

This announcement is issued in connection with the transaction relating to the acquisition of Kingswood Ginza Property and related matters, in compliance with the REIT Code, the Singapore Listing Manual and the Singapore Property Funds Appendix, and should not be used for any other purpose.

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FORTUNE REAL ESTATE INVESTMENT TRUST

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

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

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

Managed by



ARA Asset Management (Fortune) Limited

MAJOR ACQUISITION AND CONNECTED PARTY TRANSACTIONS RELATING TO THE PROPOSED ACQUISITION OF THE KINGSWOOD GINZA PROPERTY, CONTINUING CONNECTED PARTY TRANSACTIONS AND RELATED MATTERS

Joint Lead Managers and Underwriters to the Unit Placement



On 28 August 2013, the Trustee, the Guarantor and the Vendor entered into the Share Purchase Agreement pursuant to which the Vendor agreed to: (i) sell to the Trustee (or the Nominee) the entire issued share capital of the Target Company, with the rights attaching to them as at and from the Completion Date; and (ii) assign to the Trustee (or the Nominee) the Shareholder Loan. The Target Company is a company incorporated in Hong Kong and wholly-owns the Kingswood Ginza Property.

The Consideration pursuant to the Share Purchase Agreement is agreed to be HK\$5,849 million (arrived at after taking into account the valuations of the Kingswood Ginza Property by the Independent Property Valuers), subject to the Current Adjustment.

The Kingswood Ginza Property comprises the Kingswood Ginza Mall as well as other retail, kindergarten, parking lots and ancillary spaces to such areas (including loading bays and external walls), reserve shares and common areas within the Kingswood Development, which is located in Tin Shui Wai, Yuen Long, New Territories. While Fortune REIT will be acquiring all of the Kingswood Ginza Property (through its acquisition of the Target Company Shares), the remainder of the Kingswood Development which Fortune REIT will not be acquiring (which includes 58 residential tower blocks, the hotel known as “Harbour Plaza Resort City”, a police reporting centre, other commercial areas and parking lots) will continue to be owned by their existing owners.

The Manager currently expects to finance the Consideration by: (a) drawing down approximately HK\$4,902 million under the term loans of up to an aggregate principal amount of HK\$5,227 million; and (b) using approximately HK\$947 million out of the net proceeds of the Unit Placement.

The Acquisition and consummation of the transactions contemplated under, associated with and/or related to the Share Purchase Agreement constitute: (a) connected party transactions of Fortune REIT under paragraph 8.5 of the REIT Code; (b) Interested Person Transactions of Fortune REIT under Chapter 9 of the Singapore Listing Manual; and (c) Interested Party Transactions under paragraph 5 of the Singapore Property Funds Appendix, and are thus subject to the approval of Independent Unitholders by way of an Ordinary Resolution at the EGM.

In addition, as the Consideration represents approximately 49.1% of the total market capitalisation of Fortune REIT, based on the average closing price of Fortune REIT on the Hong Kong Stock Exchange for the five trading days immediately preceding the Latest Practicable Date, the Transaction also constitutes a major acquisition by Fortune REIT under the relevant Hong Kong rules and regulations.

If the Acquisition is completed, and assuming that the various transactions and arrangements in relation to the Kingswood Ginza Property will continue to be conducted with the CKH Group and/or the Trustee Connected Persons, more continuing connected party transactions will arise. Accordingly, the Manager would like to take the opportunity of the EGM for Independent Unitholders to approve modifications and extensions to the Existing CKH/Manager CPT Waiver so as to: (i) expand the scope of the Existing Continuing Connected Party Transactions to include transactions entered or to be entered into by the Target Company in respect of the Kingswood Ginza Property and the Additional Continuing Connected Party Transactions as a result of the Completion of the Acquisition; (ii) set new annual monetary limits to accommodate the New Continuing Connected Party Transactions for the financial years ending 31 December 2013, 31 December 2014 and 31 December 2015 to cover the New Continuing Connected Party Transactions relating to the Kingswood Ginza Property, as well as additional CKH/Manager Group Leases/Licences to be entered into; and (iii) extend the Existing CPT Waiver Expiry Date so that the three-year waiver duration can commence afresh.

