
**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 the accompanying form of proxy, to the purchaser or transferee or to the bank, licenced securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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FORTUNE
置富產業信託 **REIT**
FORTUNE REAL ESTATE INVESTMENT TRUST

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

(Stock Code: 778)

Managed by



ARA Asset Management (Fortune) Limited

**(1) PROPOSED INCREASE IN PROPERTY DEVELOPMENT CAP
AND AMENDMENT TO THE TRUST DEED;
(2) CONTINUING CONNECTED PARTY TRANSACTIONS;
(3) PROPOSED UNIT BUY-BACK MANDATE;
AND
(4) NOTICE OF ANNUAL GENERAL MEETING AND
CLOSURE OF REGISTER OF UNITHOLDERS**

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

BALLAS
C A P I T A L

A letter to the Unitholders is set out on pages 6 to 22 of this Circular. A notice convening the AGM to be held at 2:30 p.m. on Friday, 28 May 2021, at 24th Floor, Admiralty Centre I, 18 Harcourt Road, Hong Kong is set out on pages N-1 to N-4 of this Circular. Whether or not you are able to attend and vote at the AGM in person, please complete and return the accompanying form of proxy to the Unit Registrar, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than forty-eight (48) hours before the time appointed for the holding of the AGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM or any adjournment thereof should you so wish.

28 April 2021

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DEFINITIONS

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

2018 Circular	The circular of Fortune REIT dated 21 March 2018.
2018 Extended Waiver	The waiver from strict compliance with Chapter 8 of the REIT Code granted by the SFC in respect of certain continuing connected party transactions of Fortune REIT, the extension of which was approved by the SFC and the Independent Unitholders at the extraordinary general meeting of the Unitholders held on 27 April 2018, as described in the 2018 Circular.
Aggregate Development Costs	Has the meaning ascribed to it under the Trust Deed.
AGM	An annual general meeting of the Unitholders to be convened on Friday, 28 May 2021 at 24th Floor, Admiralty Centre I, 18 Harcourt Road, Hong Kong.
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.
Associate	Has the meaning ascribed to it under the REIT Code.
Ballston Profits	Ballston Profits Limited, which was an indirect wholly-owned subsidiary of CKA as at the Latest Practicable Date.
Board	The board of Directors.
CCASS	The Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited.
CK Leasing Transactions	Has the meaning ascribed to it under section 3.1 of this Circular.
CK Leasing Transactions Framework Agreement	The framework agreement dated 27 April 2021 entered into by the Manager (on behalf of the Fortune REIT Group) and CKA setting out the framework terms governing the CK Leasing Transactions for the period from 1 January 2022 to 31 December 2024.
CK Property Management Transactions	Has the meaning ascribed to it under section 3.1 of this Circular.
CK Property Management Transactions Framework Agreement	The framework agreement dated 27 April 2021 entered into by the Manager (on behalf of the Fortune REIT Group) and CKA setting out the framework terms governing the CK Property Management Transactions for the period from 1 January 2022 to 31 December 2024.

DEFINITIONS

CKA	CK Asset Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the SEHK (Stock Code: 1113).
CKA Connected Persons Group	CKA and its subsidiaries and Associates (which for the avoidance of doubt, exclude the Fortune REIT Group, but include without limitation Focus Eagle, Ballston Profits and the Property Manager).
Connected Person	Has the meaning ascribed to it under the REIT Code.
Connected Transactions	The CK Leasing Transactions, the CK Property Management Transactions and the Manager Leasing Transactions.
Deeds of Mutual Covenants	Has the meaning ascribed to it under section 3.1 of this Circular.
Director(s)	The director(s) of the Manager.
Eighth Supplemental Deed	The eighth supplemental deed to be entered into between the Manager and the Trustee to incorporate the Property Development Cap Amendment.
Existing CK Asset Connected Persons Group	Has the meaning ascribed to the term “CK Asset Connected Persons Group” in the 2018 Circular.
Explanatory Statement	The explanatory statement set out in Appendix IV 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.
Focus Eagle	Focus Eagle Investments Limited, which was an indirect wholly-owned subsidiary of CKA as of the Latest Practicable Date.
Fortune REIT	Fortune Real Estate Investment Trust.
Fortune REIT Group	Fortune REIT and its subsidiaries.
Fortune REIT’s Properties	The real estate assets owned by Fortune REIT from time to time, whether held directly through the Trustee or indirectly through one or more SPVs or joint venture entities (where applicable).
Gross Asset Value of the Deposited Property	Has the meaning ascribed to it under the Trust Deed.

DEFINITIONS

Hong Kong	The Hong Kong Special Administrative Region of the People's Republic of China.
Independent Board Committee	The independent committee of the Board established to advise the Independent Unitholders on the CK Property Management Transactions.
Independent Financial Adviser	Ballas Capital Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising in corporate finance) regulated activities as defined under the SFO.
Independent Non-executive Director(s)	The independent non-executive director(s) of the Manager.
Independent Unitholders	Unitholders other than those who are required to abstain or prohibited from voting on Ordinary Resolution No. 1 to be proposed at the AGM.
Latest Practicable Date	14 April 2021, being the latest practicable date prior to the printing of this Circular for the purpose of ascertaining certain information contained in this Circular.
Listing Rules	The Rules Governing the Listing of Securities on the SEHK, as amended, supplemented or modified from time to time (modified as appropriate pursuant to 2.26 of the REIT Code).
Manager	ARA Asset Management (Fortune) Limited, in its capacity as manager of Fortune REIT.
Manager Group	Unless otherwise stated, the group comprising: (a) the Manager; (b) the directors and the chief executive of the Manager or any subsidiary of Fortune REIT (including persons who were such directors in the last 12 months from the date on which the relevant transaction was entered into); and (c) persons who are Associates of the Manager.
Manager Lease Agreement	The lease and licence agreements dated 1 February 2019 and 22 January 2019 entered into by Vision Million Limited (being an SPV of Fortune REIT) as lessor and the Manager as lessee in respect of the premises known as Shop Nos. 901-906, 948-950, Level 9, Fortune Metropolis, 6 Metropolis Drive, Hung Hom, Hong Kong, being the premises at which the Manager's place of business in Hong Kong is situated. The current term of the Manager Lease Agreement is five (5) years, expiring on 13 January 2024.
Manager Leasing Transactions	Has the meaning ascribed to it under section 3.1 of this Circular.

DEFINITIONS

Manager Leasing Transactions Framework Agreement	The framework agreement dated 27 April 2021 entered into by the Manager (on behalf of the Fortune REIT Group) and the Manager (in its personal capacity) setting out the framework terms governing the Manager Leasing Transactions for the period from 1 January 2022 to 31 December 2024.
Ordinary Resolution	A resolution proposed and passed as such by a majority consisting of more 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.
PMA Amendment Deed	The supplemental deed to be entered into by the Manager and the Property Manager (with the consent of the Trustee) to remove the Trustee as a party to the Property Management Agreement.
Property Development and Related Activities	Has the meaning ascribed to it under the REIT Code.
Property Development Cap	Has the meaning ascribed to it under the REIT Code.
Property Development Cap Amendment	The proposed amendment to the Trust Deed relating to the proposed increase in the Property Development Cap, details of which are set out in Appendix I to this Circular.
Property Management Agreement	The property management agreement dated 7 July 2003 entered into by the previous trustee of Fortune REIT, 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, amended by an extension letter dated 7 August 2013, supplemented by an amending and restating property management agreement dated 29 February 2016, amended by an extension letter dated 3 August 2018 and supplemented by a deed of novation dated 24 October 2019 (pursuant to which the rights and obligations of the previous trustee thereunder were novated to the Trustee. The Manager and the Property Manager, with the consent of the Trustee, will enter into the PMA Amendment Deed to remove the Trustee as a party to the Property Management Agreement. The current term of the Property Management Agreement is five (5) years, expiring on 11 August 2023.
Property Manager	Goodwell-Fortune Property Services Limited, which was an indirect wholly-owned subsidiary of CKA as at the Latest Practicable Date.
Register of Unitholders	The register of Unitholders.
REIT	Real estate investment trust.

DEFINITIONS

REIT Code	The Code on Real Estate Investment Trusts issued by the SFC, as amended, supplemented or modified from time to time.
REIT Code Amendments	The amendments to the REIT Code which took effect on 4 December 2020.
Rules	Any laws, rules or regulations, including the Trust Deed, the REIT Code, the Listing Rules, the SFO and the Takeovers and Share Buy-backs Code (where applicable).
SEHK	The Stock Exchange of Hong Kong Limited.
SFC	The 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	The Securities and Futures Ordinance of Hong Kong (Cap. 571 of the Laws of Hong Kong), as amended, supplemented or modified from time to time.
SPV	A special purpose vehicle.
Takeovers and Share Buy-backs Code	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or modified from time to time.
Trust Deed	The trust deed entered into between the Trustee and the Manager constituting Fortune REIT, dated 4 July 2003 and as amended, supplemented or modified from time to time.
Trustee	HSBC Institutional Trust Services (Asia) Limited, in its capacity as trustee of Fortune REIT.
Unit	One undivided unit in Fortune REIT.
Unit Buy-back Mandate	The proposed general mandate to be given to the Manager to repurchase Units for and on behalf of Fortune REIT.
Unitholder(s)	Any person(s) registered as holding Unit(s) and any person(s) holding Unit(s) through CCASS.
%	Per cent or percentage.

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))

(Stock Code: 778)

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 Phing
Ms. Yeo Annie (alias Yeo May Ann)
Ms. Koh Poh Wah

Singapore Registered Office:

5 Temasek Boulevard
#12-01 Suntec Tower Five
Singapore 038985

Hong Kong Office:

Unit 901, Level 9, Fortune Metropolis
6 Metropolis Drive, Hung Hom
Hong Kong

PRECAUTIONARY MEASURES FOR THE ANNUAL GENERAL MEETING

Due to the constantly evolving COVID-19 pandemic situation in Hong Kong, the Manager would like to strongly encourage Unitholders to exercise their right to vote at the AGM by appointing the chairman of the AGM as their proxy as an alternative to attending the AGM in person. Unitholders are reminded that attendance at the AGM in person is not necessary for the purpose of exercising their voting rights.

The proxy form is enclosed with this Circular and can otherwise be downloaded from the website of Fortune REIT (<http://www.fortunereit.com>) or from HKEXnews (<http://www.hkexnews.hk>). To be valid, the form of proxy must be deposited at the unit registrar of Fortune REIT, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than forty-eight (48) hours before the time appointed for the holding of the AGM or any adjournment thereof.

LETTER TO THE UNITHOLDERS

The Manager will implement the following precautionary measures at the AGM:

- appropriate distancing and spacing in line with the guidance from the HKSAR Government will be maintained. As such, the Manager may limit the number of attendees at the AGM as may be necessary to avoid over-crowding;
- compulsory temperature screening/checks (any person with fever, respiratory symptoms or a body temperature of more than 37.3 degrees Celsius will not be given access to the venue);
- every Unitholder or proxy is required to: (i) fill in a health declaration form at the reception; and (ii) bring and wear surgical face masks before they are permitted to enter the venue, and at all times during their attendance of the AGM. No surgical face masks will be provided at the venue. Any person who refuses to follow the aforesaid requirements will not be admitted to the venue; and
- no food and beverage will be served and no corporate gifts will be distributed.

The Manager will monitor the situation and reserves the right to take further measures as appropriate. Unitholders and proxies attending the AGM are advised to arrive at the AGM venue early as the precautionary measures may cause delay in the registration process. The Manager seeks the understanding and cooperation of Unitholders and proxies to minimise the risk of community spread of COVID-19.

28 April 2021

To: The Unitholders of Fortune REIT

Dear Sir/Madam,

**(1) PROPOSED INCREASE IN PROPERTY DEVELOPMENT CAP
AND AMENDMENT TO THE TRUST DEED;
(2) CONTINUING CONNECTED PARTY TRANSACTIONS;
(3) PROPOSED UNIT BUY-BACK MANDATE;
AND
(4) NOTICE OF ANNUAL GENERAL MEETING AND
CLOSURE OF REGISTER OF UNITHOLDERS**

1. INTRODUCTION

Reference is made to the announcement of Fortune REIT dated 28 April 2021. The purposes of this Circular are to provide you with information in respect of the matters requiring Unitholders' approval and to serve the AGM Notice.

2. PROPOSED INCREASE IN PROPERTY DEVELOPMENT CAP

On 4 December 2020, the REIT Code was amended to, *inter alia*, relax the Property Development Cap from 10% to up to 25% of the REIT's gross asset value, provided that: (a) its unitholders have given their consent to such increase by way of resolution at a general meeting; (b) the increase is permitted and effected pursuant to its trust deed; and (c) no objection from the trustee of the REIT has been obtained.

