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

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 AGM Notice and EGM Notice and the accompanying forms 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

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

*(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)*

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

Managed by



ARA Asset Management (Fortune) Limited

- (1) EXTENSION OF WAIVER IN RESPECT OF CERTAIN
CONTINUING CONNECTED PARTY TRANSACTIONS
(2) PROPOSED EXPANSION OF THE SCOPE OF THE INVESTMENT POLICY
OF FORTUNE REIT AND RELATED AMENDMENTS TO THE TRUST DEED
AND MISCELLANEOUS AMENDMENTS
(3) ENDORSEMENT OF RELEVANT DIRECTORS' APPOINTMENTS
(4) PROPOSED UNIT BUY-BACK MANDATE
(5) NOTICE OF ANNUAL GENERAL MEETING
AND
(6) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Independent Financial Adviser to
the Independent Board Committee, the Independent
Unitholders and the Trustee

Independent Financial Adviser

BALLAS

C A P I T A L

Ballas Capital Limited

A letter to the Unitholders is set out on pages 8 to 44 of this Circular.

The annual general meeting of Fortune REIT will be held at 2:30 p.m. on Friday, 27 April 2018, or any adjournment thereof, at Level 5, Hutchison House, 10 Harcourt Road, Central, Hong Kong and the extraordinary general meeting of Fortune REIT will be held as soon thereafter following the conclusion/adjournment of the annual general meeting on the same day and at the same place. The notices convening the said meeting are set out on pages N-1 to N-8 of this Circular.

Any Unitholder or depositor or proxy who wishes to take part in the said meetings from Singapore, may attend via video conference which shall be held at Crescent 2, Level 2 Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593. Whether or not you are able to attend and vote at the said meetings in person, please complete and return the accompanying forms of proxy to: (a) 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); or (b) the Singapore Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623 (for Singapore 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 (in respect of the AGM) the AGM or any adjournment thereof or (in respect of the EGM) 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 said meetings or any adjournment thereof should you so wish.

21 March 2018

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DEFINITIONS

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

"10% GAV Cap"	means 10% of the gross asset value of the Deposited Property (as defined in the Trust Deed), being the limit of the Aggregate Development Costs
"2015 Waiver"	the waiver granted by the SFC on 17 April 2015 as described in section 3 headed " <i>Modification and extension of waiver in respect of certain continuing connected party transactions</i> " in the Letter to the Unitholders contained in the 2015 Circular
"2015 Circular"	the circular of Fortune REIT dated 25 March 2015
"2018 Extended Waiver"	the resulting extended 2015 Waiver, if the proposed Waiver Extension (including the proposed New Annual Caps) is approved by the Independent Unitholders at the EGM
"AGM"	an annual general meeting of the Unitholders to be convened on Friday, 27 April 2018, or any adjournment thereof
"AGM Notice"	the notice included in this Circular in respect of the AGM to consider and, if thought fit, approve the Ordinary Resolutions to be proposed at the AGM
"Aggregate Development Costs"	the aggregate Property Development Costs of all subsisting Property Development and Related Activities, together with the aggregate contract value of the uncompleted units of real estate acquired by Fortune REIT (for this purpose, investment in Property Development and Related Activities shall not include refurbishment, retrofitting and renovations)
"Board"	the board of Directors
"CK Asset"	CK Asset Holdings Limited (formerly known as Cheung Kong Property Holdings Limited), a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of SEHK (Stock Code: 1113)

DEFINITIONS

“CK Asset Connected Persons Group”	a group of connected persons (as defined under the REIT Code) of Fortune REIT, and these connected persons includes: Focus Eagle (a significant Unitholder for the purpose of the REIT Code), associates (as defined in the REIT Code) of Focus Eagle and entities or persons which are from time to time connected persons of Fortune REIT as a result of their connection with Focus Eagle
“Companies Act”	Companies Act, Chapter 50 of Singapore
“Compliance Manual”	the compliance manual adopted by the Manager for governing the management and operation of Fortune REIT, as amended, supplemented and/or otherwise modified from time to time
“connected person”	has the meaning ascribed to it under the REIT Code
“Continuing Connected Party Transactions”	the continuing connected party transactions between the Fortune REIT Group on one part and the CK Asset Connected Persons Group and/or the Manager Group on the other part, the details of which are set out in the 2015 Circular and this Circular
“Director(s)”	the director(s) of the Manager
“EGM”	an extraordinary general meeting of the Unitholders to be convened on Friday, 27 April 2018, or any adjournment thereof
“EGM Notice”	the notice included in this Circular in respect of the EGM to consider and, if thought fit, approve the Ordinary Resolution and Extraordinary Resolutions to be proposed at the EGM
“Expanded Investment Scope regarding Geographical Scope”	the proposed expansion of the geographical scope of Fortune REIT’s investment policy such that its investment policy will no longer be geographically restricted to Hong Kong and Fortune REIT may invest in Real Estate in any part of the world, which is to be considered, and if thought fit, approved by Unitholders as part of the proposed Extraordinary Resolution no. 1 set out in the EGM Notice
“Expanded Investment Scope regarding Property Development and Related Activities”	the proposed expansion of the scope of Fortune REIT’s investment policy so that it shall have the flexibility to engage in Property Development and Related Activities (subject to restrictions in the REIT Code), which is to be considered, and if thought fit, approved by Unitholders as part of the proposed Extraordinary Resolution no. 2 set out in the EGM Notice

DEFINITIONS

“Expanded Investment Scope regarding Relevant Investments”	the proposed expansion of the scope of Fortune REIT’s investment policy so that it shall have the flexibility to invest in Relevant Investments (subject to restrictions in the REIT Code), which is to be considered, and if thought fit, approved by Unitholders as part of the proposed Extraordinary Resolution no. 3 set out in the EGM Notice
“Explanatory Statement”	the explanatory statement set out in Appendix C to this Circular
“Extraordinary Resolution”	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 duly convened under the provisions of the Trust Deed and with a quorum of Unitholders holding 25% of Units in issue
“Focus Eagle”	Focus Eagle Investments Limited, a company incorporated in the British Virgin Islands with limited liability and an indirectly wholly-owned subsidiary of CK Asset
“Fortune REIT”	Fortune Real Estate Investment Trust
“Fortune REIT Group”	Fortune REIT and other companies or entities held or controlled by it
“Geographical Scope Amendments”	the proposed amendments to the Trust Deed in connection with the proposed Expanded Investment Scope regarding Geographical Scope, the details of which are set out in Section I of Appendix A to this Circular, which are to be considered, and if thought fit, approved by Unitholders as part of the proposed Extraordinary Resolution no. 1 set out in the EGM Notice
“Independent Financial Adviser”	Ballas Capital 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 SFO, and in its capacity as the independent financial adviser for the purpose of paragraph 10.10(p) of the REIT Code
“INED(s)”	the independent non-executive Director(s) of the Manager
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the SEHK, as amended, supplemented or modified from time to time
“Hong Kong Takeovers and Share Buy-backs Code”	the Hong Kong Code on Takeovers and Mergers and Share Buy-backs, as amended, supplemented or modified from time to time

DEFINITIONS

“Independent Board Committee”	the independent committee of the Board established to advise the Independent Unitholders on the Waiver Extension and the proposed New Annual Caps
“Independent Unitholders”	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
“Introduction Listing Document”	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
“Latest Practicable Date”	9 March 2018, being the latest practicable date prior to the printing of this Circular for the purpose of ascertaining certain information contained in this Circular
“Listing Manual”	Listing Manual of the SGX-ST, as amended, supplemented or modified from time to time
“Manager”	ARA Asset Management (Fortune) Limited in its capacity as manager of Fortune REIT
“Manager Group”	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 CK Asset Connected Persons Group
“Miscellaneous Amendments”	the proposed amendments to the Trust Deed which are not subject to the approval of Unitholders, the details of which are set out in Section IV of Appendix A to this Circular
“New Annual Caps”	the proposed new annual caps for the Continuing Connected Party Transactions for the New CPT Waiver Period, as set out in section 2.4 headed “2018 Extended Waiver and the proposed New Annual Caps” in the “Letter to the Unitholders” contained in this Circular
“New CPT Waiver Period”	the extended waiver period in respect of the 2015 Waiver, being three financial years ending on 31 December 2021
“Ordinary Resolution”	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

DEFINITIONS

“Property Development and Related Activities”	the acquisition of uncompleted units in a building by Fortune REIT and property developments (including both new development projects and re-development of existing properties) undertaken in accordance with the REIT Code and the CIS Code (as defined in the Trust Deed)
“Property Development Amendments”	the proposed amendments to the Trust Deed in connection with the proposed Expanded Investment Scope regarding Property Development and Related Activities, the details of which are set out in Section II of Appendix A to this Circular, which are to be considered, and if thought fit, approved by Unitholders as part of the proposed Extraordinary Resolution no. 2 set out in the EGM Notice
“Property Development Costs”	the total project costs borne and to be borne by Fortune REIT in relation to a property development project, inclusive of all costs associated with such project, including, where applicable, the costs for the acquisition of land, development or construction costs and financing costs
“Property Funds Appendix”	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
“Property Management Agreement”	the property management agreement dated 7 July 2003 entered into among 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)
“Property Manager”	Goodwell-Fortune Property Services Limited
“Real Estate”	any land, and any interest, option or other right in or over any land. For the purposes of this definition, “land” includes land of any tenure, whether or not held apart from the surface, and buildings or parts thereof (whether completed or otherwise and whether divided horizontally, vertically or in any other manner) and tenements and hereditaments, corporeal and incorporeal, and any estate or interest therein, and “Real Estate” includes shares in an unlisted company whose sole purpose is to hold/own such real estate, such as a Special Purpose Vehicle (as defined in the Trust Deed)
“REIT”	real estate investment trust
“REIT Code”	Code on Real Estate Investment Trusts issued by the SFC, as amended, supplemented or modified from time to time

DEFINITIONS

“Relevant Investments”	the following financial instruments: (i) securities listed on the SEHK or other internationally recognised stock exchanges; (ii) unlisted debt securities; (iii) government and other public securities; and (iv) local or overseas property funds
“Relevant Investments Amendments”	the proposed amendments to the Trust Deed in connection with the proposed Expanded Investment Scope regarding Relevant Investments, the details of which are set out in Section III of Appendix A to this Circular, which are to be considered, and if thought fit, approved by Unitholders as part of the proposed Extraordinary Resolution no. 3 set out in the EGM Notice
“Rules”	any laws, rules or regulations, including the REIT Code, the SFO, the Hong Kong Takeovers and Share Buy-backs Code, the Hong Kong Listing Rules (where applicable), the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore (including the Property Funds Appendix), the Listing Manual (where applicable) and the Singapore Securities and Futures Act
“SEHK”	The Stock Exchange of Hong Kong Limited
“SFC”	Securities and Futures Commission of Hong Kong
“SFC Repurchase Circular”	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
“SFO”	Securities and Futures Ordinance of Hong Kong (Cap. 571 of the laws of Hong Kong), as amended, supplemented or modified from time to time
“SGX-ST”	Singapore Exchange Securities Trading Limited
“Singapore Take-over Code”	The Singapore Code on Take-Overs and Mergers
“Trust Deed”	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
“Trustee”	HSBC Institutional Trust Services (Singapore) Limited, in its capacity as trustee of Fortune REIT
“Unit”	a unit of Fortune REIT, and “Units” will be construed accordingly
“Unit Buy-back Mandate”	the proposed general mandate to be given to the Manager to repurchase Units for and on behalf of Fortune REIT

DEFINITIONS

“Unitholder(s)”	holder(s) of the Units
“Waiver Extension”	the extension of the expiry date (being 31 December 2018) of the 2015 Waiver for three years ending 31 December 2021
“%”	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

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

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

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

Managed by



ARA Asset Management (Fortune) Limited

Directors of the Manager:

Chairman and Independent Non-executive Director
Mr. Chui Sing Loi (alias Tsui Sing Loi)

Non-executive Directors

Dr. Chiu Kwok Hung, Justin

Mr. Lim Hwee Chiang

Ms. Yeung, Eirene

Mr. Ma Lai Chee, Gerald

Executive Director

Ms. Chiu Yu, Justina

Independent Non-executive Directors

Ms. Cheng Ai Ping

Ms. Yeo Annie (alias Yeo May Ann)

Ms. Koh Poh Wah

Hong Kong Office:

Units 5508-5510, 55th Floor

The Center

99 Queen's Road Central

Hong Kong

Singapore Office and Registered Office:

6 Temasek Boulevard

#16-02 Suntec Tower Four

Singapore 038986

21 March 2018

To: Unitholders of Fortune REIT

Dear Sir/Madam,

- (1) EXTENSION OF WAIVER IN RESPECT OF CERTAIN
CONTINUING CONNECTED PARTY TRANSACTIONS**
- (2) PROPOSED EXPANSION OF THE SCOPE OF THE INVESTMENT POLICY
OF FORTUNE REIT AND RELATED AMENDMENTS TO THE TRUST DEED AND
MISCELLANEOUS AMENDMENTS**
- (3) ENDORSEMENT OF RELEVANT DIRECTORS' APPOINTMENTS**
- (4) PROPOSED UNIT BUY-BACK MANDATE**
- (5) NOTICE OF ANNUAL GENERAL MEETING
AND**
- (6) NOTICE OF EXTRAORDINARY GENERAL MEETING**

LETTER TO THE UNITHOLDERS

1. INTRODUCTION

The purposes of this Circular are: (1) to provide you with further information in respect of, among other things, the 2018 Extended Waiver, the proposed expansion of the scope of Fortune REIT's investment policy and related amendments to the Trust Deed and Miscellaneous Amendments, endorsement of relevant Directors' appointments and the proposed Unit Buy-back Mandate; (2) to set out the recommendation of the Independent Board Committee in relation to the 2018 Extended Waiver; (3) to set out the recommendation of the Independent Financial Adviser to the Independent Board Committee, the Independent Unitholders and the Trustee in relation to the 2018 Extended Waiver; (4) to serve the AGM Notice; and (5) to serve the EGM Notice.

The resolutions as set out in the AGM Notice seek Unitholders' approval, by way of Ordinary Resolutions, amongst other things, for endorsement of relevant Directors' appointments and proposed Unit Buy-back Mandate, as more fully described in this Circular.

The resolutions as set out in the EGM Notice seek Unitholders' approval, by way of Ordinary Resolution, for the 2018 Extended Waiver, and by way of Extraordinary Resolutions, for i) Expanded Investment Scope regarding Geographical Scope together with Geographical Scope Amendments; ii) Expanded Investment Scope regarding Property Development and Related Activities together with Property Development Amendments; and iii) Expanded Investment Scope regarding Relevant Investments together with Relevant Investments Amendments, as more fully described in this Circular.

2. EXTENSION OF WAIVER IN RESPECT OF CERTAIN CONTINUING CONNECTED PARTY TRANSACTIONS

2.1 2015 Waiver in respect of Chapter 8 of the REIT Code

At the time of authorization of Fortune REIT before the first listing of the Units on SEHK under section 104 of the SFO in 2010, the Manager applied for, and the SFC granted waivers on 30 March 2010, subject to certain terms and conditions, from strict compliance with the requirements of Chapter 8 of the REIT Code in relation to certain connected party transactions of the Fortune REIT Group as disclosed in the Introduction Listing Document.

As disclosed in subsequent circulars and announcements, the Manager applied for, and the SFC granted, subsequent modifications and/or extensions (as the case may be) of the aforesaid connected party transactions waivers on 19 January 2012, 16 September 2013 and 17 April 2015 respectively. The 2015 Waiver was granted for a period of up to and including 31 December 2018. Details of the 2015 Waiver are more particularly set out in section 3 headed "*Modification and extension of waiver in respect of certain continuing connected party transactions*" in the "*Letter to the Unitholders*" contained in the 2015 Circular.

2.2 Expiration of the 2015 Waiver

The 2015 Waiver will expire on 31 December 2018. In accordance with the terms and conditions of the 2015 Waiver, it may be extended beyond 31 December 2018 provided that:

- (a) the due approval of Independent Unitholders is obtained by way of an Ordinary Resolution passed in a general meeting of Unitholders;

LETTER TO THE UNITHOLDERS

- (b) disclosure of details of the proposed extension 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) any extension of the period of the 2015 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.

2.3 Extension of the 2015 Waiver

The Manager expects that the Fortune REIT Group will continue to enter into Continuing Connected Party Transactions with the CK Asset Connected Persons Group and the Manager Group beyond the expiry of the 2015 Waiver.

Given the regular, ordinary and ongoing nature of the Continuing Connected Party Transactions, the Manager is of the view that it will be unduly burdensome and not in the interests of the Unitholders to be subject to strict compliance with the requirements under Chapter 8 of the REIT Code with respect to the Continuing Connected Party Transactions on each and every occasion they arise, and accordingly, the Manager has applied to the SFC for an extension of the 2015 Waiver (expiry date being 31 December 2018) ("**Waiver Extension**") for three financial years ending 31 December 2021 ("**New CPT Waiver Period**"). The Manager has also applied to the SFC for the proposed New Annual Caps for the New CPT Waiver Period, which are more particularly described in section 2.4 headed "*2018 Extended Waiver and the proposed New Annual Caps*" below.

