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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.  
IF IN DOUBT, PLEASE SEEK PROFESSIONAL ADVICE.**

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If you are in any doubt as to any aspect in this Circular or as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your units in Fortune REIT, you should at once hand this Circular, together with the EGM Notice and the accompanying form of proxy, to the purchaser or transferee or to the bank, licenced securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**FORTUNE**  
置富產業信託 **REIT**

**FORTUNE REAL ESTATE INVESTMENT TRUST**

*(constituted in the Republic of Singapore pursuant to a trust deed dated 4 July 2003 (as amended) and authorised as a collective investment scheme under section 286 of the Securities and Futures Act, Chapter 289 of Singapore)*

*(a collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))*  
**(Stock Code: Singapore: F25U and Hong Kong: 778)**

Managed by



**ARA Asset Management (Fortune) Limited**

**(1) PROPOSED AMENDMENTS TO THE TRUST DEED  
(2) MODIFICATION AND EXTENSION OF WAIVER IN RESPECT OF CERTAIN  
CONTINUING CONNECTED PARTY TRANSACTIONS  
(3) PROPOSED UNIT BUY-BACK MANDATE  
AND  
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent financial adviser to  
the Independent Board Committee,  
the Independent Unitholders and the Trustee**

**HK Independent Financial Adviser**



**Independent financial adviser to  
the Independent Directors and the Trustee**

**Singapore Independent Financial Adviser**



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A letter to the Unitholders is set out on pages 8 to 42 of this Circular.

A notice convening the EGM to be held at 11:30 a.m. (or as soon thereafter following the conclusion/adjournment of the annual general meeting of Fortune REIT to be held at 11:00 a.m. on the same day and at the same place) on Friday, 17 April 2015 at Room 331, Level 3 Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593 is set out on pages N-1 to N-5 of this Circular. Any Unitholder or depositor or proxy who wishes to take part in the EGM from Hong Kong, may attend via video conference which shall be held at Level 5, Hutchison House, 10 Harcourt Road, Central, Hong Kong. Whether or not you are able to attend and vote at the EGM in person, please complete and return the accompanying form of proxy to: (a) the Singapore Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623 (for Singapore Unitholders); or (b) the Hong Kong Unit Registrar, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for Hong Kong Unitholders) in accordance with the instructions printed thereon as soon as possible and in any event not less than forty-eight (48) hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

25 March 2015

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## DEFINITIONS

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*In this Circular, the following expressions shall have the following meanings unless the context otherwise requires:*

<b>"2010 Waiver"</b>	the waiver granted by the SFC in 2010 as described in section 3.3.1 headed "2010 Waiver" in the Letter to the Unitholders contained in this Circular
<b>"2012 Modified Waiver"</b>	the waiver granted by the SFC in 2012 as described in section 3.3.2 headed "2012 Modified Waiver" in the Letter to the Unitholders contained in this Circular
<b>"2013 Modified Waiver"</b>	the existing waiver granted by the SFC as described in section 3.3.3 headed "2013 Modified Waiver" in the Letter to the Unitholders contained in this Circular
<b>"2015 Modified and Extended Waiver"</b>	the resulting modified and extended 2013 Modified Waiver, if the proposed modifications and extensions to the 2013 Modified Waiver are approved by the Independent Unitholders at the EGM
<b>"Amending and Restating Deed"</b>	a deed amending and restating the Trust Deed to be entered into between the Manager and the Trustee, to effect the proposed Divestment Fee Amendments and/or the Unit Buy-back Amendments
<b>"Belvedere Square Property"</b>	(i) various shops, the clinics, the kindergartens, a market, various car parking spaces and motor cycle spaces, common areas, Belvedere Garden Phase 1, Nos. 530–590 Castle Peak Road, Tsuen Wan; (ii) Belvedere Garden Phase 2, No. 620 Castle Peak Road, Tsuen Wan; and (iii) Belvedere Garden Phase 3, Nos. 625 Castle Peak Road, Tsuen Wan, New Territories, Hong Kong, and the property was acquired by the Fortune REIT Group on 17 February 2012
<b>"Board"</b>	the board of Directors
<b>"Cheung Kong"</b>	Cheung Kong (Holdings) Limited
<b>"Cheung Kong Group"</b>	Cheung Kong and its subsidiaries from time to time
<b>"CK Property"</b>	Cheung Kong Property Holdings Limited, which, according to the Joint Announcement, was a wholly-owned subsidiary of CKH Holdings as at the date of the Joint Announcement
<b>"CK Property Group"</b>	CK Property and its subsidiaries from time to time
<b>"CK Spin-off"</b>	the proposed reorganization, merger and spin-off of the Cheung Kong Group as announced in the Joint Announcement

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## DEFINITIONS

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<b>“CKH Group”</b>	<p>a group of connected persons (as defined under the REIT Code) of Fortune REIT (i) up to the completion of the CK Spin-off if such completion takes place, or (ii) if the completion of the CK Spin-off does not take place, and these connected persons include:</p> <p>Cheung Kong and any person who is connected to Cheung Kong (as described in paragraphs 8.1(e), (f) or (g) of the REIT Code) including:</p> <ul style="list-style-type: none"><li>(i) any director, senior executive or officer of Cheung Kong;</li><li>(ii) any associate (as defined in the REIT Code) of Cheung Kong or of any director, senior executive or officer of Cheung Kong; and</li><li>(iii) any controlling entity, holding company, subsidiary or associated company (as defined in the REIT Code) of Cheung Kong</li></ul>
<b>“CKH Holdings”</b>	<p>CK Hutchison Holdings Limited, which, according to the Joint Announcement, (i) was a wholly-owned subsidiary of Cheung Kong as at the date of the Joint Announcement, and (ii) as at Latest Practicable Date, is expected to become the new holding company of Cheung Kong Group upon completion of the reorganization proposal of Cheung Kong Group</p>
<b>“CKP Connected Persons Group”</b>	<p>a group of connected persons (as defined under the REIT Code) of Fortune REIT upon the completion of the CK Spin-off if such completion takes place, and these connected persons include:</p> <p>CKP Holder, associates of the CKP Holder as defined in the REIT Code and entities or persons which are from time to time connected persons of Fortune REIT as a result of their connection with CKP Holder</p>
<b>“CKP Holder”</b>	<p>a directly or indirectly wholly-owned subsidiary of CK Property, which is expected to become a significant holder (within the meaning given in the REIT Code) of Fortune REIT immediately upon the completion of the CK Spin-off, if the completion of the CK Spin-off takes place</p>
<b>“Companies Act”</b>	<p>Companies Act, Chapter 50 of Singapore</p>
<b>“connected person”</b>	<p>has the meaning ascribed to it under the REIT Code</p>
<b>“Continuing Connected Party Transactions Under Waiver”</b>	<p>the continuing connected party transactions in respect of which the 2013 Modified Waiver was granted, the details of such transactions were summarised in the circular of Fortune REIT dated 28 August 2013</p>
<b>“Current Unit Value”</b>	<p>the Net Asset Value of the Deposited Property divided by the number of Units in issue and deemed to be in issue</p>
<b>“Deposited Property”</b>	<p>all the assets of Fortune REIT, including all its Authorised Investments (as defined in the Trust Deed) for the time being held or deemed to be held upon the trusts of the Trust Deed</p>

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## DEFINITIONS

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<b>“Director(s)”</b>	the director(s) of the Manager
<b>“Divestment Fee Amendments”</b>	the proposed amendments to the Trust Deed in connection with the Revised Divestment Fee Structure, the details of which are set out in the section headed “2.1.2 Proposed Divestment Fee Amendments” of this Circular and the form of the amendments are set out in Appendix B to this Circular, which are to be considered, and if thought fit, approved by Independent Unitholders by way of Extraordinary Resolution at the EGM
<b>“DPU”</b>	distribution per Unit
<b>“EGM”</b>	an extraordinary general meeting of the Unitholders to be convened on 17 April 2015 to approve, among other things, (i) the proposed amendments to the Trust Deed, (ii) the Waiver Modification and Extension (including the Proposed Annual Caps) and (iii) the proposed Unit Buy-back Mandate
<b>“EGM Notice”</b>	the notice included in this Circular in respect of the EGM to consider and, if thought fit, approve the Extraordinary Resolutions and the Ordinary Resolutions to be proposed at the EGM
<b>“Existing Continuing Connected Party Transactions”</b>	the Continuing Connected Party Transactions Under Waiver and the Laguna Continuing Connected Party Transactions
<b>“Expanded Continuing Connected Party Transactions”</b>	the Continuing Connected Party Transactions Under Waiver as expanded by including all transactions which were entered into and may from time to time be entered into between the Fortune REIT Group on the one hand, and the CKH Group or the CKP Connected Persons Group (as the case may be, depending on whether completion of the CK Spin-off takes place) and/or the Manager Group (as the case may be) on the other hand, in relation to any properties or companies in which Fortune REIT may directly or indirectly be interested
<b>“Explanatory Statement”</b>	the explanatory statement set out in Appendix C to this Circular
<b>“Extraordinary Resolution”</b>	a resolution proposed and passed as such by a majority consisting of 75% or more of the total number of votes cast for and against such resolution at a meeting of Unitholders, and with a quorum of Unitholders holding 25% of the Units in issue
<b>“Fortune Kingswood Property”</b>	the shopping mall known as “Fortune Kingswood”, as well as other retail, kindergarten, parking lots and ancillary spaces to such areas (including loading bays and external walls), reserve shares and common areas within Kingswood development, located at Tin Shui Wai, Yuen Long, New Territories, and the property was acquired by the Fortune REIT Group on 9 October 2013
<b>“Fortune REIT”</b>	Fortune Real Estate Investment Trust

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## DEFINITIONS

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<b>“Fortune REIT Group”</b>	Fortune REIT and other companies or entities held or controlled by it
<b>“HK Independent Financial Adviser”</b>	BOSC International Company Limited, a corporation licenced to carry out type 1 (dealing in securities) and type 6 (advising in corporate finance) regulated activities as defined under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (as amended from time to time), and in its capacity as the independent financial adviser for the purpose of paragraph 10.10(p) of the REIT Code
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the People’s Republic of China
<b>“Hong Kong Listing Rules”</b>	the Rules Governing the Listing of Securities on the SEHK, as amended, supplemented or modified from time to time
<b>“Hong Kong Takeovers and Share Buy-backs Code”</b>	the Hong Kong Code on Takeovers and Mergers and Share Buy-backs, as amended, supplemented or modified from time to time
<b>“Independent Board Committee”</b>	the independent committee of the Board established to advise the Independent Unitholders on the Waiver Modification and Extension (including the Proposed Annual Caps)
<b>“Independent Directors”</b>	the Directors who are considered independent for the purpose of the proposed Divestment Fee Amendments, being Mr. Lim Lee Meng, Mrs. Sng Sow-Mei (alias Poon Sow Mei) and Dr. Lan Hong Tsung David
<b>“Independent Unitholders”</b>	Unitholders other than those who are required to abstain or prohibited from voting pursuant to paragraph 8.11 and/or 9.9(f) of the REIT Code
<b>“Introduction Listing Document”</b>	the listing document dated 31 March 2010 of Fortune REIT in connection with the listing of its Units by way of introduction on the SEHK
<b>“Joint Announcement”</b>	the joint announcement dated 9 January 2015 issued by Cheung Kong and Hutchison Whampoa Limited
<b>“Laguna Acquisition”</b>	the acquisition by the Fortune REIT Group of the property known as the “Laguna Plaza”, details of which are set out in the announcements of Fortune REIT dated 8 December 2014 and 9 January 2015 respectively
<b>“Laguna Continuing Connected Party Transactions”</b>	continuing connected party transactions conducted with the CKH Group, as a result of and subsequent to the completion of the Laguna Acquisition, in respect of the property known as the “Laguna Plaza”
<b>“Latest Practicable Date”</b>	17 March 2015, being the latest practicable date prior to the printing of this Circular for the purpose of ascertaining certain information contained in this Circular

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## DEFINITIONS

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<b>“Liabilities”</b>	all liabilities of Fortune REIT (including liabilities accrued but not yet paid) and any provision which the Manager decides in consultation with the auditors of Fortune REIT should be taken into account in determining the liabilities of Fortune REIT
<b>“Listing Manual”</b>	Listing Manual of the SGX-ST
<b>“Manager”</b>	ARA Asset Management (Fortune) Limited, in its capacity as manager of Fortune REIT
<b>“Manager Group”</b>	the Manager and persons who are connected persons of Fortune REIT as a result of their connection with the Manager as described in paragraphs 8.1(e), (f) or (g) of the REIT Code, but excluding the connected persons of Fortune REIT falling under the definition of the CKH Group or the CKP Connected Persons Group (as the case may be, depending on whether completion of the CK Spin-off takes place)
<b>“Market Day”</b>	any day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks are open for business in Singapore and/or Hong Kong (as the case may be) and the SGX-ST and/or SEHK (as the case may be) are open for trading
<b>“Net Asset Value”</b>	the value of the Deposited Property less the Liabilities
<b>“New CPT Waiver Period”</b>	the extended waiver period in respect of the 2013 Modified Waiver, being three financial years ending on 31 December 2018
<b>“Ordinary Resolution”</b>	a resolution proposed and passed as such by a majority being greater than 50% 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 and with a quorum of two or more Unitholders holding 10% of Units in issue
<b>“Property Funds Appendix”</b>	the investment guidelines regulating collective investment schemes that invest or propose to invest in real estate and real estate-related assets in Appendix 6 of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore
<b>“Property Management Agreement”</b>	the property management agreement dated 7 July 2003 entered into between the Trustee, the Manager and the Property Manager (as amended by an extension letter dated 1 August 2008, supplemented by a supplemental property management agreement dated 30 April 2010 and amended by an extension letter dated 11 August 2013)
<b>“Property Manager”</b>	Goodwell-Fortune Property Services Limited
<b>“Proposed Annual Caps”</b>	the proposed annual caps for the Expanded Continuing Connected Party Transactions for the New CPT Waiver Period, as set out in the section 3 headed “3.6 Proposed Annual Caps” in the Letter to Unitholders contained in this Circular

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## DEFINITIONS

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<b>“Provident Square Property”</b>	portion of basement, portion of ground floor and portion of upper ground floor (but excluding the carparking spaces, driveways and appurtenant areas, the common areas and facilities thereof and therein) and sub-basement, 21–53 Wharf Road, North Point, Hong Kong, and the property was acquired by the Fortune REIT Group on 17 February 2012
<b>“REIT”</b>	real estate investment trust
<b>“REIT Code”</b>	Code on Real Estate Investment Trusts issued by the SFC (as amended from time to time)
<b>“Related Expenses”</b>	in relation to the purchase of a Unit under the Unit Buy-back Mandate, the expenses relating to brokerage, stamp duty, commission, applicable goods and services tax and other related expenses
<b>“Revised Divestment Fee Structure”</b>	the proposed amendment to the divestment fee as summarised in the section 2 headed “2.1.2 Proposed Divestment Fee Amendments” in this Circular, which is to be considered, and if thought fit, approved by Independent Unitholders at the EGM
<b>“Rules”</b>	any laws, rules or regulations, including the Singapore Code on Collective Investment Schemes (including the Property Funds Appendix), the REIT Code, the Listing Manual (where applicable), the Hong Kong Listing Rules (where applicable), the Singapore Securities and Futures Act, the Hong Kong Securities and Futures Ordinance and the Hong Kong Takeovers and Share Buy-backs Code
<b>“SEHK”</b>	The Stock Exchange of Hong Kong Limited
<b>“SFC”</b>	Securities and Futures Commission of Hong Kong
<b>“SFC Repurchase Circular”</b>	the “Circular to Management Companies of SFC-authorized Real Estate Investment Trusts — On-market Unit Repurchases by SFC-authorized REITs”, issued by the SFC on 31 January 2008
<b>“SGX-ST”</b>	Singapore Exchange Securities Trading Limited
<b>“Singapore Independent Financial Adviser”</b>	Ernst & Young Corporate Finance Pte Ltd
<b>“Singapore Take-over Code”</b>	The Singapore Code on Take-Overs and Mergers
<b>“Trust Deed”</b>	the trust deed entered into between the Trustee and the Manager constituting Fortune REIT, dated 4 July 2003 and as amended, varied and supplemented from time to time
<b>“Trustee”</b>	HSBC Institutional Trust Services (Singapore) Limited, in its capacity as trustee of Fortune REIT

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## DEFINITIONS

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<b>“Unit”</b>	a unit of Fortune REIT, and “Units” will be construed accordingly
<b>“Unit Buy-back Mandate”</b>	the proposed general mandate to be given to the Manager to repurchase Units for and on behalf of Fortune REIT
<b>“Unit Buy-back Amendments”</b>	the proposed amendments to the Trust Deed in connection with the Unit Buy-back Mandate, the details of which are set out in the section 2 headed “2.2.2 Proposed Unit Buy-back Amendments” in the Letter to Unitholders contained in this Circular, and the form of amendments are set out in Appendix A to this Circular, which are to be considered, and if thought fit, approved by Unitholders by way of Extraordinary Resolution at the EGM
<b>“Unitholder(s)”</b>	holder(s) of the Units
<b>“Waiver Modification and Extension”</b>	<p>the modifications and extensions to the 2013 Modified Waiver to:</p> <ul style="list-style-type: none"><li>(i) modify the persons and entities who are regarded as the connected persons of Fortune REIT under the REIT Code to include the CKP Connected Persons Group if the completion of the CK Spin-off takes place (which, according to the Joint Announcement, subject to the fulfillment of the conditions as detailed in the Joint Announcement, is expected to be at the end of the first half of 2015);</li><li>(ii) expand the scope of the Continuing Connected Party Transactions Under Waiver to include the Expanded Continuing Connected Party Transactions;</li><li>(iii) set annual monetary limits for the Expanded Continuing Connected Party Transactions for the New CPT Waiver Period; and</li><li>(iv) extend the expiry date (being 31 December 2015) of the 2013 Modified Waiver for a further three years to 31 December 2018.</li></ul>
<b>“%”</b>	per cent.

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

**FORTUNE**  
置富產業信託 **REIT**

**FORTUNE REAL ESTATE INVESTMENT TRUST**

*(constituted in the Republic of Singapore pursuant to a trust deed dated 4 July 2003 (as amended) and authorised as a collective investment scheme under section 286 of the Securities and Futures Act, Chapter 289 of Singapore)*

*(a collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))*

**(Stock Code: Singapore: F25U and Hong Kong: 778)**

Managed by



**ARA Asset Management (Fortune) Limited**

**Directors of the Manager:**

*Non-executive Directors*

Dr. Chiu Kwok Hung, Justin (*Chairman*)  
Mr. Lim Hwee Chiang  
Mr. Ip Tak Chuen, Edmond  
Ms. Yeung, Eirene

*Executive Directors*

Ms. Chiu Yu, Justina  
Mr. Ang Meng Huat, Anthony

*Independent Non-executive Directors*

Mr. Lim Lee Meng (*Lead Independent Director*)  
Mrs. Sng Sow-Mei (alias Poon Sow Mei)  
Dr. Lan Hong Tsung, David

*Alternate Director*

Mr. Ma Lai Chee, Gerald  
(*Alternate Director to Mr. Ip Tak Chuen, Edmond*)

**Singapore Office and Registered Office:**

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

**Hong Kong Office:**

Units 5508–5510, 55th Floor  
The Center  
99 Queen's Road Central  
Hong Kong

25 March 2015

To: Unitholders of Fortune REIT

Dear Sir/Madam,

**(1) PROPOSED AMENDMENTS TO THE TRUST DEED  
(2) MODIFICATION AND EXTENSION OF WAIVER IN RESPECT OF CERTAIN  
CONTINUING CONNECTED PARTY TRANSACTIONS  
(3) PROPOSED UNIT BUY-BACK MANDATE  
AND  
(4) EXTRAORDINARY GENERAL MEETING AND CLOSURE OF REGISTER OF  
UNITHOLDERS**

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## LETTER TO THE UNITHOLDERS

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### 1. INTRODUCTION

The purposes of this Circular are: (1) to provide you with further information in respect of, among other things, the proposed amendments to the Trust Deed, the Waiver Modification and Extension and the Unit Buy-back Mandate; (2) to set out the recommendation of the Independent Board Committee in relation to the 2015 Modified and Extended Waiver; (3) to set out the recommendation of the HK Independent Financial Adviser to the Independent Board Committee, the Independent Unitholders and the Trustee in relation to the 2015 Modified and Extended Waiver (including the Proposed Annual Caps); (4) the recommendation of the Singapore Independent Financial Adviser to Independent Directors of the Manager and the Trustee in relation to the Divestment Fee Amendments and (5) to serve the EGM Notice.

The resolutions as set out in the EGM Notice seek Unitholders' approval, by way of Extraordinary Resolutions, for the Divestment Fee and Unit Buy-back Amendments and, by way of Ordinary Resolutions, for the Waiver Modification and Extension and the Unit Buy-back Mandate, as more fully described in this Circular.

### 2. PROPOSED AMENDMENTS TO THE TRUST DEED

#### 2.1 Proposed Divestment Fee Amendments

##### *2.1.1 Background to Divestment Fee Amendments*

Under clause 15.2.1(ii) of the Trust Deed, the Manager is entitled to receive a divestment fee not exceeding the rate of 0.5% of the sale price (this maximum rate of divestment fee is referred to as the "permitted limit" under the Trust Deed) of any real estate in the form of land sold or divested directly or indirectly by Fortune REIT. Clause 15.2.4 of the Trust Deed further provides that any payment to third party agents or brokers in connection with such divestment shall be paid by the Manager to such persons out of the divestment fee received by the Manager, and not additionally out of the assets of Fortune REIT.

##### *2.1.2 Proposed Divestment Fee Amendments*

It is common in commercial property transactions in Hong Kong that a third party agent or broker would charge a fee up to 1% of the sale price for its brokerage fees. In order to allow Fortune REIT to be on par with other market players and to obtain the best selling price possible for its disposals should opportunities arise, it is proposed that the Trust Deed be amended to the effect that, where the Manager engages third party agents or brokers in connection with the sale or divestment of the real estate of the Fortune REIT Group, and the payment to such agent or broker exceeds 0.5% of the sale price of the real estate, the rate of divestment fee payable to the Manager will be increased to the actual rate of fees charged by such agents or brokers, provided that the permitted limit of the rate of divestment fee shall not exceed 1% of the sale price of the real estate. For the avoidance of doubt, if the rate of fee charged by the third party agent or broker referred to above is lower than 0.5% of the sale price of the real estate, a divestment fee of not exceeding 0.5% of the sale price of the real estate will be payable to the Manager.

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## LETTER TO THE UNITHOLDERS

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The impact on the return of Fortune REIT as a result of the Divestment Fee Amendments shall be determined on a case-by-case basis in light of the actual payment of divestment fee in relation to a sale or divestment of real estate of Fortune REIT. The Divestment Fee Amendments may or may not lead to an actual impact on the return of such divestments and the actual impact, if any, may or may not be negative.

### **2.1.3 Form of Divestment Fee Amendments**

In view of the reasons set out above, the Manager proposes to amend clause 15.2.1(ii) and the definition of "Divestment Fee" in the Trust Deed and the proposed insertions and deletions are indicated respectively by the underlined text and the strikethrough text as set out in Appendix B to this Circular.

## **2.2 Proposed Unit Buy-back Amendments**

### **2.2.1 Background to Unit Buy-back Amendments**

Clause 7.1 of the Trust Deed currently provides, inter alia, that for so long as Fortune REIT is listed:

- (a) in the event the Manager decides to make any offer to repurchase Units, the repurchase price for a Unit shall be the Current Unit Value per Unit; and
- (b) any offer of repurchase shall be offered to on a pro rata basis to all Unitholders.

The Manager is proposing to amend the Trust Deed for the purposes of, inter alia:

- (i) allowing the Manager to repurchase Units under a unit buy-back mandate in accordance with requirements under the Trust Deed, subject to the requirements of any applicable Rules and the approval from the Unitholders by way of Ordinary Resolution;
- (ii) providing the Manager with the discretion to determine the repurchase price (not exceeding the maximum price as approved by the Unitholders when granting the unit buy-back mandate) for a repurchase of Units under a unit buy-back mandate; and
- (iii) setting out other general terms and conditions for the repurchase of Units by the Manager under such unit buy-back mandate.