LETTER TO THE UNITHOLDERS

Under the current provisions of the Trust Deed, Fortune REIT is allowed to engage in Property Development and Related Activities up to 10% of the Gross Asset Value of the Deposited Property. The Manager is of the view that, following the REIT Code Amendments, allowing Fortune REIT to engage in Property Development and Related Activities in excess of the existing limit of 10% of the Gross Asset Value of the Deposited Property to not more than 25% of the Gross Asset Value of the Deposited Property, being the proposed increase in the Property Development Cap, is beneficial to Fortune REIT and the Unitholders as a whole. In particular, the enhanced flexibility can provide Fortune REIT with more options in selecting acquisition targets and will enable the Manager to pursue further investment opportunities for Fortune REIT as and when they arise.

In connection with the proposed increase in the Property Development Cap, the Manager proposes consequential amendments to the Trust Deed (being the Property Development Cap Amendment), the full text of which is set out in Appendix I to this Circular.

The proposed increase in the Property Development Cap and the Property Development Cap Amendment are subject to Unitholders' approval pursuant to clause 28 of the Trust Deed and 7.2AA(a), 7.2AA(b) and 9.6 of the REIT Code. The Manager proposes to seek such approval by way of Extraordinary Resolution No. 1.

3. CONTINUING CONNECTED PARTY TRANSACTIONS

3.1. Background

At the time of authorisation of Fortune REIT in 2010, the Manager had applied for, and the SFC had granted, waivers from strict compliance with Chapter 8 of the REIT Code in respect of certain continuing connected party transactions of Fortune REIT, which were subsequently modified and/or extended on 19 January 2012, 16 September 2013, 17 April 2015 and 27 April 2018. Details of the 2018 Extended Waiver, which is due to expire on 31 December 2021, and the categories of continuing connected party transactions which are the subject of the 2018 Waiver are more particularly set out in the 2018 Circular.

On 4 December 2020, the REIT Code was revised to, *inter alia*, broadly align the requirements applicable to connected party transactions of REITs with the requirements for companies listed on the SEHK. Following the changes to the REIT Code, save as otherwise provided in the REIT Code or the guidelines issued by the SFC from time to time, all connected party transactions of REITs will be regulated with reference to the requirements applicable to listed companies under Chapter 14A of the Listing Rules to the extent appropriate and practicable, including whether certain connected party transactions are continuing connected party transactions, available exemptions and the conditions thereof and unitholders' approval, disclosure, reporting, annual review and other requirements. All pre-existing waivers shall continue to apply until expiry according to their terms or until otherwise modified or revoked.

Since the 2018 Extended Waiver is due to expire on 31 December 2021, the continuing connected party transactions of Fortune REIT which are the subject of the 2018 Extended Waiver will, upon such expiry, be regulated with reference to Chapter 14A of the Listing Rules.

The categories of such continuing connected party transactions which will be regulated with reference to Chapter 14A of the Listing Rules upon the expiry of the 2018 Extended Waiver on 31 December 2021 are as follows:

- (a) as part of the Fortune REIT Group's ordinary and usual course of business, leasing and licensing transactions have been, or will from time to time be, conducted between a member of the Fortune REIT Group on the one hand and a member of the CKA Connected Persons Group on the other hand in respect of any part of Fortune REIT's Properties (the "**CK Leasing Transactions**");

LETTER TO THE UNITHOLDERS

- (b) as part of the Fortune REIT Group’s ordinary and usual course of business, leasing and licensing transactions (including the transactions under the Manager Lease Agreement) have been, or will from time to time be, conducted between a member of the Fortune REIT Group on the one hand and a member of the Manager Group on the other hand in respect of any part of Fortune REIT’s Properties (the “**Manager Leasing Transactions**”); and
- (c) as part of the Fortune REIT Group’s ordinary and usual course of business, the following categories of property management transactions have been, or will from time to time be, conducted between a member of the Fortune REIT Group on the one hand and a member of the CKA Connected Persons Group on the other hand in respect of any part of Fortune REIT’s Properties (the “**CK Property Management Transactions**”)
- (i) the transactions under the Property Management Agreement, including the provision of property management, lease management and marketing services by the Property Manager for Fortune REIT’s Properties;
- (ii) the transactions which the Property Manager, as agent for the relevant registered owners of Fortune REIT’s Properties, have entered into, or will from time to time enter into, with third party service providers (which may be members of the CKA Connected Persons Group) for the provision of, among other things, cleaning, maintenance, security, car park management and other ancillary services for Fortune REIT’s Properties; and
- (iii) the transactions under the deeds of mutual covenants applicable to any part of Fortune REIT’s Properties and by which the registered owners of such properties are bound (the “**Deeds of Mutual Covenants**”), including the provision of maintenance and other ancillary services for the common areas and facilities by the relevant property manager thereunder (which may be members of the CKA Connected Persons Group).

The following table sets out the applicable existing annual caps under the 2018 Extended Waiver:

Categories of continuing connected party transactions	Connected Persons	Annual caps for the financial year ended 31 December 2019	Annual caps for the financial year ended 31 December 2020	Annual caps for the financial year ending 31 December 2021
		(HK\$'000)	(HK\$'000)	(HK\$'000)
CK Leasing Transactions	Existing CK Asset Connected Persons Group	972,000	972,000	972,000
Manager Leasing Transactions	Manager Group ¹	15,200	15,200	15,200
CK Property Management Transactions	Existing CK Asset Connected Persons Group	502,000	527,000	553,000

¹ As defined in the 2018 Circular.

In respect of the connected party transactions set out in the table above, the aggregate historical transaction amounts in respect of the CK Leasing Transactions, Manager Leasing Transactions and CK Property Management Transactions for the past financial years ended 31 December 2019 and 31 December 2020 did not exceed the relevant annual caps under the 2018 Extended Waiver.

LETTER TO THE UNITHOLDERS

3.2. Continuing Connected Party Transactions with the CKA Connected Persons Group

3.2.1. CK Leasing Transactions Framework Agreement

In anticipation of the expiry of the 2018 Extended Waiver, and having regard to the regular, ordinary and ongoing nature of the CK Leasing Transactions, on 27 April 2021, Fortune REIT (through the Manager) entered into the CK Leasing Transactions Framework Agreement with CKA, which sets out the framework terms governing the CK Leasing Transactions for the period from 1 January 2022 to 31 December 2024. The CK Leasing Transactions Framework Agreement is not conditional upon the approval of the Unitholders.

The principal terms of the CK Leasing Transactions Framework Agreement are as follows:

Parties:	(1) The Manager (for and on behalf of the Fortune REIT Group) (2) CKA
Term:	Three (3) years from 1 January 2022 up to 31 December 2024.
Purpose, consideration and other terms:	To set out the framework terms governing leasing and licensing transactions entered or to be entered into between a member of the Fortune REIT Group (as lessor) on the one hand and a member of the CKA Connected Persons Group (as lessee) on the other hand in respect of any part of Fortune REIT's Properties during the term of the CK Leasing Transactions Framework Agreement.

The relevant parties of the Fortune REIT Group and CKA Connected Persons Group shall enter into separate written agreements on normal commercial terms to be negotiated on a case-by-case and at arm's length basis which are fair and reasonable, which shall be no less favourable than those offered to or available from independent third parties.

The rent and/or licence fees (as the case may be) chargeable for such transactions shall be based on the then prevailing market rates for properties of similar size and with similar attributes within the same building (or, if not available, within the vicinity). The basis of any management or service fees chargeable in connection with such transactions shall be the same as that of such fees chargeable to other independent third party tenants or licensees of the same building or property.

In assessing whether each transaction under the CK Leasing Transactions Framework Agreement is entered into based on the then prevailing market rate and on normal commercial terms, the Manager shall arrange for an independent valuation to be conducted for each such transaction before the transaction is first entered into except where they are conducted on standard pre-determined rates (subject to periodic review by the Manager) at which the Fortune REIT Group leases or licenses to any parties, including independent third parties.

LETTER TO THE UNITHOLDERS

3.2.2. CK Property Management Transactions Framework Agreement

In anticipation of the expiry of the 2018 Extended Waiver, and having regard to the regular, ordinary and ongoing nature of the CK Property Management Transactions, on 27 April 2021, Fortune REIT (through the Manager) entered into the CK Property Management Transactions Framework Agreement with CKA, which sets out the framework terms governing the CK Property Management Transactions (including the transactions under the Property Management Agreement and the Deeds of Mutual Covenants) for the period from 1 January 2022 to 31 December 2024. The CK Property Management Transactions Framework Agreement is conditional upon the passing of Ordinary Resolution No. 1. If this condition is not satisfied by 31 December 2021, the CK Property Management Transactions Framework Agreement shall automatically terminate.

The principal terms of the CK Property Management Transactions Framework Agreement are as follows:

Parties: (1) The Manager (for and on behalf of the Fortune REIT Group)
(2) CKA

Term: Three (3) years from 1 January 2022 up to 31 December 2024.

Purpose, consideration and other terms: To set out the framework terms governing property management transactions entered or to be entered into between a member of the Fortune REIT Group (as owner of the relevant property) on the one hand and a member of the CKA Connected Persons Group (as service provider) on the other hand in respect of any part of Fortune REIT's Properties during the term of the CK Property Management Transactions Framework Agreement.

The relevant parties of the Fortune REIT Group and CKA Connected Persons Group shall enter into separate written agreements on normal commercial terms to be negotiated on a case-by-case and at arm's length basis which are fair and reasonable, which shall be no less favourable than those offered to or available from independent third parties.

The fees chargeable for such transactions shall be based on the then prevailing market rates for similar services provided by professional property management service providers for properties of similar size and with similar attributes.

The services provided by the Property Manager under the Property Management Agreement comprise the following:

- (i) Property management services. These include coordinating tenants' fitting out requirements, recommending third party contracts for the provision of property management (including parking facilities management), maintenance services, supervising the performance of service providers and contractors, arranging for adequate insurance and ensuring compliance with building and safety regulations;
- (ii) Lease management services. These include administration of rental collection, management of rental arrears, initiating lease renewals and negotiation of terms; and
- (iii) Marketing services. These include providing marketing and marketing coordination services.

LETTER TO THE UNITHOLDERS

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. Marketing services fee is to be calculated on the following basis for the provision of marketing services: (a) one (1) month's base rent for securing a tenancy of three (3) years or more; (b) one-half (1/2) month's base rent for securing a tenancy of less than three (3) years; (c) one-half (1/2) month's base rent for securing a renewal of tenancy (irrespective of duration); and (d) 10% of licence fee for securing a licence of less than twelve (12) months.

If and when the Property Management Agreement is renewed, the Manager shall arrange for an independent assessment from a property consultancy firm to be conducted on the new property management fee and marketing services fee to ensure that such property management fee and marketing services fee are reasonable and at market level before the Property Management Agreement is renewed.

In relation to the other services provided by third parties who may be members of the CKA Connected Persons Group, before entering into or renewing the other services provided by such third parties, the Manager shall arrange for invitation of at least three (3) tenders or quotations from contractors and suppliers, including one (1) from the CKA Connected Persons Group and two (2) from independent third parties, to be obtained for each such transaction and conduct a comparison of the prices before the transaction is first entered into, except where they are conducted on standard or published rates, to ensure that the transactions are carried out at arm's length, on normal commercial terms and in the interests of Unitholders.

In relation to the Deeds of Mutual Covenants, the relevant members of the Fortune REIT Group shall ensure that the fees charged to them are at the same rates as those charged to the other owners of the development unrelated to the Fortune REIT Group or the CKA Connected Persons Group, to ensure that the transactions are carried out at arm's length, on normal commercial terms and in the interests of Unitholders.

3.3. Continuing Connected Party Transactions with the Manager

In anticipation of the expiry of the 2018 Extended Waiver, and having regard to the regular, ordinary and ongoing nature of the Manager Leasing Transactions, on 27 April 2021, Fortune REIT (through the Manager) entered into the Manager Leasing Transactions Framework Agreement with the Manager (in its personal capacity), which sets out the framework terms governing the Manager Leasing Transactions (including the transactions under the Manager Lease Agreement) for the period from 1 January 2022 to 31 December 2024. The Manager Leasing Transactions Framework Agreement is not conditional upon the approval of the Unitholders.

The principal terms of the Manager Leasing Transactions Framework Agreement are as follows:

Parties:	(1) The Manager (for and on behalf of the Fortune REIT Group) (2) The Manager (in its personal capacity)
Term:	Three (3) years from 1 January 2022 up to 31 December 2024.
Purpose, consideration and other terms:	To set out the framework terms governing leasing and licensing transactions entered or to be entered into between a member of the Fortune REIT Group (as lessor) on the one hand and a member of the Manager Group (as lessee) on the other hand in respect of any part of Fortune REIT's Properties during the term of the Manager Leasing Transactions Framework Agreement.