The Fortune REIT Circular containing, among other things: (1) a letter from the Board to the Unitholders containing details of, among other things, the Transaction and the New Continuing Connected Party Transactions; (2) a letter from the Independent Board Committee and the Audit Committee to the Independent Unitholders in relation thereto; (3) a letter from the Independent Financial Advisers containing their advice to the Independent Board Committee, the Audit Committee, the Independent Unitholders and the Trustee in relation thereto; and (4) the EGM Notice, will be sent to the Unitholders as soon as practicable.

Terms used herein shall bear the same respective meanings as set out in the Definitions section of this announcement.

As the Transaction may or may not complete, unitholders of and prospective investors of Fortune REIT are advised to exercise caution when dealing in the units of Fortune REIT.

Reference is made to the announcement issued by the Manager dated 30 July 2013 in respect of the non-binding memorandum of understanding in relation to the Acquisition (the “**MOU Announcement**”) and the announcements issued by the Manager on 30 July 2013, 5 August 2013 and 6 August 2013 in respect of the Unit Placement (collectively, the “**Placement Announcements**”).

The MOU Announcement sets out the key terms of a non-binding memorandum of understanding (the “**MOU**”) in connection with the proposed acquisition of 100% of the issued share capital of the Target Company by, and assignment of the Shareholder Loan to, Fortune REIT. The Placement Announcements set out details in respect of the placement of 142,962,000 Units that was completed on 6 August 2013.

THE TRANSACTION

A. PROPOSED ACQUISITION OF THE KINGSWOOD GINZA PROPERTY

1. Property Description

Fortune REIT will acquire the Kingswood Ginza Property (through the acquisition of the Target Company), which comprises the entire shopping mall commonly known as “Kingswood Ginza” (the “**Kingswood Ginza Mall**”) as well as other retail, kindergarten, parking lots and ancillary spaces to such areas (including loading bays and external walls), reserve shares and common areas within the Kingswood Development which is located in Tin Shui Wai, Yuen Long, New Territories. While Fortune REIT will be acquiring all of the Kingswood Ginza Property, the remainder of the Kingswood Development which Fortune REIT will not be acquiring (which includes 58 residential tower blocks, the hotel known as “Harbour Plaza Resort City”, a police reporting centre, other commercial areas and parking lots) will continue to be owned by their existing owners.

The Kingswood Ginza Property will be wholly-owned by Fortune REIT through the Target Company. The Target Company is a special purpose vehicle, whose principal business activity was the ownership and operation of the Kingswood Ginza Property as at the Latest Practicable Date. A chart showing the property holding structure of Fortune REIT immediately after Completion is included in section A.3 headed “Current and Expected Holding Structure”.

The table below sets out certain key information on the Kingswood Ginza Property as at 30 June 2013, unless otherwise indicated.

Address	Nos. 12 and 18 Tin Yan Road; Nos. 1 and 3 Tin Wu Road; No. 8 Tin Shui Road; Nos. 2 and 9 Tin Lung Road and No. 3 Tin Kwai Road, Tin Shui Wai, Yuen Long, New Territories
Year and month of completion	Phase 1 of the Kingswood Ginza Mall – December 1998 Phase 2 of the Kingswood Ginza Mall – January 1999 Other retail, kindergarten, parking lots and ancillary spaces – October 1992 to December 1997
Government Lease Expiry	30 June 2047
Gross Rentable Area (excluding parking lots and ancillary spaces)⁽¹⁾	665,244 sq. ft.
Number of parking lots	622
Number of tenants	206
Monthly rental per leased sq. ft.⁽²⁾	HK\$27.4
Occupancy rate⁽³⁾	95.5% ⁽⁴⁾
Net Property Income for the six months ended 30 June 2013⁽⁵⁾	HK\$110.4 million
Appraised values as at 30 June 2013⁽⁶⁾	HK\$5,858 million as valued by JLL (appointed by the Trustee) HK\$5,850 million as valued by Savills (appointed by the Manager)

Notes:

(1) The percentage of total Gross Rentable Area leased to Connected Persons as at 30 June 2013 was 15.6%.

