managers and Underwriters agree to pay, from the Underwriting Commission, a sub-underwriting fee comprising of the following:

- to Focus Eagle, a fee of 1.75% of the Rights Issue Price multiplied by the number of Focus Eagle Pro Rata Units of 206,537,342 Units, representing 25.0% of the Rights Units (which is equivalent to HK\$8.3 million);
- to Ballston, a fee of 1.75% of the Rights Issue Price multiplied by the number of Ballston Pro Rata Units of 56,278,000 Units, representing 6.8% of the Rights Units (which is equivalent to HK\$2.3 million); and

- to Focus Eagle, a fee of 2.25% of the Rights Issue Price multiplied by the number of Commitment Rights Units of 149,624,371 Units, representing 18.2% of the Rights Units (which is equivalent to HK\$7.7 million),

together with any goods and services tax payable thereon (where applicable).

The Sub-Underwriting Commission payable to Focus Eagle and Ballston will be paid by the Joint Lead Managers and Underwriters from the Underwriting Commission and the percentage level of the commission payable by the Joint Lead Managers and Underwriters to Focus Eagle and Ballston pursuant to the Sub-Underwriting Agreements will not be more than the percentage level of the commission which the Joint Lead Managers and Underwriters receive pursuant to the Underwriting Agreement.

In determining whether the Sub-Underwriting Commission is fair and not prejudicial to Fortune REIT, we have considered similar sub-underwriting fees payable in recent rights issue transactions conducted by companies listed on the SGX-ST (the “**Comparable Rights Issue Transactions**”). Specifically, we have looked at sub-underwriting fees payable to major shareholders or major unitholders who have provided similar commitments to those assumed by Focus Eagle and Ballston.

It should be noted, however, that the Comparable Rights Issue Transactions may not be truly comparable to the Rights Issue in terms of the size and terms and conditions of the rights issue transaction. Furthermore, the companies represented in the Comparable Rights Issue Transactions may vary from the Rights Issue in terms of the company’s composition of business activities, scale of operations, risk profile, geographical spread of activities, financial condition, track record, future prospects and other relevant criteria. Accordingly, any comparison made with respect to the Comparable Rights Issue Transactions merely serves as an illustrative guide.

Comparators: Arrangement of sub-underwriting fees payable			
Date	Company	Sub-underwriting fees	
		Pro rata units	Commitment rights units
3 Jul 09	Frasers Commercial Trust	n.a. ⁽¹⁾	2.25% ⁽²⁾
22 Jun 09	Starhill Global REIT	1.75%	2.25% ⁽³⁾
29 May 09	CapitaCommercial Trust	1.75%	n.a.
16 Feb 09	CapitaLand Ltd	1.75%	n.a.
9 Feb 09	CapitaMall Trust	1.75%	2.25% ⁽⁴⁾
17 Jul 09	Fortune REIT	1.75%	2.25%⁽⁵⁾

Source: *Rights issue announcements of companies on SGX-ST website.*

Notes:

- (1) Denotes not applicable.
- (2) Commitment rights units defined as 32.7% of the total number of rights units less the number of the sponsor proportionate rights units.
- (3) Commitment rights units defined as sponsor sub-underwritten units, which represent 75.0% of the total number of rights units less the number of the sponsor proportionate rights units.
- (4) Commitment rights units defined as 60.0% of the total number of rights units less the number of the sponsor proportionate rights units.
- (5) Commitment rights units defined as 43.2% of the total number of Rights Units less the number of the Focus Eagle Pro Rata Units.

From the table above, we note that the Sub-Underwriting Commission is similar to the sub-underwriting fees payable to major shareholders or major unitholders in recent rights issue transactions.

In addition to the above, we also note that the Directors are of the view that:

- The Joint Lead Managers and Underwriters have indicated that they will only underwrite the Rights Issue if Focus Eagle and Ballston enter into the Sub-Underwriting Agreements.
- The entry into the Sub-Underwriting Agreements will facilitate the underwriting of the Rights Issue by the Joint Lead Managers and Underwriters, thereby ensuring a successful Rights Issue.

We are of the view that the Sub-Underwriting Commission payable to Focus Eagle and Ballston is fair and not prejudicial to Fortune REIT and to other Unitholders, however, note that our comments in this regard relate specifically to the quantum of the Sub-Underwriting Commission payable, as disclosed in the Circular.