The relevant parties of the Fortune REIT Group and Manager Group shall enter into separate written agreements on normal commercial terms to be negotiated on a case-by-case and at arm's length basis which are fair and reasonable, which shall be no less favourable than those offered to or available from independent third parties.

LETTER TO THE UNITHOLDERS

The rent and/or licence fees (as the case may be) chargeable for such transactions shall be based on the then prevailing market rates for properties of similar size and with similar attributes within the same building (or, if not available, within the vicinity). The basis of any management or service fees chargeable in connection with such transactions shall be the same as that of such fees chargeable to other independent third party tenants or licensees of the same building or property.

In assessing whether each transaction under the Manager Leasing Transactions Framework Agreement is entered into based on the then prevailing market rate and on normal commercial terms, the Manager shall arrange for an independent valuation to be conducted for each such transaction before the transaction is first entered into except where they are conducted on standard pre-determined rates (subject to periodic review by the Manager) at which the Fortune REIT Group leases or licenses to any parties, including independent third parties.

3.4. Historical Transaction Amounts and Annual Caps

(a) *CK Leasing Transactions*

For each of the past financial years ended 31 December 2018, 31 December 2019, 31 December 2020 and two months ended 28 February 2021, the aggregate historical transaction amounts received by the Fortune REIT Group from the CKA Connected Persons Group in respect of the CK Leasing Transactions were approximately HK\$33,282,000, HK\$24,387,000, HK\$29,426,000 and HK\$4,781,000 respectively.

It is expected that the maximum aggregate annual amount to be received by Fortune REIT Group from the CKA Connected Persons Group in respect of the CK Leasing Transactions for the three financial years ending 31 December 2024 will not exceed the amounts set out below:

Financial year ending 31 December		
2022	2023	2024
(HK\$'000)	(HK\$'000)	(HK\$'000)
80,000	80,000	80,000

The above proposed new annual cap for the CK Leasing Transactions for the financial year ending 31 December 2022 has been determined after taking into account the following factors: (i) the amounts receivable by the Fortune REIT Group from the CKA Connected Persons Group in respect of the CK Leasing Transactions currently in existence; (ii) the possible increase in rental and charge-out collection assumed at 10% to 20%; (iii) prevailing market conditions; (iv) estimated inflation of not more than 10%; (v) the possible new leases, tenancies and licences which members of the CKA Connected Persons Group may from time to time enter into with members of the Fortune REIT Group during the term of the CK Leasing Transactions Framework Agreement; and (vi) a buffer of 20% for contingencies. The above proposed new annual caps for the CK Leasing Transactions for two financial years ending 31 December 2023 and 2024 are the same as the proposed new annual caps for the financial year ending 31 December 2022, assuming the abovementioned factors remain constant.

(b) *Manager Leasing Transactions*

For each of the past financial years ended 31 December 2018, 31 December 2019, 31 December 2020 and two months ended 28 February 2021, the aggregate historical amounts received by the Fortune REIT Group from the Manager Group in respect of the Manager Leasing Transactions were approximately HK\$886,000, HK\$5,231,000, HK\$5,204,000 and HK\$867,000 respectively.

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It is expected that the maximum aggregate annual amount to be received by Fortune REIT Group from the Manager Group in respect of the Manager Leasing Transactions for the three financial years ending 31 December 2024 will not exceed the amounts set out below:

Financial year ending 31 December		
2022 (HK\$'000)	2023 (HK\$'000)	2024 (HK\$'000)
15,200	15,200	15,200

The above proposed new annual cap for the Manager Leasing Transactions for the financial year ending 31 December 2022 has been determined after taking into account the following factors: (i) the amounts receivable by the Fortune REIT Group from the Manager Group in respect of the Manager Leasing Transactions currently in existence; (ii) the possible increase in rental and charge-out collection assumed at 10 to 20%; (iii) prevailing market conditions (iv) estimated inflation of not more than 10%; (v) the possible new leases, tenancies and licences which members of the Manager Group may from time to time enter into with members of the Fortune REIT Group during the term of the Manager Leasing Transactions Framework Agreement; and (vi) a buffer of 20% for contingencies. The above proposed new annual caps for the Manager Leasing Transactions for two financial years ending 31 December 2023 and 2024 are the same as the proposed new annual caps for the financial year ending 31 December 2022, assuming the abovementioned factors remain constant.

(c) *CK Property Management Transactions*

For each of the past financial years ended 31 December 2018, 31 December 2019, 31 December 2020 and two months ended 28 February 2021, the aggregate historical amounts paid by the Fortune REIT Group to the CKA Connected Persons Group in respect of the CK Property Management Transactions were approximately HK\$87,121,000, HK\$92,893,000, HK\$80,636,000 and HK\$10,937,000 respectively.

It is expected that the maximum aggregate annual amount to be paid by Fortune REIT Group to the CKA Connected Persons Group in respect of the CK Property Management Transactions for the three financial years ending 31 December 2024 will not exceed the amounts set out below:

Financial year ending 31 December		
2022 (HK\$'000)	2023 (HK\$'000)	2024 (HK\$'000)
250,000	290,000	330,000

The above proposed new annual cap for the CK Property Management Transactions for the financial year ending 31 December 2022 has been determined after taking into account the following factors: (i) the historical transaction amounts paid to the CKA Connected Persons Group for the financial year ended 31 December 2019; (ii) a 10% increment in management expenses taking into account potential inflation and possible increase in cost and wages; (iii) the resulting increase in property management fees and marketing service fees due to a 10% to 20% increase in rental; (iv) the possible acquisition of properties by Fortune REIT in future resulting in an increase in the property management fees and marketing service fees; and (v) a buffer of 20% for contingencies. After determining the proposed new annual cap for the financial year ending 31 December 2022, an annual growth of approximately 15% was assumed for the proposed new annual caps for the CK Property Management for two financial years ending 31 December 2023 and 2024.

The proposed new annual caps provide the flexibility for contingencies when more transactions are entered into with the CKA Connected Persons Group during the term of the CK Property Management Transactions Framework Agreement.

3.5. Reasons for and Benefits of the Transactions

The Fortune REIT Group is principally engaged in real estate investment for property income. The CK Leasing Transactions and the Manager Leasing Transactions are in the ordinary and usual course of business of the Fortune REIT Group and will contribute towards the occupancy rate of and property income generated by Fortune REIT's Properties.

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The Manager is responsible under the Trust Deed and the REIT Code for ensuring that Fortune REIT's Properties are professionally managed. Since the initial public offering of Fortune REIT, the Property Manager has been appointed to operate, maintain, manage and market Fortune REIT's Properties under the overall management and supervision of the Manager. From time to time, the Property Manager (as agent for the relevant member of the Fortune REIT Group) will enter into contracts with third party service providers (which may include members of the CKA Connected Persons Group) for the provision of cleaning, maintenance, security, car park management and other ancillary services for the relevant property. The Manager expects that the Fortune REIT Group will continue to enter into CK Property Management Transactions with the CKA Connected Persons Group to ensure business continuity and efficiency. Furthermore, pursuant to the Deeds of Mutual Covenants, property managers (which may include members of the CKA Connected Persons Group) are appointed to provide maintenance and other ancillary services for the common areas and facilities of developments in which Fortune REIT's Properties are located, and all owners, including the relevant members of the Fortune REIT Group and other independent third parties, and their successors-in-title are bound by the Deeds of Mutual Covenants through such ownership irrespective of whether they were an original party thereto.

3.6. Regulatory Implications

3.6.1. Approval

3.6.1.1. CKA Connected Persons Group

So far as the Manager is aware having made all reasonable enquiries, as at the Latest Practicable Date, Focus Eagle held 413,074,684 Units and Ballston Profits held 112,556,000 Units, collectively representing approximately 26.78% of the Units in issue. Focus Eagle and Ballston Profits are indirect wholly-owned subsidiaries of CKA, therefore, members of CKA Connected Persons Group are connected persons of Fortune REIT. Accordingly, the CK Leasing Transactions and the CK Property Management Transactions entered into with members of the CKA Connected Persons Group constitute connected party transactions of Fortune REIT.

As the highest applicable percentage ratio (as calculated pursuant to Rule 14.07 of the Listing Rules) in respect of the annual caps applicable to the CK Leasing Transactions under the CK Leasing Transactions Framework Agreement is less than 5%, such transactions are subject to the announcement, reporting and annual review requirements but are exempted from the independent unitholders' approval requirement under the REIT Code and/or Chapter 14A of the Listing Rules.

None of the Directors has any material interest in the CK Leasing Transactions under the CK Leasing Transactions Framework Agreement. Accordingly, no Director is required to abstain from voting on the Board resolutions to approve the CK Leasing Transactions Framework Agreement and the annual caps applicable thereto.

As the highest applicable percentage ratio (as calculated pursuant to Rule 14.07 of the Listing Rules) in respect of the annual caps applicable to the CK Property Management Transactions under the CK Property Management Transactions Framework Agreement exceeds 5%, such transactions are subject to the independent unitholders' approval, announcement, reporting, annual review and other requirements under the REIT Code and/or Chapter 14A of the Listing Rules. Therefore, such CK Property Management Transactions are conditional upon the passing of Ordinary Resolution No. 1.

None of the Directors has any material interest in the CK Property Management Transactions under the CK Property Management Transactions Framework Agreement, and therefore, none of them is required to abstain from voting on the relevant board resolutions of the Manager for approving the CK Property Management Transactions.

3.6.1.2. Manager

As the Manager is a Connected Person of Fortune REIT, therefore members of the Manager Group will be considered as Connected Persons of Fortune REIT. Accordingly, the Manager Leasing Transactions with members of the Manager Group constitute connected party transactions of Fortune REIT.

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As the highest applicable percentage ratio (as calculated pursuant to Rule 14.07 of the Listing Rules) in respect of the annual caps applicable to the Manager Leasing Transactions under the Manager Leasing Transactions Framework Agreement is less than 5%, such transactions are subject to the announcement, reporting and annual review requirements but are exempted from the independent unitholders' approval requirement under the REIT Code and/or Chapter 14A of the Listing Rules.

None of the Directors has any material interest in the Manager Leasing Transactions under the Manager Leasing Transactions Framework Agreement except by virtue of his or her position as a director of the Manager. Having regard to the nature of such interest, the Board has collectively determined that no Director is required to abstain from voting on the Board resolutions to approve the Manager Leasing Transactions Framework Agreement and the annual caps applicable thereto.

3.7. Internal Controls

The Manager has established an internal control system to ensure that connected party transactions between the Fortune REIT Group and its Connected Persons are monitored and that such transactions are undertaken on terms in compliance with the REIT Code. As required by the REIT Code, all connected party transactions must, among other things, be carried out at arm's length, on normal commercial terms and in the interests of Unitholders. The following internal control measures are in place to ensure that such transactions satisfy the foregoing criteria:

- (a) The Manager maintains a register to record all connected party transactions which are entered into by members of the Fortune REIT Group and where applicable, the bases, including quotations from independent third parties and/or independent valuations obtained to support such bases, on which they are entered into. The Manager will review the quotations to ensure reasonableness having regard to the scale, scope and quality of services required, and the reputation, experience and track record of performance of the service providers.
- (b) The register of connected party transactions is reviewed on a quarterly basis to ensure the relevant annual caps are not exceeded.
- (c) As a general rule, the Manager will demonstrate to the Audit Committee of the Board that all connected party transactions are carried out at arm's length, on normal commercial terms and in the interests of Unitholders. In particular, the Audit Committee is provided with a summary of the connected party transactions including their transaction amounts on a half-yearly basis.
- (d) The internal auditor of the Manager will review all connected party transactions entered into by the Fortune REIT Group on an annual basis. The Manager will incorporate into its internal audit plan a review of all connected party transactions entered into by the Fortune REIT Group.

3.8. Review and Reporting

The Connected Transactions will be subject to the following review and reporting processes pursuant to paragraph 8.7A of the REIT Code and Rules 14A.55 to 14A.59, Rule 14A.71 and Rule 14A.72 of the Listing Rules (as modified under the REIT Code):

3.8.1. Annual Review by the Independent Non-executive Directors

The Independent Non-executive Directors shall review the Connected Transactions annually and confirm in Fortune REIT's annual report for the relevant financial period that each Connected Transaction has been entered into: (a) in the ordinary and usual course of business of the Fortune REIT Group; (b) on normal commercial terms or better; and (c) in accordance with the relevant agreement governing it on terms that are fair and reasonable and in the interests of Fortune REIT and the Unitholders as a whole.

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3.8.2. Annual Review by the Auditors

In respect of each relevant financial year, the Manager shall engage the auditors of Fortune REIT to report on the Connected Transactions annually. The auditors of Fortune REIT must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that any such transactions: (a) have not been approved by the Board; (b) were not, in all material respects, in accordance with the pricing policies of the Fortune REIT Group; (c) were not entered into, in all material respects, in accordance with the relevant agreement governing it; and (d) have exceeded the applicable annual cap. The Manager shall provide a copy of such auditors' letter to the SFC at least 10 business days before the bulk printing of the annual report of Fortune REIT.