(2) The monthly rental per leased sq. ft. is calculated by dividing Gross Rental Income for the month ended 30 June 2013 by leased Gross Rentable Area as at 30 June 2013.

- (3) The occupancy rate is calculated based on leased Gross Rentable Area excluding the parking lots and ancillary spaces as at 30 June 2013.
- (4) The percentage of total Gross Rental Income from Connected Persons for the month ended 30 June 2013 was 15.8%.
- (5) Calculated by deducting Property Operating Expenses from Gross Revenue based on information provided by the Vendor. Gross Revenue consists of Gross Rental Income, Charge-Out Collections and all their income accruing or resulting from the operation of the Kingswood Ginza Property, including licence fees, Turnover Rent, parking lot revenues and other revenues. Property Operating Expenses consist of all costs and expenses incurred by the Target Company in the operation, maintenance, management and marketing of the Kingswood Ginza Property.
- (6) According to the Independent Property Valuation Reports, the average estimated net property yield of the Kingswood Ginza Property is 3.95%. It is within the range of the property yields of the Existing Properties. This is one of the key considerations by the Manager in deciding to enter into this Acquisition.

2. Acquisition of the Kingswood Ginza Property

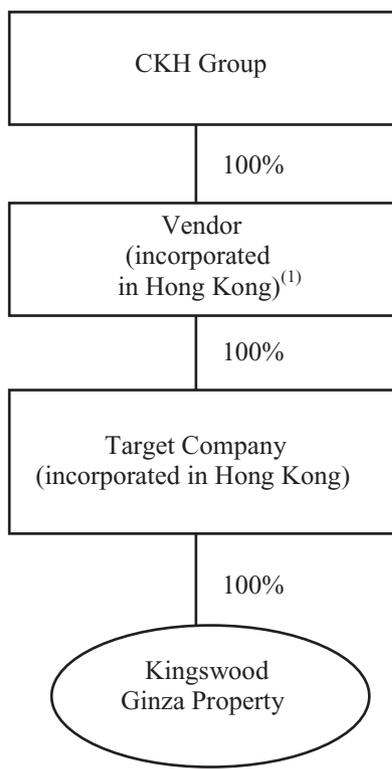
On 28 August 2013, the Trustee, the Guarantor and the Vendor entered into the Share Purchase Agreement, pursuant to which the Vendor agreed to: (i) sell to the Trustee (or the Nominee) the Target Company Shares with the rights attaching to them as at and from the Completion Date; and (ii) assign to the Trustee (or the Nominee) the Shareholder Loan. Upon Completion, Fortune REIT will (through the Target Company) hold the Kingswood Ginza Property.

The purchase consideration for the Target Company Shares under the Share Purchase Agreement is agreed to be HK\$5,849 million (arrived at after taking into account the valuations of the Kingswood Ginza Property by the Independent Property Valuers), subject to a customary adjustment for current assets and current liabilities referred to in section B.2 headed “Consideration”.

Further details regarding the Kingswood Ginza Property are contained in section A.1 headed “Property Description”.