The Manager has made a submission to SFC to apply for approval of the Waiver Extension (including the proposed New Annual Caps). In the event that the Ordinary Resolution regarding the Waiver Extension (including the proposed New Annual Caps) is not approved by the Independent Unitholders, the 2015 Waiver will continue to apply for the remainder of its duration.

The categories of Continuing Connected Party Transactions (including scope and nature) with respect to the 2018 Extended Waiver remain the same as the Continuing Connected Party Transactions in respect of which the 2015 Waiver was granted. The categories of Continuing Connected Party Transactions are:

- (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 CK Asset Connected Persons Group 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.

LETTER TO THE UNITHOLDERS

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

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 CK Asset Connected Persons Group, 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, which is currently an indirect wholly-owned subsidiary and connected person of CK Asset. 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 members of the CK Asset Connected Persons Group.
- (iii) Other operational transactions – 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 CK Asset Connected Persons Group. Furthermore, there may also be situations arising where one or more members of the CK Asset Connected Persons Group 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 CK Asset Connected Persons Group and members of the Fortune REIT Group.

The scope of the CK Asset Connected Persons Group and the Manager Group with respect to the 2018 Extended Waiver remains the same as that of the 2015 Waiver.

LETTER TO THE UNITHOLDERS

2.4 2018 Extended Waiver and the proposed New Annual Caps

The proposed New Annual Caps under the 2018 Extended Waiver are set out in the table below. In any relevant financial year during the New CPT Waiver Period, the annual value of the Continuing Connected Party Transactions shall not exceed the proposed New Annual Caps.

Categories of Continuing Connected Party Transactions		Proposed New Annual Caps under the 2018 Extended Waiver		
		For the financial year ending 31 December 2019 (HK\$'000)	For the financial year ending 31 December 2020 (HK\$'000)	For the financial year ending 31 December 2021 (HK\$'000)
I. Revenue				
Leasing/licensing transactions	CK Asset Connected Persons Group	972,000	972,000	972,000
Leasing/licensing transactions	Manager Group	15,200	15,200	15,200
II. Expenditure				
Property management arrangements, third party services and other operational transactions	CK Asset Connected Persons Group	502,000	527,000	553,000

2.5 Basis of the proposed New Annual Caps

2.5.1 In respect of leasing/licensing transactions conducted with CK Asset Connected Persons Group

The proposed New Annual Caps in respect of the Revenue Transactions conducted with the CK Asset Connected Persons Group for the financial years ending 31 December 2019, 2020 and 2021 remain the same as the annual cap for the immediately preceding financial year after taking into account: (i) the relevant historical annual cap utilization rate; and ii) the lease expiry profile and the possible new leases and licenses which CK Asset Connected Persons Group may enter into with the Fortune REIT Group during the New CPT Waiver Period.

2.5.2 In respect of leasing/licensing transactions conducted with the Manager Group

The proposed New Annual Caps in respect of the Revenue Transactions conducted with the Manager Group for the financial years ending 31 December 2019, 2020 and 2021 remain the same as the annual cap for the immediately preceding financial year in view of the relevant historical annual cap utilization rate. The Manager Group currently has only one lease of premises under the portfolio of properties of the Fortune REIT Group. The

LETTER TO THE UNITHOLDERS

approval on the waiver for leasing/licensing transactions conducted with the Manager Group is required in order to provide the flexibility for contingencies when more leases/licenses are entered into with the Manager Group during the New CPT Waiver Period when the right opportunity arises.

2.5.3 In respect of property management arrangements, third party services and other operational transactions conducted with CK Asset Connected Persons Group

The proposed Annual Caps for the financial years ending 31 December 2019, 2020 and 2021 have been determined by applying a 5% increment to the figure proposed for the immediately preceding financial year, with some minor rounding up of figures. The 5% 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 for contingencies.

2.6 Historical transaction amounts

The existing annual caps and the historical transaction amounts under the 2015 Waiver are summarized as follows:

Categories of Continuing Connected Party Transactions Under 2015 Waiver	Connected Person	Existing annual caps under the 2015 Waiver			Historical transaction amounts		
		For the financial year ended 31 December 2016	For the financial year ended 31 December 2017	For the financial year ending 31 December 2018	For the financial year ended 31 December 2016	For the financial year ended 31 December 2017	For the financial year ending 31 December 2018
		(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
I. Revenue							
Leasing/licensing transactions	CK Asset Connected Persons Group	675,000	810,000	972,000	245,865	249,864	N/A ⁽¹⁾
Leasing/licensing transactions	Manager Group	15,200	15,200	15,200	815	844	N/A ⁽¹⁾
II. Expenditure							
Property management arrangements, third party services and other operational transactions	CK Asset Connected Persons Group	331,000	398,000	478,000	84,088	93,609	N/A ⁽¹⁾

Note:

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

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2.7 Waiver Conditions of the 2018 Extended Waiver

The Manager undertakes that it will continue to comply with the waiver conditions of the 2018 Extended Waiver subject to the Unitholders' approval of the Waiver Extension and the proposed New Annual Caps as described above. The waiver conditions of the 2018 Extended Waiver will be as follows:

2.7.1 Due approval by Independent Unitholders

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

2.7.2 Waiver Period

The 2018 Extended Waiver will extend the 2015 Waiver and will commence from 1 January 2019 and continue until 31 December 2021.

2.7.3 Modification or Extension

The 2018 Extended Waiver may be extended beyond the New CPT Waiver Period, and/or the terms and conditions of the 2018 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 2018 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 2018 Extended Waiver (including without limitation the scope or nature of the transactions) as set out in this Circular 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.

2.7.4 Annual caps

In any relevant financial year, the annual value of the Continuing Connected Party Transactions shall not exceed the respective proposed New Annual Caps stated in the section 2.4 headed "2018 Extended Waiver and the proposed New Annual Caps" above.

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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.

2.7.5 Disclosure in Interim and Annual Reports

Details of the 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.

2.7.6 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 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 Continuing Connected Party Transactions:

- (a) have received the approval of the Board of the Manager (including its INEDs);
- (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.

2.7.7 Review by the INEDs

The INEDs shall review the 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.

2.7.8 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.

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2.7.9 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 INEDs will not be able to confirm the matters set out in sections 2.7.6 headed “*Auditors’ Review Procedures*” and 2.7.7 headed “*Review by the INEDs*” to this Circular respectively.

2.7.10 Subsequent Increases in New 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 New 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 described above shall continue to apply to the relevant transactions, save that the relevant increased annual cap amounts will apply.

2.7.11 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.

2.8 Opinion of the Board

The Board (including all the INEDs) confirms that for purposes of the REIT Code:

- (a) in its opinion, the Waiver Extension and the basis for the Waiver Extension (including the proposed New 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

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- (b) in its opinion, each of the Continuing Connected Party Transactions subsisting as at, or to be entered into after, the Latest Practicable Date has been/will be: (i) entered into in the ordinary and usual course of business of Fortune REIT; (ii) entered into 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.

2.9 Opinion of the Independent Financial Adviser

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

- (a) the Waiver Extension, and the basis for the Waiver Extension (including the proposed New 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) each of the Continuing Connected Party Transactions subsisting as at, or to be entered into after, the Latest Practicable Date has been/will be: (i) conducted in the ordinary and usual course of business 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 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 Independent Financial Adviser in relation to the 2018 Extended Waiver*" in this Circular.

2.10 Approvals to be obtained at the EGM

2.10.1 Ordinary Resolutions

The Manager proposes to seek Unitholders' approval by way of Ordinary Resolution at the EGM approving the Waiver Extension (including the proposed New Annual Caps). Please refer to section 2 headed "*Extension of Waiver in respect of Certain Continuing Connected Party Transactions*" above for further details of the Waiver Extension (including the proposed New Annual Caps).

2.10.2 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.

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

Pursuant to the above:

- (a) Focus Eagle will abstain, and will procure that each member of the CK Asset Connected Persons Group and its associates will abstain, from voting on the Ordinary Resolution approving the Waiver Extension (including the proposed New 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 Extension (including the proposed New 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 Extension (including the proposed New Annual Caps) as set out in the EGM Notice.

2.11 Recommendations

2.11.1 Directors

Having regard to the reasons for, terms of, and factors and other information taken into consideration in relation to, Waiver Extension (including the proposed New Annual Caps) as described in this Circular, the Board (including the INEDs) recommends that the Independent Unitholders vote at the EGM in favour of the Ordinary Resolution approving the Waiver Extension (including the proposed New Annual Caps) as set out in the EGM Notice.

2.11.2 Independent Board Committee

The Independent Board Committee (which comprises all four of the INEDs) has been established by the Board to advise the Independent Unitholders on the Waiver Extension (including the proposed New Annual Caps). The 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 Extension (including the proposed New Annual Caps) is fair and reasonable.

Your attention is drawn to the "*Letter from the Independent Board Committee in relation to the 2018 Extended Waiver*" set out in this Circular, which contains the Independent Board Committee's recommendation in relation to the Waiver Extension (including the proposed New Annual Caps) to the Independent Unitholders, and the "*Letter from the Independent Financial Adviser in relation to the 2018 Extended Waiver*"

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set out in this Circular, which contains among other things: (1) the Independent Financial Adviser's advice in relation to the Waiver Extension (including the proposed New Annual Caps) to the Independent Board Committee, the Independent Unitholders and the Trustee; and (2) the principal factors taken into consideration by the Independent Financial Adviser, and assumptions and qualifications adopted by the Independent Financial Adviser in arriving at such opinion.

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

2.11.3 Independent Financial Adviser

Ballas Capital 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 Independent Financial Adviser recommends that the Independent Unitholders vote at the EGM in favour of the Ordinary Resolution approving the Waiver Extension (including the proposed New Annual Caps) as set out in the EGM Notice.

Details of the 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 Independent Financial Adviser in relation to the 2018 Extended Waiver*" to this Circular.

2.11.4 Trustee

The Independent Financial Adviser has been appointed to advise the Independent Board Committee, the Independent Unitholders and the Trustee as to whether the Waiver Extension (including the proposed New 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 the Independent Financial Adviser in relation to the 2018 Extended Waiver*" to this Circular. Further, the Independent Board Committee has been appointed to advise in respect of the Waiver Extension (including the proposed New Annual Caps) and their advice is set out in the "*Letter from the Independent Board Committee in relation to the 2018 Extended Waiver*" to 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 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 2018 Extended Waiver (including the proposed New Annual Caps) and the 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

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Independent Unitholders, as well as the Unitholders as a whole; and (b) has no objection to the Manager proceeding with the Waiver Extension (including the proposed New 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 Extension (including the proposed New Annual Caps), 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 Extension and the proposed New Annual Caps, to consider the *“Letter from the Independent Financial Adviser in relation to the 2018 Extended Waiver”* to this Circular and to seek their own additional financial or other professional advice.

3. PROPOSED EXPANSION OF THE SCOPE OF THE INVESTMENT POLICY OF FORTUNE REIT AND RELATED AMENDMENTS TO THE TRUST DEED AND MISCELLANEOUS AMENDMENTS

3.1 Existing scope of investment policy of Fortune REIT

Under Clause 10.2.2 of the Trust Deed, the principal investment policy in respect of Fortune REIT is to invest in Real Estate in Hong Kong and such Real Estate shall generally be income-producing.

3.2 Proposed Expanded Investment Scope regarding Geographical Scope

The Manager proposes to expand the scope of the investment policy of Fortune REIT such that its investment policy will no longer be geographically restricted to Hong Kong and Fortune REIT may invest in Real Estate in any part of the world (including but not limited to stand-alone assets and comprehensive mixed-use developments).

The reasons for the expansion of the geographical scope of Fortune REIT’s investment policy are as follows:-

- (a) **Greater investment opportunities.** Investing in properties beyond a single city provides the Manager with greater flexibility to achieve diversification as and when opportunity arises, which may bring attractive yields and/or greater capital appreciation potential than one single market.
- (b) **Trend for mixed-use developments.** Retail properties are increasingly forming part of mixed-use commercial complex, where the shopping mall may benefit from the additional presence of offices, hotels, service apartments, entertainment and other facilities, attracting their tenants and visitors as shoppers. Similarly, the mixed-use complex may benefit from the presence and convenience of the shopping mall. Together, the various property types support each other and drive demand for the mixed-use complex as a whole, to an extent which may not be possible if each operated on a stand-alone basis.

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- (c) **Trend for cross-border investments.** It is very common for REITs to have investments in more than one geographical location. Many REITs listed in Hong Kong and Singapore have geographical diverse investment strategies which facilitate cross-border investments in other countries. As such, it is important for the Manager to respond to this emerging trend to cater for the investment needs of the investors.
- (d) **Flexibility to maximize returns.** The flexibility for the Manager to select appropriate markets and leverage on different funding costs and yields will provide Fortune REIT with long-term growth potential and enable Fortune REIT to enhance financial returns on its investments and Unitholders' returns in the long run.
- (e) **Enhancement of stability in rental revenue level and ability to make stable distributions.** As real estate markets in different geographical location may experience different vacancy rates and rental growth cycles, a diverse portfolio will provide Fortune REIT with a more stable rental revenue level and this, in turn, will enhance Fortune REIT's ability to make stable and sustainable distributions to the Unitholders. A diverse property portfolio will also be less susceptible to any adverse changes within a particular market.
- (f) **Enhancement of Unitholder base.** Exposure in different geographical locations increases visibility of Fortune REIT to investors in these locations which may help Fortune REIT to attract different types of investors investing in Fortune REIT.

There is no current plan as to which geographical areas Fortune REIT will expand into, but the Manager may consider to explore opportunities in the proposed Expanded Investment Scope regarding Geographical Scope should it be approved by the Unitholders.

3.2.1 Some considerations when investing outside Hong Kong

In selecting appropriate investments outside Hong Kong, the Manager will take into account all relevant factors, including but not limited to the following:

- (a) Similar to acquisitions by Fortune REIT previously, the Manager will acquire properties outside Hong Kong under the same disciplined and objective investment methodology with a view to provide stable cash flow and the potential for long term capital appreciation.
- (b) The Manager will also consider all relevant factors, including but not limited to the following factors:
 - (i) whether the acquisition is consistent with Fortune REIT's investment strategy;
 - (ii) the strength of existing, and the potential to improve in the future, occupancy and tenant mix relative to competing properties in the respective markets; and
 - (iii) the potential to improve value through active asset management. The Manager will also assess opportunities to add value through selective renovation or other enhancements.

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- (c) The Manager will also evaluate existing and potential yields, general market conditions, local risks and benefits, macro-economy, property market condition and other relevant considerations.
- (d) The Manager will have regard to, and comply with, all applicable legal and regulatory requirements, including but not limited to the requirements prescribed under Practice Note on Overseas Investments by SFC-authorized REITs contained in the REIT Code.

3.2.2 Risk relating to the investments in overseas properties

Investment in overseas properties may involve, without limitation, the following characteristics and risks in relation to the financial aspects and operational matters.

- Fluctuations in exchange rates of other currencies may increase finance costs and may have a material adverse impact on the level of distributions to Unitholders.
- Some currencies may not be freely convertible. If Fortune REIT invests in markets with currencies which are not freely convertible, revenues generated from those investments would likely be subject to foreign exchange controls and may not be freely convertible into foreign currencies.
- Fortune REIT may be subject to political risks by investing in other jurisdictions, such as the risk that the return on investment may suffer losses as a result of possible decrease in credit rating of the country, expropriation of assets, restriction in repatriation of profits and dividend distributions.
- Fortune REIT may be subject to extensive regulatory controls on foreign investment in the real estate sector in the relevant overseas jurisdiction.
- The taxation and property laws and laws relevant to the rights of foreign investors and the entities through which they may invest may be unclear in other countries.
- Monetary and other economic policy changes in other countries from time to time may affect their respective property markets.
- There may be increased operational risks when managing investments which are geographically distant from the Manager's Hong Kong office, which may arise due to miscommunication with overseas agents and management companies.
- As the Manager was incorporated specifically for the purpose of managing Fortune REIT which, to date, has only held Real Estate located in Hong Kong, the Manager has no experience in managing investments outside of Hong Kong at present.

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To safeguard against and mitigate the risks associated with investment in overseas properties, the Manager will have effective internal control and risk management standards which call for:

- the periodic review of Fortune REIT's overseas business strategy to ensure that it is in accordance with the requirements of the applicable laws, the REIT Code and the Trust Deed and that it is in the best interests of the Unitholders as a whole;
- overseeing the implementation of such strategy to ensure that a particular investment opportunity fits the financial criteria (for example, the gearing ratio as permitted under the REIT Code), and the investment criteria as set forth above;
- making of all investment decisions, the setting of capital expenditure and operating budgets by the Manager and manage budgets effectively and efficiently;
- updating of the Compliance Manual to comply with the requirements of the Practice Note on Overseas Investments by SFC-authorized REITs; and

The Manager will ensure that before engaging in any investment in other jurisdictions, it will have competent and adequate staff with sufficient and appropriate skills, resources and expertise in place, either as part of its in-house skills or by way of outsourcing to a competent external party under its oversight, to manage the investment in other jurisdictions.