3.8.3. Auditors' Access to Records

The Manager shall allow, and ensure that the counterparties to the Connected Transactions allow, the auditors of Fortune REIT sufficient access to their records for the purpose of reporting on such transactions.

3.8.4. Notification to the SFC

The Manager shall promptly notify the SFC and publish an announcement if the Independent Non-executive Directors and/or the auditors of Fortune REIT cannot confirm the matters set out in sections 3.8.1 and/or 3.8.2 of this Circular above. The SFC may require Fortune REIT to re-comply the announcement and unitholders' approval requirements and may impose additional conditions.

3.8.5. Annual Reports

A brief summary of the Connected Transactions containing the information specified in Rules 14A.71 and 14A.72 of the Listing Rules shall be included in Fortune REIT's annual reports.

3.9. Information on the Parties

Fortune REIT is a Hong Kong collective investment scheme constituted as a unit trust by the Trust Deed, and is authorised under section 104 of the SFO. Fortune REIT is principally engaged in the business of ownership of and investment in a portfolio of retail shopping malls located in Hong Kong with the primary objective of producing stable distributions for Unitholders and to achieve long-term growth in the net asset per Unit. The manager of Fortune REIT is ARA Asset Management (Fortune) Limited, a wholly-owned subsidiary of ARA Asset Management Limited, and the principal business activity of ARA Asset Management (Fortune) Limited is being the manager of Fortune REIT. ARA Asset Management Limited is a leading Asia Pacific real assets fund manager with a global reach.

The principal activity of the Property Manager is the provision of property management services and its ultimate holding company is CKA. CKA is a leading multinational corporation and has diverse capabilities with activities encompassing property development and investment, hotel and serviced suite operation, property and project management, aircraft leasing, pub operation and investment in infrastructure and utility asset operation. The shares of CKA are listed on the Main Board of the SEHK (Stock Code: 1113).

4. PROPOSED UNIT BUY-BACK MANDATE

At the annual general meeting of the Unitholders held on 24 April 2020, an Ordinary Resolution was passed to grant a general mandate to the Manager on behalf of Fortune REIT to buy back up to 10% of the number of Units in issue as at 24 April 2020. This general mandate will expire at the conclusion of the forthcoming AGM. The Manager proposes to seek Unitholders' approval by way of Ordinary Resolution at the AGM to grant the Unit Buy-back Mandate to the Manager on behalf of Fortune REIT to buy back Units on the SEHK.

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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 the Unitholders 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 the Rules to be held;
- (b) the date on which the authority conferred by the Unit Buy-back Mandate is revoked or varied by Unitholders by way of Ordinary Resolution in a general meeting; and
- (c) the date on which repurchase of Units pursuant to the Unit Buy-back Mandate is carried out to the full extent mandated.

Pursuant to the SFC Repurchase Circular, Fortune REIT shall comply with the restrictions and notification requirements applicable to listed companies purchasing their own shares on the SEHK under Rule 10.06 of the 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 Ordinary Resolution No. 2, 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 such resolution.

The Explanatory Statement in connection with the Unit Buy-back Mandate is set out in Appendix IV 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. VOTING AT THE AGM

Pursuant to paragraph 9 of Schedule 1 to the Trust Deed and paragraphs 2.16, 2.23 and 9.9(h) of the REIT Code, at any meeting a resolution put to the vote of the meeting shall be decided on a poll (except where the chairman in good faith so decides, to allow a resolution which relates purely to procedural or administrative matters to be voted on by a show of hands). The proposed Ordinary Resolutions will be decided on a poll at the AGM.

Pursuant to paragraph 2 of Schedule 1 to Trust Deed and paragraph 9.9(f) of the REIT Code, any Unitholder who has a material interest in any resolution and that interest is different from that of all other Unitholders shall abstain from voting in respect of such resolution.

5.1. Proposed Increase in Property Development Cap

As at the Latest Practicable Date, to the best of the Manager's knowledge, information and belief, after making reasonable enquiries, the Manager was unaware of any Unitholders that were required to abstain from voting at the AGM on Extraordinary Resolution No. 1 to approve the proposed increase in the Property Development Cap and the Property Development Cap Amendment.

5.2. Continuing Connected Party Transactions

Members of the CKA Connected Persons Group are, or may from time to time become, parties to the CK Property Management Transactions and as such have a material interest in Ordinary Resolution No. 1 to approve the CK Property Management Transactions and the proposed annual caps applicable thereto, which is different from that of other Unitholders.

At the Latest Practicable Date, Focus Eagle and Ballston Profits (being members of the CKA Connected Persons Group) in aggregate held 525,630,684 Units representing approximately 26.78% of the Units in issue and accordingly, each member of the CKA Connected Persons Group (including Focus Eagle and Ballston Profits) shall abstain from voting on Ordinary Resolution No. 1.

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Save as disclosed above, as at the Latest Practicable Date, to the best of the Manager's knowledge, information and belief, after making reasonable enquiries, the Manager was unaware of any other Unitholders that were required to abstain from voting at the AGM on Ordinary Resolution No. 1 to approve the CK Property Management Transactions and the proposed annual caps applicable thereto.

5.3. Proposed Unit Buy-back Mandate

As at the Latest Practicable Date, to the best of the Manager's knowledge, information and belief, after making reasonable enquiries, the Manager was unaware of any Unitholders that were required to abstain from voting at the AGM on Ordinary Resolution No. 2 to approve the Unit Buy-back Mandate.

6. VIEWS AND RECOMMENDATIONS

6.1. Proposed Increase in Property Development Cap

6.1.1. Directors

Having taken into account the duties of the Manager under the Trust Deed and the REIT Code, the Board considers that the Property Development Cap Amendment is being made in compliance with the modification provisions of the Trust Deed and the REIT Code, and that the proposed increase in the Property Development Cap and the Property Development Cap Amendment in line with the relaxations under the REIT Code Amendments and are in the interests of Fortune REIT and the Unitholders as a whole. Accordingly, the Board recommends all Unitholders to vote in favour of the Extraordinary Resolution No. 1 to approve the proposed increase in the Property Development Cap and the Property Development Cap Amendment.

6.1.2. Trustee

Having taken into account the duties of the Trustee under the Trust Deed and the REIT Code, and based on the information contained in this Circular, the Trustee is of the view that the Property Development Cap Amendment is being made in compliance with the modification provisions of the Trust Deed and the REIT Code.

Accordingly, and subject to Unitholders' approval being obtained, and to the requisite amendment being made to the Trust Deed: (a) pursuant to sub-paragraph (i) of note (2) to 10.5 of the REIT Code, the Trustee has no objection to the Property Development Cap Amendment and the proposed increase in the Property Development Cap; and (b) in compliance with 7.2AA(c) of the REIT Code, the Trustee has agreed to provide its no objection view in respect of the proposed increase in the Property Development Cap.

The Trustee's view and confirmation above are not to be taken as a recommendation or representation by the Trustee of the merits of the Property Development Cap Amendment or any statements or information made or disclosed in this Circular. The Trustee has not made any assessment of the impact or merits of the Property Development Cap Amendment 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 impact or merits of the Property Development Cap Amendment, to seek their own financial or other professional advice.

6.2. Continuing Connected Party Transactions

As stated in section 3.6.1 of this Circular above: (a) Unitholders' approval is required for the entry into of the CK Property Management Transactions under the CK Property Management Transactions Framework Agreement and the proposed annual caps applicable thereto; and (b) Unitholders' approval is not required for the entry into of the CK Leasing Transactions under the CK Leasing Transactions Framework Agreement and the Manager Leasing Transactions under the Manager Leasing Transactions Framework Agreement and the annual caps applicable thereto.

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Pursuant to Rule 14A.40 of the Listing Rules, the Independent Board Committee (comprising all of the Independent Non-executive Directors) has been established by the Board to advise the Independent Unitholders on the matters relating to the CK Property Management Transactions. Pursuant to Rule 14A.44 of the Listing Rules, the Independent Financial Adviser has been appointed to make recommendations to the Independent Board Committee, the Independent Unitholders and the Trustee on the matters relating to the CK Property Management Transactions under Rule 14A.45 of the Listing Rules.

6.2.1. Independent Financial Adviser

The Independent Financial Adviser has confirmed that it is of the view that:

- (a) the terms of the CK Property Management Transactions Framework Agreement and the basis for the CK Property Management Transactions (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) the CK Property Management Transactions: (i) are conducted in the ordinary and usual course of business of Fortune REIT and consistent with the investment objectives and strategy of Fortune REIT and in compliance with the REIT Code and the Trust Deed; (ii) will be conducted on terms which are and will be at arm's length and on normal commercial terms; and (iii) are fair and reasonable and in the interests of Fortune REIT, the Independent Unitholders, as well as the Unitholders as a whole.

Your attention is drawn to the Letter from the Independent Financial Adviser set out in Appendix III to this Circular which contains the Independent Financial Adviser's opinion and recommendation (including the reasons for its opinion, the key assumptions made and the factors that it has taken into consideration in forming the opinion).

6.2.2. Independent Board Committee

The Independent Board Committee, having taken into account the opinion and recommendation of the Independent Financial Adviser, is of the view that:

- (a) the terms of the CK Property Management Transactions Framework Agreement and the basis for the CK Property Management Transactions (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) the CK Property Management Transactions: (i) are conducted in the ordinary and usual course of business of Fortune REIT and consistent with the investment objectives and strategy of Fortune REIT and in compliance with the REIT Code and the Trust Deed; (ii) will be conducted on terms which are and will be at arm's length and on normal commercial terms; and (iii) are fair and reasonable and in the interests of Fortune REIT, the Independent Unitholders, as well as the Unitholders as a whole.

Accordingly, the Independent Board Committee recommends that the Independent Unitholders vote at the AGM in favour of Ordinary Resolution No. 1 to approve the CK Property Management Transactions and the proposed annual caps applicable thereto.

Your attention is drawn to the Letter from the Independent Board Committee set out in Appendix II to this Circular which contains the Independent Board Committee's opinion and recommendation.

6.2.3. Board

The Board considers that the CK Property Management Transactions form an integral part of the normal operations of Fortune REIT. In particular, the Property Manager has been a key and important delegate of the Manager since the listing of Fortune REIT in relation to the management of the properties of Fortune REIT.

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The Board considers that the terms of the CK Property Management Transactions and the annual caps thereof for the three financial years ending 31 December 2024 are fair and reasonable and in the interests of Fortune REIT and the Unitholders as a whole and that the CK Property Management Transactions are on normal commercial terms and the transactions thereunder will be carried out on an arm's length basis. The Board is of the view that the CK Property Management Transactions are consistent with the investment objectives and strategy of Fortune REIT and in compliance with the REIT Code and the Trust Deed. The Board therefore recommends that the Independent Unitholders vote in favour of the Ordinary Resolution No. 1 to approve the CK Property Management Transactions and the proposed annual caps applicable thereto at the AGM.

Furthermore, in respect of the CK Leasing Transactions under the CK Leasing Transactions Framework Agreement and the Manager Leasing Transactions under the Manager Leasing Transactions Framework Agreement and the annual caps thereof for the three financial years ending 31 December 2024, the Board (including the Independent Non-executive Directors) is of the view that:

- (a) the terms of each such transaction are fair and reasonable;
- (b) each such transaction is on normal commercial terms or better and in the ordinary and usual course of business of the Fortune REIT Group; and
- (c) each such transaction is in the interests of Fortune REIT and the Unitholders as a whole, and is consistent with Fortune REIT's investment objectives and strategy, and in compliance with the REIT Code and the Trust Deed.

6.2.4. Trustee

Based and in sole reliance on: (a) the opinion of the Board in this letter and the information and assurances provided by the Manager; (b) the Letter from the Independent Board Committee; and (c) the Letter from the Independent Financial Adviser, the Trustee, having taken into account its duties set out in the Trust Deed and the REIT Code:

- (a) has no objection to the entering into of each Connected Transaction;
- (b) is of the view that each Connected Transaction is consistent with Fortune REIT's investment objectives and strategy, and in compliance with the REIT Code and the Trust Deed; and
- (c) is of the view that each Connected Transaction is on normal commercial terms, fair and reasonable and in the interests of the Unitholders as a whole.

The Trustee also confirms that Unitholders' approval is not required under the REIT Code or the Trust Deed for the entry into of the CK Leasing Transactions under the CK Leasing Transactions Framework Agreement and the Manager Leasing Transactions under the Manager Leasing Transactions Framework Agreement.