7. OUR OPINION

Acquisitions

In arriving at our opinion in respect of the Acquisitions, we have reviewed and examined all factors which we consider to be pertinent in our assessment, including the following key considerations:

(a) Rationale of the Acquisitions

We have reviewed the rationale for the Acquisitions and are of the view that the Acquisitions are being made on a reasonable basis.

(b) The financial assessment of the Acquisitions

In reviewing the Aggregate Purchase Consideration paid by Fortune REIT for the Acquisitions, we have reviewed, *inter alia*, the Valuation Reports compiled by Knight Frank and Savills. We note in particular that the Aggregate Purchase Consideration is lower than the aggregate valuation figures determined by Savills and Knight Frank.

(c) The pro-forma financial affects of the Acquisitions

We note that the pro-forma NAV per Unit and the distribution yields fall assuming completion of the Acquisitions and Rights Issue/Whitewash Waiver, however, note our comments in relation to these effects at the conclusion of section 5.3 of this letter.

We note that the total capitalisation increases in each of the scenarios analysed, assuming completion of the Acquisitions and Rights Issue/Whitewash Waiver.

After carefully considering the information available to us, and based upon the monetary, industry, market, economic and other relevant conditions subsisting on the Latest Practicable Date, we are of the opinion that:

- In accordance with Chapter 9 of the Listing Manual, the Acquisitions are on normal commercial terms and not prejudicial to Fortune REIT and the Unitholders.
- In accordance with Paragraph 5 of the Property Funds Guidelines, the Acquisitions are on normal commercial terms and not prejudicial to the Unitholders, based on an assessment of the impact of the Acquisitions on Fortune REIT on an overall basis.

Whitewash Resolution

In arriving at our opinion in respect of the Whitewash Resolution, we have reviewed and examined all factors which we consider to be pertinent in our assessment, including the following key considerations:

(a) Rationale in relation to the Whitewash Resolution

We have reviewed the rationale in relation to the Whitewash Resolution and are of the view that the Whitewash Resolution is being made on a reasonable basis.

(b) Pricing of the Rights Issue

- The discount of approximately 44.15% of the Rights Issue Price to the closing price of HK\$4.10 on the Latest Practicable Date, is greater than the mean discount of 36.63% and median discount of 40.71% of the selected precedent rights issues.
- The discount of approximately 44.15% of the Rights Issue Price to the closing price of HK\$4.10 on the Latest Practicable Date, is within the range of corresponding discounts of 15.03% and 66.67% for the selected precedent rights issues.
- The discount of approximately 28.33% of the Rights Issue Price to the TERP of HK\$3.20, is greater than the mean discount of 25.53% and median discount of 28.05% of the selected precedent rights issues.
- The discount of approximately 28.33% of the Rights Issue Price to the TERP of HK\$3.20, is within the range of corresponding discounts of 9.09% and 44.44% of the selected precedent rights issues.

(c) Nature of the Rights Issue

The Rights Issue is being offered on a pro rata and renounceable basis.

After carefully considering the information available to us, and based upon the monetary, industry, market, economic and other relevant conditions subsisting on the Latest Practicable Date, we are of the opinion that the Whitewash Resolution is on normal commercial terms and is not prejudicial to Fortune REIT and the Unitholders.

In accordance with the above analysis, we advise the Independent Directors to recommend that the Unitholders vote in favour of the Acquisitions and the Whitewash Resolution.

Our opinion in relation to the Acquisitions and Whitewash Resolution, as disclosed in this letter, is based upon the market, economic, industry, monetary and other applicable conditions subsisting on the Latest Practicable Date.

This opinion is addressed solely to:

- The Independent Directors and the Trustee for their use and benefit, in connection with and for the purpose of their consideration of the Acquisitions.
- The Independent Directors for their use and benefit, in connection with and for the purpose of their consideration of the Whitewash Resolution.

The recommendations to be made by the abovementioned parties to the Unitholders shall remain their responsibility. A copy of this letter may be reproduced in the Circular.

This opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

We have prepared this letter for the use of the Independent Directors and the Trustee (as concerns the Acquisitions) in connection with and for the purpose of their consideration of the Acquisitions and Whitewash Resolution and for inclusion in the Circular. No other person may reproduce, disseminate or quote this letter (or any part thereof) for any other purpose at any time and in any manner except with the prior written consent of KPMG Corporate Finance in each specific case.