3.2.3 Compliance with the REIT Code and the Compliance Manual of Fortune REIT

(a) Requirements under the REIT Code

Investments by a REIT in properties are subject to the compliance with the relevant requirements of the REIT Code and other relevant legal and regulatory requirements. For example, the REIT Code requires the real estate that a REIT invests in shall generally be income-generating and in particular, at least 75% of the gross asset value of a REIT shall be invested in real estate that generates recurrent rental income at all times.

The Manager will ensure that the properties which Fortune REIT invests in complies with the requirements of the REIT Code and other relevant legal and regulatory requirements.

(b) Corporate governance

Pursuant to paragraph 5.2(ca) of the REIT Code, the Manager is required to implement appropriate policies and conduct due diligence such that investments are made only after careful and diligent investigations by the Manager. The Compliance Manual sets out, among other things, the procedures relating to the identification,

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evaluation and decision-making for potential acquisition of properties by the Manager on behalf of Fortune REIT. The Manager will update the Compliance Manual as appropriate to include the measures set out in section 3.2.2 of this Circular above.

3.2.4 Proposed Geographical Scope Amendments to the Trust Deed

In connection with the Expanded Investment Scope regarding Geographical Scope, the Manager proposes consequential amendments to the Trust Deed (being the Geographical Scope Amendments) relating to investments by Fortune REIT, the full text of which is set out in Section I of Appendix A to this Circular.

3.2.5 The Investment Strategy of Fortune REIT

Fortune REIT's existing investment strategy remains in investing in commercial properties, including without limitation stand-alone assets and comprehensive mixed-use developments such as retail, shopping mall, office, hotels, service apartments and industrial properties. Pursuant to Clause 10.2.2 of the Trust Deed, the Manager may determine Fortune REIT's investment strategy from time to time at its absolute discretion so far as it is consistent with Fortune REIT's investment policy.

In connection with the above, the Manager proposes amendments to Clause 10.2.5 of the Trust Deed such that it is consistent with Clause 10.2.2 to make clear that the Manager may determine Fortune REIT's investment strategy from time to time at its absolute discretion provided that such strategy must always be consistent with the investment policy of Fortune REIT and must comply with the REIT Code, whereby such change would not require Unitholders' approval. The full text of such amendments is set out in Section I of Appendix A to this Circular.

3.3 Proposed Expanded Investment Scope regarding Property Development and Related Activities

3.3.1 Background

As a result of the amendments to the REIT Code in August 2014, greater flexibility has been introduced to REITs with respect to their investment in properties under development or engagement in property development activities, subject to, among other things, obtaining the approval of Unitholders for the necessary trust deed amendments. These amendments to the REIT Code include the following:

- (a) REITs are required to primarily invest in real estate. At least 75% of the gross asset value of the REIT shall be invested in real estate that generates recurrent rental income at all times.
- (b) Flexibility to invest in properties under development or engage in property development activities (including both new development projects and re-development of existing properties) and to invest in vacant land, subject to certain requirements and limitations, are introduced for REITs. In the case of investments in properties under property developments undertaken by a REIT, such properties shall be held by the REIT for a period of at least two years from the completion of the properties.

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In view of the investment relaxation and flexibility introduced by the amendments to the REIT Code, the Manager proposes to reflect such changes in the Trust Deed so that Fortune REIT may engage in or undertake Property Development and Related Activities.

3.3.2 Reasons for the Expanded Investment Scope regarding Property Development and Related Activities

The reasons and benefits for the Expanded Investment Scope regarding Property Development and Related Activities are set out below:

- (a) **Early stage with lower entry cost.** Fortune REIT could invest at an earlier stage of the project cycle at lower costs (by investing in properties under development, or engage in new property development projects or re-development of existing properties). Such early participation could bring more attractive return and/or greater capital appreciation potential;
- (b) **Better control over designing and building.** Early investment in a property development project may allow the Manager to have input and control over the final product it wishes to acquire. This “design-and-build” model of property development could facilitate and enhance Fortune REIT’s long term strategic and organic growth prospects, particularly in terms of cost savings relating to design modifications; and
- (c) **Financial benefit of re-development of aging properties with substantial maintenance cost.** Where an existing property held by Fortune REIT has become worn out and the cost of repair is substantial, Fortune REIT could redevelop the property and obtain better investment return for Unitholders instead of a major overhaul or disposal in a dilapidated condition at a less than optimal price.

Therefore, the Manager is of the view that the greater flexibility in respect of investments in the Property Development and Related Activities, and thus the Property Development Amendments are beneficial to the Unitholders as a whole.

3.3.3 Compliance with the REIT Code and the Compliance Manual of Fortune REIT

- (a) Requirements under the REIT Code

If the Expanded Investment Scope regarding Property Development and Related Activities is approved by the Unitholders at the EGM, any investment by Fortune REIT in Property Development and Related Activities will be subject to the restrictions and limitations under the REIT Code. The relevant existing restrictions and limitations under the REIT Code are summarised below:

- i. At least 75% of the gross asset value of Fortune REIT shall be invested in real estate that generates recurrent rental income at all times.

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- ii. Investment in vacant land is prohibited unless it can be demonstrated that such investment is “part-and-parcel” of Property Development and Related Activities and within the investment objective or policy of Fortune REIT.
- iii. The Aggregate Development Costs shall not exceed the 10% GAV Cap at any time.
- iv. Fortune REIT shall hold properties developed pursuant to Property Development and Related Activities for a period of at least two years from the completion of the properties, unless Fortune REIT has clearly communicated to the Unitholders the rationale for disposal prior to the expiry of such two-year period, and that the Unitholders approve such disposal by special resolution at a general meeting.

(b) Corporate governance

The REIT Code sets out certain requirements which are expected to be complied with by the management company if it undertakes Property Development and Related Activities. In view of such requirements, the Manager will update the Compliance Manual of Fortune REIT to include the following corporate governance provisions if the Expanded Investment Scope regarding Property Development and Related Activities and Property Development Amendments are approved by the Unitholders:

- i. the upfront calculation of Property Development Costs and where necessary any subsequent increase should be based on a fair estimate made by the Manager in good faith and supported by the opinion of an independent expert acceptable to the SFC;
- ii. the Manager should include a prudent buffer when preparing budgets in line with best industry standards and practice to cater for cost overruns that may arise during the course of development (and where the Property Development and Related Activities are conducted overseas, the Manager should also take into account any currency impact in the calculation);
- iii. any decision made by the Manager to invest in Property Development and Related Activities must be made solely in the best interests of Unitholders;
- iv. investments in Property Development and Related Activities should not result in a material change in the overall risk profile of Fortune REIT;
- v. the Manager must have the requisite resources, competence, expertise, effective internal controls and risk management system for conducting Property Development and Related Activities;
- vi. the Manager should consult the Trustee and issue an announcement to inform Unitholders upon Fortune REIT entering into a contract to invest in Property Development and Related Activities, which should include all

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material information concerning the Property Development and Related Activities (including a summary of the key terms and conditions, the estimated total project costs borne and to be borne by Fortune REIT, inclusive of all costs associated therewith, including where applicable, the costs for the acquisition of land, development or construction costs and financing costs and the risks involved); and

- vii. the Manager should also ensure that all material information concerning the Property Development and Related Activities is set out in periodic updates (namely, the annual and interim reports) which should include the development progress, the extent (in percentage terms) to which the 10% GAV Cap has been applied and the costs incurred. Such disclosure in the annual reports shall be reviewed by the audit committee of the Manager.

3.3.4 Risks relating to Property Development and Related Activities

Engaging in Property Development and Related Activities may involve certain risks, including, without limitation, the following:

- (a) **Lack of track record.** The Manager has not previously engaged in Property Development and Related Activities.
- (b) **Construction risk.** The progress of Property Development and Related Activities and the costs in relation thereto may be affected by factors such as labour disputes, construction accidents, shortage of materials, equipment, contractors and skilled labour, natural catastrophes and adverse weather conditions. By undertaking Property Development and Related Activities, Fortune REIT will be exposed to the risk of increased labour and construction costs during different stages of a property development. If there is a significant increase in labour costs or construction costs, and Fortune REIT cannot negate such increase by reducing other costs associated with the project, this may adversely impact the return from its investment in that project and the financial and business conditions of Fortune REIT, as well as the results of its operations, which may in turn affect the level of distributions to Unitholders.
- (c) **Risk of default of project counterparties.** The work of third party contractors (including sub-contractors) engaged to carry out work in relation to Property Development and Related Activities, may not always be satisfactory or match the expectations of Fortune REIT in terms of quality, timing and safety standards. Any such contractors may undertake projects for other development companies, thereby diverting resources, or may encounter financial or other difficulties, which may cause unforeseen delays in the completion of Fortune REIT's property developments, leading to an increase in the cost of construction. This in turn may adversely impact the return from its investment in that project and the financial and business conditions of Fortune REIT as well as the results of its operations, which may in turn affect the level of distributions to Unitholders.

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- (d) **Risk of failure or delays in obtaining governmental approvals.** In order to develop and complete a property development, various governmental permits, licences, certificates and other regulatory approvals at various stages of the property development process are required. Each approval is dependent on the satisfaction of certain conditions. Fortune REIT may encounter problems or delays in obtaining the requisite approval or in fulfilling the conditions required for obtaining such approval. In the event that Fortune REIT fails to obtain the requisite approval or to fulfill the conditions of such approval for its property developments in a timely manner, or at all, these property developments may not be able to proceed as planned. In addition, should there be any change in local legislation, rules and regulations relating to property development, Fortune REIT may need to revise its original property development plan, and this may lead to the incurrence of additional costs and time needed for completion. This in turn may adversely impact the financial and business conditions of Fortune REIT as well as the results of its operations, which may in turn affect the level of distributions to Unitholders.
- (e) **Risk of project financing.** A substantial amount of capital is generally required for property development projects prior to and during the construction period. Fortune REIT may have to obtain debt facilities in order to finance the construction project and is subject to the relevant borrowing limitations specified in the REIT Code. Fortune REIT may not be able to source and secure adequate and timely financing to complete a development project. Further, fluctuations in interest rates may increase the financing costs incurred and may have an adverse impact on the level of distributions to Unitholders. Changes in the business environment during the construction period, such as fluctuations in the prospective rental yield and property value, may result in rising financing costs of the project that may adversely impact the financial and business conditions of Fortune REIT as well as the results of its operations, which may in turn affect the level of distributions to Unitholders.
- (f) **Risk of disputes with partners.** Fortune REIT may undertake Property Development and Related Activities through joint ventures or in collaboration with third parties, subject to the REIT Code. Such joint venture arrangements or collaborations may involve a number of risks, including disputes with its partners stemming from the performance of their obligations under the relevant project, joint venture or cooperative property development agreements, disputes in connection with the scope of each party's responsibilities under those arrangements, financial difficulties encountered by such partners affecting their ability to perform their obligations, or conflicts between the policies or objectives adopted by such partners and those adopted by Fortune REIT. These disputes may lead to legal proceedings, damage to Fortune REIT's reputation, the incurrence of substantial costs and the diversion of resources and management's attention. The occurrence of any of the foregoing and other related factors could adversely affect the financial and business conditions of Fortune REIT as well as the results of its operations, which may in turn affect the level of distributions to Unitholders.

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- (g) **Risk of delay and impact on income.** Fortune REIT may receive reduced or no income from the underlying real estate when Property Development and Related Activities are being undertaken. Such period may be extended if, for the reasons noted above, completion of the Property Development and Related Activities is delayed. This in turn may adversely impact the financial and business conditions of Fortune REIT as well as the results of its operations, which may in turn affect the level of distributions to Unitholders. There is no guarantee of a return from any investment in Property Development and Related Activities.

In order to minimize and mitigate the above risks, the Manager will update its Compliance Manual to include the following measures and procedures:

- (a) prepare detailed budgets and manage budgets effectively and efficiently;
- (b) ensure that construction contracts are entered into at arm's length and on normal commercial terms and contain adequate risk containment or ring-fencing measures in line with best industry practices (for example, appropriate terms of payment and indemnity) so as to protect investors' interests;
- (c) monitor the process of application for all relevant governmental and regulatory approvals, and conduct proper due diligence to ensure all such approvals required for Property Development and Related Activities have been duly obtained and all applicable laws and regulations are complied with;
- (d) ensure Fortune REIT has sufficient resources to finance the Property Development and Related Activities at all times, having regard to the limitations on borrowing under the REIT Code and any exigencies that may arise in the course of construction;
- (e) ensure that the Manager has competent and adequate staff with sufficient and appropriate skills, resources and expertise in place, either as part of their in-house skills or by way of outsourcing to a competent external party (e.g. engaging a reputable, suitably qualified and financially sound developer or contractor to undertake the development or construction activities) under its oversight, to manage the Property Development and Related Activities; and
- (f) ensure that the Property Development and Related Activities would not result in a material change in the overall risk profile of Fortune REIT.

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3.3.5 Proposed Property Development Amendments to the Trust Deed

In connection with the proposed Expanded Investment Scope regarding Property Development and Related Activities, the Manager proposes consequential amendments to the Trust Deed (being the Property Development Amendments) relating to investments by Fortune REIT as summarized below, the full text of which is set out in Section II of Appendix A to this Circular.

- (a) **Property Development and Related Activities.** The Manager proposes to insert a new Clause 10.2.3 into the Trust Deed to specify that the investment policy of Fortune REIT shall include engaging or participating in Property Development and Related Activities, including the acquisition of uncompleted units in a building which is unoccupied and non-income producing or in the course of substantial development, redevelopment or refurbishment, provided that the Aggregate Development Costs shall not exceed the 10% GAV Cap at any time. Consequentially, the Manager proposes to: (i) amend and expand the definition of "Authorised Investments" and "REIT Code Authorised Investments" to expressly include Property Development and Related Activities; (ii) insert new definitions for "Property Development and Related Activities", "10% GAV Cap", "Property Development Costs" and "Aggregate Development Costs" under Clause 1.1 of the Trust Deed; and (iii) insert a new Clause 10.2.3A into the Trust Deed providing further details as to calculation of the "gross asset value of the Deposited Property" for the purpose of the 10% GAV Cap. The Manager also proposes to clarify in Clause 10.2.1 that the Manager may invest in other Authorised Investments in addition to Real Estate.
- (b) **Vacant Land Restrictions.** The Manager proposes to amend Clause 10.3.3(iii) of the Trust Deed to specify that Fortune REIT shall not invest in vacant land unless such investment is part-and-parcel of the Property Development and Related Activities.
- (c) **Minimum Holding Period.** The Manager proposes to amend Clauses 10.3.3(vi) and 27.1.4(iii) of the Trust Deed to reflect that the requirement to hold its properties for a period of two years will, in the context of properties on which the Property Development and Related Activities are undertaken by Fortune REIT, commence from the date that the Property Development and Related Activities are completed unless the Manager has clearly communicated to the Unitholders the rationale for disposal prior to the expiry of such two-year period and that the Unitholders approve such disposal by way of a special resolution at a general meeting.
- (d) **General Threshold Requirement.** The Manager proposes to amend Clause 10.2.1 of the Trust Deed in compliance with the REIT Code requirement stating that at least 75% of the gross asset value of Fortune REIT shall be invested in real estate that generates recurrent rental income at all times.

3.4 Proposed Expanded Investment Scope regarding Relevant Investments

3.4.1 Background

In addition to the above amendments to the REIT Code regarding Property Development and Related Activities, the amendments to the REIT Code in August 2014 have also introduced flexibility for REITs to invest in listed securities, unlisted debt securities, government and other public securities and property funds, subject to certain limitations.

In view of the investment relaxation and flexibility introduced by the amendments to the REIT Code, the Manager proposes to reflect such changes in the Trust Deed so that Fortune REIT may expand the investment scope of Fortune REIT's investment policy to include investments in Relevant Investments.

3.4.2 Reasons for the Expanded Investment Scope regarding Relevant Investments

The Expanded Investment Scope regarding Relevant Investments would provide Fortune REIT with more flexibility to manage its cash position with a view to enhancing returns to Unitholders, especially in times of low cash deposit rates or when there are limited suitable property investment opportunities.

The Manager will ensure that before engaging in any Relevant Investments, it will have competent and adequate staff with sufficient and appropriate skills, resources and expertise in place either as part of its in-house skills or by way of outsourcing to a competent external party under its oversight, to manage the Relevant Investments.

3.4.3 Compliance with the REIT Code and the Compliance Manual of Fortune REIT

(a) Requirements under the REIT Code

If the Expanded Investment Scope regarding Relevant Investments is approved by the Unitholders at the EGM, any investment by Fortune REIT in Relevant Investments will be subject to the restrictions and limitations under the REIT Code from time to time. The relevant existing restrictions and limitations under the REIT Code are summarised below:

- i. The Relevant Investments should be sufficiently liquid, could be readily acquired or disposed of under normal market conditions and in the absence of trading restrictions, and have transparent pricing;
- ii. Fortune REIT shall not invest in any high risk, speculative, or complex financial instruments, structured products or enter into any securities lending, repurchase transactions or other similar over-the-counter transactions and investments in the Relevant Investments shall not result in a material change in the overall risk profile of Fortune REIT;

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- iii. The total aggregate sum of: (1) combined value of the Relevant Investments together with other non-real estate assets of Fortune REIT; and (2) the Aggregate Development Costs, shall not exceed 25% of the gross asset value of a Fortune REIT at any time;
- iv. The value of the holding of the Relevant Investments issued by any single group of companies shall not exceed 5% of the gross asset value of Fortune REIT;

When determining whether the 25% threshold limit in (iii) above is exceeded:

- Real estate related assets (including plant, machinery and equipment, fixtures and fittings) which could be considered as part-and-parcel of the properties of Fortune REIT may be disregarded as “other non-real estate assets”, provided that they are included as part of the real estate of Fortune REIT in its valuation and accounted for as such in accordance with requisite accounting standards.
- Plain vanilla hedging instruments in the nature of treasury tools for Fortune REIT to manage interest rate and currency exposures may also be disregarded as “other non-real estate assets”. However, such exclusion would be strictly limited to those instruments to the extent used for genuine hedging purpose in connection with the ordinary course of business of Fortune REIT and not with the intention of yield enhancement.