The Trustee's confirmation is being furnished for the sole purpose of complying with 8.7D of the REIT Code, and is not to be taken as a recommendation or representation by the Trustee of the merits of the Connected Transactions 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 Connected Transactions, other than for the purposes of fulfilling its fiduciary duties set out in the Trust Deed and the REIT Code. Accordingly, the Trustee urges all Unitholders, including those who have any doubts as to the merits or impact of the Connected Transactions, to consider the Letter from the Independent Financial Adviser set out in Appendix III to this Circular and seek their own financial or other professional advice.

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6.3. Proposed Unit Buy-back Mandate

6.3.1. Directors

The Directors have considered the relevant factors, including the rationale for the proposed Unit Buy-back Mandate as set out in the Explanatory Statement in connection with the Unit Buy-back Mandate in Appendix IV to this Circular, 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 Ordinary Resolution No. 2 to approve the Unit Buy-back Mandate.

6.3.2. Trustee

The Trustee has confirmed that, in its opinion, the proposed Unit Buy-back Mandate complies with the Trust Deed, and subject to Unitholders' approval, the Trustee does not have any objection to the buy-back of Units pursuant to the Unit Buy-back Mandate.

The Trustee's confirmation is being furnished for the sole purpose of complying with 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 have any doubts as to the merits or impact of the Unit Buy-back Mandate, to seek their own financial or other professional advice.

7. AGM AND CLOSURE OF REGISTER OF UNITHOLDERS

The AGM will be held at 2:30 p.m. on Friday, 28 May 2021 or any adjournment thereof, at 24th Floor, Admiralty Centre I, 18 Harcourt Road, Hong Kong, for the purpose of considering and, if thought fit, passing with or without amendments, the Extraordinary Resolution and Ordinary Resolutions set out in the AGM Notice, which is set out on pages N-1 to N-4 to this Circular.

The Register of Unitholders will be closed from Tuesday, 25 May 2021 to Friday, 28 May 2021 (both days inclusive), during which no transfer of Units will be effected, to determine which Unitholders will qualify to attend and vote at the AGM. For those Unitholders who are not already on the Register of Unitholders, in order to qualify to attend and vote at the AGM, all duly completed transfers of Units accompanied by the relevant Unit certificates must be lodged with the Unit Registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration by 4:30 p.m. on Monday, 24 May 2021.

You can vote at the AGM if you are a Unitholder at the close of business on Monday, 24 May 2021. You will find enclosed with this Circular the AGM Notice (please refer to pages N-1 to N-4 to this Circular) and a form of proxy for use for the AGM.

Your vote is very important. Accordingly, please complete, sign and date the enclosed form of proxy, whether or not you plan to attend the AGM in person, in accordance with the instructions printed on the form of proxy, and return it to the Unit Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. The form of proxy should be completed and returned as soon as possible but in any event not less than forty-eight (48) hours before the time appointed for holding the AGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM or any adjournment thereof should you so wish.

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

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 I, with the proposed insertions and deletions indicated by, respectively, the underlined text and the strikethrough text below. All capitalised terms under this Appendix I are terms defined in the Trust Deed and have the corresponding meanings ascribed to them in the Trust Deed.

1. The definition of "Property Development Cap" under Clause 1.1 of the Trust Deed be amended as follows:

"Property Development Cap" means ~~40%~~ 25% of the Gross Asset Value of the Deposited Property, being the limit on the Aggregate Development Cost;

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))

(Stock Code: 778)

Managed by



ARA Asset Management (Fortune) Limited

28 April 2021

To: The Independent Unitholders of Fortune REIT

Dear Sir/Madam,

CONTINUING CONNECTED PARTY TRANSACTIONS

We have been appointed as members of the Independent Board Committee to advise you on the CK Property Management Transactions, 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 on the CK Property Management Transactions. Details of the Independent Financial Adviser's opinion and recommendation (including the reasons for its opinion, the key assumptions made and the factors that it has taken into consideration in forming the opinion) are set out in the Letter from the Independent Financial Adviser, the text of which is contained in the Circular.

Having taken into account the opinion and recommendation of the Independent Financial Adviser, we concur with such opinion and recommendation and are satisfied that:

- (a) the terms of the CK Property Management Transactions Framework Agreement and the basis for the CK Property Management Transactions (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) the CK Property Management Transactions: (i) are conducted in the ordinary and usual course of business of Fortune REIT and consistent with the investment objectives and strategy of Fortune REIT and in compliance with the REIT Code and the Trust Deed; (ii) will be conducted on terms which are and will be at arm's length and on normal commercial terms; and (iii) are 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 at the AGM in favour of Ordinary Resolution No. 1 to approve the CK Property Management Transactions and the proposed annual caps applicable thereto.

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

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

Ms. Cheng Ai Phing
Independent Non-executive Director

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

Ms. Koh Poh Wah
Independent Non-executive Director

BALLAS

C A P I T A L

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

28 April 2021

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

Dear Sir or Madam,

CONTINUING CONNECTED PARTY TRANSACTIONS IN RELATION TO CK PROPERTY MANAGEMENT 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 CK Property Management Transactions pursuant to the CK Property Management Transactions Framework Agreement (including the proposed new annual caps for the three financial years ending 31 December 2024 (the “**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 28 April 2021, 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 27 April 2018, an Ordinary Resolution was passed by the Unitholders at the extraordinary general meeting of the Unitholders for approving, among other, the 2018 Extended Waiver for a period of three financial years up to and including 31 December 2021. On 4 December 2020, the REIT Code was revised to, inter alia, broadly align the requirements applicable to connected party transactions of REITs with the requirements for companies listed on the SEHK. Following the changes to the REIT Code, save as otherwise provided in the REIT Code or the guidelines issued by the SFC from time to time, all connected party transactions of REITs will be regulated with reference to the requirements applicable to listed companies under Chapter 14A of the Listing Rules to the extent appropriate and practicable, including whether certain connected party transactions are continuing connected party transactions, available exemptions and the conditions thereof and unitholders’ approval, disclosure, reporting, annual review and other requirements.

In view of (i) the fact that the Manager expects that the Fortune REIT Group will enter into property management transactions with the CKA Connected Persons Group from time to time beyond the expiry of the 2018 Extended Waiver; and (ii) the expiry of the 2018 Extended Waiver on 31 December 2021, the Manager proposes to seek Unitholders’ approval, by way of Ordinary Resolution at the AGM to approve the CK Property Management Transactions contemplated under the CK Property Management Transactions Framework Agreement and the proposed New Annual Caps for the three financial years ending 31 December 2022, 2023 and 2024.

As set out in the Letter to the Unitholders, as at the Latest Practicable Date, each of Focus Eagle and Ballston Profits was a Connected Person of Fortune REIT. Focus Eagle and Ballston Profits are indirect wholly-owned subsidiaries of CKA. Therefore, members of the CKA Connected Persons Group are connected persons of Fortune REIT. Accordingly, the CK Property Management Transactions contemplated under the CK Property Management Transactions Framework Agreement constitute connected party transactions of Fortune REIT. As the highest applicable percentage ratio (as calculated pursuant to Rule 14.07 of the Listing Rules) in respect of the New Annual Caps applicable to the CK Property Management Transactions under the CK Property Management Transactions Framework Agreement exceeds 5%, the CK Property Management Transactions are subject to the Independent Unitholders' approval, announcement, reporting, annual review and other requirements under the REIT Code and/or Chapter 14A of the Listing Rules.

Members of the CKA Connected Persons Group are, or may from time to time become, parties to the CK Property Management Transactions and as such have a material interest in Ordinary Resolution No. 1 to approve the CK Property Management Transactions and the New Annual Caps, which is different from that of other Unitholders. Accordingly, each member of the CKA Connected Persons Group (including Focus Eagle and Ballston Profits) shall abstain from voting on Ordinary Resolution No. 1 to approve the CK Property Management Transactions and the New Annual Caps. Save as disclosed above, as at the Latest Practicable Date, to the best of the Manager's knowledge, information and belief, after making reasonable enquiries, the Manager was unaware of any other Unitholders that were required to abstain from voting at the AGM on Ordinary Resolution No. 1 to approve the CK Property Management Transactions and the New Annual Caps.

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 CK Property Management Transactions (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 in connection with the CK Property Management Transactions Framework Agreement and the CK Property Management Transactions contemplated thereunder (including the proposed New Annual Caps), in particular as to whether the CK Property Management Transactions (including the proposed New Annual Caps) 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 reviewed the information and facts contained or referred to in the Circular in relation to the CK Property Management Transactions Framework Agreement and relied on the representations made or provided by the Directors and the Manager. The Manager and 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 and completeness 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 Manager and 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 AGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and 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 CK Property Management Transactions. Our opinion is based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date.

INDEPENDENCE DECLARATION

We are not associated or connected with Fortune REIT, the counterparties of the CK Property Management Transactions Framework Agreement or their respective core connected persons or associates. In the two years immediately preceding the Latest Practicable Date, save for this appointment as the independent financial adviser in relation to the CK Property Management Transactions, we are not aware of any relationships with or interests in Fortune REIT or any other parties that could be reasonably regarded as a hindrance to our independence to act as the independent financial adviser to the Independent Board Committee, the Independent Unitholders and the Trustee in respect of the CK Property Management Transactions.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and advice in relation to the CK Property Management Transactions and the New Annual Caps, we have considered the following principal factors and reasons:

1. Background of the CK Property Management Transactions

As part of the Fortune REIT Group's ordinary and usual course of business, various categories of property management transactions have been, or will from time to time be, conducted between a member of the Fortune REIT Group on the one hand and a member of the CKA Connected Persons Group on the other hand in respect of any part of Fortune REIT's Properties, and such transactions comprise (i) property management and lease management and marketing services in respect of Fortune REIT's Properties by the Property Manager pursuant to the Property Management Agreement ("**Property Management Services**"); (ii) the transactions which the Property Manager, as agent for the relevant registered owners of the Fortune REIT's Properties, have entered into, or will from time to time enter into, with third party service providers (which may be members of the CKA Connected Persons Group) for the provision of, among other things, cleaning, maintenance, security, car park management and other ancillary services for the Fortune REIT's Properties ("**Third Party Services**"); and (iii) the transactions under the Deeds of Mutual Covenants applicable to any part of the Fortune REIT's Properties and by which the registered owners of such properties are bound, including the provision of maintenance and other ancillary services for the common areas and facilities by the relevant property manager thereunder (which may be members of the CKA Connected Persons Group) ("**Transactions under the Deeds of Mutual Covenants**").

2. Reasons for and benefits of the CK Property Management 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. We have reviewed the revenue breakdown from Fortune REIT's annual reports for the three financial years ended 31 December 2017, 2018 and 2019 and noted that the Fortune REIT Group's income from rental-related activities for the three financial years ended 31 December 2017, 2018 and 2019 amounted to approximately HK\$1,931 million, HK\$1,939 million and HK\$1,956 million, which represented approximately 99.8%, 99.9% and 99.8% of the Fortune REIT Group's total revenue for the three financial years ended 31 December 2017, 2018 and 2019, respectively.

As set out in the Letter to Unitholders, since the initial public offering of Fortune REIT, the Property Manager has been appointed to operate, maintain, manage and market the Fortune REIT's Properties under the overall management and supervision of the Manager. From time to time, the Property Manager (as agent for the relevant member of the Fortune REIT Group) will enter into contracts with third party service providers (which may include members of the CKA Connected Persons Group) for the provision of cleaning, maintenance, security, car park management and other ancillary services for the relevant property. The Manager expects that the Fortune REIT Group will continue to enter into the CK Property Management Transactions with the CKA Connected Persons Group to ensure business continuity and efficiency. Furthermore, pursuant to the Deeds of Mutual Covenants, property managers (which may include members of the CKA Connected Persons Group) are appointed to provide maintenance and other ancillary services for the common areas and facilities of developments in which the Fortune REIT's Properties are located, and all owners, including the relevant members of the Fortune REIT Group and other independent third parties, and their successors-in-title are bound by the Deeds of Mutual Covenants through such ownership irrespective of whether they were an original party thereto.

We have discussed with the Manager to understand that the Manager considers that the entering into of the CK Property Management Transactions Framework Agreement is beneficial and provides flexibility to the Fortune REIT Group provided that the CK Property Management 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.

Having considered that:

- (a) the 2018 Extended Waiver will expire on 31 December 2021 and the fact that the Manager expects that the Fortune REIT Group will enter into certain property management transactions with the CKA Connected Persons Group beyond the expiry of the 2018 Extended Waiver from time to time during a three-year period from 1 January 2022 to 31 December 2024;
- (b) the CKA 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 Services, Third Party Services and Transactions under the Deeds of Mutual Covenants provided by the CKA Connected Persons Group facilitate continuous effective management of the Fortune REIT Group's properties;

- (c) the nature of the CK Property Management Transactions is the same as the continuing connected party transactions in relation to property management services between the Fortune REIT Group and the CKA Connected Persons Group under the 2018 Extended Waiver; and
- (d) the CK Property Management Transactions Framework Agreement will allow the Fortune REIT Group to transact with the members CKA Connected Persons Group on normal commercial terms,

we consider that the CK Property Management 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.