### **2.2.2 Proposed Unit Buy-back Amendments**

The Unit Buy-back Amendments will allow the Manager to undertake repurchases of Units under a unit buy-back mandate in a prompt and efficient manner as a flexible and cost-effective tool of capital management, by which to improve return on equity for Unitholders and/or Net Asset Value per Unit. The Manager is of the view that the proposed amendments are in line with the Listing Manual and provisions under the Companies Act in relation to the share buy-back regime governing companies incorporated in Singapore (with such modifications as may be necessary when applied to REITs), as well as all the applicable rules in Hong Kong, including the Hong Kong Listing Rules and the Hong Kong Takeovers and Share Buy-backs Code.

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## LETTER TO THE UNITHOLDERS

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The proposed Unit Buy-back Amendments allow the Manager to repurchase Units for and on behalf of Fortune REIT, subject to requirements under any applicable Rules, by way of (a) repurchasing the Units on the SGX-ST and/or SEHK; or (b) off-market repurchase made under an “equal access scheme”, and to provide a number of restrictions including:

- (i) prior approval of Unitholders in general meeting by Ordinary Resolution for a unit buy-back mandate;
- (ii) a maximum number of Units to be repurchased pursuant to any unit buy-back mandate of not more than 10% of the total number of issued Units ascertained as at the date of a general meeting when the unit buy-back mandate is approved by the Unitholders; and
- (iii) a duration of the unit buy-back mandate commencing from the date of the general meeting at which the resolution relating to the unit buy-back mandate is passed and expiring on the earliest of the following dates: (a) the date of the next annual general meeting, (b) the date the unit buy-back mandate is revoked or varied by Unitholders by way of Ordinary Resolution in general meeting or (c) the date on which the repurchase of Units under the unit buy-back mandate is carried out to the full extent mandated thereunder.

An “equal access scheme” referred to above must satisfy all the following conditions:

- (i) offers for the repurchase or acquisition of Units shall be made to every person who holds Units to repurchase or acquire the same percentage of their Units;
- (ii) all of the abovementioned persons shall be given a reasonable opportunity to accept the offers made to them; and
- (iii) the terms of all the offers shall be the same, except that there shall be disregarded:
  - a. differences in consideration attributable to the fact that offers may relate to Units with different accrued distribution entitlements;
  - b. differences in consideration attributable to the fact that the offers may relate to Units with different amounts remaining unpaid; and
  - c. differences in the offers introduced solely to ensure that each Unitholder is left with a whole number of Units.

Since the offers for repurchase of Units under an “equal access scheme” will be made to every Unitholder to repurchase the same percentage of their Units, such an offer will in effect be similar to offering to the Unitholders on a pro rata basis.

### **2.2.3 Form of Unit Buy-back Amendments**

In view of the reasons set out above, the Manager proposes to amend clause 7.1 of the Trust Deed and the proposed insertions and deletions are indicated respectively by the underlined text and the strikethrough text as set out in Appendix A to this Circular.

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### 2.3 Approval Required

To adopt the Revised Divestment Fee Structure and the Unit Buy-back Mandate, Unitholders must first approve, by way of Extraordinary Resolutions in accordance with the Trust Deed, the Divestment Fee Amendments and the Unit Buy-back Amendments. The Manager proposes to seek (i) Independent Unitholders' approval by way of Extraordinary Resolution at the EGM approving the Revised Divestment Fee Structure together with the Divestment Fee Amendments and (ii) Unitholders' approval by way of Extraordinary Resolution at the EGM approving the Unit Buy-back Amendments.

### 2.4 Recommendation of the Board

The Board considers that the Unit Buy-back Amendments are in compliance with the applicable Rules and in the best interests of Fortune REIT and the Unitholders as a whole. Accordingly, the Board recommends all Unitholders to vote in favour of the Extraordinary Resolution relating to Unit Buy-back Amendments to be proposed at the EGM.

Taking into consideration the opinion of the Singapore Independent Financial Adviser, the Independent Directors consider that the proposed Revised Divestment Fee Structure together with the Divestment Fee Amendments are in compliance with the applicable Rules and in the best interests of Fortune REIT and its minority Unitholders (including the Independent Unitholders). Accordingly, the Independent Directors recommends all Unitholders to vote in favour of the Extraordinary Resolution relating to the Divestment Fee Amendments to be proposed at the EGM.

### 2.5 Opinion of the Trustee

Based on, and in the sole reliance on (1) the information and assurances provided by the Manager and (2) the opinion of the Board, set out in this Circular, the Trustee, having taken into account its duties set out in the Trust Deed and the REIT Code, is of the view that the Revised Divestment Fee Structure (and the related Divestment Fee Amendments) and the Unit Buy-back Amendments are in the best interests of Fortune REIT and the Independent Unitholders as well as the Unitholders as a whole.

Based on the foregoing matters, the Trustee confirmed that it has no objection to the Manager submitting (i) the Revised Divestment Fee Structure (and the related Divestment Fee Amendments) for Independent Unitholders' approval and (ii) the Unit Buy-back Amendments for Unitholders' approval. Based on the information and assurances provided by the Manager and solely for the purposes of the proviso to Clause 28 of the Trust Deed, the Trustee is of the view that the Divestment Fee Amendments and the Unit Buy-back Amendments will not impose upon any Unitholder any obligation to make further payments in respect of its Units or accept any liability in respect thereof.

The Trustee's view is furnished for the sole purpose of complying with paragraph 10.10(o) of the REIT Code, and is not to be taken as a recommendation or representation by the Trustee in respect of the merits of the Revised Divestment Fee Structure, the Divestment Fee Amendments or the Unit Buy-back Amendments.

The Trustee has not made any assessment of the merits or impact of the Revised Divestment Fee Structure, the Divestment Fee Amendments nor the Unit Buy-back Amendments, other than for the purposes of fulfilling its fiduciary duties set out in the Trust Deed and the REIT

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## LETTER TO THE UNITHOLDERS

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Code. Accordingly, the Trustee urges all Unitholders, including those who are in any doubt as to the merits or impact of the Revised Divestment Fee Structure, the Divestment Fee Amendments or the Unit Buy-back Amendments, to seek their own financial or other professional advice.

Subject to (i) the prior approvals of the Independent Unitholders by way of Extraordinary Resolution approving the Revised Divestment Fee Structure and Divestment Fee Amendments, and (ii) the prior approvals of the Unitholders by way of Extraordinary Resolution approving the Unit Buy-back Amendments, the Trustee and the Manager will enter into the Amending and Restating Deed effecting the proposed Divestment Fee Amendments and/or the Unit Buy-back Amendments.

### **2.6 Opinion of the Singapore Independent Financial Adviser**

The Manager has appointed Ernst & Young Corporate Finance Pte Ltd to advise the Independent Directors of the Manager and the Trustee as to whether the proposed Divestment Fee Amendments, being an “interested person transaction” under Chapter 9 of the Listing Manual, is on normal commercial terms and is not prejudicial to the interests of Fortune REIT and its minority Unitholders.

Having considered the rationale for the proposed Divestment Fee Amendments, the comparison of the proposed divestment fees payable to the Manager pursuant to the proposed Divestment Fee Amendments with similar fees paid by other REITs and property trusts listed on the SGX-ST and the SEHK, and the alignment of the Manager’s interests with those of Fortune REIT, the Singapore Independent Financial Adviser is of the opinion that the proposed Divestment Fee Amendments are on normal commercial terms and are not prejudicial to the interests of Fortune REIT and its minority Unitholders.

Details of the Singapore Independent Financial Adviser’s opinion, together with the principal factors taken into consideration, and assumptions and qualifications in arriving at such opinion, are set out in the “Letter from the Singapore Independent Financial Adviser in relation to the Divestment Fee Amendments”.

### **2.7 Restrictions on 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 of which such persons are interested in a meeting of Unitholders. Pursuant to paragraph 5.2(b) of the Property Funds Appendix, a person who “has an interest, whether commercial, financial or personal, in the outcome of the transaction, other than in his capacity as a participant, will not be allowed to vote on the resolution to approve the transaction”.

Paragraph 9.9(f) of the REIT Code provides that where a unitholder has a material interest in the business to be contracted at a general meeting of the unitholders, and that interest is different from that of all other unitholders, such unitholder shall abstain from voting.

Further, under paragraph 2 of Schedule 1 to the Trust Deed, where a Unitholder has a material interest in the resolution tabled for approval at a general meeting of the Unitholders, and that interest is different from the interests of other Unitholders, such Unitholder shall be prohibited from voting its Units or being counted in the quorum for the general meeting.

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With respect to Extraordinary Resolution no. 1 approving the Divestment Fee Amendments as set out in the EGM Notice, pursuant to the Listing Manual and the Property Funds Appendix, the Manager will abstain, and will procure that its associates will abstain from voting on the Extraordinary Resolution no. 1 approving the Divestment Fee Amendments. For prudence's sake, Cheung Kong will abstain, and will procure that members of the Cheung Kong Group and its associates will abstain from voting on the Extraordinary Resolution no. 1 approving the Divestment Fee Amendments.

To the best of the Manager's knowledge, information and belief, save as disclosed above, the Manager is unaware of any other Unitholders who will, or is required to, abstain from voting at the EGM in respect of the Extraordinary Resolution no. 1 approving the Divestment Fee Amendments.

With respect to the proposed Unit Buy-back Amendments, the Manager is unaware of any Unitholders that are required to abstain from voting at the EGM on Extraordinary Resolution no. 2 approving the Unit Buy-Back Amendments as set out in the EGM Notice.

### **3. MODIFICATION AND EXTENSION OF WAIVER IN RESPECT OF CERTAIN CONTINUING CONNECTED PARTY TRANSACTIONS**

#### **3.1 Introduction**

The Manager has applied to the SFC for a modification and extension of the 2013 Modified Waiver. The Manager is seeking Independent Unitholder's approval for the Waiver Modification and Extension, details of which are set out below in this section 3.

For the avoidance of doubt, the Waiver Modification and Extension is only in respect of Fortune REIT's obligations under the REIT Code and Fortune REIT shall continue to be subject to the requirements of the Listing Manual and the Code on Collective Investment Schemes (including the Property Funds Appendix) in respect of interested person transactions.

#### **3.2 Connected persons of Fortune REIT**

The Fortune REIT Group has entered or will enter into certain continuing transactions (which will constitute continuing connected party transactions within the meaning of the REIT Code) with the following connected persons:

##### ***3.2.1 CKH Group and CKP Connected Persons Group***

###### *(a) CKH Group*

For the purpose of the REIT Code, Cheung Kong is a significant holder (that is, a holder of 10% or more of the outstanding Units) of Fortune REIT, and is therefore a connected person of Fortune REIT under paragraph 8.1(d) of the REIT Code.

Any person who is connected to Cheung Kong as described in paragraphs 8.1(e), (f) or (g) of the REIT Code is also a connected person of Fortune REIT, and these persons include: (i) any director, senior executive or officer of Cheung Kong; (ii) any associate (as defined in the REIT Code) of Cheung Kong or of any director, senior

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## LETTER TO THE UNITHOLDERS

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executive or officer of Cheung Kong; and (iii) any controlling entity, holding company, subsidiary or associated company (as defined in the REIT Code) of Cheung Kong (collectively, and together with Cheung Kong, the “**CKH Group**”).

*(b) CKP Connected Persons Group*

As announced jointly by Cheung Kong and Hutchison Whampoa Limited in their joint announcement dated 9 January 2015 (the “**Joint Announcement**”), Cheung Kong Group proposes to undergo reorganization, merger and spin-off (collectively, the “**CK Spin-off**”), the process of which will involve, among other things, the transfer of unitholding in Fortune REIT and property and project management businesses to CK Property Group, and each of the reorganization proposal, merger proposal and spin-off proposal will be subject to certain conditions precedent, including, where applicable, approval from the shareholders of the relevant companies.

If the completion of the CK Spin-off takes place, it is expected that the connected persons of Fortune REIT will include (i) a directly or indirectly wholly-owned subsidiary of CK Property, which is expected to become a significant holder (within the meaning given in the REIT Code) of Fortune REIT immediately upon the completion of the CK Spin-off (“**CKP Holder**”); (ii) “associates” of the CKP Holder as defined in the REIT Code; and (iii) entities or persons which are from time to time connected persons of Fortune REIT under the REIT Code as a result of their connection with CKP Holder (collectively, the “**CKP Connected Persons Group**”).

According to the Joint Announcement, it is expected that subject to the fulfillment of the conditions as detailed in the Joint Announcement, the CK Spin-off will be completed at around the end of the first half of 2015. For the purpose of the 2015 Modified and Extended Waiver (as defined below) and the compliance under the REIT Code, (i) if the completion of the CK Spin-off takes place, (a) the CKH Group will remain as connected persons of Fortune REIT up to such completion, and (b) the CKP Connected Persons Group is expected to become connected persons of Fortune REIT upon such completion; and (ii) if completion of the CK Spin-off does not take place, the CKH Group will remain as connected persons of Fortune REIT.

Further announcement will be made by Fortune REIT when and where appropriate after the completion of the CK Spin-off or if CK Spin-off does not proceed.

### **3.2.2 Manager Group**

The Manager is a connected person of Fortune REIT under paragraph 8.1(a) of the REIT Code.

Connected persons of Fortune REIT also include any person who is connected to the Manager as described in paragraphs 8.1(e), (f) or (g) of the REIT Code as below:

- (i) any director, senior executive or officer of the Manager;
- (ii) any associate (as defined in the REIT Code) of any director, senior executive or officer of the Manager; and

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- (iii) any controlling entity, holding company, subsidiary or associated company (as defined in the REIT Code) of the Manager.

The Manager Group excludes the connected persons of Fortune REIT falling under the definition of the CKH Group or the CKP Connected Persons Group (as the case may be, depending on whether completion of the CK Spin-off takes place).

### 3.3 Existing Waivers in respect of Chapter 8 of the REIT Code

#### 3.3.1 2010 Waiver

Pursuant to the letter dated 30 March 2010 issued by the SFC to the Manager, among other things, the SFC granted a waiver (subject to the terms and conditions as set out therein) from strict compliance with the disclosure and unitholders' approval requirements under Chapter 8 of the REIT Code in respect of the connected party transactions between Fortune REIT Group on the one hand and the CKH Group or the Manager Group on the other hand, for a period to expire on 31 December 2012 (the "**2010 Waiver**"), including:

(a) *Revenue transactions: leasing/licensing transactions*

As part of the Fortune REIT Group's ordinary and usual course of business, leasing/licensing transactions had been, or would from time to time be, entered into between the owners of the 14 properties then owned by Fortune REIT (the "**Initial Properties**") on the one hand and members of the CKH Group or members of the Manager Group on the other hand in respect of the Initial Properties; and.

(b) *Expenditure transactions: property management arrangements, third party services and other operational transactions*

In addition, various categories of continuing connected party transactions had been, or would from time to time be, conducted with members of the CKH Group, including property management transactions, third party services, deeds of mutual covenant and back-office supporting services.

Details of the 2010 Waiver were summarised in the section "17.2 Certain Continuing Connected Party Transactions of Fortune REIT" in the Introduction Listing Document.

#### 3.3.2 2012 Modified Waiver

Pursuant to the letter dated 19 January 2012 issued by the SFC to the Manager, subject to the terms and conditions as set out therein, the 2010 Waiver was modified to: (i) expand the scope of the continuing connected party transactions in respect of which the 2010 Waiver was granted to include the transactions in respect of the Belvedere Square Property and the Provident Square Property, which categories of transactions were the same as the categories of the continuing connected party transactions in respect of which the 2010 Waiver was granted; and (ii) replace the 2010 Waiver so that the waiver period would commence afresh as to expire on 31 December 2014 (the "**2012 Modified Waiver**"). Details of the 2012 Modified Waiver are more particularly set out in the section 7.2.1 headed "2011 Continuing Connected Party Transactions — Existing Waivers in respect of Chapter 8 of the REIT Code — Continuing Transactions with the CKH Group and/or the Manager Group" in the circular of Fortune REIT dated 28 December 2011.

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### **3.3.3 2013 Modified Waiver**

Pursuant to the letter dated 16 September 2013 issued by the SFC to the Manager, subject to the terms and conditions as set out therein, the 2012 Waiver was modified to: (i) expand the scope of the continuing connected party transactions in respect of which the 2012 Modified Waiver was granted to include the transactions in respect of the Fortune Kingswood Property, which categories of transactions were the same as the categories of the continuing connected party transactions in respect of which the 2012 Waiver was granted; (ii) set new annual monetary limits for the years ended 31 December 2013, 2014 and 2015; and (iii) extend the waiver expiry date so that the three-year waiver duration would commence afresh as to expire on 31 December 2015 (the "**2013 Modified Waiver**"). Details of the 2013 Modified Waiver are more particularly set out in the section headed "9. New Continuing Connected Party Transactions" in the circular of Fortune REIT dated 28 August 2013.

### **3.4 Reasons for Modification of the 2013 Modified Waiver**

The Board expects that transactions and arrangements will continue to be conducted and may from time to time be conducted between the Fortune REIT Group on the one hand, and the CKH Group or the CKP Connected Persons Group (as the case may be, depending on whether completion of the CK Spin-off takes place) and/or the Manager Group (as the case may be) on the other hand, in relation to any properties or companies in which Fortune REIT may directly or indirectly be interested (the "**Expanded Continuing Connected Party Transactions**"). Details of the Expanded Continuing Connected Party Transactions are more particularly set out in the section headed "3.5 Expanded Continuing Connected Party Transactions" below.

The categories of the Expanded Continuing Connected Party Transactions (the details of which are summarised in the section 3.5 headed "Expanded Continuing Connected Party Transactions" below) will be the same (except that the category of "back-office support services" is no longer included) as the continuing connected party transactions in respect of which the 2013 Modified Waiver was granted (the "**Continuing Connected Party Transactions Under Waiver**").

The Manager considers that it will be unduly burdensome and not in the interests of the Unitholders for Fortune REIT to be subject to strict compliance with the requirements under Chapter 8 of the REIT Code with respect to the Expanded Continuing Connected Party Transactions on each and every occasion when they arise.

In accordance with its terms, the 2013 Modified Waiver may be extended beyond its expiry, and/or the terms and conditions of the 2013 Modified Waiver may be modified from time to time, provided that the terms and conditions set out below are complied with:

- (a) the due approval of Independent Unitholders is obtained by way of an Ordinary Resolution passed in a general meeting of Unitholders;
- (b) disclosure of details of the proposed extension and/or amendment (as the case may be) shall be made by way of an announcement by the Manager of such proposal, and a circular and notice shall be issued to Unitholders in accordance with Chapter 10 of the REIT Code; and

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- (c) any extension of the period of the 2013 Modified Waiver shall, on each occasion of such extension, be for a period which shall expire not later than the third full financial year-end date of Fortune REIT after the date on which the approval referred to in (a) above is obtained.

In view of (i) the reasons as stated above; (ii) the expiry of the 2013 Modified Waiver on 31 December 2015; (iii) the CK Spin-off proposed by Cheung Kong; and (iv) the 2013 Modified Waiver not covering transactions and arrangements in respect of properties and companies other than the properties in respect of which the 2013 Modified Waiver was granted, the Manager proposes to seek Independent Unitholders' approval, by way of Ordinary Resolution at the EGM to modify and extend the 2013 Modified Waiver (the "**Waiver Modification and Extension**", and the resulting modified waiver being the "**2015 Modified and Extended Waiver**") so as to:

- (a) modify the persons and entities who are regarded as the connected persons of Fortune REIT under the REIT Code to include the CKP Connected Persons Group if the completion of the CK Spin-off takes place (which, according to the Joint Announcement, subject to the fulfillment of the conditions as detailed in the Joint Announcement, is expected to be at the end of the first half of 2015);
- (b) expand the scope of the Continuing Connected Party Transactions Under Waiver to include the Expanded Continuing Connected Party Transactions to cover transactions and arrangements which may from time to time be conducted in relation to any properties or companies in which Fortune REIT may directly or indirectly be interested;
- (c) set annual monetary limits for the Expanded Continuing Connected Party Transactions for the New CPT Waiver Period as described in section headed "3.6 Proposed Annual Caps" below; and
- (d) extend the expiry date (being 31 December 2015) of the 2013 Modified Waiver for a further three years to 31 December 2018.

The main differences between the 2013 Modified Waiver and the 2015 Modified and Extended Waiver include (i) instead of just the CKH Group under the 2013 Modified Waiver, the 2015 Modified and Extended Waiver will cover the CKH Group or the CKP Connected Persons Group (as the case may be, depending on whether completion of the CK Spin-off takes place); (ii) instead of the then existing properties of Fortune REIT at the time of grant of the 2013 Modified Waiver, the 2015 Modified and Extended Waiver will cover all properties in which Fortune REIT may directly or indirectly be interested from time to time; and (iii) except that the category of "back-office support services" is no longer included, all other categories of continuing connected party transactions under the 2015 Modified and Extended Waiver will be the same as the continuing connected party transactions in respect of which the 2013 Modified Waiver was granted.

The Manager has made a submission to SFC for the 2015 Modified and Extended Waiver. The proposed Waiver Modification and Extension is subject to the approval of the SFC. In the event that the Ordinary Resolution regarding the Waiver Modification and Extension is not approved by the Independent Unitholders, the 2013 Modified Waiver will continue to apply for the remainder of its duration.

### 3.5 Expanded Continuing Connected Party Transactions

The categories of transactions of the Expanded Continuing Connected Party Transactions will be as follows:

**(a) Revenue transactions: leasing/licensing transactions**

As part of the Fortune REIT Group's ordinary and usual course of business, leasing/licensing transactions have been, or will from time to time be, conducted between the Fortune REIT Group on the one hand, and the CKH Group or the CKP Connected Persons Group (as the case may be, depending on whether completion of the CK Spin-off takes place) and/or the Manager Group (as the case may be) on the other hand, in relation to any properties or companies in which Fortune REIT may directly or indirectly be interested.

**(b) Expenditure transactions: property management arrangements, third party services and other operational transactions**

In addition, various categories of continuing connected party transactions have been, or will from time to time be, conducted with members of the CKH Group or the CKP Connected Persons Group (as the case may be, depending on whether completion of the CK Spin-off takes place), comprising the following:

- (i) *Property management* — the Manager has, pursuant to the Property Management Agreement, delegated the property and lease management and marketing functions in respect of Fortune REIT's real estate assets to the property manager (the "**Property Manager**"). The Property Manager is currently an indirect wholly-owned subsidiary of Cheung Kong, and if the completion of the CK Spin-off takes place, is expected to be a connected person of Fortune REIT as a result of the Property Manager becoming an indirect wholly-owned subsidiary of CK Property. Under the Property Management Agreement, the Property Manager is entitled to a fee of 3.0% per annum of the gross property revenue for the provision of property and lease management services, and a commissions for the provision of marketing services.
- (ii) *Third party services* — the Property Manager, as agent for the relevant owners of the properties held by Fortune REIT, had entered into, and will continue to enter into, contracts with third party service providers for the provision of, among other things, cleaning, maintenance, security, car park management and other ancillary services for the relevant property. Some of these third party service providers are currently members of the CKH Group, and if the completion of the CK Spin-off takes place, may continue to be a connected person of Fortune REIT as a result of such third party service providers' connection with CK Property.
- (iii) *Deeds of mutual covenant*<sup>1</sup> — each owner of the properties held by Fortune REIT would, where applicable, be bound by the terms of the deed of mutual covenant applicable to the property owned by it. The deed of mutual covenant binds the manager under the deed of mutual covenant (the "**DMC Manager**") and all the owners of a development and their successors-in-title, irrespective of whether they are original parties to the deed of mutual covenant. Some of the DMC

<sup>1</sup> Please refer to Section 16.1.2 on pages 150 and 151 of Fortune REIT's Introduction Listing Document for a summary of the deeds of mutual covenant.

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Managers in respect of properties held by Fortune REIT are currently members of the CKH Group, and if the completion of the CK Spin-off takes place, are expected to be connected persons of Fortune REIT as a result of them becoming indirect wholly-owned subsidiaries of CK Property. Further, there may also be situations arising where one or more members of the CKH Group or the CKP Connected Persons Group (as the case may be, depending on whether completion of the CK Spin-off takes place) may own other parts of the development of which the property held by members of the Fortune REIT Group forms part, and therefore technically the deed of mutual covenant constitutes a contract between members of the CKH Group or the CKP Connected Persons Group (as the case may be, depending on whether completion of the CK Spin-off takes place) and members of the Fortune REIT Group.