3. Current and Expected Holding Structure

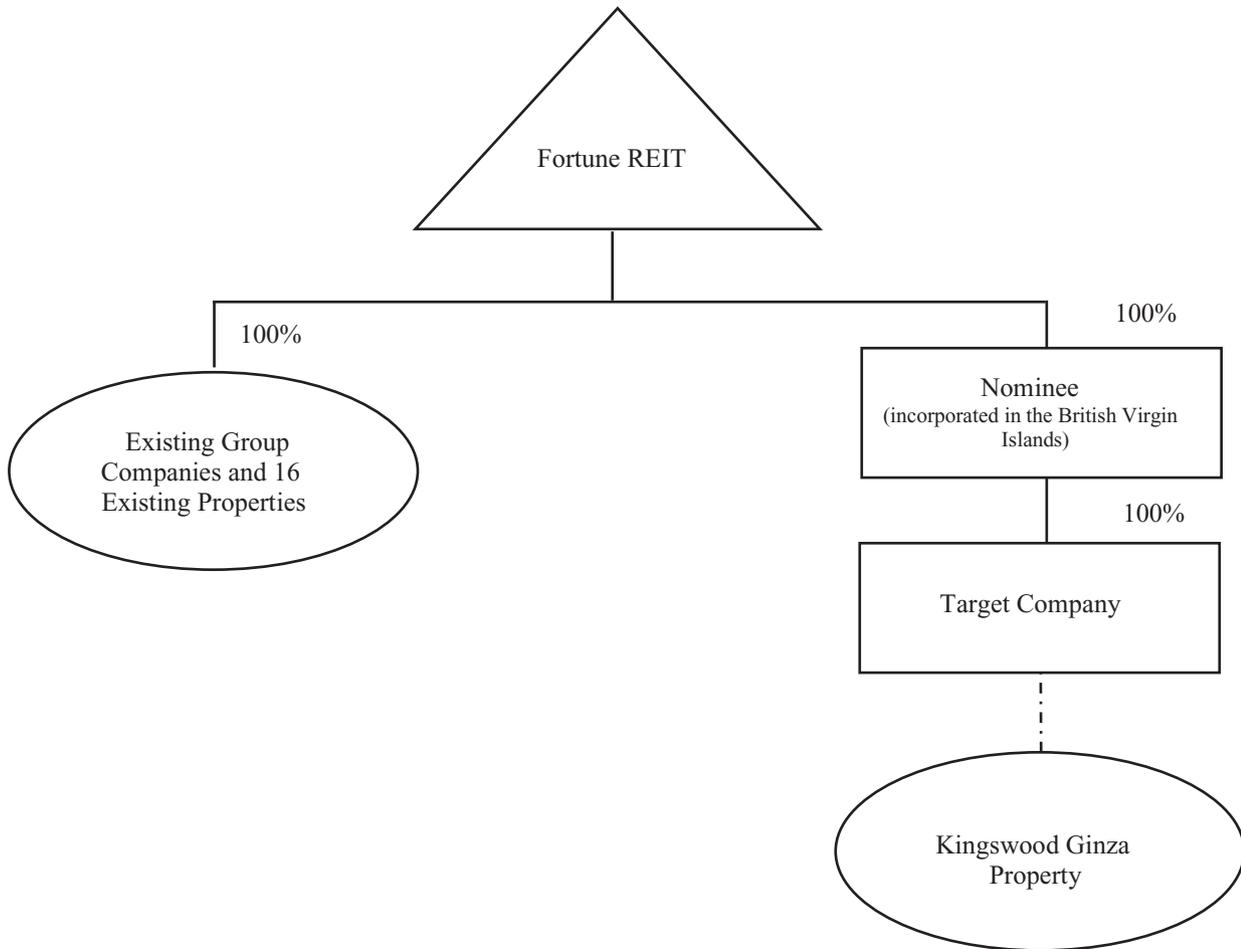
Below is a chart showing the holding structure of the Kingswood Ginza Property as at the date of this announcement:



Note:

(1) The Vendor is an indirect subsidiary of Cheung Kong.