(b) Corporate governance

The REIT Code sets out certain requirements which are expected to be complied with by the management company if investment is made in regard to the Relevant Investments. In view of such requirements, the Manager will update the Compliance Manual of Fortune REIT to include the following corporate governance provisions if the Expanded Investment Scope regarding Relevant Investments and Relevant Investments Amendments are approved by the Unitholders:

- any decision made by the Manager to invest in Relevant Investments must be made solely in the best interests of Unitholders;
- the investments in Relevant Investments should not result in a material change in the overall risk profile of Fortune REIT. In assessing the risks involved, the Manager should take into account relevant factors such as the creditworthiness of the issuer of Relevant Investments. The Manager should monitor these investments on an ongoing basis to ensure compliance with all applicable requirements;
- the Manager must have the requisite resources, competence, expertise, effective internal controls and risk management system for investing in Relevant Investments;

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- the Manager must ensure that the Relevant Investments are independently and fairly valued on a regular basis in accordance with the Trust Deed, in consultation with the Trustee. The valuation should be made in accordance with requisite accounting standards, as well as best industry standards and practice, and there should be a daily marked-to-market valuation wherever practicable;
- the Manager shall publish the full investment portfolio of the Relevant Investments with key information, such as credit ratings of the instruments invested, if applicable, on Fortune REIT's website on an ongoing basis which shall be updated monthly within five business days of each calendar month end;
- Manager shall manage the Relevant Investments and monitor them on an on-going basis to ensure that the aforementioned 25% gross asset value limit is observed;
- the Manager should also ensure that all material information concerning the Relevant Investments is set out in periodic updates (namely, the annual and interim reports) which should include the extent (in percentage terms) to which the 25% gross asset value limit has been applied and such disclosure in the annual reports shall be reviewed by the audit committee of the Manager.

3.4.4 Risks relating to investments in Relevant Investments

Investments in Relevant Investments may involve, without limitation, the following characteristics and risks:

- (a) **Market risk.** If Fortune REIT invests in the Relevant Investments in the nature of equity securities, debt securities or property funds, it will be susceptible to the risk of all or certain parts of the market in which it has invested. The market value of stocks, debt securities and property funds will fluctuate in response to (but not limited to) general market and economic conditions, and will also be exposed to changes in commodity prices, foreign exchange rates and interest rates. In particular, since the Hong Kong Dollar is pegged to the US Dollar, interest rate movements in Hong Kong will be directly and heavily influenced by interest rate movements in the United States. In addition, there is the risk of inflation, as the return on debt securities such as bond investments may lose purchasing power if there is an increase in consumer prices. Such market fluctuations and uncertainties may affect the value of the Relevant Investments and have an adverse impact on the level of distributions to Unitholders.
- (b) **Default/Credit risk.** Fortune REIT may face financial loss if an issuer or counterparty to the Relevant Investments defaults in payment, or experiences a decline in its payment capacity. A corporate event such as a merger or takeover may have an adverse impact on the financial position and thus the credit rating of the issuer. Any decline in the creditworthiness of an issuer may have a major impact on the value of the Relevant Investments.

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- (c) **Price volatility risk.** Substantial fluctuations in the price of a financial instrument may negatively affect the investment. In the case of equity securities, stock prices may be highly volatile and unpredictable subject to different local and international market and economic factors. The price volatility of the stock may also increase due to speculations in the market and changes in business risk of the underlying operations. Moreover, a stock may be suspended from trading on the relevant stock exchange or market, during which time Fortune REIT would not be able to buy or sell such stock on such stock exchange or market. The price of the stock may fluctuate after its resumption of trading due to changes in market and/or business risks during the period of suspension. These fluctuations can be unpredictable, and such occurrences could adversely affect Fortune REIT's financial conditions and results of operations.

- (d) **Liquidity risk.** Fortune REIT may not be able to sell a sufficient amount of the Relevant Investments at a desired time and at a satisfactory price because demand in the Relevant Investments may become low during certain periods of time, notwithstanding the Relevant Investments being relatively liquid when they were acquired and transparently priced. In such circumstances, Fortune REIT may be forced to sell the Relevant Investments on unfavourable terms.

- (e) **Management and policy risk.** Fortune REIT may unintentionally invest in companies with improper management practices, which conduct transactions that are detrimental to Fortune REIT's interests as an investor or, in the case of property funds, the risk of poor performance by fund managers. Such improper actions or practices may affect the value of the Relevant Investments and have an adverse impact on the level of distributions to Unitholders. Meanwhile, changes in local and/or international government policies and regulations may have a profound impact on the pricing of equity securities in the relevant sectors or industries.

- (f) **Risks in relation to property funds.** Investments in local or overseas property funds may involve additional risks. There is no assurance that a property fund will achieve its investment objective and strategy. A property fund is highly susceptible to the relevant real estate market conditions if it concentrates its investment in a single property or asset class. In the case of overseas property funds, changes in exchange rates may have an adverse effect on the value of the fund's assets. Further, investing overseas will entail regional as well as political risks.

The Manager will minimise and mitigate the above risks by: (a) analysing the financials of any issuer before an investment is made and on a regular basis so long as it is part of Fortune REIT's portfolio; (b) ensuring that the proportion of Fortune REIT's assets exposed to such risks will be small and diversified across multiple investments; and (c) adhering to the restrictions and adopting the corporate governance measures set out above in this section.

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3.4.5 Proposed Relevant Investments Amendments to the Trust Deed

In connection with the proposed Expanded Investment Scope regarding Relevant Investments, the Manager proposes consequential amendments to the Trust Deed (being the Relevant Investments Amendments) relating to investments by Fortune REIT as summarized below, the full text of which is set out in Section III of Appendix A to this Circular.

- (a) **Investments in Relevant Investments.** The Manager proposes to amend and expand the definitions of “Authorised Investments” and “REIT Code Authorised Investments” to expressly include the Relevant Investments. Consequentially, the Manager also proposes to clarify in Clause 10.2.1 that the Manager may invest in other Authorised Investments in addition to Real Estate, and insert new definition for “Relevant Investments” and a new Clause 10.2.4 into the Trust Deed to specify that Fortune REIT’s investment policy shall include Relevant Investments.
- (b) **Threshold on Relevant Investments Issued by Any Single Group of Companies.** As proposed under the Property Development Amendments described above, the Manager proposes to amend Clause 10.2.1 of the Trust Deed in compliance with the REIT Code requirement stating that at least 75% of the gross asset value of Fortune REIT shall be invested in real estate that generates recurrent rental income at all times. The Manager proposes to insert a new Clause 10.3.3(vii) into the Trust Deed in compliance with the REIT Code requirement stating that the value of Fortune REIT’s holding of the Relevant Investments issued by any single group of companies shall not exceed the maximum limit of the gross asset value of Fortune REIT (as set out in the REIT Code) at any time. The Manager also proposes to insert a new Clause 10.3.3(viii) into the Trust Deed to provide that the combined value of the Relevant Investments, together with other non-real estate assets of Fortune REIT when aggregated with the Aggregate Development Costs of Fortune REIT, shall not exceed 25% of the gross asset value of Fortune REIT at any time.
- (c) **Valuation of Relevant Investments.** The Manager proposes to amend Clause 6.1.7 of the Trust Deed in compliance with the REIT Code requirement in relation to valuation of Relevant Investments, which shall be made in accordance with the International Financial Reporting Standards promulgated from time to time by the International Accounting Standards Board.

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.

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As at the Latest Practicable Date, to the best of the Manager's knowledge, information and belief, with respect to the proposed Extraordinary Resolutions relating to (a) Expanded Investment Scope regarding Geographical Scope together with Geographical Scope Amendments; (b) Expanded Investment Scope regarding Property Development and Related Activities together with Property Development Amendments; and (c) Expanded Investment Scope regarding Relevant Investments together with Relevant Investments Amendments, the Manager is unaware of any Unitholders that are required to abstain from voting at the EGM on such Extraordinary Resolutions.

3.6 Approvals Required

The Manager notes that in a circular to management companies of SFC-authorized REITs dated 12 October 2007, the SFC has, among other things, clarified that in acquiring overseas or new types of properties, REIT managers do not have to seek re-approval of their licences or re-authorisation of the relevant REIT by the SFC before proceeding to make such acquisitions.

Under Paragraph 10.7(a)(v) of the REIT Code, a circular is required to be issued where there is a change in the general character or nature of a REIT, such as its investment objectives and/or policy of the scheme.

Under Clause 10.2.4 of the Trust Deed, in order for the Manager to change the investment policies of Fortune REIT, it is required to: (a) give not less than 30 days' prior notice of the change to the Trustee and to Unitholders by way of an announcement to the SGX-ST; and (b) for so long as Fortune REIT is an SFC-authorized REIT: (i) notify Unitholders of the change by way of circular in accordance with the requirements of any applicable Rules; and (ii) obtain the prior approval of the Unitholders for the change by way of an Extraordinary Resolution.

Accordingly, the Manager proposes to seek the necessary Unitholders' approval as required for (a) Expanded Investment Scope regarding Geographical Scope together with Geographical Scope Amendments; (b) Expanded Investment Scope regarding Property Development and Related Activities together with Property Development Amendments; and (c) Expanded Investment Scope regarding Relevant Investments together with Relevant Investments Amendments, by way of Extraordinary Resolutions to be proposed at the EGM.

Clause 28 of the Trust Deed provides that no modification, alteration or addition to the Trust Deed shall impose upon any Unitholder any obligation to make any further payments in respect of his Units or to accept any liability in respect thereof and, save for certain limited exceptions as certified by the Trustee in writing, must be made with the sanction of an Extraordinary Resolution. It is also a condition of the authorisation of Fortune REIT by the SFC under section 104 of the SFO that the Manager must ensure that no material changes will be made to the Trust Deed except with the prior approval of the SFC.

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3.7 Recommendation

The Board considers that (a) Expanded Investment Scope Regarding Geographical Scope together with Geographical Scope Amendments; (b) Expanded Investment Scope regarding Property Development and Related Activities together with Property Development Amendments; and (c) Expanded Investment Scope regarding Relevant Investments together with Relevant Investments Amendments set out in the section headed "*Proposed Expansion of the Scope of the Investment Policy of Fortune REIT and Related Amendments to the Trust Deed and Miscellaneous Amendments*" in the "*Letter to the Unitholders*" of this Circular are in the interests of Fortune REIT and the Unitholders as a whole. Accordingly, the Board recommends all Unitholders to vote in favour of Extraordinary Resolutions nos. 1 to 3 relating to, among other things, such investment scope expansion and amendments to the Trust Deed to be proposed at the EGM.

Based and in sole reliance on the information provided by, and assurances from, the Manager, and the opinion of the Board, the Trustee, having taken into account its duties set out in the Trust Deed and the REIT Code, has no objection to the Manager submitting (a) the Expanded Investment Scope regarding Geographical Scope together with Geographical Scope Amendments; (b) the Expanded Investment Scope regarding Property Development and Related Activities together with Property Development Amendments; and (c) the Expanded Investment Scope regarding Relevant Investments together with Relevant Investments Amendments for Unitholders' approval (collectively, the "**Proposed Expanded Investment Scope**" and/or "**Corresponding Trust Deed Amendments**") as set out in this Circular. The Trustee confirms that the Proposed Expanded Investment Scope and/or Corresponding Trust Deed Amendments comply with the REIT Code (including the Practice Note on Overseas Investments by SFC-authorized REITs).

The Trustee's view is not to be taken as a recommendation or representation by the Trustee of the commercial merits of the Proposed Expanded Investment Scope nor the Corresponding Trust Deed Amendments. The Trustee has not made any assessment of the commercial merits of the Proposed Expanded Investment Scope and/or Corresponding Trust Deed Amendments, 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 Unitholders, including those who are in any doubt as to the merits or impact of the Proposed Expanded Investment Scope and/or Corresponding Trust Deed Amendments, to seek their own financial or other professional advice.

3.8 Miscellaneous Amendments to the Trust Deed

To enhance the clarity and consistency of the provisions in the Trust Deed, the Manager proposes to effect the Miscellaneous Amendments, which include some minor corrections and amendments to the Trust Deed and do not require Unitholders' approval under Clause 28 of the Trust Deed and paragraph 9.6 of the REIT Code.

Pursuant to Clause 28 of the Trust Deed and paragraph 9.6 of the REIT Code, no specific approval from Unitholders is required for the Miscellaneous Amendments, provided that the Trustee certifies that in its opinion such amendments does not materially prejudice the interests of the Unitholders, and does not operate to release to any material extent the Trustee or the Manager from any responsibility to the Unitholders and does not increase the costs and charges payable from the property of Fortune REIT. The Trustee has provided the relevant certification to effect such amendments.

Full text of the Miscellaneous Amendments are set out in Section IV of Appendix A to this Circular.

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4. ENDORSEMENT OF RELEVANT DIRECTORS' APPOINTMENTS

The Manager, as a holder of a capital markets service license for REIT management in Singapore, is required by the Monetary Authority of Singapore to comply with the enhanced board independence requirements in relation to the board composition of the Manager (the “**Enhanced Independence Requirements**”). Under the Enhanced Independence Requirements, the Manager’s Board is required to either comprise at least half independent directors, or at least one-third independent directors if Unitholders are given the right to appoint the directors of the Manager. The Manager’s Board comprises four independent directors, namely Mr. Chui Sing Loi (alias Tsui Sing Loi), Ms. Cheng Ai Phing, Ms. Yeo Annie (alias Yeo May Ann) and Ms. Koh Poh Wah, constituting more than one-third of the Board.

To comply with the Enhanced Independence Requirements, a Deed of Undertaking (“**Undertaking**”) has been entered into between ARA Asset Management Limited, the sole shareholder of the Manager (“**ARA**”) and the Trustee which will give the Unitholders the right to endorse the appointment of the relevant Directors as prescribed in the Undertaking (set out below), by way of an Ordinary Resolution at the relevant general meeting.

Pursuant to the Undertaking, ARA will undertake to the Trustee:

- (a) to procure the Manager to include in the agenda for each annual general meeting of Unitholders (commencing from the annual general meeting to be held in 2017), the resolutions to endorse (or re-endorse) the appointment of at least one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest one-third), where the Directors whose appointments are put forth for endorsement shall be (i) those who will be re-elected under the Constitution of the Manager and/or (ii) pursuant to sub-paragraph (b) below, those who are newly appointed as Directors;
- (b) (where, at any time, a person is newly appointed as Director) to procure the Manager to seek Unitholders’ endorsement for his appointment as a Director at the next annual general meeting of Fortune REIT immediately following his appointment; and
- (c) to procure any person whose appointment as a Director was not endorsed or re-endorsed (as the case may be) by the Unitholders at the relevant general meeting of Fortune REIT where the endorsement or re-endorsement (as the case may be) for his appointment was sought, either (i) to resign or otherwise be removed from the board of directors of the Manager within 60 days from the date of the relevant general meeting or (ii) in the event that the board of directors of the Manager determines that a replacement Director has to be appointed, no later than the date when such replacement Director is appointed and the regulatory approval for such appointment (if any) has been obtained, which appointment shall take place as soon as reasonably practicable after the relevant general meeting.

If the appointment of the director is not endorsed, ARA will procure the director to resign or otherwise be removed from the Board within 60 days from the date of the relevant general meeting or if the Manager determines that a replacement director has to be appointed, subject to the regulatory approval (if any), the appointment of the replacement director shall take place as soon as reasonably practicable after the relevant general meeting. Newly appointed directors shall be put up for endorsement in the next annual general meeting.

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Subject to the endorsement mechanism as set out above, the Undertaking shall not restrict the Manager or ARA from appointing any Director from time to time in accordance with applicable laws and regulations (including any applicable rule of SGX-ST) and the constitution of the Manager.

The Undertaking shall remain in force until the earlier of:

- (a) ARA ceasing to be the holding company (as defined in the Companies Act of Singapore, Cap. 50) of the Manager; and
- (b) either party giving notice in writing to terminate the Undertaking to the other party not less than one month in advance of the termination.