### 3.6 Proposed Annual Caps

The existing annual caps under the 2013 Modified Waiver are summarized as follows:

Categories of Continuing Connected Party Transactions Under Waiver	Connected Person	Existing annual caps under the 2013 Modified Waiver			Historical transaction amounts		
		For the financial year ended	For the financial year ended	For the financial year ending	For the financial year ended	For the financial year ended	For the financial year ending
		31 December 2013	31 December 2014	31 December 2015	31 December 2013	31 December 2014	31 December 2015
		(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
<b>I. Revenue</b>							
Leasing/licensing transactions	CKH Group	360,000	469,000	563,000	192,469	231,531	N/A <sup>(1)</sup>
Leasing/licensing transactions	Manager Group	13,200	15,200	15,200	562	582	N/A <sup>(1)</sup>
<b>II. Expenditure</b>							
Property management arrangements, third party services and other operational transactions	CKH Group	155,000	229,000	276,000	61,791	72,967	N/A <sup>(1)</sup>

Note:

(1) "N/A" denotes not applicable or not available

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In any relevant financial year in the New CPT Waiver Period, the annual value of the Expanded Continuing Connected Party Transactions shall not exceed the respective annual monetary limits stated in the table below (the “**Proposed Annual Caps**”):

Categories of Expanded Continuing Connected Party Transactions	Connected Person	Proposed annual monetary limits under the 2015 Modified and Extended Waiver		
		For the financial year ending 31 December 2016 (HK\$'000)	For the financial year ending 31 December 2017 (HK\$'000)	For the financial year ending 31 December 2018 (HK\$'000)
<b>I. Revenue</b>				
Leasing/licensing transactions	CKH Group or CKP Connected Persons Group (as the case may be) <sup>(1)</sup>	675,000	810,000	972,000
Leasing/licensing transactions	Manager Group	15,200	15,200	15,200
<b>II. Expenditure</b>				
Property management arrangements, third party services and other operational transactions	CKH Group or CKP Connected Persons Group (as the case may be) <sup>(1)</sup>	331,000	398,000	478,000

Note:

(1) Transactions are expected to be conducted with the CKH Group (i) if the completion of the CK Spin-off does not take place, or (ii) if the completion of the CK Spin-off takes place, before such completion; and transactions are expected to be conducted with the CKP Connected Persons Group after such completion if the completion of the CK Spin-off takes place.

### 3.7 Basis of the Proposed Annual Caps

#### 3.7.1 In respect of leasing/licensing transactions conducted with CKH Group or the CKP Connected Persons Group:

The Proposed Annual Caps for the New CPT Waiver Period have been determined with general reference to the historical data for the last three years, and based on the anticipated aggregate value of such transactions during the relevant financial years subsequent to the completion of the Laguna Acquisition in January 2015.

The Proposed Annual Caps have been determined by applying an approximately 20% increment to the figure proposed for the immediately preceding financial year, with some minor rounding up of figures. The aforesaid 20% increment factor was determined after taking into account: (i) the change in rental, charge-out collections or other market conditions; (ii) inflation; (iii) the possible increase in leases/licences with the CKH Group (or the CKP Connected Persons Group after the CK Spin-off) and the Manager Group; and (iv) an appropriate buffer of 5% for contingencies.

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### ***3.7.2 In respect of the Manager Group leases/licences***

The Proposed Annual Caps for the New CPT Waiver Period are the same as the existing annual caps for the years ended 31 December 2014 and 2015 under the 2013 Modified Waiver. The Manager Group currently has one lease of premises under the portfolio of properties of the Fortune REIT Group. The approval on the waiver for leasing/licensing transactions with the Manager Group is required in order to provide the flexibility for contingencies when more leases/licences are entered into during the New CPT Waiver Period.

### ***3.7.3 In respect of property management arrangements, third party services and other operational transactions***

The Proposed Annual Caps for the New CPT Waiver Period have been determined with general reference to the historical data for the last three years, and based on the anticipated aggregate value of such transactions during the relevant financial years subsequent to the completion of the Laguna Acquisition.

The Proposed Annual Caps has been determined by applying a 20% increment to the figure proposed for the immediately preceding financial year, with some minor rounding up of figures. The 20% increment factor was determined after taking into account: (i) the general economic environment in Hong Kong including the inflation, possible increase in costs and wages, and specifically, the anticipated increase in management expenses; (ii) the resulting anticipated increase in the property management fees and marketing service fees payable by Fortune REIT to the Property Manager, during the New CPT Waiver Period; and (iii) an appropriate buffer of 5% for contingencies.

## **3.8 Waiver Conditions**

The Manager undertakes that it will continue to comply with the waiver conditions of the 2013 Modified Waiver, subject to the proposed Waiver Modification and Extension as described above. The waiver conditions of the 2015 Modified and Extended Waiver will be as follows:

### ***3.8.1 Due approval by Independent Unitholders***

The Ordinary Resolution approving the Waiver Modification and Extension having been approved by the Independent Unitholders and adopted as set out in the EGM Notice, without material amendments thereto.

### ***3.8.2 Waiver Period***

The 2015 Modified and Extended Waiver will modify and extend the 2013 Modified Waiver and will commence from the date of obtaining the relevant approval by the Independent Unitholders and continue until 31 December 2018.

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### **3.8.3 Modification or Extension**

The 2015 Modified and Extended Waiver may be extended beyond the New CPT Waiver Period, and/or the terms and conditions of the 2015 Modified and Extended Waiver may be modified from time to time, provided that:

- (a) Independent Unitholders' approval — the due approval of Unitholders other than those who have a material interest in the relevant transactions, within the meaning of 8.11 of the REIT Code is obtained by way of an Ordinary Resolution passed in a general meeting of Unitholders;
- (b) Disclosure — disclosure of details of the proposed extension and/or amendment (as the case may be) will be made by way of an announcement by the Manager of such proposal, and a circular and notice will be issued to Unitholders in accordance with Chapter 10 of the REIT Code; and
- (c) Extension period — any extension of the period of the 2015 Modified and Extended Waiver shall, on each occasion of such extension, be for a period which will expire not later than the third full financial year-end date of Fortune REIT after the date on which the approval referred to in paragraph (a) above is obtained.

For the avoidance of doubt, any material change to the transactions covered under the 2015 Modified and Extended Waiver (including without limitation the scope or nature of the transactions) as set out in the Circular for Waiver Modification and Extension based on which the waiver is sought and granted must be approved by the Independent Unitholders as referred to in paragraph (a) above and details of the proposed changes shall be disclosed in the manner as referred to in paragraph (b) above.

### **3.8.4 Annual caps**

In any relevant financial year, the annual value of the Expanded Continuing Connected Party Transactions shall not exceed the respective annual monetary limits stated in the section 3.6 headed "Proposed Annual Caps" above.

In respect of leasing/licensing transactions, an independent valuation will be conducted for each of such leasing/licensing transactions except where they are conducted on standard or published rates.

### **3.8.5 Disclosure in Interim and Annual Reports**

Details of the Expanded Continuing Connected Party Transactions shall be disclosed in Fortune REIT's interim and annual reports, as required under paragraph 8.14 of the REIT Code.

### **3.8.6 Auditors' Review Procedures**

In respect of each relevant financial year, the Manager will engage and agree with the auditors of Fortune REIT to perform certain review procedures on the Expanded Continuing Connected Party Transactions. The auditors will then report to the Manager on the factual

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## LETTER TO THE UNITHOLDERS

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findings based on the work performed by them (and a copy of such report shall be provided to the SFC), confirming whether all such Expanded Continuing Connected Party Transactions:

- (a) have received the approval of the board of Directors of the Manager (including its independent non-executive Directors);
- (b) are in accordance with the pricing policies of Fortune REIT where applicable;
- (c) have been entered into in accordance with the terms of the agreements (if any) governing the transactions; and
- (d) the total value in respect of which has not exceeded the respective annual cap amount (where applicable) as set out above.

### ***3.8.7 Review by the Independent Non-Executive Directors of the Manager***

The independent non-executive Directors of the Manager shall review the Expanded Continuing Connected Party Transactions annually, and confirm in Fortune REIT's annual report for the relevant financial year that such transactions have been entered into:

- (a) in the ordinary and usual course of business of Fortune REIT;
- (b) on normal commercial terms (to the extent that there are comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to Fortune REIT than terms available to or from (as appropriate) independent third parties; and
- (c) in accordance with the relevant agreement and the Manager's internal procedures governing them, if any, on terms that are fair and reasonable and in the interests of the Independent Unitholders, as well as the Unitholders as a whole.

### ***3.8.8 Auditors' Access to Books and Records***

The Manager shall allow, and shall procure the counterparty to the relevant continuing connected party transactions to allow, the auditors of Fortune REIT sufficient access to their records for the purpose of reporting on the transactions.

### ***3.8.9 Notification to the SFC***

The Manager shall promptly notify the SFC and publish an announcement if it knows or has reason to believe that the auditors and/or the independent non-executive Directors will not be able to confirm the matters set out in sections 3.8.6 and 3.8.7 respectively.

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### ***3.8.10 Subsequent Increases in Annual Caps with Independent Unitholders' Approval***

If necessary, for example, where there are further asset acquisitions by Fortune REIT thereby increasing the scale of its operations generally, or where there are changes in market or operating conditions, the Manager may, from time to time in the future, seek to increase one or more of the Proposed Annual Caps referred to above, provided that:

- (a) Independent Unitholders' approval — the approval of Independent Unitholders is obtained by way of an Ordinary Resolution passed in a general meeting of Unitholders;
- (b) Disclosure — disclosure of details of the proposal to increase the relevant annual cap amounts shall be made by way of an announcement by the Manager of such proposal, and a circular and notice shall be issued to Unitholders in accordance with Chapter 10 of the REIT Code; and
- (c) Other compliance requirements — all the waiver terms and conditions in sections 3.8.3 to 3.8.9 above shall continue to apply to the relevant transactions, save that the relevant increased annual cap amounts will apply.

### **3.9 Paragraph 8.14 of the REIT Code**

The Manager shall comply with all requirements under paragraph 8.14 of the REIT Code where there is any material change to the terms of the relevant connected party transactions or where there is any subsequent change to the REIT Code which may impose stricter requirements in respect of disclosure and/or Unitholders' approval.

Details of the Expanded Continuing Connected Party Transactions will be disclosed in the interim and annual report of Fortune REIT in the relevant financial year as required under paragraph 8.14 of the REIT Code. The independent non-executive Directors will review the Expanded Continuing Connected Party Transactions annually and confirm whether such transactions are carried out in the ordinary and usual course of business of Fortune REIT based on normal commercial terms and in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Unitholders.

### **3.10 Opinion of the Board**

The Board (including all the independent non-executive Directors) confirms that for purposes of the REIT Code:

- (a) in its opinion, the Waiver Modification and Extension, and the basis for the Waiver Modification and Extension (including the Proposed Annual Caps and the basis of arriving at the same) are fair and reasonable as far as the Independent Unitholders are concerned and are in the interests of Fortune REIT, the Independent Unitholders, as well as the Unitholders as a whole;
- (b) in its opinion, each of the Existing Continuing Connected Party Transactions subsisting as at the Latest Practicable Date: (i) has been entered into in the ordinary and usual course of business of Fortune REIT and is consistent with the investment objectives and strategy of Fortune REIT; (ii) has been entered into at arm's

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length and on normal commercial terms; and (iii) is fair and reasonable and in the interests of Fortune REIT, the Independent Unitholders, as well as the Unitholders as a whole; and

- (c) in its opinion, that each of the Expanded Continuing Connected Party Transactions to be entered into after the Latest Practicable Date will be: (i) in the ordinary and usual course of business of Fortune REIT and consistent with the investment objectives and strategy of Fortune REIT; and (ii) at arm's length and on normal commercial terms and fair and reasonable and in the interests of Fortune REIT, the Independent Unitholders, as well as the Unitholders as a whole.

### **3.11 Opinion of the HK Independent Financial Adviser**

The HK Independent Financial Adviser has confirmed that they are of the view that for the purposes of the REIT Code:

- (a) the Waiver Modification and Extension, and the basis for the Waiver Modification and Extension (including the Proposed Annual Caps and the basis of arriving at the same), are fair and reasonable as far as the Independent Unitholders are concerned and are in the interests of Fortune REIT, the Independent Unitholders, as well as the Unitholders as a whole; and
- (b) the Expanded Continuing Connected Party Transactions have been and will be: (i) conducted in the ordinary and usual course of business of Fortune REIT and consistent with the investment objectives and strategy of Fortune REIT; (ii) on terms which are and will be at arm's length and on normal commercial terms; and (iii) fair and reasonable and in the interests of Fortune REIT, the Independent Unitholders, as well as the Unitholders as a whole.

Details of the HK Independent Financial Adviser's opinion, together with the principal factors taken into consideration, and assumptions and qualifications in arriving at such opinion, are set out in the "Letter from the HK Independent Financial Adviser in relation to the 2015 Modified and Extended Waiver" in this Circular.

### **3.12 Approvals to be obtained at the EGM**

#### ***3.12.1 Ordinary Resolutions***

The Manager proposes to seek Unitholders' approval by way of Ordinary Resolution at the EGM approving the Waiver Modification and Extension (including the Proposed Annual Caps). Please refer to section 3 headed "Modification and Extension of Waiver in respect of Certain Continuing Connected Party Transactions" for further details of the Waiver Modification and Extension.

#### ***3.12.2 Restrictions on 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 at a meeting of Unitholders. Pursuant to paragraph 5.2(b) of the Property Funds Appendix, a person who "has an interest, whether

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commercial, financial or personal, in the outcome of the transaction, other than in his capacity as a participant, will not be allowed to vote on the resolution to approve the transaction”.

Paragraph 9.9(f) of the REIT Code provides that where a Unitholder has a material interest in the business to be contracted at a general meeting of the Unitholders, and that interest is different from that of all other Unitholders, such Unitholder shall abstain from voting.

Further, under paragraph 2 of Schedule 1 to the Trust Deed, where a Unitholder has a material interest in the resolution tabled for approval at a general meeting of the Unitholders, and that interest is different from the interests of other Unitholders, such Unitholder shall be prohibited from voting its Units or being counted in the quorum for the general meeting.

Members of the CKH Group and the Manager Group are, or may from time to time become, parties to one or more of the Expanded Continuing Connected Party Transactions, and as such, have a material interest in the Ordinary Resolution approving the Waiver Modification and Extension (including the Proposed Annual Caps) as set out in the EGM Notice.

Pursuant to the above:

- (a) Cheung Kong will abstain, and will procure that each member of the CKH Group and its associates will abstain, from voting on the Ordinary Resolution approving the Waiver Modification and Extension (including the Proposed Annual Caps) as set out in the EGM Notice; and
- (b) the Manager will abstain and will procure that each member of the Manager Group and its associates will abstain, from voting on the Ordinary Resolution approving the Waiver Modification and Extension (including the Proposed Annual Caps) as set out in the EGM Notice.

To the best of the Manager’s knowledge, information and belief, after having made reasonable enquiries, the Manager takes the view that save as disclosed above, no other Unitholders are required to abstain from voting at the EGM in respect of the Ordinary Resolution approving the Waiver Modification and Extension (including the Proposed Annual Caps) as set out in the EGM Notice.

### **3.13 Recommendations**

#### **3.13.1 Directors**

Having regard to the reasons for, terms of, and factors and other information taken into consideration in relation to, the Expanded Continuing Connected Party Transactions as described in this Circular, the Board (including the independent non-executive Directors) recommends that the Independent Unitholders vote at the EGM in favour of the Ordinary Resolution approving the Waiver Modification and Extension (including the Proposed Annual Caps) as set out in the EGM Notice.

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### **3.13.2 Independent Board Committee**

The Independent Board Committee (which comprises all three of the independent non-executive Directors of the Manager) has been established by the Board to advise the Independent Unitholders on the Waiver Modification and Extension (including the Proposed Annual Caps). The HK Independent Financial Adviser has been appointed by the Manager and the Trustee to advise the Independent Board Committee, the Independent Unitholders and the Trustee as to whether the Waiver Modification and Extension (including the Proposed Annual Caps) are fair and reasonable.

Your attention is drawn to the “Letter from the Independent Board Committee in relation to the 2015 Modified and Extended Waiver” set out in this Circular, which contains the Independent Board Committee’s recommendation in relation to the Waiver Modification and Extension to the Independent Unitholders, and the “Letter from the HK Independent Financial Adviser in relation to the 2015 Modified and Extended Waiver” set out in this Circular, which contains among other things: (1) the HK Independent Financial Adviser’s advice in relation to the Waiver Modification and Extension (including the Proposed Annual Caps) to the Independent Board Committee, the Independent Unitholders and the Trustee; and (2) the principal factors taken into consideration by the HK Independent Financial Adviser, and assumptions and qualifications adopted by the HK Independent Financial Adviser in arriving at such opinion.

The Independent Board Committee, having taken into account the opinion of the HK Independent Financial Adviser and the principal factors and reasons considered by them, concurs with the opinion of the HK Independent Financial Adviser and recommend that the Independent Unitholders vote at the EGM in favour of the Ordinary Resolution approving the Waiver Modification and Extension (including the Proposed Annual Caps) as set out in the EGM Notice.

### **3.13.3 HK Independent Financial Adviser**

BOSC International Company Limited has been appointed as the independent financial adviser for the purposes of paragraph 10.10(p) of the REIT Code to advise the Independent Board Committee, the Independent Unitholders and the Trustee (as appropriate). In this regard, the HK Independent Financial Adviser recommends that the Independent Unitholders vote at the EGM in favour of the Ordinary Resolution approving the Waiver Modification and Extension (including the Proposed Annual Caps) as set out in the EGM Notice.

Details of the HK Independent Financial Adviser’s opinion, together with the principal factors taken into consideration, and assumptions and qualifications in arriving at such opinion, are set out in the “Letter from the HK Independent Financial Adviser in relation to the 2015 Modified and Extended Waiver” in this Circular.

### **3.13.4 Trustee**

The HK Independent Financial Adviser has been appointed to advise the Independent Board Committee, the Independent Unitholders and the Trustee as to whether the Waiver Modification and Extension (including the Proposed Annual Caps) is fair and reasonable. Details of their opinion, together with the principal factors taken into consideration, and assumptions and qualifications in arriving at such opinion, are set out in the “Letter from

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the HK Independent Financial Adviser in relation to the 2015 Modified and Extended Waiver” in this Circular. Further, the Independent Board Committee has been appointed to advise in respect of the Waiver Modification and Extension (including the Proposed Annual Caps) and their advice is set out in the “Letter from the Independent Board Committee in relation to the 2015 Modified and Extended Waiver” in this Circular.

Based and in sole reliance on: (1) the opinion of the Board in this letter and the information and assurances provided by the Manager; (2) the Letter from the HK Independent Financial Adviser; and (3) the Letter from the Independent Board Committee; the Trustee, having taken into account its duties set out in the Trust Deed and the REIT Code: (a) is of the view that the Waiver Modification and Extension (including the Proposed Annual Caps) and the Expanded Continuing Connected Party Transactions are fair and reasonable so far as the Independent Unitholders are concerned, and are in the interests of Fortune REIT, the Independent Unitholders, as well as the Unitholders as a whole; (b) is of the view that the Expanded Continuing Connected Party Transactions are consistent with Fortune REIT’s established investment objectives and strategy; and (c) has no objection to the Manager proceeding with the Waiver Modification and Extension (including the Proposed Annual Caps), subject to the approval of the Independent Unitholders.

The Trustee has not made any assessment of the merits or impact of the Waiver Modification and Extension (including the Proposed Annual Caps) and the Expanded Continuing Connected Party Transactions, other than for the purposes of fulfilling its fiduciary duties set out in the Trust Deed and the REIT Code. Accordingly, the Trustee urges all Independent Unitholders, including those who are in any doubt as to the merits or impact of the Waiver Modification and Extension (including the Proposed Annual Caps) and the Expanded Continuing Connected Party Transactions, to consider the “Letter from the Independent Financial Adviser in relation to the 2015 Modified and Extended Waiver” in this Circular and to seek their own additional financial or other professional advice.

#### **4. PROPOSED UNIT BUY-BACK MANDATE**

##### **4.1 Background**

The Manager intends to seek a mandate from Unitholders to repurchase Units for and on behalf of Fortune REIT. In this regard, conditional upon the Unit Buy-back Amendments being approved, approval is now sought from Unitholders at the EGM for the Unit Buy-back Mandate.

The Listing Manual, the Hong Kong Listing Rules, the Hong Kong Takeovers and Share Buy-backs Code and the SFC Repurchase Circular contain provisions to regulate, among other things, repurchase by REITs with primary listings of their units on the SGX-ST and the SEHK respectively. Any purchase or acquisition of its Units by Fortune REIT has to be made subject to and in accordance with, and in the manner prescribed by the Trust Deed, the Companies Act, the Listing Manual, the Hong Kong Listing Rules, the Hong Kong Takeovers and Share Buy-backs Code, the SFC Repurchase Circular and such other laws and regulations as may for the time being be applicable.

### 4.2 Implications under the applicable rules in Singapore

#### 4.2.1 Rationale

The Unit Buy-back Mandate will give the Manager the flexibility to undertake repurchases of Units up to the 10% limit described in section 4.2.2.1 below at any time, during the period when the Unit Buy-back Mandate is in force.

The Board considers that:

- (a) the Unit Buy-back Mandate would be a flexible and cost-effective tool of capital management, by which to improve return on equity for Unitholders and/or the Net Asset Value per Unit; and
- (b) the Unit Buy-back Mandate, when exercised at appropriate times, would help mitigate short-term market volatility, off-set the effects of short-term speculation in the Units and bolster market confidence in the Units.

Unitholders should note that although the Unit Buy-back Mandate would authorise repurchases of Units up to the said 10% limit during the period when the Unit Buy-back Mandate is in force, the actual number of Units (if any) to be repurchased by the Manager pursuant to the Unit Buy-back Mandate may not be carried out to the full 10% limit.

The Manager will only exercise the Unit Buy-back Mandate to repurchase Units for and on behalf of Fortune REIT in compliance with the requirements under the Trust Deed (as to be amended by the Unit Buy-back Amendments provided that the Unit Buy-back Amendments are approved by Unitholders) and the applicable Rules (which includes the Hong Kong Takeovers and Share Buy-backs Code) and when it considers it to be in the best interests of Fortune REIT and the Unitholders as a whole.

#### 4.2.2 Authority and Limits on the Unit Buy-Back Mandate

Conditional upon the Unit Buy-back Amendments being approved, the authority conferred on the Manager and the limitations placed on the repurchases of Units under the Unit Buy-back Mandate by the Manager are set out below.

##### 4.2.2.1 Maximum Limit

The total number of Units which may be repurchased pursuant to the Unit Buy-back Mandate is limited to that number of Units representing not more than 10% of the total number of issued Units as at the date of the EGM.

**For illustrative purposes ONLY:** on the basis of 1,876,289,958 issued Units as at the Latest Practicable Date, and assuming that no further Units are issued on or prior to the EGM, not more than 187,628,995 Units (representing 10% of the issued Units as at the Latest Practicable Date) may be repurchased by the Manager pursuant to the Unit Buy-back Mandate during the period when the Unit Buy-back Mandate is in force.

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### *4.2.2.2 Duration of authority*

The Unit Buy-back Mandate, if approved by Unitholders by way of Ordinary Resolution, will be in force for the period commencing from the date of the EGM and expiring on the earliest of the following dates:

- (a) the date on which the next annual general meeting of Fortune REIT is held (unless by Ordinary Resolution passed at that meeting the Unit Buy-back Mandate is renewed, either unconditionally or subject to conditions) or required by applicable law and regulation, the Trust Deed or the REIT Code to be held;
- (b) the date on which the authority conferred by the Unit Buy-back Mandate is revoked or varied by Unitholders by way of Ordinary Resolution in a general meeting; and
- (c) the date on which repurchase of Units pursuant to the Unit Buy-back Mandate is carried out to the full extent mandated.

### *4.2.2.3 Manner of repurchase*

Repurchases of Units pursuant to the Unit Buy-back Mandate will be made by way of on-market repurchases ("**Market Repurchases**"), which shall be repurchases of Units by the Manager for and on behalf of Fortune REIT effected on the SGX-ST and/or SEHK, through one or more duly licensed stockbrokers appointed by the Manager for the purpose.