Your faithfully
for and on behalf of
KPMG Corporate Finance Pte Ltd

Satyanarayan R.
Executive Director

Aldric How
Associate Director

**PROPOSED TRUST DEED AMENDMENT TO
FACILITATE EQUITY FUND RAISINGS**

The proposed form of the amendment to the Trust Deed upon Unitholders' approval of Resolution 3 (the Trust Deed Amendment to Facilitate Equity Fund Raisings) is that Clause 5.1.4 of the Trust Deed relating to the issue of Units be amended in accordance with the following deletion indicated by the deleted text and addition indicated by the underlined text below:

"5.1.4 If the Trust is Listed on the SGX-ST, and subject to the Listing Rules, the Manager shall not issue any Units in numbers exceeding the limit (if any), set out in any applicable laws, regulations and the Listing Rules, relating to the issue of Units unless the Holders approve the issue of Units exceeding the aforesaid limit by ~~extra~~Ordinary ~~r~~Resolution in general meeting."

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an EXTRAORDINARY GENERAL MEETING of Fortune Real Estate Investment Trust ("**Fortune REIT**") will be held at Capricorn Room, Level 1, Marina Mandarin Hotel, 6 Raffles Boulevard, Marina Square, Singapore 039594 on 11 September 2009 at 2.30 p.m. and for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions:

ORDINARY RESOLUTION

1. THE ACQUISITIONS OF METRO TOWN, CARIBBEAN BAZAAR AND HAMPTON LOFT

That:

THE ACQUISITION OF METRO TOWN

- (a) subject to and contingent upon the passing of Resolution 2, approval be and is hereby given for the acquisition of Metro Town by Fortune REIT through the acquisition of the entire issued share capital of Marvel Point Investments Limited from McBride International Limited and Natisone Investments Limited at the purchase consideration described in the circular dated 24 August 2009 issued by ARA Asset Management (Singapore) Limited (in its capacity as manager of Fortune REIT (the "**Manager**") to holders of units in Fortune REIT (the "**Circular**")) and on the terms and conditions set out in the sale and purchase agreement dated 24 August 2009 as entered into between HSBC Institutional Trust Services (Singapore) Limited (in its capacity as the trustee of Fortune REIT (the "**Trustee**")), McBride International Limited and Natisone Investments Limited (and Cheung Kong (Holdings) Limited ("**Cheung Kong**") and Nan Fung Development Limited as guarantors), and for payment of all fees and expenses relating to the acquisition of Metro Town (as described in the Circular), such acquisition being an "interested person transaction" (as defined in the Listing Manual of Singapore Exchange Securities Trading Limited, the "**Listing Manual**") as well as an "interested party transaction" (as defined in the Property Funds Guidelines of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore, the "**Property Funds Guidelines**") (collectively, a "**Related Party Transaction**");
- (b) subject to and contingent upon the passing of Resolution 2, approval be and is hereby given for Fortune REIT to take over the Related Tenancy and Licence Agreements (as defined in the Circular) in relation to Metro Town upon the completion of the acquisition of Metro Town;
- (c) subject to and contingent upon the passing of Resolution 2, approval be and is hereby given for Goodwell-Fortune Property Services Limited (the "**Property Manager**"), the existing property manager of Fortune REIT, to manage Metro Town on the completion of the acquisition of Metro Town pursuant to and in accordance with the terms of the existing property management agreement dated 7 July 2003 entered into by the Trustee, the Manager and the Property Manager, as further extended for a term of five years pursuant to an extension letter entered into between the Property Manager, the Trustee and the Manager dated 1 August 2008 (collectively, the "**Property Management Agreement**"); and
- (d) subject to and contingent upon the passing of Resolution 2, the Manager, any director of the Manager and the Trustee be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the Manager, such director of the Manager or, as the case may be, the Trustee may consider expedient or necessary or in the interests of Fortune REIT to give effect to the acquisition of Metro Town.

THE ACQUISITION OF CARIBBEAN BAZAAR

- (e) subject to and contingent upon the passing of Resolution 2, approval be and is hereby given for the acquisition of Caribbean Bazaar by Fortune REIT from MTR Corporation Limited at the purchase consideration described in the Circular and on the terms and conditions set out in the sale and purchase agreement dated 24 August 2009 as entered into between Genuine Joy Limited (a wholly-owned subsidiary of Fortune REIT) and MTR Corporation Limited, and for payment of all fees and expenses relating to the acquisition of Caribbean Bazaar (as described in the Circular), such acquisition being considered a Related Party Transaction by the Manager;
- (f) subject to and contingent upon the passing of Resolution 2, approval be and is hereby given for Fortune REIT to take over the Related Tenancy and Licence Agreements in relation to Caribbean Bazaar upon the completion of the acquisition of Caribbean Bazaar;
- (g) subject to and contingent upon the passing of Resolution 2, approval be and is hereby given for the Property Manager to manage Caribbean Bazaar on the completion of the acquisition of Caribbean Bazaar pursuant to and in accordance with the terms of the Property Management Agreement; and
- (h) subject to and contingent upon the passing of Resolution 2, the Manager, any director of the Manager and the Trustee be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the Manager, such director of the Manager or, as the case may be, the Trustee may consider expedient or necessary or in the interests of Fortune REIT to give effect to the acquisition of Caribbean Bazaar.