The appointment of Dr. Chiu Kwok Hung, Justin, Mr. Lim Hwee Chiang, Mr. Ma Lai Chee, Gerald and Ms. Koh Poh Wah will be put forth for endorsement and/or re-endorsement by the Unitholders at the AGM. The Manager has received confirmations from Ms. Koh Poh Wah that she has satisfied the independence criteria set out in the Compliance Manual, and accordingly the Board is of the view that Ms. Koh Poh Wah will continue to meet the independence requirements for acting as an INED. Detailed information on these Directors (including their current directorships in other listed companies and details of other principal commitments) are set out in Appendix B to this Circular.

In addition to the Directors who are not subject to endorsement by Unitholders at the coming AGM, upon endorsement, Dr. Chiu Kwok Hung, Justin, Mr. Lim Hwee Chiang, Mr. Ma Lai Chee, Gerald and Ms. Koh Poh Wah will continue to serve on the Board. Dr. Chiu Kwok Hung, Justin, Mr. Lim Hwee Chiang and Mr. Ma Lai Chee, Gerald will continue to serve as Non-Executive Directors; Ms. Koh Poh Wah will continue to serve as an INED.

5. PROPOSED UNIT BUY-BACK MANDATE

5.1 Unit Buy-back Mandate

The Manager wishes to seek the approval of the Unitholders by way of Ordinary Resolution at the AGM to grant the Unit Buy-back Mandate to the Manager for the buy-back of Units for and on behalf of Fortune REIT effected on the SEHK and/or SGX-ST.

The Unit Buy-back Mandate, if approved by Unitholders, will be in force for the period commencing from the date of the AGM 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

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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.

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.

5.2 Requirements under the SGX-ST Listing Manual

Pursuant to Fortune REIT's secondary listing on the SGX-ST, Rule 210(1)(b)(i) of the Listing Manual requires Fortune REIT to ensure that there are at least 500 Unitholders worldwide.

5.3 Implications under the applicable rules in Hong Kong

5.3.1 Explanatory Statement

The Explanatory Statement in connection with the Unit Buy-back Mandate is set out in 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.

5.3.2 Approval Required

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

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 AGM and the result of the poll shall be deemed to be the resolution of the meeting.

5.3.3 Restrictions on Voting

Pursuant to 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.

LETTER TO THE UNITHOLDERS

As at the Latest Practicable Date, 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 AGM on such Ordinary Resolution.

5.3.4 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 best interests of Fortune REIT and the Unitholders as a whole and accordingly recommend that Unitholders vote at the AGM in favour of the proposed Unit Buy-back Mandate.

6. 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 AGM (on the assumption that their voting rights will not change between the Latest Practicable Date and the date of the AGM), the direct and deemed interests and voting rights of the Director who has interest in the Units and the substantial Unitholders are as follows:–

Name	Direct interest		Deemed interest	
	Number of Units Held Long Position	Percentage of Unit Holdings	Number of Units Held Long Position	Percentage of Unit Holdings
Director				
Lim Hwee Chiang ¹	1,000,000	0.05%	2,100,000	0.11%

Note:

- 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 is the settlor of JL Charitable Settlement which is the beneficiary of JL Philanthropy Ltd.

Name	Direct interest		Deemed interest	
	Number of Units Held Long Position	Percentage of Unit Holdings	Number of Units Held Long Position	Percentage of Unit Holdings
Focus Eagle ¹	413,074,684	21.58%	–	–
CK Asset	–	–	525,630,684	27.46%
Schroders Plc ²	–	–	227,613,698	11.89%
Ballston Profits Limited ¹	112,556,000	5.88%	–	–

LETTER TO THE UNITHOLDERS

Notes:

1. Focus Eagle and Ballston Profits Limited were indirect wholly-owned subsidiaries of CK Asset (formerly known as Cheung Kong Property Holdings Limited). Therefore, CK Asset was deemed to hold 525,630,684 units, of which:
 - (i) 413,074,684 units were held by Focus Eagle; and
 - (ii) 112,556,000 units were held by Ballston Profits Limited.
2. Schroders Plc was deemed to be interested in 227,613,698 units of which:
 - (a) 71,493,400 units were held by Schroder Investment Management Limited;
 - (b) 71,582,000 units were held by Schroder Investment Management (Singapore) Limited;
 - (c) 83,345,000 units were held by Schroder Investment Management (Hong Kong) Limited;
 - (d) 80,000 units were held by Schroders (C.I.) Limited; and
 - (e) 1,113,298 units were held by Schroder & Co (Asia) Limited.

7. ANNUAL GENERAL MEETING AND EXTRAORDINARY GENERAL MEETING

The AGM will be held at 2:30 p.m. on Friday, 27 April 2018, or any adjournment thereof, at Level 5, Hutchison House, 10 Harcourt Road, Central, Hong Kong, for the purpose of considering and, if thought fit, passing, with or without modification, the Ordinary Resolutions set out in the AGM Notice, which is set out on pages N-1 to N-5 of this Circular. The EGM will be held as soon thereafter following the conclusion/adjournment of the AGM on the same day and at the same place, for the purpose of considering and, if thought fit, passing, with or without modification, the Ordinary Resolution and Extraordinary Resolutions set out in the EGM Notice, which is set out on pages N-6 to N-8 of this Circular. Any Unitholder or depositor or proxy who wishes to take part in the said meetings from Singapore, may attend via video conference which shall be held at Crescent 2, Level 2 Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593.

The Register of Unitholders will be closed from Friday, 20 April 2018 to Friday, 27 April 2018 (both days inclusive), during which no transfer of Units will be effected, to determine which Unitholders will qualify to attend and vote at the said meetings. For those Unitholders who are not already on the Register of Unitholders, in order to qualify to attend and vote at the said meetings, all duly completed transfers of Units accompanied by the relevant Unit certificates must be lodged with the Hong Kong Unit Registrar, Computershare Hong Kong Investor Services Limited, at Shop 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for Hong Kong Unitholders), or 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 4:30 p.m. on Thursday, 19 April 2018.

You can vote at the said meetings if you are a Unitholder at the close of business on Thursday, 19 April 2018. You will find enclosed with this Circular the Notices of the said meetings (please refer to pages N-1 to N-8 of this Circular) and the forms of proxy for use for the said meetings respectively.

LETTER TO THE UNITHOLDERS

Your vote is very important. Accordingly, please complete, sign and date the enclosed forms of proxy, whether or not you plan to attend the said meetings in person, in accordance with the instructions printed on the forms of proxy, and return them to: (a) 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); or (b) 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). The forms 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 of (in respect of AGM) the AGM or any adjournment thereof or (in respect of the EGM) the EGM or any adjournment thereof. Completion and return of the forms of proxy will not preclude you from attending and voting in person at the said meetings or any adjournment thereof should you so wish.

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 2017 (being the date to which the latest published audited financial statements of Fortune REIT have been made up).

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.

10. MISCELLANEOUS

The 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.

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 Waiver Extension (including the proposed New Annual Caps), Expanded Investment Scope regarding Geographical Scope together with Geographical Scope Amendments, Expanded Investment Scope regarding Property Development and Related Activities together with Property Development Amendments, Expanded Investment Scope regarding Relevant Investments together with Relevant Investments Amendments, endorsement of relevant Directors' appointments and the Unit Buy-Back Mandate. Fortune REIT Group, the Manager and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading.

LETTER TO THE UNITHOLDERS

A copy of the Trust Deed and the draft third amending and restating Trust Deed proposed to be entered into by the Manager and the Trustee for effecting the proposed amendments to the Trust Deed as described in this Circular are available for inspection at (i) the office of the Manager in Hong Kong at Units 5508-5510, 55th Floor, The Center, 99 Queen's Road Central, Hong Kong, and (ii) the Singapore registered office of the Manager at 6 Temasek Boulevard, #16-02, Suntec Tower Four, Singapore 038986, during normal business hours 9:00 a.m. to 5:00 p.m. (Hong Kong time) ("**Business Hours**") on any day (by prior appointment only) (excluding Saturdays, Sundays, public holidays and days on which a tropical cyclone warning no. 8 or above or a "black" rainstorm warning signal is in effect in Hong Kong at any time during Business Hours) on which licensed banks are open for general business in Hong Kong.

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

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE
IN RELATION TO THE 2018 EXTENDED WAIVER**



FORTUNE REAL ESTATE INVESTMENT TRUST

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

*(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)*

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

Managed by



ARA Asset Management (Fortune) Limited

21 March 2018

To: The Independent Unitholders

Dear Sir or Madam,

**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 Extension (including the proposed New 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 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 Extension (including the proposed New Annual Caps), in particular as to whether the transactions under the 2018 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 Independent Financial Adviser in relation to the 2018 Extended Waiver"*, the text of which is contained in the Circular.

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE
IN RELATION TO THE 2018 EXTENDED WAIVER**

Having taken into account the opinion of the Independent Financial Adviser and the principal factors and reasons considered by them, we concur with the opinion of the Independent Financial Adviser and are satisfied that for purposes of the REIT Code, the Waiver Extension, and the basis for the Waiver Extension (including the proposed New Annual Caps and the basis of arriving at the same) is 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 Continuing Connected Party Transactions subsisting as at, or to be entered into after, the Latest Practicable Date has been/will be: (i) conducted in the ordinary and usual course of business 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 resolution 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)

CHUI Sing Loi (alias Tsui Sing Loi)
Chairman and Independent Non-executive Director

CHENG Ai Phing
Independent Non-executive Director

YEO Annie (alias Yeo May Ann)
Independent Non-executive Director

KOH Poh Wah
Independent Non-executive Director

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
IN RELATION TO THE 2018 EXTENDED WAIVER**

The following is the text of a letter of advice from the 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 2018 Extended Waiver.

BALLAS
C A P I T A L

Unit 1802, 18/F
1 Duddell Street
Central, Hong Kong

21 March 2018

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

Dear Sir or Madam,

**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 Extension (including the proposed New 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 21 March 2018, 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 17 April 2015, an Ordinary Resolution was passed by the Unitholders at the extraordinary general meeting of the Unitholders for approving, among other, the 2015 Waiver for a period of three years up to and including 31 December 2018.

In view of (i) the fact that the Manager expects that the Fortune REIT Group will continue to enter into Continuing Connected Party Transactions with the CK Asset Connected Persons Group and the Manager Group beyond the expiry of the 2015 Waiver; and (ii) the expiry of the 2015 Waiver on 31 December 2018, the Manager proposes to seek Unitholders’ approval, by way of Ordinary Resolution at the EGM to extend the 2015 Waiver to the 2018 Extended Waiver so as to extend the expiry date (being 31 December 2018) of the 2015 Waiver for a further three years to 31 December 2021 and proposed New Annual Caps for the New CPT Waiver Period.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER IN RELATION TO THE 2018 EXTENDED WAIVER

the EGM Notice; and (ii) to 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 Extension (including the proposed New Annual Caps) as set out in the EGM Notice.

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Chui Sing Loi (alias Tsui Sing Loi), Ms. Cheng Ai Phing, Ms. Yeo Annie (alias Yeo May Ann) and Ms. Koh Poh Wah, has been formed to advise the Independent Unitholders in relation to the Waiver Extension (including the proposed New Annual Caps).

We, Ballas Capital Limited ("**Ballas Capital**"), 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 Extension (including the proposed New Annual Caps), in particular as to whether the Continuing Connected Party Transactions under the 2018 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.

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 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER IN RELATION TO THE 2018 EXTENDED WAIVER

INDEPENDENCE DECLARATION

Ms. Heidi Cheng of Ballas Capital, 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 circulars including (i) the circular dated 28 December 2011 in respect of a major acquisition and renewal of connected party transactions and (ii) the circular dated 25 March 2015 in respect of the 2015 Waiver. Notwithstanding the aforesaid past engagement, as at the Latest Practicable Date, Ms. Heidi Cheng and Ms. Cathy Leung of Ballas Capital are not aware of any relationships or interests between Ballas Capital and Fortune REIT or any other parties that could be reasonably regarded as a hindrance to Ballas Capital'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 Extension (including the proposed New Annual Caps).

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background of the Continuing Connected Party Transactions

The 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/licencing transactions have been, or will from time to time be, conducted between the Fortune REIT Group on the one hand, and the CK Asset Connected Persons Group 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 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 CK Asset Connected Persons Group, 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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER IN RELATION TO THE 2018 EXTENDED WAIVER

currently an indirect wholly-owned subsidiary of CK Asset. Under the existing property management agreement (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 members of the CK Asset Connected Persons Group.
- (iii) *Other operational transactions* – 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 CK Asset Connected Persons Group. Furthermore, there may also be situations arising where one or more members of the CK Asset Connected Persons Group 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 CK Asset Connected Persons Group and members of the Fortune REIT Group.

2. Reasons for the extension of the 2015 Waiver and the Continuing Connected Party Transactions

Fortune REIT is a real estate investment trust formed primarily to own and invest in retail malls located in Hong Kong with the primary 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 three years ended 31 December 2014, 2015 and 2016, the Fortune REIT Group’s income from rental-related activities for the three years ended 31 December 2014, 2015 and 2016 amounted to approximately HK\$1,653.7 million, HK\$1,880.4 million and HK\$1,974.5 million, which represented approximately 99.9%, 99.9% and 100.0% of the Fortune REIT Group’s total revenue for the three years ended 31 December 2014, 2015 and 2016, respectively.

The 2015 Waiver granted by the SFC in 2015 was for the period up to 31 December 2018, 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 2018 Extended Waiver is in respect of a period which commences from 1 January 2019 and continues until 31 December 2021, 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER IN RELATION TO THE 2018 EXTENDED WAIVER

The nature and categories of the Continuing Connected Party Transactions under the 2018 Extended Waiver between the Fortune REIT Group and its connected persons (namely, the CK Asset Connected Persons Group and the Manager Group) were in existence even before Fortune REIT's listing on the SEHK, and remain the same as those of the Continuing Connected Party Transactions in respect of the 2015 Waiver.

We have discussed with the Manager to understand that the Manager considers that the entering into of the Continuing Connected Party Transactions is beneficial and provides flexibility to the Fortune REIT Group provided that the 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 Continuing Connected Party Transactions on each and every occasion when they arise.

Having considered that:

- (a) the 2015 Waiver will expire on 31 December 2018 and the purpose of the 2018 Extended Waiver is to replace the 2015 Waiver so that the three-year waiver duration can commence afresh starting on 1 January 2019;
- (b) the leasing/licencing 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 CK Asset Connected Persons Group 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 other operational transactions provided by the CK Asset Connected Persons Group facilitate continuous effective management of the Fortune REIT Group's properties;
- (d) the nature of the Continuing Connected Party Transactions is the same as the Continuing Connected Party Transactions in respect of the 2015 Waiver; and
- (e) the Continuing Connected Party Transactions will continue to give flexibility to the Fortune REIT Group to transact with the CK Asset 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 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 extend the 2015 Waiver for a three-year period from 1 January 2019 to 31 December 2021.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER IN RELATION TO THE 2018 EXTENDED WAIVER

3. Major terms of the Continuing Connected Party Transactions

(a) Revenue CCTs

Under the 2015 Waiver and the REIT Code, all connected leasing/licencing 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/licencing 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 CK Asset Connected Persons Group and the Manager Group (collectively, the "**Leasing Connected Parties**"). The Manager confirmed that such leasing/licencing 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.

Our work done

We have obtained from the Manager a schedule of all leasing/licencing transactions in effect for the year ended 31 December 2017 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 an independent property 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 an independent property 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 an independent valuer to evaluate the fairness of rental rates. Furthermore, we also obtained from the Manager the relevant leasing agreements for similar leasing/licencing 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 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 2015 Waiver and the Continuing Connected Party Transactions" above, we are of the view that the leasing/licencing 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.

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
IN RELATION TO THE 2018 EXTENDED WAIVER**

Furthermore, based on our review of sample documents as stated above, and the aforesaid relevant internal control procedures (which include the appointment of an independent property valuer to evaluate the fairness of rental rates of every connected leasing/licencing transactions before they are 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/licencing 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 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 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER IN RELATION TO THE 2018 EXTENDED WAIVER

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. According to the Manager, the Property Management Agreement will be further extended upon expiry in August 2018 and an independent assessment will be conducted on the property management fee and commission rates before the extension according to the internal control procedures. 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 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 CK Asset Connected Persons Group and independent third parties. In respect of the third party services for the year ended 31 December 2017, we have obtained a sample from the Manager and noted that quotations from independent third parties and the CK Asset Connected Persons Group were obtained and compared before the entering into the third party service contract. The terms offered by the CK Asset Connected Persons Group were no less favourable to Fortune REIT than terms available from independent third 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 2015 Waiver and the Continuing Connected Party Transactions" above, we are of the view that the property management and third party services carried out with the CK Asset 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

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(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 CK Asset 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) Other operational transactions

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 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 2018 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 New Annual Caps

The historical transaction amounts under the 2015 Waiver and the proposed New Annual Caps under the 2018 Extended Waiver are summarized as follows:

		Historical Transaction Amount			Proposed New Annual Caps under the 2018 Extended Waiver		
		FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue CCTs	Connected Person						
Leasing/ licencing transactions	CK Asset Connected Persons Group	245,865	249,864	N/A ⁽¹⁾	972,000	972,000	972,000
Leasing/ Licencing transactions	Manager Group	815	844	N/A ⁽¹⁾	15,200	15,200	15,200

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		Historical Transaction Amount			Proposed New Annual Caps under the 2018 Extended Waiver		
		FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Expenditure CCTs							
Property management arrangements, third party services and other operational transactions	CK Asset Connected Persons Group	84,088	93,609	N/A ⁽¹⁾	502,000	527,000	553,000

Note:

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

(a) *Revenue CCTs*

In respect of the leasing/licencing transactions conducted with the CK Asset Connected Persons Group (the "CK Asset Connected Persons Group Leasing/Licencing CCTs")

According to the Manager, in determining the proposed New Annual caps for the CK Asset Connected Persons Group Leasing/Licencing CCTs for each of the three years ending 31 December 2019, 2020 and 2021, Fortune REIT has decided to remain the same amount of the annual cap for the immediately preceding financial year after taking into account: (i) the historical transaction amount; (ii) the lease expiry profile; and (iii) the possible new leases and licenses which CK Asset Connected Persons Group may enter into with the Fortune REIT Group during the New CPT Waiver Period. We have obtained from the Manager a schedule of existing leases with CK Asset Connected Persons Group with details including commencement and expiry date, monthly rental and other charges of the relevant leases. We noted from such schedule that most of the existing leases will expire during or after 2019 and the Manager assumed a 10% increment on monthly rental and 5% increment on other charges upon expiry of the relevant leases in view of the expected increase in rental and inflation. We are of the view that the aforesaid increment assumption of the Manager is fair and reasonable, taking into account (i) the Fortune REIT Group's rental reversion of 14.0% from renewals for the year ended 31 December 2016 as disclosed in its published annual report; (ii) the historical growth in average monthly rent in the retail property sector in Hong Kong and the historical inflation rate (as detailed below); and (iii) that necessary buffer is required to cater for the volatility of property rental values.