### *4.2.2.4 Repurchase price*

The repurchase price (excluding Related Expenses) determined by the Manager for a Unit repurchased on-market under the Unit Buy-back Mandate will be subject to the maximum repurchase price (the "**Maximum Price**") of not exceeding 105% of the Average Closing Price of the Units.

"**Average Closing Price**" means the average of the closing market prices of a Unit over the last five Market Days, on which transactions in the Units were recorded, immediately preceding the date of the Market Repurchase and deemed to be adjusted for any corporate action that occurs after the relevant five Market Days.

## **4.2.3 Status of Purchased Units**

A Unit repurchased under the Unit Buy-back Mandate shall be deemed cancelled immediately on repurchase (and all rights and privileges attached to the Unit will expire on such cancellation).

## **4.2.4 Source of funds**

The proposed Unit Buy-back Amendments provide that Units may not be repurchased pursuant to the Unit Buy-back Mandate for a consideration other than in cash and in accordance with the applicable law and regulation in Singapore. In the case of a Market Repurchase, settlement shall be in accordance with the trading rules of the SGX-ST.

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Subject to applicable law and regulation, the Manager intends to use internal sources of funds of Fortune REIT or external borrowings or combination of both to finance the repurchase of Units pursuant to the Unit Buy-back Mandate.

### **4.2.5 Financial effects**

The financial effect of the Unit Buy-back Mandate on the Net Asset Value and DPU would depend on, inter alia, the aggregate number of Units repurchased and the repurchase prices paid for such Units.

All Units repurchased under the Unit Buy-back Mandate will be cancelled. Accordingly, the total number of issued Units will be diminished by the total number of Units repurchased under the Unit Buy-back Mandate.

The Manager will only exercise the Unit Buy-back Mandate to repurchase Units for and on behalf of Fortune REIT in compliance with the requirements under the Trust Deed (as to be amended by the Unit Buy-back Amendments provided that the Unit Buy-back Amendments are approved by Unitholders) and the applicable Rules (which includes the Hong Kong Takeovers and Share Buy-backs Code) and when it considers it to be in the best interests of Fortune REIT and the Unitholders as a whole. The Manager will consider factors such as the working capital requirements, availability of financial resources, the investment and growth strategies of Fortune REIT and prevailing market conditions before repurchasing Units under the Unit Buy-back Mandate. The Manager will exercise the Unit Buy-back Mandate with a view to enhancing the DPU and/or the Current Unit Value. The Manager does not intend to exercise the Unit Buy-back Mandate to such an extent as would have a material adverse effect on the financial position of Fortune REIT.

**For illustrative purposes only:** the financial effects of the Unit Buy-back Mandate on Fortune REIT are based on the audited consolidated financial statements of Fortune REIT for the financial year ended 31 December 2014 and on the following assumptions:

- (a) 187,628,995 Units (representing 10% of the issued Units as at the Latest Practicable Date) are repurchased by the Manager pursuant to the Unit Buy-Back Mandate on 1 January 2014;
- (b) 1,876,289,958 Units were in issue as at the Latest Practicable Date (assuming no further Units are issued on or prior to the EGM at which the Unit Buy-Back Mandate is approved);
- (c) Units are repurchased by the Manager at the Maximum Price of HK\$8.64 per Unit (being 105.0% of the Average Closing Price of a Unit immediately preceding the Latest Practicable Date), and accordingly, the maximum amount of funds required for the repurchase of the 187,628,995 Units, representing 10% of the issued Units as at the Latest Practicable Date (excluding Related Expenses) is approximately HK\$1,621,115,000;
- (d) that the Unit Buy-back Mandate had been effective on 1 January 2014;
- (e) the Units repurchased under the Unit Buy-back Mandate are cancelled;

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- (f) that the Unit Buy-back Mandate are funded by internal resources and where necessary, external borrowings from existing undrawn facilities and new facilities;
- (g) there are no changes to the distribution policy to Unitholders; and
- (h) that the new facilities taken up to fund the Unit Buy-back Mandate would incur interest at 2% per annum,

The financial effects of the Unit Buy-back Mandate on the audited consolidated financial statements of Fortune REIT for the financial year ended 31 December 2014 are set out as follows:

	<b>Before Unit repurchase</b>	<b>After Unit repurchase</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>As at 31 December 2014</b>		
Net assets attributable to Unitholders	22,375,537	20,754,422
Current assets	749,260	60,853
Current liabilities	(1,928,992)	(2,861,700)
Working deficit	(1,179,732)	(2,800,847)
Borrowings	(9,821,110)	(11,144,134)
No. of Units in issue <sup>1</sup> ('000)	1,876,290	1,688,661
<b>Financial ratio</b>		
Net asset value per Unit (HK\$)	11.93	12.29
Gearing ratio/Aggregate leverage <sup>2</sup>	29.4%	34.1%
Distribution per Unit (HK cents)	41.68	44.79

Notes:

1. Based on the number of Units in issue at the Latest Practicable Date.
2. Gearing ratio is defined as total borrowings as a percentage of gross assets. Aggregate leverage is defined as the value of total borrowings and deferred payments as a percentage of gross assets.

**UNITHOLDERS SHOULD NOTE THAT THE FINANCIAL EFFECTS SET OUT ABOVE ARE FOR ILLUSTRATIVE PURPOSES ONLY. ALTHOUGH THE UNIT BUY-BACK MANDATE WOULD AUTHORISE THE MANAGER TO REPURCHASE UP TO 10% OF THE TOTAL NUMBER OF ISSUED UNITS AS AT THE DATE OF THE EGM, THE MANAGER MAY NOT NECESSARILY REPURCHASE OR BE ABLE TO REPURCHASE THE ENTIRE 10% OF THE TOTAL NUMBER OF ISSUED UNITS AT ANY TIME WHILE THE UNIT BUY-BACK MANDATE IS VALID.**

### **4.2.6 Taxation**

Unitholders who are in doubt as to their respective tax positions or any such tax implications or who may be subject to tax whether in or outside Singapore should consult their own professional advisers.

### **4.2.7 Listing status of the Units**

The Listing Manual requires Fortune REIT to ensure that at least 10.0% of its Units are held by public Unitholders. As at the Latest Practicable Date, approximately 58.3% of the Units are held by public Unitholders. Accordingly, the Manager is of the view that there is a sufficient number of the Units held by public Unitholders which would permit the Manager to undertake repurchases of the Units up to the full 10% limit pursuant to the Unit Buy-back Mandate without affecting the listing status of the Units on the SGX-ST and the SEHK. The Manager will consider investors' interests when maintaining a liquid market in securities of Fortune REIT, and will ensure that there is a sufficient float for an orderly market in securities of Fortune REIT when repurchasing the Units.

### **4.2.8 Singapore listing rules**

The Listing Manual restricts a listed issuer from purchasing shares by way of market purchases at a price per share which is more than 5% above the "average closing price", being the average of the closing market prices of the shares over the last five Market Days on which transactions in the shares were recorded, before the day on which the purchases were made, as deemed to be adjusted for any corporate action that occurs after the relevant five-day period.

The Manager will not undertake any repurchase of Units pursuant to the Unit Buy-back Mandate at any time after any matter or development of a price sensitive nature has occurred or has been the subject of consideration and/or a decision of the board of Directors until such price sensitive information has been publicly announced. In particular, the Manager will not repurchase any Units through Market Repurchases during the two weeks immediately preceding, and up to the time of the announcement of, the results of Fortune REIT for each of the first three quarters of the financial year of Fortune REIT and during the one month immediately preceding, and up to the time of announcement of, the results of Fortune REIT for the full financial year.

### **4.2.9 Reporting requirements**

The Listing Manual specifies that an issuer shall notify the SGX-ST of all purchases or acquisitions of its units not later than 9 a.m. (Singapore time) on the Market Day following the day on which the Market Repurchase was made.

The notification of any such repurchases of Units to the SGX-ST shall be in such form and shall include such details as the SGX-ST may prescribe. The Manager shall make arrangements with the appointed stockbrokers and/or custodians to ensure that they provide the Manager in a timely fashion, with the necessary information which will enable the Manager to make the notifications to the SGX-ST.

### **4.2.10 Take-over implications**

The circumstances under which Unitholders and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 of the Singapore Take-over Code after a repurchase of Units by the Manager for and on behalf of Fortune REIT are set out in Appendix 2 of the Singapore Take-over Code. The take-over implications which may arise from any repurchase by the Manager of Units for and on behalf of Fortune REIT by way of a Unit buy-back are set out below.

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### *4.2.10.1 Obligation to make a take-over offer*

If, as a result of any repurchase by the Manager of the Units for and on behalf of Fortune REIT, the proportionate interest in the voting rights of a Unitholder and persons acting in concert with him increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Singapore Take-over Code. Consequently, a Unitholder or a group of Unitholders acting in concert could obtain or consolidate effective control of Fortune REIT and become obliged to make an offer under Rule 14 of the Singapore Take-over Code.

### *4.2.10.2 Persons acting in concert*

Applying the Singapore Take-over Code to Fortune REIT, to the extent possible, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of Units (or otherwise) to obtain or consolidate effective control of Fortune REIT.

Unless the contrary is established, the Singapore Take-over Code presumes, inter alia, the following individuals and companies to be persons acting in concert with each other:

- (i) the following companies:
  - (A) a company ("**(A)**");
  - (B) the parent company of (A) ("**(B)**");
  - (C) the subsidiaries of (A) (each, "**(C)**");
  - (D) the fellow subsidiaries of (A) (each, "**(D)**");
  - (E) the associated companies (as defined in the Singapore Take-over Code) of any of (A), (B), (C) or (D) (each, "**(E)**");
  - (F) companies whose associated companies include any of (A), (B), (C), (D) or (E); and
  - (G) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing companies for the purchase of voting rights; and
- (ii) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts).

The circumstances under which Unitholders, including persons acting in concert with them, are likely to incur an obligation to make a take-over offer under Rule 14 of the Singapore Take-over Code after a repurchase of Units by the Manager for and on behalf of Fortune REIT are set out in Appendix 2 of the Singapore Take-over Code.

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## LETTER TO THE UNITHOLDERS

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### *4.2.10.3 Effect of Rule 14 and Appendix 2 of the Singapore Take-over Code*

In general terms, the effect of Rule 14 and Appendix 2 of the Singapore Take-over Code is that, unless exempted, Unitholders and/or persons acting in concert with them are likely to incur an obligation to make a take-over offer under Rule 14 of the Singapore Take-over Code if, as a result of the Manager repurchasing Units pursuant to the Unit Buy-back Mandate:

- (i) the voting rights of such Unitholders and/or their concert parties would increase to 30.0% or more; or
- (ii) (in the event that such Unitholders and/or their concert parties hold between 30.0% and 50.0% of the voting rights in Fortune REIT), the voting rights of such Unitholders and/or their concert parties would increase by more than 1.0% in any period of six months.

Pursuant to Appendix 2 of the Singapore Take-over Code, a Unitholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 of the Singapore Take-over Code if, as a result of the Manager repurchasing Units pursuant to the Unit Buy-back Mandate, the voting rights of such Unitholder would increase to 30.0% or more, or, if such Unitholder holds between 30.0% and 50.0% of the voting rights in Fortune REIT, the voting rights of such Unitholder would increase by more than 1.0% in any period of six months. Such a Unitholder need not abstain from voting in respect of the resolution authorising the Unit Buy-back Mandate.

Based on the interests of the substantial Unitholders in Units recorded in the Register of Unitholders as at the Latest Practicable Date, none of the substantial Unitholders would become obliged to make a take-over offer for Fortune REIT under Rule 14 of the Singapore Take-over Code as a result of any repurchase of Units by the Manager pursuant to the Unit Buy-back Mandate of the maximum limit of 10% of its issued Units as at the Latest Practicable Date.

**Unitholders are advised to consult their professional advisers and/or the Securities Industry Council at the earliest opportunity as to whether an obligation to make a take-over offer would arise by reason of any Unit repurchases by the Manager for and on behalf of Fortune REIT.**

### ***4.2.11 Approval Required***

The Manager proposes to seek Unitholders' approval by way of Ordinary Resolution at the EGM approving the Unit Buy-back Mandate.

### ***4.2.12 Restrictions on Voting***

With respect to the proposed Ordinary Resolution relating to the Unit Buy-back Mandate, the Manager is unaware of any Unitholders that are required to abstain from voting on such Ordinary Resolution.

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## LETTER TO THE UNITHOLDERS

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### **4.3 Implications under the applicable rules in Hong Kong**

#### ***4.3.1 Unit Buy-back Mandate***

The Manager wishes to seek the approval of the Unitholders at the EGM to grant the Unit Buy-back Mandate to the Manager for the buy-back of Units on behalf of Fortune REIT effected on the SGX-ST and/or SEHK pursuant to the SFC Repurchase Circular.

The Unit Buy-back Mandate, if approved by Unitholders, will be in force for the period commencing from the date of the EGM and expiring on the earliest of the following dates:

- (a) the date on which the next annual general meeting of Fortune REIT is held (unless by Ordinary Resolution passed at that meeting the Unit Buy-back Mandate is renewed, either unconditionally or subject to conditions) or required by applicable law and regulation, the Trust Deed or the REIT Code to be held;
- (b) the date on which the authority conferred by the Unit Buy-back Mandate is revoked or varied by Unitholders by way of Ordinary Resolution in a general meeting; and
- (c) the date on which repurchase of Units pursuant to the Unit Buy-back Mandate is carried out to the full extent mandated.

Pursuant to the SFC Repurchase Circular, Fortune REIT shall comply with the restrictions and notification requirements applicable to listed companies purchasing their own shares on the SEHK under Rule 10.06 of the Hong Kong Listing Rules, with necessary changes being made, as if the provisions therein were applicable to REITs. These include, but are not limited to, the dealing restrictions, the restrictions on subsequent issues, the reporting requirements and status of purchased shares.

#### ***4.3.2 Explanatory Statement***

The Explanatory Statement in connection with the Unit Buy-back Mandate is set out in the Appendix C to this Circular, which contains further information on the Unit Buy-back Mandate and sets out the terms and conditions on which the Manager may exercise its power under the Unit Buy-back Mandate, if granted, to effect on-market buy-back(s) of Units on the SEHK on behalf of Fortune REIT.

#### ***4.3.3 Maximum number of Units that may be bought back***

Subject to the passing of the proposed Ordinary Resolution for approving the Unit Buy-back Mandate, the number of Units which may be bought back pursuant to the Unit Buy-back Mandate is up to 10% of the total number of Units in issue as at the date of the passing of the resolution approving the Unit Buy-back Mandate.

#### ***4.3.4 Approval required***

Pursuant to the SFC Repurchase Circular, the Manager proposes to seek Unitholders' approval by way of an Ordinary Resolution at the EGM to grant a general mandate to the Manager to buy back Units on the SEHK for and on behalf of Fortune REIT.

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## LETTER TO THE UNITHOLDERS

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Pursuant to paragraph 9 of Schedule 1 to the Trust Deed, at any meeting a resolution put to the vote of the meeting shall be decided on a poll and the result of the poll shall be deemed to be the resolution of the meeting.

The proposed Ordinary Resolution in relation to the grant of the Unit Buy-back Mandate to the Manager will be decided on a poll at the EGM and the result of the poll shall be deemed to be the resolution of the meeting.

### ***4.3.5 Restrictions on voting***

Paragraph 9.9(f) of the REIT Code provides that where a Unitholder has a material interest in the business to be contracted at a general meeting of the Unitholders, and that interest is different from that of all other Unitholders, such Unitholder shall abstain from voting.

Further, under paragraph 2 of Schedule 1 to the Trust Deed, where a Unitholder has a material interest in the resolution tabled for approval at a general meeting of the Unitholders, and that interest is different from the interests of other Unitholders, such Unitholder shall be prohibited from voting its Units or being counted in the quorum for the general meeting.

To the best of the Manager's knowledge, information and belief, with respect to the proposed Ordinary Resolution relating to the Unit Buy-back Mandate, the Manager is unaware of any Unitholders that are required to abstain from voting at the EGM on such Ordinary Resolution.

### ***4.3.6 Opinion of the Board and Directors' Recommendations***

The Directors have considered the relevant factors, including the rationale for the proposed Unit Buy-back Mandate as set out above, and considers the proposed Unit Buy-back Mandate to be in the interests of Fortune REIT and the Unitholders as a whole and accordingly recommend that Unitholders vote at the EGM in favour of the proposed Unit Buy-back Mandate.

### ***4.3.7 Trustee's opinion and consent***

The Trustee is of the opinion, subject to Unitholders' approval at the EGM and after the Unit Buy-back Amendments are made to the Trust Deed, that the Unit Buy-back Mandate complies with the Trust Deed, and the Trustee does not have any objection to the Manager exercising its powers pursuant to the Unit Buy-back Mandate in accordance with its terms.

The Trustee's view is being furnished for the sole purpose of complying with the requirements of paragraphs (11) and (12) of the compliance checklist of the SFC Repurchase Circular, and is not to be taken as a recommendation or representation by the Trustee of the merits of the proposed Unit Buy-back Mandate or of any statements or information made or disclosed in this Circular. The Trustee has not made any assessment of the merits or impact of the proposed Unit Buy-back Mandate or of any repurchases of Units which may be made thereunder, other than for the purposes of fulfilling its fiduciary duties set out in the Trust Deed and the REIT Code.

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## LETTER TO THE UNITHOLDERS

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### 4.3.8 Material Adverse Change

As at the Latest Practicable Date, none of the Directors was aware of any material adverse change in the financial or trading position of Fortune REIT since 31 December 2014 (being the date to which the latest published audited financial statements of Fortune REIT have been made up).

### 4.3.9 Responsibility statement

The Manager and the Directors, collectively and individually, accept full responsibility for the accuracy of the information contained in this Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this Circular misleading.

## 5. INTERESTS OF DIRECTORS AND SUBSTANTIAL UNITHOLDERS

Based on the Register of Directors' Unitholdings and the information available to the Manager, as at the Latest Practicable Date, and as at the date of the EGM (on the assumption that their voting rights will not change between the Latest Practicable Date and the date of the EGM), the direct and deemed interests and voting rights of the Directors who have interest in the Units and the substantial unitholders<sup>(1)</sup> are as follows:

Name of Directors	Direct interest		Deemed interest	
	Number of Units	%	Number of Units	%
Lim Hwee Chiang <sup>(2)</sup>	1,000,000	0.05	2,100,000	0.11
Sng Sow-Mei (alias Poon Sow Mei)	220,000	0.01	—	—
Lan Hong Tsung, David <sup>(3)</sup>	300,000	0.02	100,000	0.01

Notes:

- (1) A person with an interest in Units constituting not less than 5.0% of all Units in issue.
- (2) Mr. Lim Hwee Chiang was deemed to be interested in the 2,100,000 Units held by Citibank Nominees Singapore Pte. Ltd. (as nominee for JL Philanthropy Ltd). Mr. Lim Hwee Chiang is the settlor of JL Charitable Settlement which is the beneficiary of JL Philanthropy Ltd.
- (3) Dr. Lan Hong Tsung, David was deemed to be interested in the 100,000 units held by his associate.

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## LETTER TO THE UNITHOLDERS

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Name of Substantial Unitholders	Direct interest		Deemed interest	
	Number of Units	%	Number of Units	%
Focus Eagle Investments Limited	413,074,684	22.01	—	—
Ballston Profits Limited	112,556,000	6.00	—	—
Schroders Plc <sup>2</sup>	—	—	252,103,042	13.44
Cheung Kong <sup>3</sup>	—	—	525,630,684	28.01
Hutchison Whampoa Limited <sup>4</sup>	—	—	112,556,000	6.00

Notes:

- (1) The unitholding interests set out in this section were based on the confirmation of the relevant persons as at 31 December 2014 and any subsequent notifications of changes of interest received by the Manager on or before Latest Practicable Date.
- (2) Schroders Plc was deemed to be interested in 252,103,042 Units of which:
- (a) 97,974,000 Units were held by Schroder Investment Management Ltd;
  - (b) 83,854,000 Units were held by Schroder Investment Management (Singapore) Ltd;
  - (c) 69,440,000 Units were held by Schroder Investment Management (Hong Kong) Ltd;
  - (d) 120,000 Units were held by Schroder Channel Island Limited;
  - (e) 43,000 Units were held by Schroder Investment Management North America Limited; and
  - (f) 672,042 Units were held by Schroder & Co (Asia) Limited.
- (3) Cheung Kong is deemed to be interested in 525,630,684 Units of which:
- (a) 413,074,684 Units were held by Focus Eagle Investments Limited (a wholly-owned subsidiary of Cheung Kong); and
  - (b) 112,556,000 Units were held by Ballston Profits Limited (a wholly-owned subsidiary of Hutchison Whampoa Limited which in turn is 49.97% owned by Cheung Kong).
- (4) Hutchison Whampoa Limited is deemed to be interested in 112,556,000 Units held by its wholly-owned subsidiary company, Ballston Profits Limited.

### 6. EXTRAORDINARY GENERAL MEETING AND CLOSURE OF REGISTER OF UNITHOLDERS

The EGM will be held at 11:30 a.m. (or as soon thereafter following the conclusion/adjournment of the annual general meeting of Fortune REIT to be held at 11:00 a.m. on the same day and at the same place) on Friday, 17 April 2015 at Room 331, Level 3 Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593, for the purpose of considering and, if thought fit, passing with or without amendments, the Extraordinary Resolutions and Ordinary Resolutions set out in the EGM Notice, which is set out on pages N-1 to N-5 of this Circular. Any Unitholder or depositor or proxy who wishes to take part in the EGM from Hong Kong, may attend via video conference which shall be held at Level 5, Hutchison House, 10 Harcourt Road, Central, Hong Kong.

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## LETTER TO THE UNITHOLDERS

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The Register of Unitholders will be closed from Tuesday, 14 April 2015 to Friday, 17 April 2015 (both days inclusive), during which no transfer of Units will be effected, to determine which Unitholders will qualify to attend and vote at the EGM. For those Unitholders who are not already on the Register of Unitholders, in order to qualify to attend and vote at the EGM, all duly completed transfers of Units accompanied by the relevant Unit certificates must be lodged with the Singapore Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623 (for Singapore Unitholders) for registration by 5:00 p.m. on Monday, 13 April 2015, or with the Hong Kong Unit Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for Hong Kong Unitholders) for registration by 4:30 p.m. on Monday, 13 April 2015.

You can vote at the EGM if you are a Unitholder at the close of business on Monday, 13 April 2015. You will find enclosed with this Circular the EGM Notice (please refer to pages N-1 to N-5 of this Circular) and a form of proxy for use for the EGM.

Your vote is very important. Accordingly, please complete, sign and date the enclosed form of proxy, whether or not you plan to attend the EGM in person, in accordance with the instructions printed on the form of proxy, and return it to: (a) the Singapore Unit Registrar of, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623 (for Singapore Unitholders); or (b) the Hong Kong Unit Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. The form of proxy should be completed and returned as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

### **7. GENERAL**

Each of the HK Independent Financial Adviser and the Singapore Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and its opinion letter and all references thereto, in the form and context in which they are included in this Circular.

A copy of the following documents is available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. on business day (by prior appointment only) at (i) the Singapore registered office of the Manager at 6 Temasek Boulevard, #16-02, Suntec Tower Four, Singapore 038986, and also (ii) the office of the Manager in Hong Kong at Units 5508–5510, 55/F, The Center, 99 Queen's Road Central, Hong Kong between the date of this Circular and the date of the EGM (both dates inclusive):

- (i) the Trust Deed; and
- (ii) the draft Amending and Restating Deed effecting the proposed amendments to the Trust Deed as mentioned in this Circular.

The Manager and the Directors, collectively and individually, accept full 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, (i) opinions expressed in this Circular by the Directors have been arrived at after due and careful consideration, (ii) this Circular constitutes full and true disclosure of all material facts about the Divestment Fee Amendments, Unit Buy-back Amendments,

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## LETTER TO THE UNITHOLDERS

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the Waiver Modification and Extension, the Unit Buy-Back Mandate, Fortune REIT Group, and the Manager and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading.

Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Manager and the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

By order of the board of directors of  
**ARA Asset Management (Fortune) Limited**  
(in its capacity as manager of Fortune Real Estate Investment Trust)  
**Chiu Yu, Justina**  
*Chief Executive Officer*

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE IN RELATION  
TO THE 2015 MODIFIED AND EXTENDED WAIVER**

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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) and authorised as a collective investment scheme under section 286 of the Securities and Futures Act, Chapter 289 of Singapore)*

*(a collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))*  
**(Stock Code: Singapore: F25U and Hong Kong: 778)**

**Managed by**



**ARA Asset Management (Fortune) Limited**

25 March 2015

*To: The Independent Unitholders of Fortune REIT*

Dear Sir/Madam,

**MODIFICATION AND EXTENSION OF WAIVER IN RESPECT OF CERTAIN  
CONTINUING CONNECTED PARTY TRANSACTIONS**

We have been appointed as members of the Independent Board Committee to advise you in respect of, among other things, the Waiver Modification and Extension (including the Proposed Annual Caps), details of which are set out in the "Letter to the Unitholders" in the Circular from the Manager to the Unitholders, of which this letter forms a part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

The HK Independent Financial Adviser has been appointed by the Manager and the Trustee to advise us, the Independent Unitholders and the Trustee (as appropriate) in connection with the Waiver Modification and Extension (including the Proposed Annual Caps), in particular as to whether the transactions under the 2015 Modified and Extended Waiver are fair and reasonable so far as the Independent Unitholders are concerned and in the interests of Fortune REIT and the Independent Unitholders as a whole. Details of their opinion, together with the principal factors and reasons taken into consideration, and assumptions and qualifications in arriving at such opinion, are set out in the "Letter from the HK Independent Financial Adviser in relation to the 2015 Modified and Extended Waiver", the text of which is contained in the Circular.

Having taken into account the opinion of the HK Independent Financial Adviser and the principal factors and reasons considered by them, we concur with the opinion of the HK Independent Financial Adviser and are satisfied that for purposes of the REIT Code, the Waiver Modification and Extension, and the basis for the Waiver Modification and Extension (including the Proposed Annual Caps and the basis of arriving at the same) are fair and reasonable as far as the Independent Unitholders are concerned and are in the interests of Fortune REIT, the Independent Unitholders, as well as the

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE IN RELATION  
TO THE 2015 MODIFIED AND EXTENDED WAIVER**

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Unitholders as a whole; and the Expanded Continuing Connected Party Transactions have been and will be: (i) conducted in the ordinary and usual course of business of Fortune REIT and consistent with the investment objectives and strategy of Fortune REIT; (ii) on terms which are and will be at arm's length and on normal commercial terms; and (iii) fair and reasonable and in the interests of Fortune REIT, the Independent Unitholders, as well as the Unitholders as a whole.

Accordingly, we recommend that the Independent Unitholders vote in favour of the resolutions as set out in the EGM Notice.

Yours faithfully,  
Independent Board Committee  
**ARA Asset Management (Fortune) Limited**  
**(as manager of Fortune Real Estate Investment Trust)**

**LIM Lee Meng**  
*Independent Non-executive Director and Lead  
Independent Director*

**SNG Sow-Mei (alias POON Sow Mei)**  
*Independent Non-executive Director*

**LAN Hong Tsung, David**  
*Independent Non-executive Director*

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## LETTER FROM THE HK INDEPENDENT FINANCIAL ADVISER IN RELATION TO THE 2015 MODIFIED AND EXTENDED WAIVER

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*The following is the text of a letter of advice from the HK Independent Financial Adviser prepared for the purpose of inclusion in this circular, setting out its advice to the Independent Board Committee, the Independent Unitholders and the Trustee in respect of the 2015 Modified and Extended Waiver.*



Suite 2608–2611 Citibank Tower,  
Citibank Plaza, 3 Garden Road,  
Hong Kong

25 March 2015

*To the Independent Board Committee,  
the Independent Unitholders and the Trustee*

Dear Sir/Madam,

### **MODIFICATION AND EXTENSION OF WAIVER IN RESPECT OF CERTAIN CONTINUING CONNECTED PARTY TRANSACTIONS**

#### **INTRODUCTION**

We refer to our engagement as the independent financial adviser to the Independent Board Committee, the Independent Unitholders and the Trustee in respect of the Waiver Modification and Extension (including the Proposed Annual Caps), details of which are set out in the letter to the Unitholders (the “**Letter to the Unitholders**”) contained in the circular of Fortune REIT (the “**Circular**”) to the Unitholders dated 25 March 2015, of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 16 September 2013, an Ordinary Resolution was passed by the Unitholders at the extraordinary general meeting of the Unitholders for approving, among other, the modification and extension of the 2012 Waiver to the 2013 Modified Waiver for a period of three years up to and including 31 December 2015.

In view of (i) the fact that Fortune REIT expects transactions and arrangements will continue to be conducted and may from time to time be conducted between the Fortune REIT Group on the one hand, and the CKH Group or the CKP Connected Persons Group (as the case may be) and/or the Manager Group (as the case may be) on the other hand, in relation to any properties or companies in which Fortune REIT may directly or indirectly be interested; (ii) the expiry of the 2013 Modified Waiver on 31 December 2015; (iii) the CK Spin-off proposed by Cheung Kong; and (iv) the 2013 Modified Waiver not covering transactions and arrangements in respect of properties and companies other than the properties in respect of which the 2013 Modified Waiver was granted, the Manager proposes to seek Unitholders’ approval, by way of Ordinary Resolution at the EGM to modify and extend the 2013 Modified Waiver to the 2015 Modified and Extended Waiver so as to:

- (a) modify the persons and entities who are regarded as the connected persons of Fortune REIT under the REIT Code to include the CKP Connected Persons Group if the completion of the CK Spin-off takes place (which, according to the Joint Announcement, subject to the fulfillment of the conditions as detailed in the Joint Announcement, is expected to be at the end of the first half of 2015);

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## LETTER FROM THE HK INDEPENDENT FINANCIAL ADVISER IN RELATION TO THE 2015 MODIFIED AND EXTENDED WAIVER

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- (b) expand the scope of the Continuing Connected Party Transactions Under Waiver to include the Expanded Continuing Connected Party Transactions;
- (c) set new annual monetary limits for the Expanded Continuing Connected Party Transactions for the New CPT Waiver Period; and
- (d) extend the expiry date (being 31 December 2015) of the 2013 Modified Waiver so that the three-year waiver duration can commence afresh as to expire on 31 December 2018.

Pursuant to the REIT Code, the Listing Manual and the Trust Deed, members of the CKH Group and the Manager Group are, or may from time to time become, parties to one or more of the Expanded Continuing Connected Party Transactions, and as such, have a material interest in the Ordinary Resolution approving the Waiver Modification and Extension (including the Proposed Annual Caps) as set out in the EGM Notice. Accordingly, (i) Cheung Kong will abstain, and will procure that each member of the CKH Group and its associates will abstain, from voting on the Ordinary Resolution approving the Waiver Modification and Extension (including the Proposed Annual Caps) as set out in the EGM Notice; and (ii) the Manager will abstain, and will procure that each member of the Manager Group and its associates will abstain, from voting on the Ordinary Resolution approving the Waiver Modification and Extension (including the Proposed Annual Caps) as set out in the EGM Notice.

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Lim Lee Meng, Mrs. Sng Sow-Mei (alias Poon Sow Mei) and Dr. Lan Hong Tsung, David, has been formed to advise the Independent Unitholders in relation to the Waiver Modification and Extension (including the Proposed Annual Caps).

We, BOSC International Company Limited (“**BOSC International**”), have been appointed by the Manager and the Trustee to advise the Independent Board Committee, the Independent Unitholders and the Trustee (as appropriate) in connection with the Waiver Modification and Extension (including the Proposed Annual Caps), in particular as to whether the Expanded Continuing Party Connected Transactions under the 2015 Modified and Extended Waiver are fair and reasonable so far as the Independent Unitholders are concerned and in the interests of Fortune REIT and the Unitholders as a whole.

### **BASIS OF OUR OPINION**

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular as well as the representations made or provided by the Directors and the senior management of the Manager. The Directors have declared in a responsibility statement set out in the Letter to the Unitholders that they collectively and individually accept full responsibility for the accuracy of the information contained and representations made in the Circular and that there are no other matters the omission of which would make any statement in the Circular misleading. We have also assumed that the information and the representations made by the Directors as contained or referred to in the Circular were true and accurate at the time they were made and continue to be so up to the date of the EGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the senior management of the Manager. We have also been advised by the Directors and believe that no material facts have been omitted or withheld from the Circular.

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## LETTER FROM THE HK INDEPENDENT FINANCIAL ADVISER IN RELATION TO THE 2015 MODIFIED AND EXTENDED WAIVER

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We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of Fortune REIT, the Manager and the related subject of and parties to the Expanded Continuing Connected Party Transactions. Our opinion is based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date.

### INDEPENDENCE DECLARATION

Ms. Heidi Cheng of BOSC International, under her previous employment, was one of the two persons signing off the opinion letter from the independent financial adviser contained in Fortune REIT's circular dated 28 December 2011 in respect of a major acquisition and renewal of connected party transactions. Notwithstanding the aforesaid past engagement, as at the Latest Practicable Date, Ms. Heidi Cheng and Ms. Lily Li of BOSC International are not aware of any relationships or interests between BOSC International and Fortune REIT or any other parties that could be reasonably regarded as a hindrance to BOSC International's independence as defined under the REIT Code to act as the independent financial adviser to the Independent Board Committee, the Independent Unitholders and the Trustee in respect of the Waiver Modification and Extension (including the Proposed Annual Caps).

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and advice in relation to the Waiver Modification and Extension (including the Proposed Annual Caps), we have considered the following principal factors and reasons:

#### 1. Background of the Expanded Continuing Connected Party Transactions

The Expanded Continuing Connected Party Transactions can be broadly categorized into two types of transactions: (a) revenue transactions, which primarily consist of leasing and licensing transactions to connected persons (collectively, the "**Revenue CCTs**"); and (b) expenditure transactions, which primarily consist of property management arrangements, third party services and other operational transactions provided by connected persons (collectively, the "**Expenditure CCTs**"), details of which are particularly set out in the Letter to the Unitholders and are summarized as follows:

##### (a) Revenue CCTs

As part of the Fortune REIT Group's ordinary and usual course of business, leasing/licensing transactions have been, or will from time to time be, conducted between the Fortune REIT Group on the one hand, and the CKH Group or the CKP Connected Persons Group (as the case may be depending on whether completion of the CK Spin-off takes place) and/or the Manager Group (as the case may be) on the other hand, in relation to any properties or companies in which Fortune REIT may directly or indirectly be interested.

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## LETTER FROM THE HK INDEPENDENT FINANCIAL ADVISER IN RELATION TO THE 2015 MODIFIED AND EXTENDED WAIVER

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(b) *Expenditure CCTs*

Also as part of the Fortune REIT Group's ordinary and usual course of business, various categories of continuing connected party transactions have been, or will from time to time be, conducted with members of the CKH Group or the CKP Connected Persons Group (as the case may be depending on whether completion of CK Spin-off takes place), and such transactions comprise the following:

- (i) *Property management* — the Manager has, pursuant to the Property Management Agreement, delegated the property and lease management and marketing functions in respect of Fortune REIT's real estate assets to the property manager (the "**Property Manager**"). The Property Manager is currently an indirect wholly-owned subsidiary of Cheung Kong, and if the completion of the CK Spin-off takes place, is expected to be a connected person of Fortune REIT as a result of the Property Manager becoming an indirectly wholly-owned subsidiary of CK Property. Under the Property Management Agreement, the Property Manager is entitled to a fee of 3.0% per annum of the gross property revenue for the provision of property and lease management services, and a commission for the provision of marketing services.
- (ii) *Third party services* — the Property Manager, as agent for the relevant owners of the properties held by Fortune REIT, had entered into, and will continue to enter into, contracts with third party service providers for the provision of, among other things, cleaning, maintenance, security, car park management and other ancillary services for the relevant property. Some of these third party service providers are currently members of the CKH Group, and if the completion of the CK Spin-off takes place, may continue to be connected persons of Fortune REIT as a result of such third party service providers' connection with CK Property.
- (iii) *Deeds of mutual covenant* — each owner of the properties held by Fortune REIT would, where applicable, be bound by the terms of the deed of mutual covenant applicable to the property owned by it. The deed of mutual covenant binds the manager under the deed of mutual covenant (the "**DMC Manager**") and all the owners of a development and their successors-in-title, irrespective of whether they are original parties to the deed of mutual covenant. Some of the DMC Managers in respect of properties held by Fortune REIT are currently members of the CKH Group, and if the completion of the CK Spin-off takes place, are expected to be connected persons of Fortune REIT as a result of them becoming indirect wholly-owned subsidiaries of CK Property. Furthermore, there may also be situations arising where one or more members of the CKH Group or the CKP Connected Persons Group (as the case may be depending on whether completion of CK Spin-off takes place) may own other parts of the development of which the property held by members of the Fortune REIT Group forms part, and therefore technically the deed of mutual covenant constitutes a contract between members of the CKH Group or the CKP Connected Persons Group (as the case may be depending on whether completion of CK Spin-off takes place) and members of the Fortune REIT Group.

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### **2. Reasons for the extension of the 2013 Modified Waiver and the Expanded Continuing Connected Party Transactions**

Fortune REIT is a real estate investment trust formed primarily to own and invest in retail malls and parking facilities located in Hong Kong with the objective of producing stable and sustainable distributions to the Unitholders and to achieve long term growth in the net asset value per unit. According to Fortune REIT's annual reports for the two years ended 31 December 2013 and 2014, the Fortune REIT Group's income from rental-related activities for the three years ended 31 December 2012, 2013 and 2014 amounted to approximately HK\$1,111.6 million, HK\$1,314.1 million and HK\$1,653.7 million, which represented approximately 99.8%, 99.7% and 99.9% of the Fortune REIT Group's total revenue for the three years ended 31 December 2012, 2013 and 2014, respectively.

The 2013 Modified Waiver granted by the SFC in 2013 was for the period up to 31 December 2015, and such waiver may be extended, on each occasion of such extension, for a period which will expire not later than the third full financial year-end date of Fortune REIT after the approval from Unitholders is obtained. Similarly, the 2015 Modified and Extended Waiver is in respect of a period which commences from 1 January 2016 and continues until 31 December 2018, and such waiver may be extended, on each occasion of such extension, for a period which shall expire not later than the third full financial year-end date of Fortune REIT after the approval from Unitholders is obtained.

The nature and categories of the Expanded Continuing Connected Party Transactions under the 2015 Modified and Extended Waiver between the Fortune REIT Group and its connected persons (namely, the CKH Group, the CKP Connected Persons Group and the Manager Group) were in existence even before Fortune REIT's listing on the SEHK, and are similar to those of the Continuing Connected Party Transactions Under Waiver. Upon completion of the CK Spin-off, it is expected that the CKP Connected Persons Group will become a connected person of Fortune REIT because of the interest in the Units held by the CK Property Group, and entities or persons which are connected persons of Fortune REIT as a result of their connection with CK Property. The CKH Group will cease to become a connected person of Fortune REIT upon completion of the CK Spin-off. For details of the CK Spin-off, please refer to the joint announcement by Cheung Kong and Hutchison Whampoa Limited on 9 January 2015.

We have discussed with the Manager to understand that the Manager considers that the entering into of the Expanded Continuing Connected Party Transactions is beneficial and provides flexibility to the Fortune REIT Group provided that the Expanded Continuing Connected Party Transactions are carried out in the ordinary and usual course of business of the Fortune REIT Group on normal commercial terms and in accordance with the Manager's internal policies. Furthermore, the Manager considers that it will be unduly burdensome and not in the interests of the Unitholders for Fortune REIT to be subject to strict compliance with the requirements under Chapter 8 of the REIT Code with respect to the Expanded Continuing Connected Party Transactions on each and every occasion when they arise.

Having considered that:

- (a) the 2013 Modified Waiver will expire on 31 December 2015 and the purpose of the 2015 Modified and Extended Waiver is to replace the 2013 Modified Waiver so that the three-year waiver duration can commence afresh starting on 1 January 2016;

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- (b) the leasing/licensing of properties is one of the core businesses and major sources of income of the Fortune REIT Group and the Revenue CCTs contribute a stable and reliable income to the Fortune REIT Group;
- (c) the CKH Group or the CKP Connected Persons Group (after the CK Spin-off takes place) has been providing property management services in respect of the owned properties of the Fortune REIT Group before Fortune REIT's listing on the SEHK, and the property management arrangement, third party services and deeds of mutual covenants provided by the CKH Group and the CKP Connected Persons Group facilitate continuous effective management of the Fortune REIT Group's properties;
- (d) the nature of the Expanded Continuing Connected Party Transactions is substantially the same as the Continuing Connected Party Transactions Under Waiver except that upon completion of the CK Spin-off, it is expected that there will be changes to the persons and entities who would be regarded as Fortune REIT's connected persons under the REIT Code; and
- (e) the Expanded Continuing Connected Party Transactions will continue to give flexibility to the Fortune REIT Group to transact with the CKH Group, the CKP Connected Persons Group and the Manager Group, which are trusted and long-term business partners of the Fortune REIT Group, in an efficient manner,

we consider that the Expanded Continuing Connected Party Transactions are within the ordinary and usual course of business of the Fortune REIT Group, and it is in the interests of Fortune REIT and the Independent Unitholders as a whole to modify and extend the 2013 Modified Waiver for a three-year period from 1 January 2016 to 31 December 2018.

### 3. Major terms of the Expanded Continuing Connected Party Transactions

#### (a) Revenue CCTs

Under the 2013 Modified Waiver and the REIT Code, all connected leasing/licensing transactions should be conducted in the ordinary and usual course of business of the Fortune REIT Group, and the terms of such transactions should be on normal commercial terms (to the extent that there are sufficient comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to Fortune REIT than terms readily available to or from, as appropriate, independent third parties. Moreover, an independent valuation shall be conducted for each of the connected leasing/licensing transactions before it is first entered into except where they are conducted on standard or published rates.

As at the Latest Practicable Date, certain rentable areas of properties owned by the Fortune REIT Group were leased to the CKH Group (or the CKP Connected Persons Group after the CK Spin-off) and the Manager Group (collectively, the "**Leasing Connected Parties**"). The Manager confirmed that such leasing/licensing transactions have been and will be conducted in the ordinary and usual course of business of Fortune REIT and the terms of such transactions have been and will be determined on normal commercial terms.

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### *Our work done*

We have obtained from the Manager a schedule of all leasing/licensing transactions in effect for the year ended 31 December 2014 between Fortune REIT and the Leasing Connected Parties, and selected sample transactions on a random basis from such schedule. For these selected samples, we noted that the Manager appointed the Principal Valuer, who is an independent third party to Fortune REIT, to evaluate the fairness of the rental rates, which is in accordance with the Manager's internal control procedures. We obtained from the Manager and reviewed the relevant leasing agreements and rental fair value letters prepared by the Principal Valuer for these sample transactions, and noted from the rental fair value letters that the rentals were at market levels as of their respective leasing agreement dates. Thus, for our reviewed samples, we noted that the Manager has adhered to the internal control procedures of appointing the Principal Valuer to evaluate the fairness of rental rates. Furthermore, we also obtained from the Manager the relevant leasing agreements for similar leasing/licensing transactions (in terms of location, rental area, and timing of the lease) between Fortune REIT and independent third parties, and noted that the key terms offered to independent third parties, including rental and other charges, payment terms, and rights and liabilities of the parties to the leasing agreements, were in general comparable to the key terms offered to the Leasing Connected Parties.

### *Our view*

Taking into account the principal business of Fortune REIT as set out in the section headed "2. Reasons for the extension of the 2013 Modified Waiver and the Expanded Continuing Connected Party Transactions" above, we are of the view that the leasing/licensing transactions carried out with the Leasing Connected Parties have been and will be conducted in the ordinary and usual course of business of Fortune REIT.

Furthermore, based on our review of sample documents as stated above, and the aforesaid relevant internal control procedures (which include the appointment of the Principal Valuer to evaluate the fairness of rental rates of every connected leasing/licensing transactions before they are first entered into except where they are conducted on standard or published rates) are strictly adhered to by the Manager, we are also of the view that the terms of such leasing/licensing transactions have been and will be at arm's length, fair and reasonable and determined on normal commercial terms.

### **(b) Expenditure CCTs**

#### *(i) Property management and third party services*

Pursuant to the Property Management Agreement entered into between the Trustee, the Manager and the Property Manager on 7 July 2013 (as amended by an extension letter dated 1 August 2008, supplemented by a supplemental property management agreement dated 30 April 2010 and amended by an extension letter dated 11 August 2013), the Property Manager was appointed to operate, maintain and manage the properties of Fortune REIT located in Hong Kong, subject to overall

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management and supervision of the Manager. The Property Management Agreement will be in effect until 11 August 2018. Assuming no amendments are made to the Property Management Agreement, the existing terms of the Property Management Agreement (including, among others, property management service fees and commission rates) will remain unchanged for the two years ending 31 December 2016 and 2017, and up until 11 August 2018.

The Property Manager, as an agent for the relevant owners of the properties held by Fortune REIT, could also enter into contracts with third party service providers on arm's length normal commercial terms for the provision of, among other things, advertising, cleaning, maintenance, security, car park management and other ancillary services for the relevant property.

Under the Property Management Agreement, the Property Manager receives a fee of 3.0% per annum of the gross property revenue of the relevant properties for property management services. In addition, the Property Manager is also entitled to commissions for the provision of marketing services, and such commissions are derived at by reference to the duration of the relevant leases/licences entered into or renewed and the total rental/licence fees paid.

The Manager confirmed that the transactions in respect of property management services and third party services for Fortune REIT's properties have been and will be conducted in the ordinary and usual course of business of the Fortune REIT Group and the terms of such transactions shall be on normal commercial terms or, where there are insufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to the Fortune REIT Group than terms available from/to independent third parties.

### *Our work done*

In relation to the property management services, we understand from the Manager that they were and will be conducted in accordance with the Manager's internal control procedures, which require an independent assessment to be conducted on the property management fee and commission rates of any property management agreements before they are entered into or renewed. We have obtained from the Manager an independent report from a property consultancy firm on the review of the Property Management Agreement in relation to the fees charged by the Property Manager and noted that the property management fee of 3.0% per annum and the commission range for the provision of marketing services were reasonable and at market levels as of the date of the extension of the Property Management Agreement. Furthermore, we have obtained from the Manager the Property Management Agreement and reviewed its terms, and also reviewed the terms of similar transactions regarding the property management services of another real estate investment trust listed in Hong Kong and noted that their key terms, including property management fees, commission range for marketing services and arrangements regarding third party services, are in general comparable to those offered by the Property Manager to the Fortune REIT Group. The Fortune REIT Group has not engaged an independent third party for the provision of property management services of a similar nature and hence, we are not able to compare

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the terms of the Property Management Agreement to property management agreements entered into between the Fortune REIT Group and its independent third parties.

In relation to the third party services, we understand from the Manager that they have been and will be conducted in accordance with the Manager's internal control procedures, which require, among other things, invitation of tenders or quotations from contractors or suppliers, including both the CKH Group and/or the CKP Connected Persons Group and independent third parties. We have reviewed a summary of tenders received from the CKH Group and/or the CKP Connected Persons Group and independent third parties in respect of certain third party services and noted that the internal procurement procedures were followed and the selection process was fair and reasonable. Furthermore, from the successful tendering for such third party services, we have also obtained recent contracts entered into between Fortune REIT and (i) the CKH Group; and (ii) independent third parties in respect of similar type of third party services. From our discussion with the Manager and our review of the aforesaid contracts, we understand that as a lot of the recent third party services were different and unique in nature, it was not meaningful to directly compare their contract terms. However, as these third party service contracts were won by the service providers via tenders or quotations, we consider the terms of these third party service contracts to be fair and reasonable, and on normal commercial terms.

### *Our view*

Taking into account the principal business of Fortune REIT as set out in the section headed "2. Reasons for the extension of the 2013 Modified Waiver and the Expanded Continuing Connected Party Transactions" above, we are of the view that the property management and third party services carried out with the CKH Group and/or CKP Connected Persons Group have been and will be conducted in the ordinary and usual course of business of Fortune REIT.

Furthermore, based on our review of information relating to another real estate investment trust listed in Hong Kong (for property management services) and sample documents (for third party services), and the aforesaid relevant internal control procedures (which, for (i) property management services, include independent assessment to be conducted on the property management fee and commission rates of any property management agreements before they are entered into or renewed by the Fortune REIT Group, and (ii) third party services, include invitation of tenders or quotations from contractors or suppliers, including both the CKH Group and/or the CKP Connected Persons Group and independent third parties) are strictly adhered to by the Manager, we are also of the view that the terms of such property management and third party services have been and will be at arm's length, fair and reasonable and determined on normal commercial terms.