THE ACQUISITION OF HAMPTON LOFT

- (i) subject to and contingent upon the passing of Resolution 2, approval be and is hereby given for the acquisition of Hampton Loft by Fortune REIT from Global Coin Limited at the purchase consideration described in the Circular and on the terms and conditions set out in the sale and purchase agreement dated 24 August 2009 as entered into between Full Belief Limited (a wholly-owned subsidiary of Fortune REIT) and Global Coin Limited, and for payment of all fees and expenses relating to the acquisition of Hampton Loft (as described in the Circular), such acquisition being a Related Party Transaction;
- (j) subject to and contingent upon the passing of Resolution 2, approval be and is hereby given for Fortune REIT to take over the Related Tenancy and Licence Agreements in relation to Hampton Loft upon the completion of the acquisition of Hampton Loft;
- (k) subject to and contingent upon the passing of Resolution 2, approval be and is hereby given for the Property Manager to manage Hampton Loft on the completion of the acquisition of Hampton Loft pursuant to and in accordance with the terms of the Property Management Agreement; and
- (l) subject to and contingent upon the passing of Resolution 2, the Manager, any director of the Manager and the Trustee be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the Manager, such director of the Manager or, as the case may be, the Trustee may consider expedient or necessary or in the interests of Fortune REIT to give effect to the acquisition of Hampton Loft.

2. THE WHITEWASH RESOLUTION

That subject to and contingent upon the passing of Resolution 1 and the conditions in the letter from the Securities Industry Council dated 12 August 2009 being fulfilled, Unitholders, other than Cheung Kong, parties acting in concert with it and parties which are not independent of Cheung Kong, hereby (on a poll taken) waive their rights to receive a mandatory offer from Cheung Kong and parties acting in concert with it, which includes:

- (a) Cheung Kong and its subsidiaries (the “**Cheung Kong Subsidiaries**”) and Hutchison Whampoa Limited (“**Hutchison**”) and its subsidiaries (the “**Hutchison Subsidiaries**”) which hold either a direct or indirect interest in units in Fortune REIT (“**Units**”); and
- (b) any one or more subsidiaries of Cheung Kong and/or Hutchison (as the case may be) whether existing or to be incorporated by Cheung Kong and/or Hutchison (as the case may be),

which will be subscribing for Units issued under the underwritten renounceable rights issue as described in the Circular issued by the Manager (the “**Rights Issue**” and the Units issued pursuant to the Rights Issue, the “**Rights Units**”), for all the remaining issued Units not owned or controlled by Cheung Kong and parties acting in concert with it, in the event that they incur a mandatory bid obligation pursuant to Rule 14 of the Singapore Code on Take-overs and Mergers (the “**Code**”) as a result of the acquisition by (a) the Cheung Kong Subsidiaries and (b) the Hutchison Subsidiaries of:

- (i) the Pro Rata Units (as defined in the Circular);
- (ii) the Commitment Rights Units (as defined in the Circular); and/or
- (iii) the Aggregate Excess Rights Units (as defined in the Circular); and/or
- (iv) the Nil-Paid Rights Units (as defined in the Circular).

EXTRAORDINARY RESOLUTION

3. THE TRUST DEED AMENDMENT TO FACILITATE EQUITY FUND RAISINGS

That:

- (a) approval be and is hereby given to amend clause 5.1.4 of the Trust Deed with the Trust Deed Amendment to Facilitate Equity Fund Raisings (as defined in the Circular) in the manner set out in **Appendix H** of the Circular; and
- (b) the Manager, any director of the Manager and the Trustee be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the Manager, such director of the Manager or, as the case may be, the Trustee may consider expedient or necessary or in the interests of Fortune REIT to give effect to the Trust Deed Amendment to Facilitate Equity Fund Raisings.