3. Major terms of the CK Property Management Transactions Framework Agreement

The following sets forth the key terms of the CK Property Management Transactions Framework Agreement:

Date:	27 April 2021
Parties:	(1) The Manager (for and on behalf of the Fortune REIT Group) (2) CKA
Term:	Three (3) years from 1 January 2022 up to 31 December 2024.
Purpose, consideration and other terms:	To set out the framework terms governing property management transactions entered or to be entered into between a member of the Fortune REIT Group (as owner of the relevant property) on the one hand and a member of the CKA Connected Persons Group (as service provider) on the other hand in respect of any part of the Fortune REIT's Properties during the term of the CK Property Management Transactions Framework Agreement.

The relevant parties of the Fortune REIT Group and the CKA Connected Persons Group shall enter into separate written agreements on normal commercial terms to be negotiated on a case-by-case and at arm's length basis which are fair and reasonable, which shall be no less favourable than those offered to or available from independent third parties.

The fees chargeable for such transactions shall be based on the then prevailing market rates for similar services provided by professional property management service providers for properties of similar size and with similar attributes.

Condition: Upon the passing of Ordinary Resolution No. 1. If this condition is not satisfied by 31 December 2021, the CK Property Management Transactions Framework Agreement shall automatically terminate.

Property Management Services

Under the Property Management Agreement, the Property Manager is entitled to a fee of 3.0% per annum of the gross property revenue, which represents total amount of rent payable by the tenants, for the provision of property and lease management services. Marketing services fee is to be calculated on the following basis for the provision of marketing services: (a) one (1) month's base rent for securing a tenancy of three (3) years or more; (b) one-half (1/2) month's base rent for securing a tenancy of less than three (3) years; (c) one-half (1/2) month's base rent for securing a renewal of tenancy (irrespective of duration); and (d) 10% of licence fee for securing a licence of less than twelve (12) months. If and when the Property Management Agreement is renewed, the Manager shall arrange for an independent assessment from a property consultancy firm to be conducted on the new property management fee and marketing services fee to ensure that such property management fee and marketing services fee are reasonable and at market level before the Property Management Agreement is renewed.

Third Party Services

In relation to the other services provided by third parties who may be members of the CKA Connected Persons Group, before entering into or renewing the other services provided by such third parties, the Manager shall arrange for invitation of at least three (3) tenders or quotations from contractors and suppliers, including one (1) from the CKA Connected Persons Group and two (2) from independent third parties, to be obtained for each such transaction and conduct a comparison of the prices before the transaction is first entered into, except where they are conducted on standard or published rates, to ensure that the transactions are carried out at arm's length, on normal commercial terms and in the interests of Unitholders.

Transactions under the Deeds of Mutual Covenants

In relation to the Deeds of Mutual Covenants, the relevant members of the Fortune REIT Group shall ensure that the fees charged to them are at the same rates as those charged to the other owners of the development unrelated to the Fortune REIT Group or the CKA Connected Persons Group, to ensure that the transactions are carried out at arm's length, on normal commercial terms and in the interests of Unitholders.

Internal control measures adopted by the Manager

As set out in the Letter to the Unitholders, the Manager has established an internal control system to ensure that connected party transactions between the Fortune REIT Group and its connected persons, including the CK Property Management Transactions, are monitored and that such transactions are undertaken on terms in compliance with the REIT Code. As required by the REIT Code, all connected party transactions must, among other things, be carried out at arm's length, on normal commercial terms and in the interests of Unitholders. The following internal control measures are in place to ensure that such transactions satisfy the foregoing criteria:

- (a) The Manager maintains a register to record all connected party transactions which are entered into by members of the Fortune REIT Group and where applicable, the bases, including quotations from independent third parties and/or independent valuations obtained to support such bases, on which they are entered into. The Manager will review the quotations to ensure reasonableness having regard to the scale, scope and quality of services required, and the reputation, experience and track record of performance of the service providers.
- (b) The register of connected party transactions is reviewed on a quarterly basis to ensure the relevant annual caps are not exceeded.
- (c) As a general rule, the Manager will demonstrate to the Audit Committee of the Board that all connected party transactions are carried out at arm's length, on normal commercial terms and in the interests of Unitholders. In particular, the Audit Committee is provided with a summary of the connected party transactions including their transaction amounts on a half-yearly basis.
- (d) The internal auditor of the Manager will review all connected party transactions entered into by the Fortune REIT Group on annual basis. The Manager will incorporate into its internal audit plan a review of all connected party transactions entered into by the Fortune REIT Group.

Our work done

Property Management Services and Third Party Services

In relation to Property Management Services, based on the internal control procedures of Fortune REIT, an independent assessment shall be conducted by a property consultancy firm on the property management fee and marketing services fee of any property management agreements taking into account the prevailing market rates to ensure that the property management fee and marketing services fee are reasonable and at market level before they are entered into or renewed. We also understand from the Manager that the Fortune REIT Group has not engaged independent third party for the provision of Property Management Services of a similar nature. We understand that the Manager has complied with the aforesaid internal procedure in obtaining an independent assessment from a property consultancy firm when the Property Management Agreement was renewed in 2018. We have obtained from the Manager and reviewed such 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% per annum of the gross property revenue and the marketing services fee were reasonable and at market levels. According to the Manager, the Property Management Agreement will be further extended upon expiry in August 2023 and an independent assessment will be conducted on the property management fee and marketing services fee 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 property management services of another REIT listed in Hong Kong and noted that their key terms, including property management fees and marketing services fee, are in general comparable to those offered by the Property Manager to the Fortune REIT Group.

In relation to 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 at least three (3) tenders or quotations from contractors or suppliers, including one (1) from the CKA Connected Persons Group and two (2) from independent third parties, to ensure that the terms offered by the CKA Connected Persons Group were no less favourable to Fortune REIT than terms available from independent third parties. In respect of Third Party Services for the three years ended 31 December 2020, we have obtained and reviewed sample transactions documents from the Manager and noted that, save for two exceptional transactions of a similar nature with an aggregate transaction amount of HK\$138,000 in 2020, where only one quotation from independent contractor was obtained due to the fact that there is only one independent service provider available in the market, at least three (3) quotations, including two (2) from independent third parties and one (1) from the CKA Connected Persons Group were obtained and compared before the entering into the third party service contract with the CKA Connected Persons Group. Furthermore, we have also compared sample transaction documents in relation to Third Party Services (i) entered into between Fortune REIT and members of the CKA Connected Persons Group, and (ii) comparable transactions entered into between Fortune REIT and independent third parties suppliers and noted that the terms, including nature of the scope of services, contract period, payment terms and payment method, of Third Party Services offered by members of the CKA Connected Persons Group and independent third party suppliers were generally in line. As the quotations from independent third party suppliers represent arm's length negotiation between parties and commercial terms of the transactions, the Manager is of the view and we concur that the aforesaid internal control procedure could ensure the terms of Third Party Services are reasonable.

Taking into account the principal business of Fortune REIT as set out in the section headed “2. Reasons for and benefits of the CK Property Management Transactions” above, we are of the view that Property Management Services and Third Party Services carried out with the CKA 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 REIT listed in Hong Kong (for Property Management Services) and sample documents (for Third Party Services), and the aforesaid relevant internal control procedures (which, for (i) Property Management Services, include independent assessment to be conducted on the property management fee and marketing services fee 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 CKA Connected Persons Group and independent third parties) are strictly adhered to by the Manager, we are of the view that the terms of such Property Management Services and Third Party Services have been and will be at arm’s length, fair and reasonable and determined on normal commercial terms.

Transactions under the Deeds of Mutual Covenants

In relation to Transactions under the Deeds of Mutual Covenants, we understand that each property holding SPV would, where applicable, be bound by, and has the benefit of, the terms of the Deeds of Mutual Covenants applicable to the Fortune REIT’s Properties owned by it. Currently, all the managers under the deeds of mutual covenants (the “**DMC Manager**”) in respect of the Fortune REIT Properties are members of the CKA Connected Persons Group. We have selected sample Deeds of Mutual Covenants on a random basis, and the Manager has provided us with such samples for our review. We noted from our review that the management fees payable to the DMC Managers pursuant to the relevant Deed of Mutual Covenants were generally based on the DMC Managers’ duties as set out in the relevant Deed of Mutual Covenants on the proportion as the number of management units allocated to the portion/part of the Fortune REIT’s Properties bears to the total management units allocated to the entire development erected on the lot(s) of land with reference to the management expenses. In light of the fact that the (i) Deeds of Mutual Covenants 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 Deeds of Mutual Covenant; (ii) 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; and (iii) the fees payable to the DMC Managers were generally based on the DMC Managers’ duties on the proportion as the number of management units allocated to the portion/part of the Fortune REIT’s Properties bears to the total management units allocated to the entire development erected on the lot(s) of land with reference to the management expenses, 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 CK Property Management Transactions to be carried out 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 and the proposed New Annual Caps for the CK Property Management Transactions between Fortune REIT and the CKA Connected Persons Group are summarized as follows:

CK Property Management Transactions between Fortune REIT and the CKA Connected Persons Group

	For the financial year ended 31 December			For the two months ended 28 February 2021
	2018	2019	2020	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Historical transaction amounts	87,121	92,893	80,636	10,937
	For the financial year ending 31 December			
	2022	2023	2024	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
Proposed New Annual Caps	250,000	290,000	330,000	

According to the Manager, the above proposed New Annual Cap for the CK Property Management Transactions for the financial year ending 31 December 2022, has been determined after taking into account:

- (i) the historical transaction amounts for the financial year ended 31 December 2019;
- (ii) a 10% increment in management expenses taken into account potential inflation and possible increase in cost and wages;
- (iii) the resulting increase in property management fees and marketing service fees due to a 10% to 20% increase in rental;
- (iv) the possible acquisition of properties by Fortune REIT in the future resulting in an increase in the property management fees and marketing service fees; and
- (v) a buffer of 20% for contingencies.

After determining the proposed New Annual Cap for the financial year ending 31 December 2022, an annual growth of 15% is assumed for the proposed new annual caps for the CK Property Management Transaction for the two financial years ending 31 December 2023 and 2024.

Our work done

In assessing the fairness and reasonableness of the proposed New Annual Caps, we have reviewed and discussed with Manager on the underlying calculation, including the basis and assumptions, in formulating the same.

We understand that the Manager has determined the proposed New Annual Cap for the year ending 31 December 2022 by (i) the projected transaction amount of the CK Property Management Transactions for the year ending 31 December 2021 using the historical transaction amount of the CK Property Management Transactions for the year ended 31 December 2019; (ii) a 10% increment in management expenses taking into account potential inflation and possible increase in costs and wages; (iii) the resulting increase in property management fees and marketing service fees due to a 10% to 20% increase in rental; (iv) possible acquisition of properties by Fortune REIT resulting in the increase in the property management fees and marketing service fees; and (v) a buffer of approximately 20% for contingencies. After determining the proposed New Annual Cap for the year ending 31 December 2022, the Manager then further projected the transaction amount of the CK Property Management Transactions for the two years ending 31 December 2023 and 2024 with an approximately 15% annual growth.

(i) Historical transaction amounts

Despite the historical transaction amount being only approximately HK\$93 million and HK\$81 million for the two financial years ended 31 December 2019 and 2020, respectively, we understand from the Manager that the proposed New Annual Caps provide the flexibility for contingencies (as further elaborated in the paragraphs below) when more transactions are entered into with the CKA Connected Persons Group, during the term of the CK Property Management Transactions Framework Agreement. We consider such flexibility is fair and reasonable and beneficial to Fortune REIT as it allows Fortune REIT to have the flexibility to continue to engage the CKA Connected Persons Group for services required.

We understand from the Manager that in projecting the transaction amount of the CK Property Management Transactions for the year ending 31 December 2021, the Manager has taken into account the historical transaction amount of the CK Property Management Transactions for the year ended 31 December 2019 instead of that for the year ended 31 December 2020 in view of the exceptional economic conditions as a result of the outbreak of COVID-19 in 2020. In view of the introduction of vaccines for COVID-19 in 2021 and the decrease in number of confirmed cases in 2021 as compared to 2020 in Hong Kong, the Manager considers and we concur that it is more appropriate and meaningful to project the future transaction amount with the transaction amount for the year ended 31 December 2019.