### *(ii) Deeds of mutual covenant*

We have selected sample deeds of mutual covenant of properties held by the Fortune REIT Group on a random basis, and the Manager has provided us with such samples for our review. In light of the fact that the deeds of mutual covenant bind the

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DMC Manager and all the owners of a development and their successors-in-title, irrespective of whether they are original parties to the deed of mutual covenant, and all the owners of a development and their successors-in-title, including the Fortune REIT Group and other independent third parties, are bound by, and have the benefit of, the terms of the deeds of mutual covenant, we consider that it is fair and reasonable and commercially justifiable for the Fortune REIT Group to enter into the deeds of mutual covenant, and that the terms of these deeds of mutual covenants are at arm's length and on normal commercial terms.

### *Our view*

Based on the above, we are of the opinion that the Revenue CCTs and the Expenditure CCTs to be carried out under the 2015 Modified and Extended Waiver have been and will be on normal commercial terms, fair and reasonable and in the interest of the Independent Unitholders.

#### 4. The Proposed Annual Caps

The existing annual caps under the 2013 Modified Waiver and the Proposed Annual Caps under the 2015 Modified and Extended Waiver are summarized as follows:

		Existing annual caps under the 2013 Modified Waiver			Proposed Annual Caps under the 2015 Modified and Extended Waiver		
		FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Revenue CCTs</b>	<b>Connected Person</b>						
Leasing/licensing transactions	CKH Group or CKP Connected Persons Group (as the case may be) <sup>(1)</sup>	360,000	469,000	563,000	675,000	810,000	972,000
% change year-on-year		30.9%	30.3%	20.0%	19.9%	20.0%	20.0%
Utilisation rate % of historical annual caps		53.5% <sup>(3)</sup>	49.4% <sup>(3)</sup>	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>
Leasing/Licensing transactions	Manager Group	13,200	15,200	15,200	15,200	15,200	15,200
% change year-on-year		14.8%	15.2%	Nil	Nil	Nil	Nil
Utilisation rate % of historical annual caps		3.7% <sup>(3)</sup>	3.8% <sup>(3)</sup>	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>
<b>Expenditure CCTs</b>							
Property management arrangements, third party services and other operational transactions	CKH Group or CKP Connected Persons Group (as the case may be)	155,000	229,000	276,000	331,000	398,000	478,000
% change year-on-year		53.5%	47.7%	20.5%	19.9%	20.2%	20.1%
Utilisation rate % of historical annual caps		39.9% <sup>(3)</sup>	31.9% <sup>(3)</sup>	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>

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Notes:

- (1) Transactions are expected to be conducted with the CKH Group (i) if the completion of the CK Spin-off does not take place, or (ii) if the completion of the CK Spin-off takes place, before such completion; and transactions are expected to be conducted with the CKP Connected Persons Group if the completion of the CK Spin-off takes place, after such completion.
- (2) "N/A" denotes not applicable or not available
- (3) The utilisation rates are provided by the Manager and represent actual utilisation rates for the two years ended 31 December 2013 and 2014.

### (a) Revenue CCTs

*In respect of the leasing/licensing transactions conducted with the CKH Group or CKP Connected Persons Group (the "CKH Group & CKP Leasing/Licensing CCTs")*

According to the Manager, the Proposed Annual Caps for the CKH Group & CKP Leasing/Licensing CCTs for each of the three years ending 31 December 2016, 2017 and 2018 have been determined by applying an approximately 20% increment to the figure proposed for the immediately preceding financial year, with some minor rounding up of figures. As disclosed in the Letter to the Unitholders, the aforesaid 20% increment factor was determined after taking into account: (i) the change in rental, charge-out collections or other market conditions; (ii) inflation; (iii) the possible increase in leases/licences with the Leasing Connected Parties; and (iv) an appropriate buffer of 5% for contingencies, which the Manager considers necessary to cater for unexpected market fluctuations and volatility in the Hong Kong property market, which may affect property rental values.

In respect of the CKH Group & CKP Leasing/Licensing CCTs, we have obtained from the Manager a schedule for the relevant Proposed Annual Caps, and understand from the Manager that the Proposed Annual Caps for the CKH Group & CKP Leasing/Licensing CCTs were arrived at after taking into account (i) the current lease expiry profile, and the potential new leases and licences, which the CKH Group and/or the CKP Connected Persons Group may enter into with the Fortune REIT Group during the New CPT Waiver Period; (ii) the anticipated increases in rental, licence fees and charge-out collections; (iii) a reasonable inflation rate of 5%; and (iv) the buffer of 5% for contingencies to cater for unforeseeable market fluctuations. Furthermore, as advised by the Manager, following the Laguna Acquisition in January 2015, rental income from the "Laguna Plaza" from the CKH Group is expected to contribute to the CKH Group & CKP Leasing/Licensing CCTs going forward. We would like to highlight that despite the historical annual cap utilisation rates for the CKH Group & CKP Leasing/Licensing CCTs being only approximately 50% for each of the two years ended 31 December 2013 and 2014, given the revenue growth track record of the Fortune REIT Group, in particular the recent 5-year compound annual growth rate ("CAGR") in Fortune REIT Group's rental-related revenue from 2010-2014, which we calculated from Fortune REIT Group's published annual reports to be approximately 18.6%, we believe it is reasonable for the relevant Proposed Annual Caps for each of the three years from 2016 to 2018 to be determined at 20% above the previous year in order to give sufficient flexibility and buffer to Fortune REIT to cater for its ongoing growth.

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We have reviewed statistics from the Rating and Valuation Department of the Government of Hong Kong (the “**HK R&V Department**”) and noted that the average monthly rent in the retail property sector increased from approximately HK\$942 per square metre (“**m<sup>2</sup>”**) in 2010 to approximately HK\$1,265 per m<sup>2</sup> in 2014 at the New Territories district in Hong Kong, representing a CAGR of approximately 7.7%, and the average monthly rent in the retail property sector increased from approximately HK\$1,172 per m<sup>2</sup> in 2010 to approximately HK\$1,527 per m<sup>2</sup> in 2014 at the Kowloon district in Hong Kong, representing a CAGR of approximately 6.8%. The New Territories and Kowloon are the districts where most of the Fortune REIT Group’s properties are located. In addition to statistics from the HK R&V Department, we have also reviewed a research report published by Jones Lang LaSalle during the fourth quarter of 2014 on property markets in Asia Pacific (the “**JLL Report**”), and noted that the JLL Report expects retail sales in the region to post positive growth in 2015 given the continuous healthy growth of tourist arrivals, which will encourage international retailers to keep opening stores in Hong Kong. According to the JLL Report, the rental value index for shopping centres is expected to continue on a steady upward trend in 2015.

In relation to the inflation rate in Hong Kong, we have reviewed statistics from the Census and Statistics Department of Hong Kong (the “**HK Census Department**”) and noted that during the last three years from 2011 to 2013, the average annual inflation rate (as measured by the composite consumer price index) is approximately 4.6%.

Having considered the above, in particular that:

- (a) it is also expected that rental income from the “Laguna Plaza” will contribute to the CKH Group & CKP Leasing/Licensing CCTs going forward;
- (b) despite the historical annual cap utilisation rates being only approximately 50% for the two years ended 31 December 2013 and 2014, given the revenue growth track record of the Fortune REIT Group, in particular the recent 5-year CAGR in Fortune REIT’s rental-related revenue from 2010 to 2014, which we calculated from Fortune REIT Group’s published annual reports to be approximately 18.6%, we believe it is reasonable for the Proposed Annual Caps for each of the three years 2016 to 2018 to be determined at 20% above the previous year in order to give sufficient flexibility and buffer to Fortune REIT to cater for its ongoing growth;
- (c) retail rental rates in Hong Kong, particularly in districts such as New Territories and Kowloon where most of the Fortune REIT Group’s properties are located, are expected to continue on a steady upward trend;
- (d) a reasonable inflation rate of 5%, the percentage of which we have reviewed against the HK Census Department, has been factored into the Proposed Annual Caps for the CKH Group & CKP Leasing/Licensing CCTs; and

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- (e) we have discussed with the Manager to understand that based on the Manager's experience, there may be unforeseeable market fluctuations in respect of the Hong Kong property market, in particular volatility of property rental values. Thus, we believe there are no reasons to disagree with a 5% buffer applied by the Manager on the Proposed Annual Caps for the CKH Group & CKP Leasing/Licensing CCTs to cater for such contingencies,

we are of the view that the basis in determining the Proposed Annual Caps for the CKH Group & CKP Leasing/Licensing CCTs for each of the three years ending 31 December 2016, 2017 and 2018 are fair and reasonable as far as the Independent Unitholders are concerned, and in the interests of Fortune REIT, the Independent Unitholders as well as the Unitholders as a whole.

*In respect of the leasing/licensing transactions conducted with the Manager Group (the "**Manager Leasing/Licensing CCTs**")*

The Proposed Annual Caps for the Manager Leasing/Licensing CCTs remain unchanged for the three years ending 31 December 2016, 2017 and 2018 under the 2015 Modified and Extended Waiver at HK\$15.2 million. Although the historical utilisation rates are low and currently the Manager Group has only one lease of premises under the portfolio of properties of the Fortune REIT Group, we understand from the Manager that it is expected that the approval on the Manager Leasing/Licensing CCTs is required in order to provide the flexibility for contingencies when more leases/licences are entered into with the Manager Group during the New CPT Waiver Period. We consider such flexibility is beneficial to Fortune REIT as it allows Fortune REIT to increase its lease/licence revenue by leasing/licensing its properties to an additional party, namely the Manager Group, when the right opportunity arises.

Having considered the above, we are of the view that the basis in determining the Proposed Annual Caps for the Manager Leasing/Licensing CCTs for each of the three years ending 31 December 2016, 2017 and 2018 are fair and reasonable as far as the Independent Unitholders are concerned, and in the interests of Fortune REIT, the Independent Unitholders as well as the Unitholders as a whole.

**(b) Expenditure CCTs**

According to the Manager, the Proposed Annual Caps for the Expenditure CCTs for each of the three years ending 31 December 2016, 2017 and 2018 have been determined by applying a 20% increment to the figure proposed for the immediately preceding financial year, with some minor rounding up of figures. As disclosed in the Letter to the Unitholders, the aforesaid 20% increment factor was determined after taking into account: (i) the general economic environment in Hong Kong including the inflation, possible increase in costs and wages, and specifically, the anticipated increase in management expenses; (ii) the resulting anticipated increase in the property management fees and marketing service fees payable by Fortune REIT to the Property Manager, during the New CPT Waiver Period; (iii) the possible increase in leases/licences with the Leasing Connected Parties; and (iv) an appropriate buffer of 5% for contingencies, which the Manager considers necessary to cater for unexpected market fluctuations and volatility in the Hong Kong property market, which may affect property rental values and hence, property

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management service fees. As potential new leases/licences will require the Fortune REIT Group to incur more expenses for property management and third party services, the Proposed Annual Caps for the Expenditure CCTs for the three years ending 31 December 2016, 2017 and 2018 are expected to grow in tandem with the Proposed Annual Caps for the CKH Group & CKP Leasing/Licensing CCTs.

In respect of the Expenditure CCTs, we have obtained from the Manager a schedule for the relevant Proposed Annual Caps, and understand from the Manager that the Proposed Annual Caps for the Expenditure CCTs mainly represent property management fees and third party services fees to be paid to the CKH Group and/or the CKP Connected Persons Group. Furthermore, we noted that the Proposed Annual Caps for the Expenditure CCTs were arrived at after taking into account (i) the current lease expiry profile, and the potential new leases and licences, which the CKH Group and/or the CKP Connected Persons Group may enter into with the Fortune REIT Group during the New CPT Waiver Period; (ii) a reasonable inflation rate of 5% and the possible increase in costs and wages for third party services; and (iii) a buffer of 5% for contingencies to cater for unforeseeable market fluctuations. Furthermore, as advised by the Manager, following the Laguna Acquisition in January 2015, property management services in relation to the "Laguna Plaza" may be taken up by the Property Manager. As such, the property management service fees to be paid to the Property Manager and the third party service fees to be paid to the CKH Group or CKP Connected Persons Group (if they are selected by the Property Manager as service providers) are expected to contribute to the Expenditure CCTs going forward. As stated previously, we have also discussed with the Manager and understand that based on the Manager's experience, there may be unforeseeable market fluctuations in respect of the Hong Kong property market, in particular volatility of property rental values. Thus, we believe a 5% buffer applied by the Manager on the Proposed Annual Caps for the Expenditure CCTs is justifiable.

Having considered the above, in particular the Proposed Annual Caps for the Expenditure CCTs are expected to grow in tandem with the Proposed Annual Caps for the CKH Group & CKP Leasing/Licensing CCTs, we are of the view that the basis in determining the Proposed Annual Caps for the Expenditure CCTs for each of the three years ending 31 December 2016, 2017 and 2018 are fair and reasonable as far as the Independent Unitholders are concerned, and in the interests of Fortune REIT, the Independent Unitholders as well as the Unitholders as a whole.

### **5. Waiver conditions**

The Manager undertakes that it will continue to comply with the waiver conditions of the 2013 Modified Waiver, subject to the proposed Waiver Modification and Extension as described above. The waiver conditions of the 2015 Modified and Extended Waiver will be as follows:

*(a) Disclosure in semi-annual and annual reports*

Details of the Expanded Continuing Connected Party Transactions shall be disclosed in Fortune REIT's interim and annual reports, as required under paragraph 8.14 of the REIT Code.

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*(b) Auditors' review procedures*

In respect of each relevant financial year, the Manager will engage and agree with the auditors of Fortune REIT to perform certain review procedures on the Expanded Continuing Connected Party Transactions. The auditors will then report to the Manager on the factual findings based on the work performed by them (and a copy of such report shall be provided to the SFC), confirming whether all such Expanded Continuing Connected Party Transactions:

- (i) have received the approval of the board of Directors of the Manager (including its independent non-executive Directors);
- (ii) are in accordance with the pricing policies of Fortune REIT where applicable;
- (iii) have been entered into in accordance with the terms of the agreements (if any) governing the transactions; and
- (iv) the total value in respect of which has not exceeded the respective annual cap amount (where applicable) as set out above.

*(c) Review by the independent non-executive Directors of the Manager*

The independent non-executive Directors of the Manager shall review the Expanded Continuing Connected Party Transactions annually, and confirm in Fortune REIT's annual report for the relevant financial year that such transactions have been entered into:

- (i) in the ordinary and usual course of business of Fortune REIT;
- (ii) on normal commercial terms (to the extent that there are comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to Fortune REIT than terms available to or from (as appropriate) independent third parties; and
- (iii) in accordance with the relevant agreement and the Manager's internal procedures governing them, if any, on terms that are fair and reasonable and in the interests of the Independent Unitholders, as well as the Unitholders as a whole.

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**LETTER FROM THE HK INDEPENDENT FINANCIAL ADVISER IN RELATION  
TO THE 2015 MODIFIED AND EXTENDED WAIVER**

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*(d) Auditors' access to books and records*

The Manager shall allow, and shall procure the counterparty to the relevant continuing connected party transactions to allow, the auditors of Fortune REIT sufficient access to their records for the purpose of reporting on the transactions.

*(e) Notification to the SFC*

The Manager shall promptly notify the SFC and publish an announcement if it knows or has reason to believe that the auditors and/or the independent non-executive Directors will not be able to confirm the matters set out in (b) and (c) above.

*(f) Subsequent increases in annual caps with Independent Unitholders' approval*

If necessary, for example, where there are further asset acquisitions by Fortune REIT thereby increasing the scale of its operations generally, or where there are changes in market or operating conditions, the Manager may, from time to time in the future, seek to increase one or more of the Proposed Annual Caps referred to above, provided that:

- (i) Independent Unitholders' approval — the approval of Independent Unitholders is obtained by way of an Ordinary Resolution passed in a general meeting of Unitholders;
- (ii) Disclosure — disclosure of details of the proposal to increase the relevant annual cap amounts shall be made by way of an announcement by the Manager of such proposal, and a circular and notice shall be issued to Unitholders in accordance with Chapter 10 of the REIT Code; and
- (iii) Other compliance requirements — all the waiver terms and conditions above shall continue to apply to the relevant transactions, save that the relevant increased annual cap amounts will apply.

*(g) Paragraph 8.14 of the REIT Code*

The Manager shall comply with all requirements under paragraph 8.14 of the REIT Code where there is any material change to the terms of the relevant connected party transactions or where there is any subsequent change to the REIT Code which may impose stricter requirements in respect of disclosure and/or Unitholders' approval.

We are of the view that the aforesaid review requirements can provide appropriate measures to govern the Manager in carrying out the Expanded Continuing Connected Party Transactions and safeguard the interest of the Independent Unitholders.

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**LETTER FROM THE HK INDEPENDENT FINANCIAL ADVISER IN RELATION  
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**RECOMMENDATION**

Having considered the aforesaid principal factors and reasons, we consider that for the purposes of the REIT Code, the Waiver Modification and Extension, the basis for the Waiver Modification and Extension (including the Proposed Annual Caps and the basis of arriving at the same) are fair and reasonable as far as the Independent Unitholders are concerned and are in the interests of Fortune REIT, the Independent Unitholders, as well as the Unitholders as a whole; and the Expanded Continuing Connected Party Transactions have been and will be (i) conducted in the ordinary and usual course of business of Fortune REIT and consistent with the investment objectives and strategy of Fortune REIT; (ii) on terms which are and will be at arm's length and on normal commercial terms; and (iii) fair and reasonable and in the interests of Fortune REIT, the Independent Unitholders, as well as the Unitholders as a whole.

We therefore recommend the Independent Board Committee to advise the Independent Unitholders, and we also recommend the Independent Unitholders, to vote in favour of the resolutions as set out in the EGM Notice.

Yours faithfully,  
For and on behalf of  
**BOSC International Company Limited**

<b>Heidi Cheng</b>	<b>Lily Li</b>
<i>Managing Director</i>	<i>Associate Director</i>
<i>Investment Banking</i>	<i>Investment Banking</i>

*Note: Ms. Heidi Cheng of BOSC International Company Limited has been a responsible officer of Type 6 (advising on corporate finance) regulated activities since 2004, and Ms. Lily Li of BOSC International Company Limited has been a licensed representative of Type 6 (advising on corporate finance) regulated activities since 2006. Ms. Heidi Cheng and Ms. Lily Li of BOSC International Company Limited have over 20 and 8 years of experience in the corporate finance industry, respectively.*

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## LETTER FROM THE SINGAPORE INDEPENDENT FINANCIAL ADVISER IN RELATION TO THE DIVESTMENT FEE AMENDMENTS

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*The following is the text of a letter of advice from the Singapore Independent Financial Adviser prepared for the purpose of inclusion in this circular, setting out its advice to the Independent Directors of the Manager and the Trustee in respect of the Divestment Fee Amendments.*



Ernst & Young  
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25 March 2015

**The Independent Directors of  
ARA Asset Management (Fortune) Limited  
As the Manager of Fortune Real Estate Investment Trust**  
6 Temasek Boulevard  
#16-01 Suntec Tower Four  
Singapore 038986

**HSBC Institutional Trust Services (Singapore) Limited  
As the Trustee of Fortune Real Estate Investment Trust**  
21 Collyer Quay  
#10-02 HSBC Building  
Singapore 049320

Dear Sir/Madam:

**THE PROPOSED DIVESTMENT FEE AMENDMENTS TO THE TRUST DEED ENTERED INTO BETWEEN HSBC INSTITUTIONAL TRUST SERVICES (SINGAPORE) LIMITED, IN ITS CAPACITY AS TRUSTEE OF FORTUNE REAL ESTATE INVESTMENT TRUST ("FORTUNE REIT"), AND ARA ASSET MANAGEMENT (FORTUNE) LIMITED, IN ITS CAPACITY AS MANAGER OF FORTUNE REIT, CONSTITUTING FORTUNE REIT, DATED 4 JULY 2003 AND AS AMENDED, VARIED AND SUPPLEMENTED FROM TIME TO TIME (THE "TRUST DEED"), AS AN INTERESTED PERSON TRANSACTION UNDER CHAPTER 9 OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED LISTING MANUAL (THE "INTERESTED PERSON TRANSACTION")**

### **1 INTRODUCTION**

The directors (the "**Directors**") of ARA Asset Management (Fortune) Limited, in its capacity as the manager of Fortune REIT (the "**Manager**"), are convening an extraordinary general meeting to be held on 17 April 2015 ("**EGM**") to seek approval from the registered holders of the units of Fortune REIT (the "**Unitholders**") for, inter alia, the proposed divestment fee amendments to the Trust Deed (the "**Proposed Divestment Fee Amendments**") entered into by the Manager and HSBC Institutional Trust Services (Singapore) Limited, in its capacity as Trustee of Fortune REIT (the "**Trustee**"). The Proposed Divestment Fee Amendments are considered "interested person transactions" under Chapter 9 of the Singapore Exchange Securities Trading Limited ("**SGX-ST**")

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## LETTER FROM THE SINGAPORE INDEPENDENT FINANCIAL ADVISER IN RELATION TO THE DIVESTMENT FEE AMENDMENTS

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Listing Manual (the "**Listing Manual**"). The details of the Proposed Divestment Fee Amendments and other information relating to the resolutions to be proposed at the EGM are set out in the circular to the Unitholders dated 25 March 2015 (the "**Circular**").

The Directors who are considered independent for the purposes of the Proposed Divestment Fee Amendments (the "**Independent Directors**") have appointed Ernst & Young Corporate Finance Pte Ltd ("**EYCF**") as independent financial adviser to advise the Independent Directors and the Trustee on whether the Proposed Divestment Fee Amendments are on normal commercial terms and are not prejudicial to the interests of Fortune REIT and its minority Unitholders.

We have prepared this letter for the use of the Independent Directors and the Trustee for the purposes of their consideration of the Proposed Divestment Fee Amendments. This letter forms part of the Circular which provides, inter alia, the details of the Proposed Divestment Fee Amendments. Unless otherwise defined, all terms in the Circular have the same meaning in this letter.

### 2 TERMS OF REFERENCE

EYCF has been appointed to evaluate the Proposed Divestment Fee Amendments and to advise the Independent Directors and the Trustee on whether the Proposed Divestment Fee Amendments are on normal commercial terms and are not prejudicial to the interests of Fortune REIT and its minority Unitholders.

Our views as set forth in this letter are based on the prevailing market, economic and financial conditions, and our analysis of the information provided in the Circular as well as information provided to us by the Manager and its representatives, as of the Latest Practicable Date. Accordingly, this opinion shall not take into account any event or condition which occurs after the Latest Practicable Date.

We are not and were not involved in any aspect of the negotiations pertaining to the Proposed Divestment Fee Amendments, nor were we involved in the deliberations leading up to the decision by the Directors to amend the Trust Deed and to adopt the Proposed Divestment Fee Amendments. The scope of our appointment does not require us to express, and we do not express, a view on the growth prospects of Fortune REIT and other companies or entities held or controlled by it (the "**Fortune REIT Group**"). We are, therefore, not expressing any view herein as to the prices at which the ordinary units in the capital of Fortune REIT (the "**Units**") may trade or on the future financial performance of Fortune REIT upon amending the Trust Deed and adopting the Proposed Divestment Fee Amendments.

In the course of our evaluation of the Proposed Divestment Fee, we have held discussions with the representatives of the Manager. We have also examined and relied on publicly available information in respect of Fortune REIT collated by us as well as information provided to us by the Manager's representatives, including information in the Circular. We have not independently verified such information furnished to us or any representation or assurance made to us, whether written or verbal, and accordingly cannot and do not warrant or accept responsibility for the accuracy or completeness of such information, representation or assurance. Nevertheless, the Directors have confirmed to us that to the best of their knowledge and belief, the information provided to us (whether written or verbal) as well as the information contained herein and in the Circular constitutes a full and true disclosure, in all material respects, of all material facts and there is no material information the omission of which would make any of the information contained herein or in the Circular inaccurate, incomplete or misleading in any material respect.