The proposed New Annual Caps for the CK Asset Connected Persons Group Leasing/Licencing CCTs remain unchanged for the three years ending 31 December 2019, 2020 and 2021 under the 2018 Extended Waiver at HK\$972 million. Despite the historical transaction amount for the CK Asset Connected Persons Group being only approximately HK\$246 million and HK\$250 million for each of the two years ended 31 December 2016 and 2017, we understand from the Manager that it is expected that the approval on the CK Asset Connected Persons Group Leasing/Licencing CCTs is required in order to provide

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the flexibility for contingencies when more leases/licences are entered into with the CK Asset Connected Persons Group during the New CPT Waiver Period. Furthermore, according to the Manager, Fortune REIT Group remained dedicated to achieving long-term growth by seeking acquisition opportunities and there may be an increase in CK Asset Connected Persons Group Leasing/Licencing CCTs upon property investments and acquisitions by Fortune REIT Group. We consider such flexibility is fair and reasonable and beneficial to Fortune REIT as it allows Fortune REIT to increase its lease/licence revenue by leasing/licencing its properties to an additional party, namely the CK Asset Connected Persons Group, when the right opportunity arises.

We note that according to the Fortune REIT Group's published annual reports, the 5-year compound annual growth rate ("**CAGR**") of the Fortune REIT Group's rental-related revenue from 2012-2016, is approximately 12.2%. We have also reviewed statistics from the Rating and Valuation Department of the Government of Hong Kong and noted that the average monthly rent in the retail property sector increased from approximately HK\$1,161 per square metre ("**m²**") in 2013 to approximately HK\$1,330 per m² in 2017 at the New Territories district in Hong Kong, representing a CAGR of approximately 3.4%. The New Territories is the district where most of the Fortune REIT Group's properties are located, accounting for 75% of the total gross rentable area of the Fortune REIT Group for the year ended 31 December 2016.

Having considered the above, we are of the view that the basis in determining the proposed New Annual Caps for the CK Asset Connected Persons Group Leasing/Licencing CCTs for each of the three years ending 31 December 2019, 2020 and 2021 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/licencing transactions conducted with the Manager Group (the "**Manager Leasing/Licencing CCTs**")*

The proposed New Annual Caps for the Manager Leasing/Licencing CCTs remain unchanged for the three years ending 31 December 2019, 2020 and 2021 under the 2018 Extended Waiver at HK\$15.2 million. Although the historical transaction amount 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/Licencing 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 when the right opportunity arises. We consider such flexibility is fair and reasonable and beneficial to Fortune REIT as it allows Fortune REIT to increase its lease/licence revenue by leasing/licencing 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 New Annual Caps for the Manager Leasing/Licencing CCTs for each of the three years ending 31 December 2019, 2020 and 2021 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.

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(b) Expenditure CCTs

According to the Manager, the proposed New Annual Caps for the Expenditure CCTs for each of the three years ending 31 December 2019, 2020 and 2021 have been determined by applying a 5% 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 5% 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 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 management service fees.

In respect of the Expenditure CCTs, we have obtained from the Manager a schedule for the relevant proposed New Annual Caps, and understand from the Manager that the proposed New Annual Caps for the Expenditure CCTs mainly represent property management fees, third party services fees and other operational transactions fees to be paid to the CK Asset Connected Persons Group. 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. In relation to the inflation rate in Hong Kong, we have reviewed statistics from the Census and Statistics Department of Hong Kong and noted that during the last 5 years from 2012 to 2016, the average annual inflation rate (as measured by the composite consumer price index) is approximately 3.6%. Thus, we believe a 5% increment factor applied by the Manager on the proposed New Annual Caps for the Expenditure CCTs is justifiable.

Having considered the above, we are of the view that the basis in determining the proposed New Annual Caps for the Expenditure CCTs for each of the three years ending 31 December 2019, 2020 and 2021 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 of the 2018 Extended Waiver

The Manager undertakes that it will continue to comply with the waiver conditions of the 2018 Extended Waiver subject to the Unitholders' approval of the Waiver Extension and the proposed New Annual Caps as described above. The waiver conditions of the 2018 Extended Waiver will be as follows:

(a) Due approval by Independent Unitholders

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

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(b) Waiver Period

The 2018 Extended Waiver will extend the 2015 Waiver and will commence from 1 January 2019 and continue until 31 December 2021.

(c) Modification or Extension

The 2018 Extended Waiver may be extended beyond the New CPT Waiver Period, and/or the terms and conditions of the 2018 Extended Waiver may be modified from time to time, provided that:

- (i) 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;
- (ii) 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
- (iii) Extension period – any extension of the period of the 2018 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 2018 Extended Waiver (including without limitation the scope or nature of the transactions) as set out in the Circular for Waiver Extension based on which the waiver is sought and granted must be approved by the Independent Unitholders as referred to in paragraph (i) above and details of the proposed changes shall be disclosed in the manner as referred to in paragraph (ii) above.

(d) Annual caps

In any relevant financial year, the annual value of the Continuing Connected Party Transactions shall not exceed the respective New Annual Caps stated in the section 2.4 headed "2018 Extended Waiver and the proposed New 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.

(e) Disclosure in Interim and Annual Reports

Details of the 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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(f) 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 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 Continuing Connected Party Transactions:

- (i) have received the approval of the Board of the Manager (including its INEDs);
- (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.

(g) Review by the INEDs

The INEDs shall review the 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.

(h) 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.

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(i) *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 INEDs will not be able to confirm the matters set out in sections 2.7.6 headed "Auditors' Review Procedures" and 2.7.7 headed "Review by the INEDs" to this Circular respectively.

(j) *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 New 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 described above shall continue to apply to the relevant transactions, save that the relevant increased annual cap amounts will apply.

(k) *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 Continuing Connected Party Transactions and safeguard the interest of the Unitholders.

RECOMMENDATION

Having considered the aforesaid principal factors and reasons, we consider that for the purposes of the REIT Code, the Waiver Extension and the basis for the Waiver Extension (including the proposed New 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 each of the Continuing Connected Party Transactions subsisting as at, or to be entered into after, the Latest Practicable Date has been/will be (i) conducted in the ordinary and usual course of business of Fortune REIT and consistent with the

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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
Ballas Capital Limited

Heidi Cheng
Managing Director
Investment Banking

Cathy Leung
Associate Director
Investment Banking

Note: *Ms. Heidi Cheng of Ballas Capital Limited has been a responsible officer of Type 6 (advising on corporate finance) regulated activities since 2003, and Ms. Cathy Leung of Ballas Capital Limited has been a licensed representative of Type 6 (advising on corporate finance) regulated activities since 2009.*

(I) PROPOSED GEOGRAPHICAL SCOPE AMENDMENTS

(Please refer to Extraordinary Resolution no. 1)

The Manager proposes to seek Unitholders' approval to make the amendments to the Trust Deed of which the full text or extract of the relevant clauses are reproduced in this Appendix A, with the proposed insertions and deletions indicated by, respectively, the underlined text and the strikethrough text below. All capitalised terms in the proposed Trust Deed 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.

1. Clause 10.2.2 of the Trust Deed be amended as follows:

"Subject to the provisions of this Deed, the ~~Manager's~~ investment policy and objective of the Trust is the following:

...

10.2.2... the ~~Manager's~~ principal investment policy ~~in respect~~ of the Trust is for the Trustee to invest in Real Estate in any part of the world ~~Hong Kong~~...;

..."

2. Clause 10.2.5 be amended as follows:-

"Subject to the provisions of this Deed, the ~~Manager's~~ investment policy and objective of the Trust is the following:

...

10.2.5 ~~subject to Clause 10.2.4,~~ the Manager must in determining the investment strategy of the Trust from time to time and in exercising its powers and fulfilling its duties in relation to the investment of the Deposited Property ensure that the Trust is reasonably diversified in terms of the type(s) of Real Estate and/or the number of Real Estate Investments, taking into account the size of the Trust, the ~~Manager's~~ investment policy and prevailing investment strategy *of the Trust*, and the prevailing market conditions. In the event that the ~~Manager's~~ prevailing investment strategy *of the Trust* is not to have a diversified portfolio of Real Estate, the Manager must ensure that the then current Offering Circular issued by the Manager in respect of the Trust contains adequate disclosure of that fact. Any determination of the investment strategy must comply with the REIT Code; and

..."

(Note: Language in italic font above is part of the Miscellaneous Amendments which do not require Unitholders' approval.)

(II) PROPOSED PROPERTY DEVELOPMENT AMENDMENTS

(Please refer to Extraordinary Resolution no. 2)

The Manager proposes to seek Unitholders' approval to make the amendments to the Trust Deed of which the full text or extract of the relevant clauses are reproduced in this Appendix A, with the proposed insertions and deletions indicated by, respectively, the underlined text and the strikethrough text below. All capitalised terms in the proposed Trust Deed 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.

1. A new definition of "10% GAV Cap" be inserted in alphabetical order under Clause 1.1 of the Trust Deed as follows:

"**10% GAV Cap**" means 10% of the gross asset value of the Deposited Property, being the limit of the Aggregate Development Costs;"

2. A new definition of "Aggregate Development Costs" be inserted in alphabetical order under Clause 1.1 of the Trust Deed as follows:

"**Aggregate Development Costs**" means the aggregate Property Development Costs of all subsisting Property Development and Related Activities, together with the aggregate contract value of the uncompleted units of real estate acquired by the Trust (for this purpose, investment in Property Development and Related Activities shall not include refurbishment, retrofitting and renovations);"

3. The definition of "Authorised Investments" under Clause 1.1 of the Trust Deed be amended as follows:

"**Authorised Investments**" means... (ii) any improvement or extension of or addition to or reconstruction or renovation or other development of any Real Estate (including Property Development and Related Activities)...;"

4. The definition of "REIT Code Authorised Investments" under Clause 1.1 of the Trust Deed be amended as follows:

"**REIT Code Authorised Investments**" means... (ii) any improvement or extension of or addition to or reconstruction or renovation or other development of any Real Estate (including Property Development and Related Activities)..."

5. A new definition of "Property Development and Related Activities" be inserted in alphabetical order under Clause 1.1 of the Trust Deed as follows:

"**Property Development and Related Activities**" means the acquisition of uncompleted units in a building by the Trust and property developments (including both new development projects and re-development of existing properties) undertaken in accordance with the REIT Code and the CIS code;"

6. A new definition of "Property Development Costs" be inserted in alphabetical order under Clause 1.1 of the Trust Deed as follows:

"Property Development Costs" means the total project costs borne and to be borne by the Trust in relation to a property development project, inclusive of all costs associated with such project, including, where applicable, the costs for the acquisition of land, development or construction costs and financing costs;"

7. Clauses 10.2.1 and 10.2.2 of the Trust Deed be amended as follows:

"Subject to the provisions of this Deed, the *Manager's* investment policy and objective of the Trust is the following:

10.2.1 the Trust is established to invest in Real Estate by way of shareholding in Special Purpose Vehicles which are unlisted corporations, each of whose primary purpose is to hold or own Real Estate, or by direct ownership of Real Estate, and the Manager may only invest in Real Estate and other Authorised Investments and must manage the Deposited Property so that the principal investments at least 75% of the gross asset value of the Trust are shall be invested in Real Estate that generates recurrent rental income at all times;

10.2.2 without limiting the generality of Clause 10.2.1, the *Manager's* principal investment policy ~~in respect~~ of the Trust is for the Trustee to invest in Real Estate in [any part of the world ~~Hong Kong~~]. Such Real Estate shall generally be income-producing. The investment strategy of the Trust shall be determined by the Manager from time to time at its absolute discretion;

(Note: Square bracketed language above will be reinstated if Extraordinary Resolution no. 1 is not passed at the EGM. Language in italic font above is part of the Miscellaneous Amendments which do not require Unitholders' approval.)

8. A new Clause 10.2.3 be inserted immediately after Clause 10.2.2 of the Trust Deed as follows and the original Clauses 10.2.3 and 10.2.4 be re-numbered as Clauses 10.2.4 and 10.2.5 respectively:

"10.2.3 the Manager may engage or participate in Property Development and Related Activities, including the acquisition of uncompleted units in a building which is unoccupied and non-income producing or in the course of substantial development, redevelopment or refurbishment, provided that the Aggregate Development Costs shall not exceed the 10% GAV Cap at any time;"

9. A new Clause 10.2.3A be inserted immediately after Clause 10.2.3 of the Trust Deed as follows:

"10.2.3A for the purpose of calculating the denominator to be used for the purpose of the 10% GAV Cap, the "gross asset value of the Deposited Property" shall be determined in accordance with the following formula:

"gross asset value of the Deposited Property" = GAV – D ± V – DRI

where:

<u>GAV</u>	≡	<u>the total assets as shown in the Trust's latest published accounts;</u>
<u>D</u>	≡	<u>the amount of any distribution proposed in the Trust's latest published accounts and any distribution declared since the issuance of the Trust's latest published accounts;</u>
<u>V</u>	≡	<u>the change (if any) in the Approved Valuer's determination of the value of the Trust's Real Estate, based on its valuation report(s) published subsequent to the Trust's latest published accounts; and</u>
<u>DRI</u>	≡	<u>the value of any investments in properties under development (which for the avoidance of doubt, shall not include the value of existing properties undergoing redevelopment);"</u>

10. Clause 10.3.3 of the Trust Deed be amended as follows:

"Further, for as long as the Trust is a SFC-Authorised REIT, the Manager shall ensure that the following investment restrictions are complied with:

...

- (iii) the Trust shall not invest in vacant land or engage or participate in any property development activities (excluding, for the avoidance of doubt, refurbishment, retrofitting and renovations); unless such investment is part-and-parcel of the Property Development and Related Activities undertaken in accordance with Clause 10.2.3 and within the investment objective or policy of the Trust;

...

- (v) ...; and

- (vi) the Trust shall hold each Investment (which is in the nature of a Real Estate or shares in any Special Purpose Vehicle holding interest in a Real Estate) for a period of at least two years from the Acquisition Date, or in the case of any such Investments on which the Property Development and Related Activities have been undertaken by the Trust, for a period of at least two years from the completion of such Property Development and Related Activities, unless the Manager has clearly communicated to the Holders the rationale for disposal prior to the expiry of such two-year period and the Holders approve the disposal of such Investment by Extraordinary Resolution at a meeting to be convened by the Manager in accordance with Schedule 1;

..."

11. Clause 27.1.4(iii) of the Trust Deed be amended as follows:

"27.1.4 The Manager shall issue a circular to Holders in respect of transactions that, pursuant to the REIT Code (or in the reasonable opinion of the Trustee or the Manager), require Holders' approval, including:

...

- (iii) entering into a disposal of Real Estate within a period of less than two years from the Acquisition Date, (or in the case of which Property Development and Related Activities have been undertaken by the Trust, from the date that such Property Development and Related Activities in respect of the Real Estate are completed);

..."

(III) PROPOSED RELEVANT INVESTMENTS AMENDMENTS

(Please refer to Extraordinary Resolution no. 3)

The Manager proposes to seek Unitholders' approval to make the amendments to the Trust Deed of which the full text or extract of the relevant clauses are reproduced in this Appendix A, with the proposed insertions and deletions indicated by, respectively, the underlined text and the strikethrough text below. All capitalised terms in the proposed Trust Deed 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.

1. The definition of "Authorised Investments" under Clause 1.1 of the Trust Deed be amended and a new sub-clause (iii) be inserted immediately after sub-clause (ii) and the original sub-clause (viii) be amended as follows and the original sub-clauses (iii), (iv), (v), (vi), (vii) and (viii) be re-numbered as sub-clauses (iv), (v), (vi), (vii), (viii) and (ix) respectively:

"Authorised Investments" means ...