(ii) Increment for inflation, possible increase in cost and wages

In determining the New Annual Cap for the year ending 31 December 2022, the Manager has assumed a 10% increment for management expenses taking into account potential inflation and possible increase in costs and wages. We understand from the Manager that the expenses for Third Party Services, including among other things, advertising, cleaning, maintenance, security, car park management and other ancillary services may experience fluctuations based on economic conditions. Also, as the fees payable to the DMC Manager is based on a commission rate of the management expenses, the Manager consider such expenses may also experience fluctuations based on economic conditions. According to the Hong Kong General Chamber of Commerce forecast that, assuming that COVID-19 vaccines will become widely available, which should help bring the coronavirus pandemic under control in Hong Kong and internationally, and allow some cross-border activities to be relaxed; and Sino-U.S. relations are expected to be more predictable, the real GPD growth, headline inflation and retail sales growth in Hong Kong in 2021 would be approximately 3.5%, 1.4% and

1.5%, respectively. We have reviewed statistics from the Census and Statistics Department of Hong Kong and noted that the general average wage rate and the average wage rate for real estate leasing and maintenance management as measured by the wage index in September 2020 increased by 7.3% and 9.0% respectively, over the same month in previous year. Given the expected recovery of the economy and the historical wages increment, we believe that it is reasonable for Fortune REIT to include a 10% increment factor to cater for the volatility of expenses.

(iii) Increment in rental

In determining the New Annual Cap for the year ending 31 December 2022, the Manager has assumed an increment between 10% to 20% for potential increase in rental. Based on the Property Management Agreement, the property management fees were based on an annual rate of 3% of the gross property revenue for provision of the property and lease management services. As advised by the Manager, the volatility of property rental values will in turn result in fluctuation of property management fees. We have reviewed statistics from the Rating and Valuation Department of the Government of Hong Kong on the retail property sector in the New Territories district in Hong Kong, where most of the Fortune REIT Group's properties are located, accounting for over 85% of the total gross rentable area of the Fortune REIT Group for the financial year ended 31 December 2020. We noted that the average monthly rent in the retail property sector in the New Territories district in Hong Kong increased from approximately HK\$1,250 per square metre (" m^2 ") in 2014 to approximately HK\$1,352 per m^2 in 2019, before decreasing to approximately HK\$1,183 per m^2 in 2020. From quarterly statistics, we noted that the aforesaid average monthly rent has gradually recovered from approximately HK\$1,163 per m^2 for the second quarter of 2020 to approximately HK\$1,274 per m^2 for the fourth quarter of 2020. Moreover, we also noted that such average monthly rent has recorded larger fluctuation from its quarter-on-quarter comparison in 2020 ranging -8.9% to 7.4% as compared to 2018 and 2019 ranging -5.1% to 3.6% and a month-to-month growth rate of 17.7% in December 2020. Furthermore, we noted from the Fortune REIT Group's published annual results announcement that, save for the negative rental reversions recorded in 2020 amid the outbreak of COVID-19, Fortune REIT had recorded positive rental reversion rate in each of its financial year ranging 7.2% to 23.8% since 2010, with an average of approximately 15.7%. Taking into account (i) the historical growth and recent fluctuations in average monthly rent in the retail property sector in Hong Kong; and (ii) the historical rental reversion rates of Fortune REIT, we consider the increment factor included by Fortune REIT for potential increase in rental is fair and reasonable.

(iv) Possible acquisition of properties by Fortune REIT

In determining the proposed New Annual Caps, the Manager assumed that three (3) acquisition of properties might take place during the term of the CK Property Management Transactions Framework Agreement in consideration of the possibility of acquisition of properties by Fortune REIT which in turn would require additional property management fees and marketing service fees. Due to the uncertainty as to the timing of the possible acquisitions, the Manager has assumed such acquisitions to take place in 2022 and used, for prudence, the historical transaction amount of an existing property of Fortune REIT which has the highest property management expenses, as the basis in estimating the expected expenses in relation to these acquisitions. We noted that the total estimated transaction amount for the three (3) possible acquisitions to be broadly equivalent to that of three times of the abovementioned existing property of Fortune REIT. We have reviewed the presentation slides of the financial results for the year ended 31 December 2020 of Fortune REIT published on its website and noted that Fortune REIT has acquired an aggregate of 13 malls since 2005 with the highest number of acquisition of 6 malls in a year. Furthermore, as stated in the annual results announcement of Fortune REIT for the financial year ended 31 December 2020, Fortune REIT remains focused on safeguarding the long-term value for Unitholders through, among others, proactive asset management and prudent acquisitions. Accordingly, we consider that the assumption of the three (3) possible acquisitions in 2022 and the relevant estimated transaction amount in setting the New Annual Caps are reasonable and consistent with the business development strategy of Fortune REIT.

(v) Buffer for contingencies

The Manager has taken into account a buffer of approximately 20% for contingencies such as unforeseeable market fluctuations in determining the proposed New Annual Cap for the year ending 31 December 2022. We have reviewed and compared the range of contingency buffer of other REITs listed on the SEHK as extracted from their respective latest circulars published (where available) and note that the contingency buffer ranges from 5% to 25%. Given that the 20% contingency buffer proposed by the Manager falls within the range, we are of the view that the buffer adopted is reasonable.

(vi) Annual growth for the year ending 31 December 2023 and 2024

As mentioned above, after determining the proposed New Annual Cap for the year ending 31 December 2022, the Manager then further projected the transaction amount of the CK Property Management Transactions for the two years ending 31 December 2023 and 2024 with an approximately 15% annual growth. Taking into account (i) the inflation and possible increase in cost and wages as elaborated in the paragraph headed “(ii) increment for inflation, possible increase in cost and wages” above; (ii) the average rental reversion rate of Fortune REIT being approximately 15.7% during 2010 to 2019; and (iii) the Manager’s assumption that the economy will rebound in 2021 and 2022 and gradually resumes normal in 2023 and 2024, we consider the 15% annual growth rate reasonable.

Our view

Having considered the above, we are of the view that the basis in determining the proposed New Annual Caps for the CK Property Management Transactions for each of the three financial years ending 31 December 2022, 2023 and 2024 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. Requirements regarding the Connected Transactions

As set out in the Letter to the Unitholders, the Connected Transactions (including the CK Property Management Transactions) will be subject to the following review and reporting processes pursuant to paragraph 8.7A of the REIT Code and Rules 14A.55 to 14A.59, Rule 14A.71 and Rule 14A.72 of the Listing Rules (as modified under the REIT Code):

(a) Annual Review by the Independent Non-executive Directors

The Independent Non-executive Directors shall review the Connected Transactions annually and confirm in Fortune REIT's annual report for the relevant financial period that each Connected Transaction has been entered into: (i) in the ordinary and usual course of business of the Fortune REIT Group; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreement governing it on terms that are fair and reasonable and in the interests of Fortune REIT and the Unitholders as a whole.

(b) Annual Review by the Auditors

In respect of each relevant financial year, the Manager shall engage the auditors of Fortune REIT to report on the Connected Transactions annually. The auditors of Fortune REIT must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that any such Connected Transactions: (i) has not been approved by the Board; (ii) was not entered into, in all material respects, in accordance with the pricing policies of the Fortune REIT Group; (iii) was not entered into, in all material respects, in accordance with its terms of relevant agreements governing it; and (iv) has exceeded the applicable annual caps. The Manager shall provide a copy of such auditors' letter to the SFC at least 10 business days before the bulk printing of the annual report of Fortune REIT.

(c) Auditors' Access to Records

The Manager shall allow, and ensure that the counterparties to the Connected Transactions allow, the auditors of Fortune REIT sufficient access to their records for the purpose of reporting on such transactions.

(d) Notification to the SFC

The Manager shall promptly notify the SFC and publish an announcement if the Independent Non-executive Directors and/or the auditor of Fortune REIT cannot confirm the matters set out in (a) and/or (b) above. The SFC may require Fortune REIT to re-comply the announcement and Unitholders' approval requirements and may impose additional conditions.

(e) Annual Reports

A brief summary of the Connected Transactions containing the information specified in Rule 14A.71 and 14A.72 of the Listing Rules shall be included in Fortune REIT's annual reports.

The Manager confirmed to adhere to the internal control policies in place to ensure the Connected Transactions (including the CK Property Management Transactions) are conducted in accordance with the terms of the relevant framework agreements as set out in the Letter to the Unitholders (including the CK Property Management Transactions Framework Agreement), on normal commercial terms and not exceeding the approved annual caps. We

have reviewed the annual reports of Fortune REIT for the three years ended 31 December 2017, 2018 and 2019, and noted that annual review had been conducted by Independent Non-executive Directors and auditors of Fortune REIT. Moreover, a summary of connected party transactions had been disclosed in the annual reports for the three years ended 31 December 2017, 2018 and 2019. Accordingly, the aforesaid review and reporting procedures has been implemented by the Manager and Fortune REIT.

In light of (a) internal control measures established by the Manager in respect of connected party transactions as set out in the section headed “Internal control measures adopted by the Manager” above; (b) the reporting requirements relating to the Connected Transactions (including the CK Property Management Transactions), in particular, (i) the restriction of transaction value by way of the annual caps; and (ii) the ongoing review by the Independent Non-executive Directors and the auditors of Fortune REIT on the terms of the Connected Transactions and the annual caps not being exceeded; (c) the requirement for Fortune REIT to re-comply with the announcement and Unitholders’ approval requirements (if applicable) in relation to the CK Property Management Transactions before any New Annual Cap is exceeded or it proposes to effect a material change to their terms pursuant the Listing Rules, we are of the view that appropriate measures will be in place to govern the conduct of the CK Property Management Transactions and safeguard the interests of Fortune REIT, the Independent Unitholders, as well as the Unitholders as a whole.

RECOMMENDATION

Having considered the aforesaid principal factors and reasons, we consider that:

- (i) the terms of the CK Property Management Transactions Framework Agreement and the basis for the CK Property Management Transactions (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
- (ii) the CK Property Management Transactions (a) are conducted in the ordinary and usual course of business of Fortune REIT and consistent with the investment objectives and strategy of Fortune REIT and in compliance with the REIT Code and the Trust Deed; (b) will be conducted on terms which are and will be at arm’s length and on normal commercial terms; and (c) are 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 Ordinary Resolution No. 1 in respect of the CK Property Management Transactions and the New Annual Caps as set out in the AGM Notice.

Yours faithfully,
For and on behalf of
Ballas Capital Limited

Heidi Cheng
Managing Director

Carmen Lin
Vice President

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. Carmen Lin of Ballas Capital Limited has been a licensed representative of Type 6 (advising on corporate finance) regulated activities since 2017.

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, 1,962,764,632 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 196,276,463 Units.

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

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 impact 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 (12) months preceding the Latest Practicable Date were as follows:

	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
April 2020	7.47	6.63
May 2020	7.59	6.60
June 2020	7.26	6.63
July 2020	7.20	6.64
August 2020	6.89	6.57
September 2020	6.85	6.45
October 2020	6.72	6.42
November 2020	7.19	6.36
December 2020	7.43	6.91
January 2021	7.40	6.93
February 2021	7.65	6.94
March 2021	7.62	7.10
From 1 April 2021 up to the date preceding the Latest Practicable Date	7.99	7.38

(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 (6) months prior to the Latest Practicable Date.

(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 laws of Hong Kong, the REIT Code, the 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 of Fortune REIT had notified the Manager that he/she/it had a present intention to sell any Units nor had such Connected Person 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) EFFECT OF THE 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 Takeovers and Share Buy-backs Code, such increase will be treated as an acquisition of voting rights for purposes of the 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 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, which directly held 413,074,684 Units, together with parties which are or presumed to be acting in concert with Focus Eagle Investments Limited (together, the "**Concert Group**"), held a total of approximately 28.38% 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 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 Group in Units would be increased to approximately 31.54% and such increase will give rise to an obligation to make a mandatory offer under Rule 26 of the Takeovers and Share Buy-backs Code.

In any event, the Manager does not intend to exercise the Unit Buy-back Mandate if it is aware that such buy-backs may trigger an obligation on the part of any Unitholder (and parties acting or presumed to be acting in concert with it) to make a mandatory offer under Rule 26 of the Takeovers and Share Buy-backs Code.

(A) RESPONSIBILITY STATEMENT

This Circular, for which the Manager and the Directors collectively and individually accept full responsibility (including for the accuracy of the information contained therein), includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to Fortune REIT. The Manager and the Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Circular misleading.

(B) EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice contained in this Circular:

Name	Qualification
Ballas Capital Limited	A corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising in corporate finance) regulated activities as defined under the SFO.

As at the Latest Practicable Date, the Independent Financial Adviser was not beneficially interested in any member of the Fortune REIT Group nor did it have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in the Fortune REIT Group.

As at the Latest Practicable Date, the Independent Financial Adviser had no direct or indirect interest in any assets which had since 31 December 2020 (being the date to which the most recent published audited financial statements of Fortune REIT were made up) been acquired or disposed of by or leased to the Fortune REIT Group, or were proposed to be acquired or disposed of by or leased to the Fortune REIT Group.

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this Circular, with the inclusion therein of the references to its name and its opinion and recommendation in the form and context in which they appear.