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## LETTER FROM THE SINGAPORE INDEPENDENT FINANCIAL ADVISER IN RELATION TO THE DIVESTMENT FEE AMENDMENTS

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We have also 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 further assumed that all statements of fact, belief, opinion and intention made by the Directors in the Circular have been reasonably made after due and careful enquiry. We have not conducted any review of the business, operations and financial condition of Fortune REIT or the arrangements described in the Proposed Divestment Fee Amendments and the Trust Deed.

Our opinion is delivered for the use and benefit of the Independent Directors and the Trustee in connection with and for the purpose of their consideration of the Proposed Divestment Fee Amendments. Any recommendations that the Independent Directors may make to the Unitholders in relation to the Proposed Divestment Fee Amendments shall remain the responsibility of the Independent Directors.

In preparing this letter, we have not had regard to the specific investment objectives, financial situation, tax position or unique needs and constraints of any Unitholder. As different Unitholders would have different investment objectives, we would advise the Independent Directors to recommend that any individual Unitholder who may require specific advice in relation to his Units should consult his stockbroker, bank manager, solicitor, accountant or other professional advisers.

**Our opinion in relation to the Proposed Divestment Fee Amendments should be considered in the context of the entirety of this letter and of the Circular.**

### 3 THE PROPOSED DIVESTMENT FEE AMENDMENTS

Salient information relating to the Proposed Divestment Fee Amendments is set out in Section 2.1 of and Appendix B to the Circular, and the excerpt from Section 2.1 of the Circular is reproduced below:

#### *“2.1.1 Background to the Proposed Divestment Fee Amendments*

*Under clause 15.2.1(ii) of the Trust Deed, the Manager is entitled to receive a divestment fee not exceeding the rate of 0.5% of the sale price (this maximum rate of divestment fee is referred to as the “permitted limit” under the Trust Deed) of any real estate in the form of land sold or divested directly or indirectly by Fortune REIT. Clause 15.2.4 of the Trust Deed further provides that any payment to third party agents or brokers in connection with such divestment shall be paid by the Manager to such persons out of the divestment fee received by the Manager, and not additionally out of the assets of Fortune REIT.*

#### *2.1.2 Proposed Divestment Fee Amendments*

*It is common in commercial property transactions in Hong Kong that a third party agent or broker would charge a fee up to 1% of the sale price for its brokerage fees. In order to allow Fortune REIT to be on par with other market players and to obtain the best selling price possible for its disposals should opportunities arise, it is proposed that the Trust Deed be amended to the effect that, where the Manager engages third party agents or brokers in connection with the sale or divestment of the real estate of the Fortune REIT Group, and the payment of such agent or broker exceeds 0.5% of the sale price of the real estate, the rate of divestment fee payable to the Manager will be increased to the actual rate of fees charged by such agents or brokers, provided that the permitted limit of the rate of divestment fee shall not exceed 1% of the sale price of the real estate. For the avoidance of doubt, if the rate of fee charged by the third party*

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## LETTER FROM THE SINGAPORE INDEPENDENT FINANCIAL ADVISER IN RELATION TO THE DIVESTMENT FEE AMENDMENTS

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agent or broker referred to above is lower than 0.5% of the sale price of the real estate, a divestment fee of not exceeding 0.5% of the sale price of the real estate will be payable to the Manager.

*The impact on the return of Fortune REIT as a result of the Divestment Fee Amendments shall be determined on a case-by-case basis in light of the actual payment of divestment fee in relation to a sale or divestment of real estate of Fortune REIT. The Divestment Fee Amendments may or may not lead to an actual impact on the return of such divestments and the actual impact, if any, may or may not be negative.*

### 2.1.3 Form of Divestment Fee Amendments

*In view of the reasons set out above, the Manager proposes to amend clause 15.2.1(ii) of and the definition of "Divestment Fee" in the Trust Deed and the proposed insertions and deletions are indicated respectively by the underlined text and the strikethrough text as set out in Appendix B to this Circular."*

## 4 ASSESSMENT OF THE TERMS OF THE PROPOSED DIVESTMENT FEE AMENDMENTS

In evaluating the Proposed Divestment Fee Amendments, we have considered the following pertinent factors for our assessment:

- (i) rationale for the Proposed Divestment Fee Amendments;
- (ii) comparison of the divestment fees payable to the Manager pursuant to the Proposed Divestment Fee Amendments (the "**Proposed Divestment Fees**") with fees paid by selected real estate investment trusts ("**REITs**") and property trusts that are listed on the SGX-ST and the Stock Exchange of Hong Kong ("**SEHK**") to their respective managers in relation to the divestment of real estate; and
- (iii) alignment of the Manager's interests with those of Fortune REIT.

### 4.1 Rationale for the Proposed Divestment Fee Amendments

We note that the rationale of the Independent Directors for adopting the Proposed Divestment Fee Amendments as set out in Section 2.1 of the Circular is to allow Fortune REIT to be on par with other market players and to obtain the best selling price possible for disposal of real estate should opportunities arise.

### 4.2 Comparison of the Divestments Fees with fees paid by selected REITs and property trusts that are listed on the SGX-ST and SEHK

Based on our search on various databases and publicly available sources, we have selected certain REITs and property trusts that were listed on the SGX-ST and SEHK from January 2011 up to the Latest Practicable Date (the "**Property Comparables**"). For the purposes of our evaluation, we have compared the divestment fees paid by the Property Comparables to their respective managers with the Proposed Divestment Fees to be paid by Fortune REIT to the Manager pursuant to the Proposed Divestment Fee Amendments. Accordingly, Unitholders should note that due to the differences in, inter alia, geographical spread, underlying performance metrics and benchmarks, industry sector of underlying investments, investment

## LETTER FROM THE SINGAPORE INDEPENDENT FINANCIAL ADVISER IN RELATION TO THE DIVESTMENT FEE AMENDMENTS

asset category, track record and future prospects, accounting standards and policies, any comparison made with respect to the Property Comparables are for illustrative purposes only. The Property Comparables not directly comparable to Fortune REIT and its arrangements under the Trust Deed and the Proposed Divestment Fee Amendments, and the list of Property Comparables is by no means exhaustive.

Property Comparables	Divestment Fee paid to the manager (% of sale consideration)	Description of fees paid to third party agents or brokers in relation to divestment of real estate
<b>A. Listed on SGX-ST</b>		
Ascendas Hospitality Trust	0.5%	▷ Paid separately from divestment fees due to manager
Croesus Retail Trust	0.5%	▷ Paid separately from divestment fees due to manager
Far East Hospitality Trust	0.5%	▷ Paid separately from divestment fees due to manager
Frasers Hospitality Trust	0.5%	▷ Paid separately from divestment fees due to manager
IREIT Global	0.5%	▷ Paid separately from divestment fees due to manager
Keppel DC REIT	0.5%	▷ Paid separately from divestment fees due to manager
Mapletree Commercial Trust	0.5%	▷ Paid separately from divestment fees due to manager
Mapletree Greater China Commercial Trust	0.5%	▷ Paid separately from divestment fees due to manager
OUE Commercial Trust	Not exceeding 0.5%	▷ Paid separately from divestment fees due to manager
OUE Hospitality Trust	Not exceeding 0.5%	▷ Paid separately from divestment fees due to manager
Religare Health Trust	0.5%	▷ Paid separately from divestment fees due to manager
Soilbuild Business Space REIT	0.5%	▷ Paid separately from divestment fees due to manager
SPH REIT	0.5%	▷ Paid separately from divestment fees due to manager
Viva Industrial Trust	0.5%	▷ Paid separately from divestment fees due to manager
<b>B. Listed on SEHK</b>		
Hui Xian REIT	0.5%	▷ Paid from divestment fees due to manager
New Century REIT	Not exceeding 0.5%	▷ Paid separately from divestment fees due to manager
Regal REIT	0.5%	▷ Paid separately from divestment fees due to manager
Spring REIT	Not exceeding 0.5%	▷ No reference to fees to third party agents or brokers
Fortune REIT	<b>Proposed Divestment Fees:</b>	
	▷ <b>Not exceeding 1.0% where the Manager engages third party agents or brokers in connection with the sale or divestment of the real estate of the Fortune REIT Group and the payment to such agent or broker exceeds 0.5% of the sale price of the real estate</b>	
	▷ <b>Not exceeding 0.5% where the Manager engages third party agents or brokers in connection with the sale or divestment of the real estate of the Fortune REIT Group and the payment to such agent or broker is lower than 0.5% of the sale price of the real estate</b>	
	▷ <b>Fees to third party agents or brokers will be paid from the divestment fees due to the Manager</b>	

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## LETTER FROM THE SINGAPORE INDEPENDENT FINANCIAL ADVISER IN RELATION TO THE DIVESTMENT FEE AMENDMENTS

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Based on the table above, we note the following points:

- (a) All the Property Comparables pay their respective managers a fee in connection with the sale or divestment of real estate;
- (b) The divestment fees payable to the respective managers of the Property Comparables normally do not exceed 0.5% of the sale consideration. However, with the exception of Hui Xian REIT and Spring REIT, fees to third party agents or brokers in connection to the sale or divestment of real estate are paid by the Property Comparables on top of the divestment fees due to the respective managers; and
- (c) While the maximum amount of the Proposed Divestment Fees may be up to 1.0% of the sale consideration, we note that the Proposed Divestment Fees will continue to be in line with those of the Property Comparables. The Proposed Divestment Fee Amendments take into account the fees to third party agents or brokers in connection with the sale or divestment of real estate, where the Manager will only collect its own divestment fees if the fees charged by the third party agent or broker is less than 0.5% of the sale consideration of the real estate (or when no third party agent or broker is engaged by the Manager). We note that if the fees charged by the third party agent or broker are between 0.5% and 1.0% of the sale consideration of the real estate, the Proposed Divestment Fees will all be passed by the Manager to the third party agent and broker, and the Manager will not be due its own divestment fees.

### 4.3 Alignment of the Manager's interests with those of Fortune REIT

We note that the Board considers the Proposed Divestment Fee Amendments to be in compliance with the applicable rules governing Fortune REIT and in the best interests of Fortune REIT and the Independent Unitholders as well as the Unitholders as a whole.

We also note that given the structure of the Proposed Divestment Fees, the Proposed Divestment Fee Amendments may be considered a cost recovery approach for Fortune REIT, which will be beneficial to Fortune REIT and the Unitholders.

## 5 CONCLUSION

In arriving at our opinion, we have taken into account, inter alia, the following factors:

- (a) rationale for the Proposed Divestment Fee Amendments;
- (b) comparison of the Proposed Divestment Fees with similar fees paid by the Property Comparables; and
- (c) alignment of the Manager's interests with those of Fortune REIT.

**Having regard to the considerations set out in this letter and the information available as at the Latest Practicable Date, we are of the opinion that the Proposed Divestment Fee Amendments is on normal commercial terms and is not prejudicial to the interests of Fortune REIT and its minority Unitholders. Accordingly, we advise the Independent Directors to recommend that Unitholders vote in favour of the Proposed Divestment Fee Amendments.**

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**LETTER FROM THE SINGAPORE INDEPENDENT FINANCIAL ADVISER  
IN RELATION TO THE DIVESTMENT FEE AMENDMENTS**

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This letter is addressed to the Independent Directors and the Trustee for their benefit, in connection with and for the purpose of their consideration of the Proposed Divestment Fee Amendments. The recommendation made by them to the Unitholders in relation to the Proposed Divestment Fee Amendments shall remain the responsibility of the Independent Directors.

The opinion set forth is based on publicly available information and information provided to us by the representatives of Fortune REIT and therefore do not reflect any projections or the future financial performance of Fortune REIT.

The opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matter stated herein and does not apply by implication to any matter.

Yours faithfully  
For and on behalf of  
**Ernst & Young Corporate Finance Pte Ltd**

**Luke Pais**  
*Managing Director*

**Elisa Montano**  
*Director*

All capitalised terms in the proposed Unit Buy-back Amendments contained in this Appendix A are terms defined in the Trust Deed which shall have the corresponding meanings ascribed to them in the Trust Deed. For ease of reference, the term “Rules” is defined as “any laws, rules or regulations, including the CIS Code (including the Property Funds Appendix), the REIT Code, the Singapore Listing Rules (where applicable), the Hong Kong Listing Rules (where applicable), the Securities and Futures Act, the SFO and the Hong Kong Takeovers Code”.

The proposed form of the amendments to the Trust Deed upon Unitholders’ approval of the Unit Buy-back Amendments, showing insertions in underline and deletions in strikethrough, is as follows:

- that Clause 1.1 of the Trust Deed be amended by inserting the following definition of “Market Repurchase” immediately after the definition of “Market Price”:

“**Market Repurchase**” has the meaning ascribed to it in Clause 7.1.4(i) of this Deed;”

- that Clause 1.1 of the Trust Deed be amended by inserting the following definition of “Off-Market Repurchase” immediately after the definition of “Offering Circular”:

“**Off-Market Repurchase**” has the meaning ascribed to it in Clause 7.1.4(ii) of this Deed;”

- that Clause 1.1 of the Trust Deed be amended by inserting the following definition of “Relevant Period” immediately after the definition of “Related Party”:

“**Relevant Period**” has the meaning ascribed to it in Clause 7.1.1 of this Deed;”

- that Clause 1.1 of the Trust Deed be amended by inserting the following definition of “Unit Buy-back Mandate” immediately after the definition of “Unit”:

“**Unit Buy-back Mandate**” has the meaning ascribed to it in Clause 7.1 of this Deed;”

- that Clause 7 of the Trust Deed be amended to reflect the additions as indicated by the text in underline below and the deletions as indicated by the text in strikethrough below:

#### **“7.1 Repurchase and Redemption Restrictions when Trust is Listed**

For so long as the Trust is Listed, the Manager is not obliged to, but may, repurchase Units if it has obtained the prior approval of Holders in general meeting by passing an Ordinary Resolution in accordance with the provisions of this Clause 7.1 (the “**Unit Buy-back Mandate**”), but subject to the requirements of any applicable Rules. For the avoidance of doubt, Clauses 7.2 to 7.11 shall not apply to repurchases of Units under a Unit Buy-back Mandate.

**7.1.1** Repurchases of Units may be made during the period commencing from the date of the general meeting at which a Unit Buy-back Mandate is sought and the resolution relating to the Unit Buy-back Mandate is passed, and expiring on the earliest of the following dates:

- (i) the date the next Annual General Meeting is or is required by applicable Rules or this Deed to be held;

(ii) the date on which the authority conferred by the Unit Buy-back Mandate is revoked or varied by Holders in general meeting by passing an Ordinary Resolution; or

(iii) the date on which repurchase of Units pursuant to the Unit Buy-back Mandate is carried out to the full extent mandated,

the "**Relevant Period**".

7.1.2 The total number of Units which may be repurchased pursuant to any Unit Buy-back Mandate during a Relevant Period shall not exceed 10% (or such other percentage as may be provided for under the Companies Act or any applicable Rules) of the total number of issued Units ascertained as at the date of such general meeting when the Unit Buy-back Mandate is approved by Holders.

7.1.3 Units may not be repurchased pursuant to a Unit Buy-back Mandate for a consideration other than in cash. Subject to any applicable Rules, the Manager shall request and cause the Trustee to repurchase the Units out of the Trust's internal sources of funds or external borrowings or a combination of both.

7.1.4 Subject always to applicable Rules, the Manager may:

(i) repurchase Units on the SGX-ST and/or SEHK and/or such other stock exchange on which the Units are listed ("**Market Repurchase**"); and/or

(ii) make an offer to repurchase Units, otherwise than on the SGX-ST or such other stock exchange on which the Units are listed and by way of an "off-market" repurchase of the Units on an "equal access scheme" (as defined below) ("**Off-Market Repurchase**").

7.1.5 For the purposes of Clause 7.1.4, an equal access scheme is a scheme which satisfies the following criteria:

(i) the offers under the scheme are to be made to every person who holds Units to repurchase the same percentage of their Units;

(ii) all of those persons have a reasonable opportunity to accept the offers made to them; and

(iii) the terms of all the offers are the same except that there shall be disregarded:

(a) differences in consideration attributable to the fact that the offers relate to Units with different accrued distribution entitlements;

(b) differences in consideration attributable to the fact that the offers relate to Units with different amounts remaining unpaid; and

(c) differences in the offers introduced solely to ensure that each Holder is left with a whole number of Units.

7.1.6 Where Units are repurchased via a Market Repurchase, the notice of general meeting specifying the intention to propose a resolution to authorise a Market Repurchase shall:

- (i) specify the maximum number of Units or the maximum percentage of Units authorised to be repurchased;
- (ii) determine the maximum price which may be paid for the Units;
- (iii) specify a date on which the authority is to expire, being a date that must not be later than the date on which the next Annual General Meeting is, or is required by applicable Rules or this Deed to be, held, whichever is earlier; and
- (iv) specify the sources of funds to be used for the repurchase including the amount of financing and its impact on the Trust's financial position.

The resolution authorising a Market Repurchase may be unconditional or subject to conditions and shall state the particulars set out in Clauses 7.1.6(i) to 7.1.6(iii).

The authority for a Market Repurchase may, from time to time, be varied or revoked by the Holders in a general meeting by passing an Ordinary Resolution.

A resolution to confer or vary the authority for a Market Repurchase may determine the maximum price for repurchase by:

- (a) specifying a particular sum; or
- (b) providing a basis or formula for calculating the amount of the price in question without reference to any person's discretion or opinion.

7.1.7 Where Units are repurchased via an Off-Market Repurchase, the notice of general meeting specifying the intention to propose a resolution to authorise an Off-Market Repurchase shall:

- (i) specify the maximum number of Units or the maximum percentage of Units authorised to be repurchased;
- (ii) determine the maximum price which may be paid for the Units;
- (iii) specify a date on which the authority is to expire, being a date that must not be later than the date on which the next Annual General Meeting is, or is required by applicable Rules or this Deed to be held, whichever is earlier; and
- (iv) specify the sources of funds to be used for the repurchase including the amount of financing and its impact on the Trust's financial position.

The resolution authorising an Off-Market Repurchase shall state the particulars set out in Clauses 7.1.7(i) to 7.1.7(iii).

The authority for an Off-Market Repurchase may, from time to time, be varied or revoked by the Holders in a general meeting by passing an Ordinary Resolution.

A resolution to confer or vary the authority for an Off-Market Repurchase may determine the maximum price for repurchase by:

- (a) specifying a particular sum; or
- (b) providing a basis or formula for calculating the amount of the price in question without reference to any person's discretion or opinion.

7.1.8 In the event that the Manager decides to make any offer to repurchase Units via an Off-Market Repurchase, the Manager will send an offer notice to Holders. Holders wishing to take up the offer will be asked to respond by sending a request in writing for the repurchase of their Units. At such request in writing of a Holder (or, in the case of Joint Holders, all the Joint Holders), the Manager will repurchase, in accordance with this Clause 7.1 and the applicable Rules in force at the relevant time, such number of Units as are required by the Holder to be repurchased.

7.1.9 The repurchase price for the Units under the Unit Buy-back Mandate will be determined by the Manager in its absolute discretion, subject to any applicable Rules.

7.1.10 Where a number of Units held by a Holder have been repurchased by the Manager, the Manager shall amend, or procure the amendment of, the details of the Register, in respect of such number of Units.

7.1.11 Subject to any applicable Rules, the Manager shall notify the SGX-ST (in the form of an announcement on the SGX-ST) and where applicable, the SEHK and the SFC, of all repurchases of Units in accordance with the applicable Rules and in such form and with such details as the SGX-ST and where applicable, the SEHK and the SFC may prescribe from time to time.

## 7.2 Redemption Restrictions when Trust is Listed

~~7.1.17.2.1~~ 7.2.1 The Manager is not obliged to ~~repurchase or~~ cause the redemption of Units so long as the Trust is Listed. In the event the Manager decides to ~~make any offer to repurchase or redeem Units, the Repurchase Price for a Unit shall be the Current Unit Value per Unit. In the event the Manager decides to permit the redemption of Units, such redemption must comply with the Property Funds Appendix and the Singapore Listing Rules. Any offer to redeem Units is required to be made known publicly to investors through the SGX-ST at least 14 calendar days before the offer is posted. The Manager may, subject to the Singapore Listing Rules, suspend the repurchase or redemption of Units for any period when the issue of Units is suspended pursuant to Clause 5.6. Any offer of repurchase or redemption of Units under this Clause 7.17.2 shall be offered on a pro rata basis to all Holders.~~

### **7.1.27.2A Compliance for SFC-Authorised REIT**

Notwithstanding anything to the contrary in this Clause 7, and in addition to any requirements set out herein, for so long as the Trust is a SFC-Authorised REIT, any repurchase or redemption of Units by the Manager must also be effected in compliance with all applicable Rules, including the Hong Kong Listing Rules, the SFO, the Hong Kong Takeovers Code, the REIT Code and any other relevant codes and guidelines issued by the SFC from time to time.

### **~~7.2 Repurchase and Redemption when Listed Units are Suspended or De-Listed~~**

~~If Listed Units have been suspended for at least 60 consecutive calendar days or de-listed from the SGX-ST and all other relevant Recognised Stock Exchange(s), the Manager is required by the Property Funds Appendix to offer to redeem the Units within 30 calendar days from such suspension or de-listing. In offering such redemption, the Manager is required by the Property Funds Appendix to offer at least 10 per cent. of the Deposited Property. Should a trading suspension be lifted within 30 calendar days after the suspension, the Manager has the option under the Property Funds Appendix to withdraw any redemption offer made. Should the trading suspension be lifted after the offer period to redeem has commenced, the Manager is required by the Property Funds Appendix to satisfy all redemption requests which have been received prior to the date the trading suspension is lifted. The Manager will not be obliged to satisfy these redemption requests received after the date the trading suspension is lifted. If the Trust continues to be suspended indefinitely or has been de-listed from the SGX-ST, the Manager is required to offer to redeem Units at least once a year after the first offer to redeem Units on a suspension or de-listing explained above has closed. In other words, the Trust will then be treated as an unlisted property fund under the Property Funds Appendix.~~

### **7.3 Repurchase and Redemption when Trust is Unlisted**

For so long as the Trust is Unlisted, the Manager must offer to redeem Units at least once a year in accordance with the Property Funds Appendix, and any Units of which the Manager is or is deemed to be the Holder shall be treated on the same basis as any other Units held by Holders. In offering such redemption, the Manager is required by the Property Funds Appendix to offer at least 10 per cent. of the Deposited Property. The Manager will send an offer notice to Holders in the event of any such offer to redeem Units. Holders wishing to take up the offer will be asked to respond by sending a request in writing for the repurchase or redemption of their Units. At such request in writing of a Holder (or, in the case of Joint-All Holders, all the Joint-All Holders and in the case of Joint-Alternate Holders, any one of the Joint-Alternate Holders), the Manager will repurchase or cause to be repurchased or redeemed, in accordance with this Clause 7 and the Property Funds Appendix, such of the Units in relation to which the Holder is registered in the Register as are required by the Holder to be repurchased. At all times during which the Trust is Listed, the remaining provisions of this Clause 7 shall not apply.

### **7.4 Minimum Holding**

A Holder shall not be entitled hereunder to the repurchase or redemption of part only of his holding of Units if thereby his holding would be reduced to less than the Minimum Holding and in any such event, the Manager shall be entitled to repurchase all of his

holding of Units (or cause all of his holding of Units to be redeemed) if by such Holder's request his holding would be so reduced, and the following provisions of this Clause 7 are to be read and construed subject thereto.

### 7.5 Repurchase Price

Following receipt of the request for repurchase or redemption, the Repurchase Price for the Units that are the subject of the request shall be paid by the Manager or caused by the Manager to be paid as soon as practicable after the date of the receipt of the request to the Holder. For the purposes of Clauses 7.3 ~~and to~~ 7.5, the Repurchase Price shall be the Current Unit Value of the relevant Unit on the day the request is accepted by the Manager less the Repurchase Charge and less an amount to adjust the resultant total downwards to the nearest whole cent. The Manager may on any day differentiate between Holders as to the amount of the Repurchase Charge to be included (within the permitted limit) in the Repurchase Price of Units to be repurchased by the Manager from them respectively.

The Repurchase Charge shall be retained by the Manager for its own benefit and the adjustment shall be retained as part of the Deposited Property. The bases on which the Manager may make any differentiation as between Holders shall include, without limitation, Holders with large holdings of Units, Holders who have opted for a distribution reinvestment arrangement and an incentive to Holders to hold the Units for longer periods of time. A request for repurchase or redemption once given cannot be revoked without the consent of the Manager. The Manager may suspend the repurchase or redemption of Units during any period when the issue of Units is suspended pursuant to Clause 5.6.