...

(iii) Relevant Investments;

...

~~(viii)~~ (ix) any other investment not covered by paragraphs (i) to ~~(vii)~~ (viii) of this definition..."

2. The definition of "REIT Code Authorised Investments" under Clause 1.1 of the Trust Deed be amended and a new sub-clause (iii) be inserted immediately after sub-clause (ii) and the original sub-clause (vi) be amended as follows and the original sub-clauses (iii), (iv), (v) and (vi) be re-numbered as sub-clauses (iv), (v), (vi) and (vii) respectively:

"REIT Code Authorised Investments" means ...

...

(iii) Relevant Investments;

...

~~(vi)~~ (vii) investments in relation to arrangements for the purposes of enhancing the return on, or reducing the risks associated with, the Authorised Investments contemplated by paragraphs (i), (ii), (iii), (iv), ~~and~~ (v) and (vi) of this definition..."

3. A new definition of "Relevant Investments" be inserted in alphabetical order under Clause 1.1 of the Trust Deed as follows:

"**Relevant Investments**" means the following financial instruments: (i) securities listed on the SEHK or other internationally recognised stock exchanges; (ii) unlisted debt securities; (iii) government and other public securities; and (iv) local or overseas property funds;"

4. If Extraordinary Resolution no. 2 is passed at the EGM, a new Clause 10.2.4 be inserted immediately after the new Clause 10.2.3A of the Trust Deed as follows, and the original Clauses 10.2.3 and 10.2.4 be re-numbered as Clauses 10.2.5 and 10.2.6 respectively:

"10.2 Investment of the Trust

Subject to the provisions of this Deed, the *Manager's* investment policy and objective of the Trust is the following:

...

10.2.4 subject to the restrictions and requirements of the REIT Code, the CIS code and the provisions of Clause 10.3, the Manager may invest in Relevant Investments; ..."

OR

if Extraordinary Resolution no. 2 is not passed at the EGM, a new Clause 10.2.3 be inserted immediately after Clause 10.2.2 of the Trust Deed as follows, and the original Clauses 10.2.3 and 10.2.4 be re-numbered as Clauses 10.2.4 and 10.2.5 respectively:

"10.2 Investment of the Trust

Subject to the provisions of this Deed, the *Manager's* investment policy and objective of the Trust is the following:

...

10.2.3 subject to the restrictions and requirements of the REIT Code, the CIS Code and the provisions of Clause 10.3, the Manager may invest in Relevant Investments; ..."

(Note: Language in italic font above is part of the Miscellaneous Amendments which do not require Unitholders' approval.)

5. Clause 6.1.7 of the Trust Deed be amended as follows:

"6.1 Valuation of Investments

The Value of an Authorised Investment at any given date means

...

- 6.1.7 (in the case of Investments falling within any paragraph of the definition of "**Authorised Investment**" which are Relevant Investments and to which Clauses 6.1.1 to 6.1.6 are not applicable, or are-is in the nature of derivative instruments used for hedging or efficient portfolio management purposes), the Value of such an Investment shall be determined by the Manager, subject to the approval of the Trustee, and shall be calculated as follows:

...

- (ii) where there is no stock exchange, commodities exchange, futures exchange or over-the-counter market, all calculations based on the value of investments quoted by any person, firm or institution making a market in such investments (and if there is more than one such market maker, then such market maker as the Manager shall designate) shall be conducted in accordance with IFRS~~by reference to the mean of the latest bid and offered price quoted thereon provided that the Manager may, with the approval of the Trustee, or the Trustee itself may, request a revaluation of any such investments to be made by any such professional person as the Manager may consider, with the approval of the Trustee, to be qualified to value such investments,~~

..."

6. Two new sub-clauses (vii) and (viii) be inserted immediately after sub-clause (vi) under Clause 10.3.3 of the Trust Deed as follows:

"...

- (vii) the value of the Trust's holding of the Relevant Investments issued by any single group of companies shall not exceed the maximum limit of the gross asset value of the Trust (as set out in the REIT Code) at any time; and

- (viii) the combined value of the Relevant Investments held by the Trust, together with other non-real estate assets of the Trust[, when aggregated with the Aggregate Development Costs,] shall not exceed 25% of the gross asset value of the Trust at any time. For such purpose, hedging instruments for genuine hedging purpose as well as real estate related assets (e.g. plant and equipment), included as part of the Real Estate of the Trust in its valuation and financial statements shall be disregarded as "other non-real estate assets" above."

(Note: Square bracketed language above will be deleted if Extraordinary Resolution no. 2 is not passed at the EGM.)

7. Clauses 10.2.1 and 10.2.2 of the Trust Deed be amended as follows:

"10.2.1 the Trust is established to invest in Real Estate by way of shareholding in Special Purpose Vehicles which are unlisted corporations, each of whose primary purpose is to hold or own Real Estate, or by direct ownership of Real Estate, and the Manager may only invest in Real Estate and other Authorised Investments and must manage the Deposited Property so that ~~the principal investments at least 75% of the gross asset value~~ of the Trust are shall be invested in Real Estate that generates recurrent rental income at all times;

10.2.2 without limiting the generality of Clause 10.2.1, the *Manager's* principal investment policy ~~in respect~~ of the Trust is for the Trustee to invest in Real Estate in [any part of the world ~~Hong Kong~~]. Such Real Estate shall generally be income-producing. The investment strategy of the Trust shall be determined by the Manager from time to time at its absolute discretion;

(Note: Square bracketed language above will be reinstated if Extraordinary Resolution no. 1 is not passed at the EGM. Language in italic font above is part of the Miscellaneous Amendments which do not require Unitholders' approval.)

..."

(IV) MISCELLANEOUS AMENDMENTS

The Manager proposes to make the amendments to the Trust Deed which do not require Unitholders' approval and of which the full text or extract of the relevant clauses are reproduced in this Appendix A, with the proposed insertions and deletions indicated by, respectively, the underlined text and the strikethrough text below. All capitalised terms in the proposed Trust Deed 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.

1. Clause 10.2 be amended as follows:-

"10.2 Investment of the Trust

Subject to the provisions of this Deed, the *Manager's* investment policy and objective of the Trust is the following:

...

10.2.2 ...the *Manager's* principal investment policy ~~in respect~~ of the Trust is for the Trustee to invest in...

...

10.2.5 [~~subject to Clause 10.2.4,~~] the Manager must in determining the investment strategy of the Trust from time to time and in exercising its powers and fulfilling its duties in relation to the investment of the

Deposited Property ensure that the Trust is reasonably diversified in terms of the type(s) of Real Estate and/or the number of Real Estate Investments, taking into account the size of the Trust, the ~~Manager's~~ investment policy and prevailing investment strategy of the Trust, and the prevailing market conditions. In the event that the ~~Manager's~~ prevailing investment strategy of the Trust is not to have a diversified portfolio of Real Estate, the Manager must ensure that the then current Offering Circular issued by the Manager in respect of the Trust contains adequate disclosure of that fact[. Any determination of the investment strategy must comply with the REIT Code]; and

10.2.6 subject to compliance with the applicable Rules, the Manager may from time to time change ~~its~~ the investment policies ~~for~~ of the Trust so long as:

..."

(Note: Square bracketed language above will be reinstated if Extraordinary Resolution no.1 is not passed at the EGM.)

Dr Chiu Kwok Hung, Justin
(Non-Executive Director)

Dr. Chiu, aged 67, has been the Chairman and a Director of the Manager since the Manager's incorporation in 2003. He stepped down as the Chairman of the Manager on 1 January 2017 and remains as a Non-Executive Director of the Manager. Dr. Chiu is also the Chairman of ARA Asset Management (Prosperity) Limited (the manager of Prosperity REIT, listed on the Main Board of the SEHK). Dr. Chiu is also a Director of ARA Fund Management (Asia Dragon) Limited as the manager of the ARA Asia Dragon Fund. He was previously the Chairman and Non-Executive Director of ARA (whose shares were withdrawn from listing on 19 April 2017), the holding company of the Manager. Dr. Chiu was a member of the Standing Committee of the 12th Shanghai Committee of the Chinese People's Political Consultative Conference of the People's Republic of China, and is a Council Member and a Fellow of The Hong Kong Institute of Directors, a Fellow of Hong Kong Institute of Real Estate Administrators, a member of the Board of Governors of Hong Kong Baptist University Foundation and an Honorary Associate Member of Business of Trent University, Canada. Dr. Chiu is also a Senior Visiting Fellow of the Department of Land Economy at the University of Cambridge and an Honorary Professor of School of Pharmaceutical Sciences of Sun Yat-sen University.

Dr. Chiu has more than 30 years of international experience in real estate in Hong Kong and various countries and is one of the most respected professionals in the property industry in Asia. Dr. Chiu joined the CK Group in 1997, and is an Executive Director and a Member of the Executive Committee of CK Asset Holdings Limited (formerly known as Cheung Kong Property Holdings Limited) ("**CK Asset**"), a company listed on the Main Board of the SEHK, heading the real estate sales, marketing and property management teams. Prior to joining the CK Group, Dr. Chiu was with Sino Land Company Limited from 1994 to 1997 and Hang Lung Development Company, Limited (now known as Hang Lung Group Limited) from 1979 to 1994 where he was responsible for the leasing and property management in both companies. Both Sino Land Company Limited and Hang Lung Group Limited are listed on the Main Board of the SEHK.

Dr. Chiu holds Bachelor of Arts degree in Sociology and Economics from Trent University, Canada, and was conferred with the degree of Doctor of Social Sciences, *honoris causa* by Hong Kong Baptist University and the degree of Doctor of Laws, *honoris causa* by Trent University, Canada. Dr. Chiu is the father of Ms. Chiu Yu, Justina, a Director of the Manager.

**Lim Hwee Chiang
(Non-Executive Director)**

Mr John Lim, aged 61, has been a Director of the Manager since the Manager's incorporation in 2003. He is also the Group Chief Executive Officer and Director of ARA, the holding company of the Manager (which was delisted from the Singapore Stock Exchange on 19 April 2017). He has been a Director of ARA since its establishment. He is also a non-executive director of ARA Trust Management (Suntec) Limited, ARA Asset Management (Prosperity) Limited, ARA-CWT Trust Management (Cache) Limited and Hui Xian Asset Management Limited. Mr Lim is also the chairman of APM Property Management Pte. Ltd., Suntec Singapore International Convention & Exhibition Services Pte. Ltd. and the management council of The Management Corporation Strata Title Plan No. 2197 (Suntec City). In addition, Mr Lim is an independent director and the chairman of the remuneration committee of Singapore-listed Teckwah Industrial Corporation Limited, the chairman of the property management committee of the Singapore Chinese Chamber of Commerce & Industry, the managing director of Chinese Chamber Realty Private Limited and a director of the Financial Board of the Singapore Chinese Chamber of Commerce. He is also chairman of the Asia Pacific Real Estate Association and the Consultative Committee to the Department of Real Estate, National University of Singapore.

Mr Lim has more than 30 years of experience in the real estate industry, and has received many notable corporate awards. These include the PERE Global Awards 2016 Industry Figure of the Year: Asia, Ernst & Young Entrepreneur Of the Year Singapore 2012, Ernst & Young Entrepreneur Of the Year – Financial Services 2012 and the Outstanding CEO of the Year 2011 at the Singapore Business Awards 2012. Mr Lim, along with the Board of Directors of ARA, is also a recipient of the prestigious Best Managed Board (Gold) Award at the Singapore Corporate Awards 2012. In 2017, he was conferred the Public Service Medal (PBM) by the President of Singapore in recognition of his contributions to the community.

Mr Lim holds a Bachelor of Engineering (First Class Honours) in Mechanical Engineering, a Master of Science in Industrial Engineering, as well as a Diploma in Business Administration, each from the National University of Singapore.

**Mr Ma Lai Chee, Gerald
(Non-Executive Director)**

Mr. Ma, aged 49, has been appointed a Director and a member of the Designated Committee of the Manager since June 2015 and was an Alternate Director to a Director of the Manager, Mr. Ip Tak Chuen, Edmond, from April 2008 to May 2015. Mr. Ma joined the CK Group in 1996 and is currently a Member of Executive Committee and General Manager, Corporate Business Development Department of CK Asset. He also serves as a Non-Executive Director and a member of the Designated (Finance) Committee of ARA Asset Management (Prosperity) Limited (the manager of Prosperity REIT). Mr. Ma is an Alternate Director to Mr. Lai Kai Ming, Dominic, Non-Executive Director of Hutchison Telecommunications Hong Kong Holdings Limited ("**HTHKH**"). CK Asset, Prosperity REIT and HTHKH are listed on the Main Board of the SEHK.

Mr. Ma is also a director of aircraft leasing companies, Accipiter Holdings Designated Activity Company, Accipiter Investments Holdings Designated Activity Company and Vermillion Aviation Holdings Limited, members of CK Asset.

Mr. Ma has over 27 years of experience in finance, investment and portfolio management, real estate development and marketing and managing IT related ventures and services. He is a member of the Hospitality Services Committee of Caritas Hong Kong. He is also a member of the President's Circle, the Dean's Advisory Board for the Faculty of Arts and the Faculty Advisory Board of the UBC Sauder School of Business of the University of British Columbia, Canada. He holds a Bachelor of Commerce degree in Finance and a Master of Arts degree in Global Business Management.

**Ms. Koh Poh Wah
(Independent Non-Executive Director)**

Ms. Koh, aged 61, has been appointed as INED of the Manager from 1 August 2017. She has more than 30 years of working experience in the areas of operations management, technology, financial and business re-engineering areas. Ms. Koh was previously the Regional Accountant (Alpha Asia Pacific) of Alpha International, a non-profit organization, from 2012 to 2015, where she took full responsibility for the finance functions for Alpha Asia Pacific region, Alpha Singapore and AAP Publishing Pte. Ltd. Prior to Alpha International, she was a Director with Future Positive Pte. Ltd. and Minds@Work Ventures working extensively on Information Technology/Business Re-engineering consultancy areas. Ms. Koh also spent 15 years in AIA Co. Ltd. from 1986 to 2000, with her last position as Vice President – Quality Support & Operations Management. Prior to this role, Ms. Koh held various executive positions in Singapore Bus Service Co. Ltd., Singapore Computer Systems Co. Ltd. and Malvern & Co. Chartered Accountants (UK).

Ms. Koh holds a Master of Science in Management Science and Operational Research, a Bachelor of Arts Degree (Honours) in Accounting and a Diploma from Institute for the Management of Information Systems (previously known as Institute of Data Processing Management, UK). Ms. Koh is also a Fellow of Life Management Institute and an Associate of Customer Service for the Life Management Organization, USA.

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, 1,914,348,385 Units were in issue. Subject to the passing of the Ordinary Resolution approving the Unit Buy-back Mandate as set out in the AGM 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 AGM, would be equivalent to a maximum of 191,434,839 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 on-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

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. 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 Rules.

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:

	Highest HK\$	Lowest HK\$
March 2017	8.80	8.52
April 2017	9.10	8.71
May 2017	9.66	8.96
June 2017	9.69	9.40
July 2017	9.82	9.28
August 2017	9.78	9.02
September 2017	9.42	9.10
October 2017	9.53	9.10
November 2017	9.71	9.36
December 2017	9.70	9.42
January 2018	9.87	9.63
February 2018	9.87	9.01
From 1 March 2018 up to the date preceding the Latest Practicable Date	9.44	9.19

(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 six 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 AGM.

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 that the Unit Buy-back Mandate complies with the Trust Deed, and subject to Unitholders' approval at the AGM, 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. Accordingly, the Trustee urges all Unitholders, including those who are in any doubts as to the merits or impact of the Unit Buy-back Mandate, to seek their own financial or other professional advice.

(J) 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 28.0% 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 31.1% 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.

(K) SINGAPORE TAKE-OVER IMPLICATIONS

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 of voting rights 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, 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 (which directly held 413,074,684 Units) together with parties which are or presumed to be acting in concert with Focus Eagle under the Singapore Take-over Code (together, the “**Concert Parties**”) held a total of approximately 28.0% 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 Parties remains 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 Parties in Units would be increased to approximately 31.1% and such increase will give rise to an obligation to make a mandatory offer under Rule 14 of the Singapore Take-over Code.

NOTICE OF ANNUAL GENERAL MEETING



FORTUNE REAL ESTATE INVESTMENT TRUST

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

(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)

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

Managed by



ARA Asset Management (Fortune) Limited

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of the unitholders ("**Unitholders**") of Fortune Real Estate Investment Trust ("**Fortune REIT**") will be held at Level 5, Hutchison House, 10 Harcourt Road, Central, Hong Kong on Friday, 27 April 2018 at 2:30 p.m. or any adjournment thereof. Any Unitholder or depositor or proxy who wishes to take part in the AGM from Singapore, may attend via video conference which shall be held at Crescent 2, Level 2 Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593. 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 AGM. Please be punctual to avoid disrupting the AGM which will commence at 2:30 p.m. sharp on Friday, 27 April 2018 for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions as ordinary resolutions:

AS ORDINARY BUSINESS

1. To receive and adopt the Report of HSBC Institutional Trust Services (Singapore) Limited, as trustee of Fortune REIT (the "**Trustee**"), the Statement by ARA Asset Management (Fortune) Limited, as manager of Fortune REIT (the "**Manager**") and the Audited Financial Statements of Fortune REIT for the year ended 31 December 2017 together with the auditors' report thereon.