BY ORDER OF THE BOARD
ARA ASSET MANAGEMENT (SINGAPORE) LIMITED
(as manager of Fortune Real Estate Investment Trust)

Lim Hwee Chiang, John
Director
Singapore
24 August 2009

Notes:

1. A holder of Units ("**Unitholder**") entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a Unitholder.
2. The instrument appointing a proxy must be lodged at the Manager's registered office at 6 Temasek Boulevard, #16-02 Suntec Tower Four, Singapore 038986 not less than 48 hours before the time appointed for the Extraordinary General Meeting.

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Notes To Proxy Form

1. A Unitholder entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint one or two proxies to attend and vote in his stead.
2. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.
3. A proxy need not be a Unitholder.
4. A Unitholder should insert the total number of Units held. If the Unitholder has Units entered against his name in the Depository Register maintained by The Central Depository (Pte) Limited (“**CDP**”), he should insert that number of Units. If the Unitholder has Units registered in his name in the Register of Unitholders of Fortune REIT, he should insert that number of Units. If the Unitholder has Units entered against his name in the said Depository Register and registered in his name in the Register of Unitholders, he should insert the aggregate number of Units. If no number is inserted, this form of proxy will be deemed to relate to all the Units held by the Unitholder.
5. The instrument appointing a proxy or proxies must be deposited at the Manager’s registered office at 6 Temasek Boulevard, #16-02 Suntec Tower Four, Singapore 038986, not less than 48 hours before the time set for the Extraordinary General Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the power of attorney or a duly certified copy thereof must (failing previous registration with the Manager) be lodged with the instrument of proxy; failing which the instrument may be treated as invalid.
8. The Manager shall be entitled to reject a Proxy Form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of Units entered in the Depository Register, the Manager may reject a Proxy Form if the Unitholder, being the appointor, is not shown to have Units entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Extraordinary General Meeting, as certified by CDP to the Manager.
9. All Unitholders will be bound by the outcome of the Extraordinary General Meeting regardless of whether they have attended or voted at the Extraordinary General Meeting.
10. At any meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by the Chairman or by five or more Unitholders present in person or by proxy, or holding or representing one-tenth in value of the Units represented at the meeting. Unless a poll is so demanded a declaration by the Chairman that such a resolution has been carried or carried unanimously or by a particular majority or lost shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.
11. On a show of hands every Unitholder who (being an individual) is present in person or by proxy or (being a corporation) is present by one of its officers as its proxy shall have one vote. On a poll every Unitholder who is present in person or by proxy shall have one vote for every Unit of which he is the Unitholder. A person entitled to more than one vote need not use all his votes or cast them the same way.

FORTUNE REAL ESTATE INVESTMENT TRUST

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

IMPORTANT

PLEASE READ THE NOTES TO THE PROXY FORM.

PROXY FORM EXTRAORDINARY GENERAL MEETING

I/We _____ (Name)

of _____ (Address)

being a unitholder/unitholders of Fortune Real Estate Investment Trust ("Fortune REIT"), hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Unitholdings	
			No. of Units	%

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Unitholdings	
			No. of Units	%

or, both of whom failing, the Chairman of the Extraordinary General Meeting as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and if necessary, to demand a poll, at the Extraordinary General Meeting of Fortune REIT to be held at Capricorn Room, Level 1, Marina Mandarin Hotel, 6 Raffles Boulevard, Marina Square, Singapore 039594 on 11 September 2009 at 2.30 p.m. and any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the Extraordinary General Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Extraordinary General Meeting.

No.	Resolutions	To be used on a show of hands		To be used in the event of a poll	
		For*	Against*	No. of Votes For**	No. of Votes Against**
	ORDINARY RESOLUTION				
1.	To approve the acquisitions of Metro Town, Caribbean Bazaar and Hampton Loft				
2.	To approve the Whitewash Resolution				
	EXTRAORDINARY RESOLUTION				
3.	To approve the Trust Deed Amendment to Facilitate Equity Fund Raisings				

* If you wish to exercise all your votes "For" or "Against", please tick (✓) within the box provided.

** If you wish to exercise all your votes "For" or "Against", please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2009

Total number of Units held

Signature(s) of Unitholder(s)/Common Seal



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2nd fold here

The Company Secretary
ARA Asset Management (Singapore) Limited
(as manager of Fortune Real Estate Investment Trust)
6 Temasek Boulevard
#16-02 Suntec Tower Four
Singapore 038986

Affix
Postage
Stamp

3rd fold here

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FORTUNE REAL ESTATE INVESTMENT TRUST

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