### 7.6 Repurchase Procedure

In relation to any repurchase or redemption request and within the time limit specified in Clause 7.5 or the Property Funds Appendix (as the case may be) as set out in Clause 7.3 in the case of an offer to redeem Units pursuant to the event(s), the Manager shall have the following options:

- 7.6.1 to effect the repurchase out of its own funds (upon which repurchase the Manager shall be entitled to the Units concerned and to the benefit of the Units concerned);
- 7.6.2 to procure some other person to purchase the Units and such purchase shall be deemed to be a repurchase by the Manager within the meaning of this Clause 7;  
or
- 7.6.3 PROVIDED THAT there is sufficient ~~cash~~ Cash and Cash Equivalent Items in the Trust, to request and cause the Trustee to redeem the Units out of the assets of the Trust by paying from the Deposited Property a sum sufficient to satisfy the Repurchase Price and the Repurchase Charge (if any) of the Units.

### 7.7 Amendments to Register

Upon delivery to the Trustee of a written statement signed by or on behalf of the Manager that all the Units or a specified number of Units held by a Holder have been repurchased by the Manager or have been purchased by another person or have been redeemed, the Trustee shall remove or procure the removal of the name of the Holder from the Register in respect of all or such number of Units, as the case may be.

### 7.8 Redemption of Units

If the Manager decides in its absolute discretion to take the course of action referred to in Clause 7.6.3 then it shall give a redemption notice within 30 Business Days of receipt of the request for repurchase, to the Trustee, requesting the Trustee to redeem the relevant Units and shall specify ~~herein~~ herein the Repurchase Price to be paid for such Units. Subject to the provisions of Clause 7.9, the Trustee shall as soon as practicable and as may be prescribed by the Property Funds Appendix after its receipt of the redemption notice comply with the redemption notice by releasing to the Manager out of the available cash of the Deposited Property the Repurchase Price of the Units and the Repurchase Charge and shall thereupon redeem the relevant Units.

### 7.9 Funds Available for Redemption

The Trustee shall only comply with any redemption notice if, in the opinion of the Trustee, sufficient ~~cash~~ Cash and Cash Equivalent Items would be retained in the Deposited Property after the release of cash necessary to comply with the redemption notice to meet other liabilities of the Trust, including but without limiting the generality thereof, the Property Operating Expenses and the remuneration due to the Trustee and the Manager under this Deed.

### 7.10 Procedure if Insufficient Funds

Should the Trustee advise the Manager that in the opinion of the Trustee sufficient ~~cash~~ Cash and Cash Equivalent Items would not be retained in the Deposited Property to meet other liabilities of the Trust if the Trustee were to release the funds necessary to comply with any redemption notice, then the Manager may at its absolute discretion request the Trustee to sell, mortgage or otherwise deal with the Investments or borrow to raise sufficient cash to redeem the Units pursuant to Clause 7.6.3.

### 7.11 Restriction on Repurchase and Redemption

The Manager may, with the approval of the Trustee and subject to the Property Funds Appendix, limit the total number of Units which Holders may request the Manager to repurchase on any redemption offer pursuant to Clause 7.2 or Clause 7.3 to 10 per cent. of the total number of Units then in issue (disregarding any Units which have been agreed to be issued), such limitation to be applied pro rata to all Holders who have validly requested repurchase on such offer. The Manager may suspend the repurchase or redemption of Units for any period when the issue of Units is suspended pursuant to Clause 5.6.

**7.12 Redeemed Units are Cancelled**

Units which are repurchased pursuant to a Unit Buy-back Mandate or redeemed shall thereupon be cancelled and shall not thereafter be reissued but this Clause 7.12 shall not limit or restrict the right of the Manager to cause the creation of and/or issue of further or other Units.”

The proposed form of the amendments to the Trust Deed upon Unitholders' approval of the Divestment Fee Amendments, showing insertions in underline and deletions in strikethrough, is as follows:

- that Clause 15.2.1(ii) of the Trust Deed be amended to reflect the additions as indicated by the text in underline below and the deletions as indicated by the text in strikethrough below:

"A Divestment Fee not exceeding the rate of ~~0.5~~ 1.0 per cent. of the sale price (for the purposes of this Clause 15.2.1(ii), the "**permitted limit**") of any Real Estate in the form of land sold or divested directly or indirectly by the Trust (pro-rated if applicable to the proportion of the Trust's interest in the Real Estate sold), PROVIDED THAT:

(a) in the case of a sale or divestment in connection with which the Manager:

(A) has not engaged any third party agent or broker; or

(B) has engaged third party agent(s) or broker(s) and the aggregate fees payable to such third party agent(s) or broker(s) therefor do not exceed the rate of 0.5 per cent of the sale price,

such Divestment Fee shall not exceed the rate of 0.5 per cent of the sale price; and

(b) in the case of a sale or divestment in connection with which the Manager has engaged third party agent(s) or broker(s) and the aggregate fees payable to such third party agent(s) or broker(s) therefor exceed the rate of 0.5 per cent of the sale price, such Divestment Fee shall be the actual aggregate fees payable therefor to such third party agent(s) or broker(s) in any case not exceeding the rate of 1.0 per cent of the sale price.

The Manager shall give the Holders at least one month's prior written notice of any increase in the rate of the Divestment Fee that the Manager proposes to charge from time to time up to (but not exceeding) the permitted limit. Any increase in the Divestment Fee above the permitted limit or any change in the structure of the Divestment Fee shall be approved by an Extraordinary Resolution of a meeting of Holders or (as the case may be) Depositors duly convened and held in accordance with the provisions of Schedule 1. The Divestment Fee will be paid in cash to the Manager. The Divestment Fee is payable as soon as practicable after completion of the divestment."

- that the definition of "Divestment Fee" under Clause 1.1 of the Trust Deed be amended to reflect the addition as indicated by the text in underline below and the deletion as indicated by the text in strikethrough below:

"**Divestment Fee**" means the divestment fee not exceeding ~~0.5~~ 1.0 per cent. of the sale price of any Real Estate in the form of land sold or divested directly or indirectly by the Trust (pro-rated if applicable to the proportion of the Trust's interest in the Real Estate sold) payable to the Manager pursuant to Clause ~~15.2.2~~ 15.2.1(ii);"

This is the Explanatory Statement as required by the SFC Repurchase Circular to provide requisite information to enable you to make an informed decision on whether to vote for or against the Ordinary Resolution to approve the grant of the Unit Buy-back Mandate to the Manager.

**(A) ISSUED UNITS**

As at the Latest Practicable Date, 1,876,289,958 Units were in issue. Subject to the passing of the Ordinary Resolution approving the Unit Buy-back as set out in the EGM Notice, the Manager will be allowed under the Unit Buy-back Mandate to buy back up to 10% of the number of Units in issue as at the date of the resolution approving the Unit Buy-back Mandate, which, if no additional Units will be issued prior to the EGM, would be equivalent to a maximum of 187,628,995 Units.

**(B) REASONS FOR THE BUY-BACK**

The Manager believes that it is in the best interests of Fortune REIT and the Unitholders as a whole to seek the Unit Buy-back Mandate to enable the Manager to repurchase Units for and on behalf of Fortune REIT by way of Market Repurchases. Unit buy-backs may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Unit and/or earnings per Unit and will only be made when the Manager believes that such buy-back will benefit Fortune REIT and the Unitholders as a whole.

**(C) FUNDING OF BUY-BACKS**

For the purposes of any buy-backs, the Manager will only use funds legally available for such purposes in accordance with the Trust Deed, the REIT Code, the guidelines issued by the SFC from time to time and the applicable laws of Singapore.

If the Unit Buy-back Mandate is exercised in full at any time during the proposed buy-back period, it may have a material adverse effect on the working capital and gearing position of Fortune REIT as compared with the position disclosed in its most recent published audited financial statements. The Manager does not propose to exercise the Unit Buy-back Mandate to such an extent as would, in the circumstances, have any material adverse impact on the working capital or gearing position of Fortune REIT (as compared with the position disclosed in its most recent published audited financial statements).

**(D) UNIT PRICES**

The highest and lowest prices at which the Units have traded on the SEHK in each of the previous twelve months preceding the Latest Practicable Date were as follows:

	<b>Highest</b> <i>HK\$</i>	<b>Lowest</b> <i>HK\$</i>
March 2014	6.07	5.68
April 2014	6.25	5.97
May 2014	6.86	6.15
June 2014	6.95	6.65
July 2014	7.45	6.80
August 2014	7.44	7.00
September 2014	7.37	6.82
October 2014	7.29	6.20
November 2014	7.76	7.11
December 2014	7.84	7.42
January 2015	9.05	7.66
February 2015	8.91	8.32
From 1 March 2015 up to the date preceding the Latest Practicable Date	8.90	8.02

**(E) UNITS BOUGHT-BACK**

The Manager has not bought back any Units on behalf of Fortune REIT (whether on the SEHK or otherwise) in the twelve months preceding the date of this Circular.

**(F) STATUS OF BOUGHT-BACK UNITS**

The listing of all Units which are bought back by the Manager pursuant to the Unit Buy-back Mandate shall be automatically cancelled upon purchase. The Manager will ensure that the documents of title of purchased Units are cancelled as soon as reasonably practicable following settlement of any such purchase.

**(G) DIRECTORS' UNDERTAKING**

The Directors have undertaken to the SFC that when the Manager exercises the power to make purchases of the Units pursuant to the Unit Buy-back Mandate, it will exercise the power in accordance with the provisions of the Trust Deed, the applicable Rules (including the Hong Kong Takeovers and Share Buy-backs Code) and the guidelines issued by the SFC from time to time.

**(H) DISCLOSURE OF INTERESTS**

None of the Directors or, to the best of their knowledge, having made all reasonable enquiries, their associates (as defined in the REIT Code), have any present intention to sell to the Manager on behalf of Fortune REIT any of the Units if the Unit Buy-back Mandate is approved at the EGM.

As at the Latest Practicable Date, no connected person (as defined in the REIT Code) of Fortune REIT has notified the Manager that he/she/it has a present intention to sell any Units nor has such connected person (as defined in the REIT Code) undertaken not to sell any of the Units held by him/her/it to the Manager on behalf of Fortune REIT in the event that the Unit Buy-back Mandate is granted.

**(I) TRUSTEE'S OPINION AND CONSENT**

The Trustee is of the opinion, subject to Unitholders' approval at the EGM and after the Unit Buy-back Amendments are made to the Trust Deed, that the Unit Buy-back Mandate complies with the Trust Deed, and the Trustee does not have any objection to the Manager exercising its powers pursuant to the Unit Buy-back Mandate in accordance with its terms.

The Trustee's view is being furnished for the sole purpose of complying with the requirements of paragraphs (11) and (12) of the compliance checklist of the SFC Repurchase Circular, and is not to be taken as a recommendation or representation by the Trustee of the merits of the proposed Unit Buy-back Mandate or of any statements or information made or disclosed in this Circular. The Trustee has not made any assessment of the merits or impact of the proposed Unit Buy-back Mandate or of any repurchases of Units which may be made thereunder, other than for the purposes of fulfilling its fiduciary duties set out in the Trust Deed and the REIT Code.

**(J) RULE 10.06 OF THE HONG KONG LISTING RULES**

Fortune REIT shall comply with the restrictions and notification requirements applicable to listed companies purchasing their own shares on the SEHK under Rule 10.06 of the Hong Kong Listing Rules, with necessary changes being made, as if the provisions therein were applicable to REITs. These include, but are not limited to, the dealing restrictions, the restrictions on subsequent issues, the reporting requirements and status of purchased units.

**(K) DIRECTORS' RECOMMENDATION**

The Directors are of the opinion that the Unit Buy-back Mandate is in the interests of Fortune REIT and the Unitholders as a whole and accordingly recommend the Unitholders to vote in favour of the Ordinary Resolution approving the Unit Buy-back Mandate to be proposed at the EGM.

**(L) RESPONSIBILITY STATEMENT**

The Manager and the Directors, collectively and individually, accept full responsibility for the accuracy of the information contained in this Explanatory Statement and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this Circular misleading.

**(M) EFFECT OF THE HONG KONG TAKEOVERS AND SHARE BUY-BACKS CODE**

If, on exercise of the power to buy back Units pursuant to the Unit Buy-back Mandate, a Unitholder's proportionate interest in the voting rights of Fortune REIT increases, pursuant to Rule 32 of the Hong Kong Takeovers and Share Buy-backs Code, such increase will be treated as an acquisition of voting rights for purposes of the Hong Kong Takeovers and Share Buy-backs Code. As a result, a Unitholder, or group of Unitholders acting in concert, could obtain or consolidate control of Fortune REIT and thereby become obliged to make a mandatory offer in accordance with Rule 26 of the Hong Kong Takeovers and Share Buy-backs Code, unless a waiver is available.

According to the register required to be kept by the Manager under Clause 32.4.1 of the Trust Deed, and so far as the Manager is aware, as at the Latest Practicable Date, Focus Eagle Investments Limited ("**Focus Eagle**", which directly held 413,074,684 Units) together with parties which are or presumed to be acting in concert with Focus Eagle (together, the "**Concert Group**") held a total of approximately 28.03% of the Units in issue.

In the event of full exercise of the Unit Buy-back Mandate, and assuming that the unitholding of the Concert Group remain unchanged, and that the number of Units in issue and the capital structure of Fortune REIT otherwise remain unchanged, the aggregate interests of the Concert Group in Units would be increased to approximately 31.14% and such increase will give rise to an obligation to make a mandatory offer under Rule 26 of the Hong Kong Takeovers and Share Buy-backs Code.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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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) and authorised as a collective investment scheme under section 286 of the Securities and Futures Act, Chapter 289 of Singapore)*

*(a collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))*

**(Stock Code: Singapore: F25U and Hong Kong: 778)**

Managed by



**ARA Asset Management (Fortune) Limited**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the **EXTRAORDINARY GENERAL MEETING** ("EGM") of the unitholders (the "**Unitholders**") of Fortune Real Estate Investment Trust ("**Fortune REIT**") will be held at Room 331, Level 3 Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593 on Friday, 17 April 2015 at 11:30 a.m. (or as soon thereafter following the conclusion/adjournment of the annual general meeting of Fortune REIT to be held at 11:00 a.m. on the same day and at the same place). Any Unitholder or depositor or proxy who wishes to take part in the EGM from Hong Kong, may attend via video conference which shall be held at Level 5, Hutchison House, 10 Harcourt Road, Central, Hong Kong. The persons attending the said video conference will be able to pose questions to the management and to comment on matters to be transacted at the EGM. The EGM will be held for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions:

#### **EXTRAORDINARY RESOLUTIONS**

1. **"THAT**

- (A) pursuant to Clauses 15.2.1(ii) and 28 of the Trust Deed, approval be and is hereby given for (i) the Revised Divestment Fee Structure and (ii) the Divestment Fee Amendments as set out in the Circular; and
- (B) the Manager, any director of the Manager and HSBC Institutional Trust Services (Singapore) Limited (in its capacity as trustee of Fortune REIT) (the "**Trustee**") each be and is hereby severally authorised to complete and do or cause to be done all such acts and things (including without limitation executing such deed amending and restating the Trust Deed to be entered into between the Manager and the Trustee (the "**Amending and Restating Deed**") and all other documents as may be required) as the Manager, such director of the Manager or the Trustee, as the case may be, may consider expedient or necessary or in the interest of Fortune REIT to give effect to the matters resolved upon in sub-paragraph (A) of this resolution no. 1."

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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2. **“THAT**

- (A) pursuant to Clause 28 of the Trust Deed, approval be and is hereby given for the Unit Buy-back Amendments as set out in the Circular; and
- (B) the Manager, any director of the Manager and the Trustee each be and is hereby severally authorised to complete and do or cause to be done all such acts and things (including without limitation executing such Amending and Restating Deed and all other documents as may be required) as the Manager, such director of the Manager or the Trustee, as the case may be, may consider expedient or necessary or in the interest of Fortune REIT to give effect to the matters resolved upon in sub-paragraph (A) of this resolution no. 2.”

### ORDINARY RESOLUTIONS

3. **“THAT**

- (A) approval be and is hereby given for the Waiver Modification and Extension, including the Proposed Annual Caps as more fully described in the Circular; and
- (B) authorisation be granted to the Manager, any director of the Manager, the Trustee and any authorised signatory of the Trustee to complete and to do all such acts and things (including executing all such documents as may be required) as the Manager, such director of the Manager, the Trustee or such authorised signatory of the Trustee, as the case may be, may consider expedient or necessary or in the interest of Fortune REIT to give effect to all matters in relation to all matters upon in sub-paragraph (A) of this resolution no. 3 and to the Expanded Continuing Connected Party Transactions generally.”

4. **“THAT** subject to and conditional upon the passing of Extraordinary Resolution 2:

the exercise of all the powers of the Manager to repurchase issued Units for and on behalf of Fortune REIT not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Manager from time to time up to the Maximum Price (as hereafter defined) by way of on-market repurchase(s) on the SGX-ST and/or SEHK and/or, as the case may be, such other stock exchange for the time being on which the Units may be listed and quoted as may be determined or formulated by the Manager as it considers fit in accordance with the Trust Deed, as proposed to be amended and supplemented by the Amending and Restating Deed containing the Unit Buy-back Amendments, and otherwise in accordance with all applicable law and regulation including the Listing Manual of the SGX-ST, or, as the case may be, such other stock exchange for the time being on which the Units may be listed and quoted, be and is hereby authorised and approved generally and unconditionally (the **“Unit Buy-back Mandate”**);

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- (A) the authority conferred on the Manager pursuant to the Unit Buy-back Mandate may be exercised by the Manager at any time and from time to time during the period commencing from the date of the passing of this resolution and expiring on the earliest of:
- (i) the date on which the next annual general meeting of Fortune REIT is held (unless by ordinary resolution passed at that meeting the Unit Buy-back Mandate is renewed, either unconditionally or subject to conditions) or required by applicable law and regulation or the Trust Deed or the REIT Code to be held;
  - (ii) the date on which the authority conferred by the Unit Buy-back Mandate is revoked or varied by Unitholders by way of ordinary resolution in a general meeting; and
  - (iii) the date on which repurchase of Units pursuant to the Unit Buy-back Mandate is carried out to the full extent mandated;
- (B) in this resolution:

**“Average Closing Price”** means the average of the closing market prices of a Unit over the last five Market Days, on which transactions in the Units were recorded, immediately preceding the date of the on-market repurchase and deemed to be adjusted for any corporate action that occurs after the relevant five Market Days;

**“Market Day”** means any day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks are open for business in Singapore and/or Hong Kong (as the case may be) and the SGX-ST and/or SEHK (as the case may be) are open for trading;

**“Maximum Limit”** means that number of Units representing 10% of the total number of issued Units as at the date of the passing of this resolution;

**“Maximum Price”** in relation to a Unit to be repurchased on-market, means the repurchase price (excluding brokerage, commission, stamp duty, applicable goods and services tax and other related expenses) which shall not exceed 105% of the Average Closing Price of the Units.

- (C) the Manager and the Trustee be and are hereby severally authorised to complete and do all such acts and things (including executing such documents as may be required) as it or they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this resolution no. 4.”

By order of the board of directors of  
**ARA Asset Management (Fortune) Limited**  
(in its capacity as manager of Fortune Real Estate Investment Trust)  
**Chiu Yu, Justina**  
*Chief Executive Officer*

Singapore, Hong Kong, 25 March 2015

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*Singapore office and registered address:*

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

*Hong Kong office:*

Units 5508–5510, 55th Floor  
The Center  
99 Queen's Road Central  
Hong Kong

### **Notes:**

1. Words and expressions that are not expressly defined in this notice of extraordinary general meeting shall bear the same meaning as that defined in the unitholder circular dated 25 March 2015 (the "**Circular**").
2. The Register of Unitholders of Fortune REIT will be closed from Tuesday, 14 April 2015 to Friday, 17 April 2015, both days inclusive, to determine which Unitholders will qualify to attend and vote at EGM during which period no transfers of Units will be effected. For those Unitholders who are not already on the Register of Unitholders, in order to qualify to attend and vote at the EGM, all Unit certificates accompanied by the duly completed transfer forms must be lodged with the Hong Kong Unit Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for Hong Kong Unitholders) not later than 4:30 p.m. on Monday, 13 April 2015 or to the Singapore Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623 (for Singapore Unitholders) not later than 5:00 p.m. on Monday, 13 April 2015. You can vote at the EGM if you are a Unitholder as at the close of business on Monday, 13 April 2015.
3. A Unitholder entitled to attend and vote at the meeting convened by the above notice is entitled to appoint not more than two proxies to attend and, on a poll, vote in his/her stead. The person appointed to act as a proxy need not be a Unitholder.
4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the registered office of: (a) the Singapore Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623 (for Singapore Unitholders); or (b) the Hong Kong Unit Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East Wanchai, Hong Kong (for Hong Kong Unitholders), not less than forty-eight (48) hours before the time fixed for holding the meeting or any adjournment thereof. Completion and return of proxy will not preclude you from attending and voting in person should you so wish. In the event that you attend the meeting or adjourned meeting (as the case may be) after having lodged a form of proxy, the form of proxy will be deemed to have been revoked.
5. Where there are joint registered Unitholders of a Unit, any one of such Unitholders may vote at the meeting either personally or by proxy in respect of such Unit as if he/she were solely entitled thereto, but if more than one of such Unitholders is present at the meeting personally or by

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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proxy, that one of such Unitholders so present whose name stands first on the Register of Unitholders of Fortune REIT in respect of such Unit shall alone be entitled to vote in respect thereof.

### Personal Data Privacy

6. By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a Unitholder (i) consents to the collection, use and disclosure of the Unitholder's personal data by the Manager and the Trustee (or their agents) for the purpose of the processing and administration by the Manager and the Trustee (or their agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Manager and the Trustee (or their agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the Unitholder discloses the personal data of the Unitholder's proxy(ies) and/or representative(s) to the Manager and the Trustee (or their agents), the Unitholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Manager and the Trustee (or their agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the Unitholder will indemnify the Manager and the Trustee in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Unitholder's breach of warranty.

Ordinary resolution no. 4 if passed, will empower the Manager from the date of the EGM until the earliest of the following dates: (i) the date on which the next annual general meeting of Fortune REIT is held (unless by ordinary resolution passed at that meeting the Unit Buy-back Mandate is renewed, either unconditionally or subject to conditions) or required by applicable law and regulation, the Trust Deed or the REIT Code to be held, (ii) the date on which such authority is revoked or varied by the Unitholders by way of ordinary resolution in a general meeting, or (iii) the date on which repurchase of Units pursuant to the Unit Buy-back Mandate is carried out to the full extent mandated, to exercise all the powers to repurchase issued Units for and on behalf of Fortune REIT not exceeding in aggregate 10% of the total number of Units as at the date of the passing of this resolution by way of on-market repurchase(s) on the terms of the Unit Buy-back Mandate set out in the Circular. As the Unit Buy-back Amendments are required for the adoption of the Unit Buy-back Mandate, ordinary resolution no. 4 is conditional upon the passing of extraordinary resolution no. 2.

The Manager intends to use internal sources of funds of Fortune REIT or external borrowings or a combination of both to finance the repurchases of the Units. The impact on the financial position of Fortune REIT cannot be ascertained as at the date of this notice of EGM as these will depend on, inter alia, the aggregate number of Units repurchased, and the consideration paid at the relevant time. For illustrative purposes only, the financial effects of an assumed repurchase of 10% of the Units by the Manager, at a repurchase price equivalent to the Maximum Price per Unit based on the audited consolidated financial statements of Fortune REIT for the financial year ended 31 December 2014 and certain assumptions, are set out the Circular.

*The Directors of the Manager as at the date of this notice are Dr. Chiu Kwok Hung, Justin (Chairman), Mr. Lim Hwee Chiang, Mr. Ip Tak Chuen, Edmond and Ms. Yeung, Eirene as Non-executive Directors; Ms. Chiu Yu, Justina and Mr. Ang Meng Huat, Anthony as Executive Directors; Mr. Lim Lee Meng, Mrs. Sng Sow-Mei (alias Poon Sow Mei) and Dr. Lan Hong Tsung, David as Independent Non-executive Directors; and Mr. Ma Lai Chee, Gerald as Alternate Director to Mr. Ip Tak Chuen, Edmond.*