The Letter from the Independent Financial Adviser is given as of the date of this Circular for incorporation herein.

(C) NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Manager and the Directors were not aware of any material adverse change in the financial or trading position of the Fortune REIT Group since 31 December 2020 (being the date to which the most recent published audited financial statements of Fortune REIT were made up).

(D) DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, so far as is known to, or can be ascertained after reasonable enquiry by, the Manager, the following persons had interests or short positions in the Units, underlying Units and debentures of Fortune REIT or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Manager and the SEHK pursuant to the provisions of Part XV of the SFO as deemed to be applicable by virtue of clause 32 of the Trust Deed, or which were recorded in the register required to be kept by the Manager pursuant to clause 32.4.1 of the Trust Deed, are as follows:

Directors

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
Lim Hwee Chiang ¹	1,000,000	0.05%	2,100,000	0.11%
Manager	28,352,632	1.44%	–	–

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.

Substantial Unitholders

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 Investments Limited	413,074,684	21.05%	–	–
Ballston Profits Limited	112,556,000	5.73%	–	–
CKA ¹	–	–	525,630,684	26.78%
Schroders Plc ²	–	–	136,883,000	6.99%

Notes:

- CKA was deemed to hold 525,630,684 Units, of which: (a) 413,074,684 Units were held by Focus Eagle Investments Limited; and (b) 112,556,000 Units were held by Ballston Profits. Focus Eagle Investments Limited and Ballston Profits Limited were indirect wholly-owned subsidiaries of CKA.
- Schroders Plc was deemed to be interested in 136,883,000 Units, comprising:
 - 49,893,000 Units held by Schroder Investment Management Limited;
 - 39,628,000 Units held by Schroder Investment Management (Singapore) Limited; and
 - 47,362,000 Units held by Schroder Investment Management (Hong Kong) Limited.

Save as disclosed above, so far as is known to the Manager, none of the Directors and Chief Executive of the Manager and no other persons had any interests (or were deemed to be interested) and short positions in the Units, underlying Units and debentures of Fortune REIT or any of its associated corporations (within the meaning of Part XV of the SFO) as at Latest Practicable Date which were required to be notified to the Manager and SEHK pursuant to the provisions of Part XV of the SFO as deemed to be applicable by virtue of clause 32 of the Trust Deed, or which were recorded in the register required to be kept by the Manager pursuant to clause 32.4.1 of the Trust Deed.

(E) DIRECTORS' INTERESTS IN ASSETS, CONTRACTS AND COMPETING BUSINESSES

Save as disclosed in this Circular, as at the Latest Practicable Date:

- (a) none of the Directors had any direct or indirect interest in any assets which had since 31 December 2020 (being the date to which the most recent published audited financial statements of Fortune REIT were made up) been acquired or disposed of by or leased to the Fortune REIT Group, or were proposed to be acquired or disposed of by or leased to the Fortune REIT Group;
- (b) none of the Directors was materially interested in any subsisting contract or arrangement which was significant in relation to the business of the Fortune REIT Group taken as a whole; and
- (c) none of the Directors or their close associates (within the meaning of the Listing Rules) had any interest in a business which competes or may compete, either directly or indirectly, with the business of the Fortune REIT Group, or had or may have had any other conflicts of interest with the Fortune REIT Group pursuant to Rule 8.10 of the Listing Rules.

(F) DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into a service contract with any member of the Fortune REIT Group which does not expire or is not determinable by the employer within one (1) year without payment of compensation (other than statutory compensation).

(G) INSPECTION OF DOCUMENTS

Copies of the following documents are available for inspection at the Manager's principal place of business at Unit 901, Level 9, Fortune Metropolis, 6 Metropolis Drive, Hung Hom, Hong Kong during normal business hours on any weekday (except Saturdays and public holidays) from the date of this Circular up to and including the date of the AGM:

- (a) the CK Leasing Transactions Framework Agreement;
- (b) the CK Property Management Transactions Framework Agreement;
- (c) the Manager Leasing Transactions Framework Agreement;
- (d) the Property Management Agreement (including the PMA Amendment Deed);
- (e) the Deeds of Mutual Covenants;
- (f) the Manager Lease Agreement; and
- (g) the Trust Deed (including a draft copy of the Eighth Supplemental Deed).

NOTICE OF ANNUAL GENERAL MEETING

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))

(Stock Code: 778)

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 24th Floor, Admiralty Centre I, 18 Harcourt Road, Hong Kong on Friday, 28 May 2021 at 2:30 p.m. for the following purposes:

- (a) To note the audited financial statements of Fortune REIT together with Independent Auditor’s Report for the year ended 31 December 2020.
- (b) To note the appointment of auditor of Fortune REIT and the fixing of their remuneration.
- (c) To consider and, if thought fit, pass with or without modification, the following resolutions:

EXTRAORDINARY RESOLUTION

(1) Extraordinary Resolution No. 1:

“**THAT:**

- (a) approval be and is hereby given for: (i) the proposed increase in the Property Development Cap from 10% of the Gross Asset Value of the Deposited Property to 25% of the Gross Asset Value of the Deposited Property, as more fully described in the Circular and (ii) the Property Development Cap Amendment as set out in Appendix I to the Circular; and
- (b) the Manager, any Director, the Trustee and any duly authorised officer of 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 the Eighth Supplemental Deed and all other documents as may be required) as the Manager, such Director, the Trustee or such authorised officer 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 paragraph (a) of this resolution.”

NOTICE OF ANNUAL GENERAL MEETING

ORDINARY RESOLUTIONS

(1) Ordinary Resolution No. 1:

“THAT:

- (a) the CK Property Management Transactions Framework Agreement, the CK Property Management Transactions under the CK Property Management Transactions Framework Agreement and the proposed annual caps applicable thereto for the financial years ending 31 December 2022, 31 December 2023 and 31 December 2024, be and are hereby approved, confirmed and ratified; and
- (b) the Manager, any Director, the Trustee and any authorised signatory of the Trustee be and are hereby severally authorised to complete and do all such acts and things (including executing the CK Property Management Transactions Framework Agreement and all such documents as may be required) as the Manager, such Director, the Trustee and/or such authorised 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 paragraph (a) of this resolution.”

(2) Ordinary Resolution No. 2:

“THAT:

- (a) subject to paragraph (b) of this resolution, the exercise by the Manager during the Relevant Period (as defined below) of all the powers of Fortune REIT to purchase the Units on the SEHK, subject to and in accordance with the Trust Deed, REIT Code, the circulars and guidelines issued by the SFC from time to time, and applicable laws of Hong Kong, be and is hereby generally and unconditionally approved;
- (b) the total number of Units which may be purchased or agreed to be purchased by Fortune REIT pursuant to the approval in paragraph (a) of this resolution during the Relevant Period (as defined below) shall not exceed 10% of the total number of Units in issue as at the date of the passing of this resolution, and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and

NOTICE OF ANNUAL GENERAL MEETING

- (c) for the purpose of this resolution, “**Relevant Period**” means the period from the date of the passing of this resolution until whichever is the earliest of:
- (i) the date on which the next annual general meeting of Unitholders 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 the Rules to be held;
 - (ii) the date on which the authority conferred by the Unit Buy-back Mandate is revoked or varied by the 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.”

Words and expressions that are not expressly defined in this notice of AGM shall bear the same meaning as that defined in the unitholder circular dated 28 April 2021 (“**Circular**”).

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

Hong Kong, 28 April 2021

Singapore Registered Address:
5 Temasek Boulevard
#12-01 Suntec Tower Five
Singapore 038985

Hong Kong Office:
Unit 901, Level 9, Fortune Metropolis
6 Metropolis Drive, Hung Hom
Hong Kong

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. To safeguard the health and safety of Unitholders and to prevent the spreading of COVID-19, the Manager will implement the following precautionary measures at the AGM: (1) appropriate distancing and spacing in line with the guidance from the HKSAR Government will be maintained. As such, the Manager may limit the number of attendees of the AGM as may be necessary to avoid over-crowding; (2) compulsory temperature screening/checks (any person with fever, respiratory symptoms or a body temperature of more than 37.3 degrees Celsius will not be given access to the venue); (3) every Unitholder or proxy is required to: (i) fill in a health declaration form at the reception; and (ii) bring and wear surgical face masks before they are permitted to enter the venue, and at all times during their attendance of the AGM. No surgical face masks will be provided at the venue. Any person who refuses to follow the aforesaid requirements will not be admitted to the venue; and (4) no food and beverage will be served and no corporate gifts will be distributed.

The Manager will monitor the situation and reserves the right to take further measures as appropriate. Unitholders and proxies attending the AGM are advised to arrive at the AGM venue early as the precautionary measures may cause delay in the registration process. The Manager seeks the understanding and cooperation of Unitholders and proxies to minimise the risk of community spread of COVID-19.

2. The Register of Unitholders will be closed from Tuesday, 25 May 2021 to Friday, 28 May 2021, both days inclusive, to determine which Unitholders will qualify to attend and vote at the 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 meeting convened by the above notice, all Unit certificates accompanied by the duly completed transfers must be lodged with the unit registrar of Fortune REIT, Computershare Hong Kong Investor Services Limited at shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration by 4:30 p.m. on Monday, 24 May 2021.
3. A Unitholder entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more 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. In light of COVID-19, Unitholders are encouraged to appoint the chairman of the AGM as his/her proxy to vote on the resolutions, instead of attending the above meeting in person.
4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the unit registrar of Fortune REIT, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof. Completion and return of the proxy will not preclude you from attending and voting in person should you so wish. In the event that you attend the meeting or adjourned meeting (as the case may be) after having lodged a form of proxy, the form of proxy will be deemed to have been revoked.
5. Where there are joint registered Unitholders of a Unit, any one of such Unitholders may vote at the meeting either personally or by proxy in respect of such Unit as if he/she were solely entitled thereto, but if more than one of such Unitholders is present at the meeting personally or by 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.
6. If a black rainstorm warning, signal or a tropical cyclone warning signal no. 8 or above is in force in Hong Kong at 11:30 a.m. on Friday, 28 May 2021, the AGM will be rescheduled. The Manager will publish an announcement on the website of Fortune REIT at www.fortunereit.com and Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk to notify Unitholders of the arrangement of the rescheduled meeting.

IMPORTANT: PLEASE READ THE NOTES TO PROXY FORM BELOW

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))

PROXY FORM ANNUAL GENERAL MEETING

IMPORTANT

PLEASE READ THE NOTES TO THE PROXY FORM

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 24th Floor, Admiralty Centre I, 18 Harcourt Road, Hong Kong at 2:30 p.m. on Friday, 28 May 2021 or 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.

Extraordinary Resolution		To be used in the event of a poll	
		No. of Votes For*	No. of Votes Against*
1	To approve the increase in the Property Development Cap from 10% of the Gross Asset Value of the Deposited Property to 25% of the Gross Asset Value of the Deposited Property and the Property Development Cap Amendment as set out in the Notice of AGM dated 28 April 2021.		
Ordinary Resolutions			
1	To approve the CK Property Management Transactions Framework Agreement, the CK Property Management Transactions under the CK Property Management Transactions Framework Agreement and the proposed annual caps applicable thereto as set out in the Notice of AGM dated 28 April 2021.		
2	To approve the grant of the Unit Buy-back Mandate as set out in the Notice of AGM dated 28 April 2021.		

* 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 _____ 2021

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 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 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 the unit registrar of Fortune REIT (the "**Unit Registrar**"), Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong 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 an officer or attorney so authorised.
10. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the power of attorney or a duly certified copy thereof must (failing previous registration with the Manager) be lodged with the instrument of proxy; failing which the instrument may be treated as invalid.
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.
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.
14. Words and expressions that are not expressly defined in this proxy form shall bear the same meaning as that defined in the unitholder circular dated 28 April 2021.

PERSONAL INFORMATION COLLECTION STATEMENT

- I. "Personal Data" in these statements has the same meaning as "personal data" in the Personal Data (Privacy) Ordinance, Chapter 486 of the Laws of Hong Kong ("**PDPO**"), which may include but is not limited to your name and/or address.
- II. Your Personal Data is supplied to Fortune REIT and/or the Manager on a voluntary basis. Failure to provide sufficient information may render the Manager not able to process your instructions and/or requests as stated in this proxy form.
- III. Your Personal Data may be disclosed or transferred by Fortune REIT or the Manager to companies controlled by Fortune REIT, or (if any) subsidiaries of the Manager, or the Unit Registrar, and/or other companies or bodies for any of the purposes stated in this proxy form, and retained for such period as may be necessary for verification and record purposes.
- IV. You have the right to request access to and/or correction of your Personal Data in accordance with the provisions of the PDPO. Any such request for access to and/or correction of your Personal Data should be in writing to the Personal Data Privacy Officer of the Unit Registrar.