(Ordinary Resolution 1)

2. To re-appoint Deloitte & Touche LLP and Deloitte Touche Tohmatsu as the Auditors of Fortune REIT and to hold office until the conclusion of the next annual general meeting of Fortune REIT and to authorise the Manager to fix their remuneration.

(Ordinary Resolution 2)

NOTICE OF ANNUAL GENERAL MEETING

3. To endorse the appointment of each of the following persons who is a director of the Manager (the “**Director**”, together the “**Directors**”), pursuant to the Deed of Undertaking (“**Undertaking**”) entered into between ARA Asset Management Limited and the Trustee:

- | | |
|----------------------------------|--------------------------------|
| (a) Dr. Chiu Kwok Hung, Justin; | (Ordinary Resolution 3) |
| (b) Mr. Lim Hwee Chiang; | (Ordinary Resolution 4) |
| (c) Mr. Ma Lai Chee, Gerald; and | (Ordinary Resolution 5) |
| (d) Ms. Koh Poh Wah. | (Ordinary Resolution 6) |

[See Explanatory Note 1]

AS SPECIAL BUSINESS

4. (a) To exercise all the powers of the Manager to repurchase issued units in Fortune REIT (“**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 main boards of The Stock Exchange of Hong Kong Limited (“**SEHK**”) and/or Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) 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 constituting Fortune REIT dated 4 July 2003 (as amended) (the “**Trust Deed**”), and otherwise in accordance with all applicable laws and regulations, including of such stock exchange for the time being on which the Units may be listed and quoted (the “**Unit Buy-back Mandate**”);
- (b) To exercise the authority conferred on the Manager pursuant to the Unit Buy-back Mandate 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 AGM 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 Code on Real Estate Investment Trusts published by the Securities and Futures Commission of Hong Kong 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,

NOTICE OF ANNUAL GENERAL MEETING

where 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 SEHK and/or the SGX-ST (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; and

“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 Trustee be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the Manager and/or the Trustee may consider expedient or necessary or in the interest of Fortune REIT to give effect to the transactions contemplated and/or authorised by this Resolution.

[See Explanatory Note 2]

(Ordinary Resolution 7)

AS OTHER BUSINESS

5. To transact such other business as may be transacted at the AGM.

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

21 March 2018

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

1. Ordinary Resolutions 3 to 6 to be passed:

- (a) *The Undertaking which is entered into between ARA Asset Management Limited and the Trustee will give the Unitholders the right to endorse the appointment of Dr. Chiu Kwok Hung, Justin, Mr. Lim Hwee Chiang, Mr. Ma Lai Chee, Gerald and Ms. Koh Poh Wah in the annual general meeting of Unitholders to be held in 2018. Details of the Undertaking are set out in section 4 and Appendix B to the Circular.*
- (b) *Detailed information on Dr. Chiu Kwok Hung, Justin, Mr. Lim Hwee Chiang, Mr. Ma Lai Chee, Gerald and Ms. Koh Poh Wah (including their current directorships in other listed companies and details of other principal commitments) can be found in Appendix B to the Circular.*
- (c) *In addition to the Directors who are not subject to endorsement by Unitholders at the coming AGM, upon endorsement, Dr. Chiu Kwok Hung, Justin, Mr. Lim Hwee Chiang, Mr. Ma Lai Chee, Gerald and Ms. Koh Poh Wah will continue to serve on the board of directors of the Manager. Dr. Chiu Kwok Hung, Justin, Mr. Lim Hwee Chiang and Mr. Ma Lai Chee, Gerald will continue to serve as Non-Executive Directors; Ms. Koh Poh Wah will continue to serve as an INED.*

2. Ordinary Resolution 7 to be passed:

Ordinary Resolution 7 above, if passed, will empower the Manager, from the date of this AGM until the earliest of the following dates: (i) the date on which the next AGM 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, or (ii) the date on which such authority is revoked or varied by the Unitholders by way of ordinary resolution in a general meeting, (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 Ordinary Resolution 7 by way of on-market repurchase(s) on the terms of the Unit Buy-back Mandate set out in the Circular.

The Manager intends to use internal sources of funds of Fortune REIT or its 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 AGM as these will depend on, inter alia, the aggregate number of Units repurchased, and the consideration paid at the relevant time.

Notes:

1. The Register of Unitholders of Fortune REIT will be closed from Friday, 20 April 2018 to Friday, 27 April 2018, both days inclusive, to determine which Unitholders will qualify to attend and vote at AGM 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 AGM, 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, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for Hong Kong Unitholders) or to the Singapore Unit Registrar, Boardroom Corporate & Advisory Services Pte. Limited, at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623 (for Singapore Unitholders) not later than 4:30 p.m. on Thursday, 19 April 2018. You can vote at the AGM if you are a Unitholder as at the close of business on Thursday, 19 April 2018.
2. 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 to be a Unitholder.
3. 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 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); and (b) the Singapore Unit Registrar, Boardroom Corporate & Advisory Services Pte. Limited, at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623 (for Singapore 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.
4. 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 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.

NOTICE OF ANNUAL GENERAL MEETING

5. Personal data privacy: By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM 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 AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (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.

NOTICE OF EXTRAORDINARY GENERAL MEETING



FORTUNE REAL ESTATE INVESTMENT TRUST

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

(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)

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

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 ("**Unitholders**") of Fortune Real Estate Investment Trust ("**Fortune REIT**") will be held at Level 5, Hutchison House, 10 Harcourt Road, Central, Hong Kong on Friday, 27 April 2018 as soon thereafter following the conclusion/adjournment of the AGM to be held at 2:30 p.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 Singapore, may attend via video conference which shall be held at Crescent 2, Level 2 Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593. 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:

AS ORDINARY BUSINESS

- (1) (a) To approve the Waiver Extension (including the proposed New Annual Caps) as more fully described in the Circular; and
- (b) the Manager, any director of the Manager, the Trustee and any authorized signatory of the Trustee be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the Manager, such director of the Manager, the Trustee and/or such authorized signatory of the Trustee, as the case may be, may consider desirable, expedient or necessary or in the interest of Fortune REIT to implement or give effect to all matters contemplated and/or authorised in sub-paragraph (a) of this Resolution.

(Ordinary Resolution 1)

NOTICE OF EXTRAORDINARY GENERAL MEETING

AS EXTRAORDINARY BUSINESS

- (1a) Pursuant to Clauses 10.2.4 and 28 of the Trust Deed, approval be and is hereby given for (i) the Expanded Investment Scope regarding Geographical Scope, as more fully described in the Circular and (ii) the proposed Geographical Scope Amendments as set out in Section I of Appendix A to the Circular; and
- (1b) 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 Trust 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.

(Extraordinary Resolution 1)

- (2a) Pursuant to Clauses 10.2.4 and 28 of the Trust Deed, approval be and is hereby given for (i) the Expanded Investment Scope regarding Property Development and Related Activities, as more fully described in the Circular and (ii) the Property Development Amendments as set out in Section II of Appendix A to the Circular; and
- (2b) 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 Trust 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.

(Extraordinary Resolution 2)

- (3a) Pursuant to Clauses 10.2.4 and 28 of the Trust Deed, approval be and is hereby given for (i) the Expanded Investment Scope regarding Relevant Investments, as more fully described in the Circular and (ii) the Relevant Investments Amendments as set out in Section III of Appendix A to the Circular; and
- (3b) 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 Trust 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. 3.

(Extraordinary Resolution 3)

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

21 March 2018

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. The Register of Unitholders of Fortune REIT will be closed from Friday, 20 April 2018 to Friday, 27 April 2018, 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, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for Hong Kong Unitholders) or to the Singapore Unit Registrar, Boardroom Corporate & Advisory Services Pte. Limited, at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623 (for Singapore Unitholders) not later than 4:30 p.m. on Thursday, 19 April 2018. You can vote at the EGM if you are a Unitholder as at the close of business on Thursday, 19 April 2018.
2. 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 to be a Unitholder.
3. 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 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); and (b) the Singapore Unit Registrar, Boardroom Corporate & Advisory Services Pte. Limited, at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623 (for Singapore 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.
4. 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 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.
5. Personal data privacy: 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.

PROXY FORM – ANNUAL GENERAL MEETING

FORTUNE REAL ESTATE INVESTMENT TRUST

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

IMPORTANT

PLEASE READ THE NOTES TO THE PROXY FORM.

PROXY FORM ANNUAL GENERAL MEETING

I/We _____ (Name)

of _____ (Address)

being a unitholder/unitholders of Fortune Real Estate Investment Trust (“**Fortune REIT**”), hereby appoint:

Name	Address	Identification/Passport Number	Proportion of Unitholdings	
			No. of Units	%

and/or (delete as appropriate)

Name	Address	Identification/Passport Number	Proportion of Unitholdings	
			No. of Units	%

or, both of whom failing, the Chairman of the Annual General Meeting (“**AGM**”) as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the AGM of Fortune REIT to be held at Level 5, Hutchison House, 10 Harcourt Road, Central, Hong Kong on Friday, 27 April 2018 at 2:30 p.m. and any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the AGM.

No.	Ordinary Resolutions	To be used in the event of a poll	
		No. of Votes For*	No. of Votes Against*
ORDINARY BUSINESS			
1.	To receive and adopt the Report of the Trustee, Statement by the Manager, Audited Financial Statements of Fortune REIT for the year ended 31 December 2017 and the auditor's report thereon.		
2.	To re-appoint Deloitte & Touche LLP and Deloitte Touche Tohmatsu as Auditors of Fortune REIT and authorise the Manager to fix the Auditors' remuneration.		
3.	To endorse the appointment of Dr. Chiu Kwok Hung, Justin as a director.		
4.	To endorse the appointment of Mr. Lim Hwee Chiang as a director.		
5.	To endorse the appointment of Mr. Ma Lai Chee, Gerald as a director.		
6.	To endorse the appointment of Ms. Koh Poh Wah as a director.		
SPECIAL BUSINESS			
7.	To approve the grant of the Unit Buy-back Mandate as set out in the notice of AGM dated 21 March 2018.		

* If you wish to exercise all your votes “For” or “Against”, please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Completion and delivery of this form of proxy will not preclude you from attending and voting at the AGM if you so wish.

Dated this _____ day of _____ 2018

Total number of Units held

Signature(s) of Unitholder(s)/Common Seal

IMPORTANT: PLEASE READ THE NOTES TO PROXY FORM BELOW

Notes to Proxy Form

1. Full name(s) and address(es) are to be inserted in **BLOCK CAPITALS**.
2. A Unitholder entitled to attend and vote at the AGM is entitled to appoint one or two proxies to attend and vote in his stead.
3. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.
4. A proxy needs not be a Unitholder but must attend the AGM to represent the Unitholder.
5. A Unitholder should insert the total number of Units held. If the Unitholder has Units registered in his name in the principal register of Unitholders (the "**Singapore Unit Register**") or the Hong Kong register of Unitholders (the "**Hong Kong Unit Register**" and together with the Singapore Unit Register, the "**Unit Registers**"), he should insert the aggregate number of Units registered in his name on the Unit Registers. If the Unitholder has Units entered against his name in the Depository Register maintained by The Central Depository (Pte) Limited ("**CDP**"), he should insert that number of Units. If the Unitholder has Units entered against his name in the said Depository Register, as well as registered in his name in the Unit Registers, he should insert the aggregate number of Units entered against his name in the Depository Register and Unit Registers. If no number is inserted, this form of proxy will be deemed to relate to all the Units held by Unitholder.
6. In the case of joint Unitholders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint Unitholder(s), and for this purpose seniority will be determined by the order in which the names stand on the Depository Register and/or the Register of Unitholders in respect of the relevant joint holding, the first being the senior.
7. Any alteration made to this form of proxy must be initialled by the person who signs it.
8. The instrument appointing a proxy or proxies must be lodged at: (a) 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); or (b) 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 less than forty-eight (48) hours before the time appointed for AGM.
9. The instrument appointing a proxy or proxies must be executed under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
10. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the power of attorney or a notarially certified copy thereof must be lodged with the instrument of proxy; failing which the instrument may be treated as invalid.
11. The Manager shall be entitled to reject a Proxy Form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of Units entered in the Depository Register, the Manager may reject a Proxy Form if the Unitholder, being the appointor, is not shown to have Units entered against his name in the Depository Register as at 48 hours before the time appointed for holding the AGM, as certified by CDP to the Manager.
12. All Unitholders will be bound by the outcome of the AGM regardless of whether they have attended or voted at the AGM.
13. For so long as Fortune REIT is a SFC-authorized REIT, at any meeting a resolution put to the meeting shall be decided on a poll and the result of the poll shall be deemed to be the resolution of the meeting.

PROXY FORM – EXTRAORDINARY GENERAL MEETING

FORTUNE REAL ESTATE INVESTMENT TRUST

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

IMPORTANT

PLEASE READ THE NOTES TO THE PROXY FORM.

PROXY FORM EXTRAORDINARY GENERAL MEETING

I/We _____ (Name)

of _____ (Address)

being a unitholder/unitholders of Fortune Real Estate Investment Trust (“**Fortune REIT**”), hereby appoint:

Name	Address	Identification/Passport Number	Proportion of Unitholdings	
			No. of Units	%

and/or (delete as appropriate)

Name	Address	Identification/Passport Number	Proportion of Unitholdings	
			No. of Units	%

or, both of whom failing, the Chairman of the Extraordinary General Meeting (“**EGM**”) as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the EGM of Fortune REIT to be held at Level 5, Hutchison House, 10 Harcourt Road, Central, Hong Kong on Friday, 27 April 2018 soon thereafter following the conclusion/adjournment of the annual general meeting of Fortune REIT to be held at 2:30 p.m. on the same day and at the same place and any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the EGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the EGM.

No.	Resolutions	To be used in the event of a poll	
		No. of Votes For*	No. of Votes Against*
ORDINARY RESOLUTIONS			
1.	To approve the Waiver Extension (including the proposed New Annual Caps).		
EXTRAORDINARY RESOLUTIONS			
2.	To approve the Expanded Investment Scope regarding Geographical Scope together with Geographical Scope Amendments.		
3.	To approve the Expanded Investment Scope regarding Property Development and Related Activities together with Property Development Amendments.		
4.	To approve the Expanded Investment Scope regarding Relevant Investments together with Relevant Investments Amendments.		

* If you wish to exercise all your votes “For” or “Against”, please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Completion and delivery of this form of proxy will not preclude you from attending and voting at the EGM if you so wish.

Dated this _____ day of _____ 2018

Total number of Units held

Signature(s) of Unitholder(s)/Common Seal

IMPORTANT: PLEASE READ THE NOTES TO PROXY FORM BELOW

Notes to Proxy Form

1. Full name(s) and address(es) are to be inserted in **BLOCK CAPITALS**.
2. A Unitholder entitled to attend and vote at the EGM is entitled to appoint one or two proxies to attend and vote in his stead.
3. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.
4. A proxy needs not be a Unitholder but must attend the EGM to represent the Unitholder.
5. A Unitholder should insert the total number of Units held. If the Unitholder has Units registered in his name in the principal register of Unitholders (the "**Singapore Unit Register**") or the Hong Kong register of Unitholders (the "**Hong Kong Unit Register**" and together with the Singapore Unit Register, the "**Unit Registers**"), he should insert the aggregate number of Units registered in his name on the Unit Registers. If the Unitholder has Units entered against his name in the Depository Register maintained by The Central Depository (Pte) Limited ("**CDP**"), he should insert that number of Units. If the Unitholder has Units entered against his name in the said Depository Register, as well as registered in his name in the Unit Registers, he should insert the aggregate number of Units entered against his name in the Depository Register and Unit Registers. If no number is inserted, this form of proxy will be deemed to relate to all the Units held by Unitholder.
6. In the case of joint Unitholders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint Unitholder(s), and for this purpose seniority will be determined by the order in which the names stand on the Depository Register and/or the Register of Unitholders in respect of the relevant joint holding, the first being the senior.
7. Any alteration made to this form of proxy must be initialled by the person who signs it.
8. The instrument appointing a proxy or proxies must be lodged at: (a) 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); or (b) 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 less than forty-eight (48) hours before the time appointed for EGM.
9. The instrument appointing a proxy or proxies must be executed under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
10. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the power of attorney or a notarially certified copy thereof must be lodged with the instrument of proxy; failing which the instrument may be treated as invalid.
11. The Manager shall be entitled to reject a Proxy Form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of Units entered in the Depository Register, the Manager may reject a Proxy Form if the Unitholder, being the appointor, is not shown to have Units entered against his name in the Depository Register as at 48 hours before the time appointed for holding the EGM, as certified by CDP to the Manager.
12. All Unitholders will be bound by the outcome of the EGM regardless of whether they have attended or voted at the EGM.
13. For so long as Fortune REIT is a SFC-authorized REIT, at any meeting a resolution put to the meeting shall be decided on a poll and the result of the poll shall be deemed to be the resolution of the meeting.