The expected holding structure of the Kingswood Ginza Property immediately after Completion is as follows:



B. SHARE PURCHASE AGREEMENT

1. General

On 28 August 2013, the Trustee, the Guarantor and the Vendor entered into the Share Purchase Agreement, pursuant to which the Vendor agreed to: (i) sell to the Trustee (or the Nominee) the Target Company Shares with the rights attaching to them as at and from the Completion Date; and (ii) assign to the Trustee (or the Nominee) of the Shareholder Loan. Upon Completion, Fortune REIT will (through the Target Company) hold the Kingswood Ginza Property.

The Vendor is incorporated in Hong Kong and its principal business activity is investment holding. The Vendor is indirectly held as to 100% by the CKH Group and is therefore considered to be: (i) a Connected Person; (ii) an Interested Person; and (iii) an Interested Party, and accordingly the Acquisition and consummation of the transactions contemplated under the Share Purchase Agreement constitute: (a) connected party transactions of Fortune REIT under paragraph 8.5 of the REIT Code; (b) Interested Person Transactions of Fortune REIT under Chapter 9 of the Singapore Listing Manual; and (c) Interested Party Transactions under paragraph 5 of the Singapore Property Funds Appendix. For further information, please refer to sections H and I headed “Implications under the REIT Code and the Trust Deed” and “Implications under the Singapore Listing Manual and the Singapore Property Funds Appendix”. As at the Latest Practicable Date, Cheung Kong, being the Guarantor, was deemed to hold an aggregate indirect interest of approximately 28.4% of the Units, and therefore is a Significant Holder (as defined in the REIT Code) of Fortune REIT, and a “controlling unitholder” (as defined in the Singapore Listing Manual and the Singapore Property Funds Appendix) of Fortune REIT.

The Kingswood Ginza Property is sold on an “as-is” basis and subject to the existing leases, tenancies and licences.

The Guarantor has unconditionally and irrevocably guaranteed to the Trustee the due and punctual payment of all amounts payable by the Vendor under the Share Purchase Agreement and the due and punctual performance and observance by the Vendor of all its obligations, commitments, undertakings, warranties and indemnities under or pursuant to the Share Purchase Agreement.

2. Consideration

The Consideration is agreed to be HK\$5,849 million (arrived at after taking into account the valuations of the Kingswood Ginza Property by the Independent Property Valuers), subject to a customary adjustment (the “**Current Adjustment**”) for:

- (a) the current assets (such as all receivables, refundable utility and other deposits placed with relevant authorities or suppliers, all cash and deposits at bank and all prepaid operating expenses); and
- (b) the current liabilities (such as all security deposits, all rental/licence fees received in advance in relation to the Kingswood Ginza Property, all payments due to creditors and accruals of property and other relevant expenses and all provision for taxation)

of the Target Company as at Completion but excluding the Shareholder Loan and any deferred tax liabilities of the Target Company. The deferred tax liabilities represent the tax allowances previously claimed by the Target Company in respect of the Kingswood Ginza Property. As the Kingswood Ginza Property is to be held by Fortune REIT for long term investment purposes, the Manager is of the view that such deferred tax liabilities are unlikely to be crystallised, and therefore have been excluded.

The Share Purchase Agreement provides that prior to Completion, the Vendor must procure that any amounts owed to or from the Target Company are repaid or transferred, as applicable, so that the only outstanding loan owed to or from the Target Company as at Completion is the Shareholder Loan. The Shareholder Loan of the Target Company as at the Latest Practicable Date amounted to approximately HK\$1,086 million, subject to finalisation of the amount of the Shareholder Loan as at Completion.

The Current Adjustment will be set out in a pro forma completion balance sheet to be provided by the Vendor to the Manager and the Trustee shortly prior to Completion. Such pro forma completion balance sheet sets out the projected adjusted asset value of the Target Company as at Completion. The Current Adjustment will be audited within 90 days after Completion with a view to making any final adjustments to reflect the final adjusted asset value of the Target Company (such adjustments may be applicable either in favour of the Trustee or the Vendor).

The Current Adjustment is the result of commercial negotiations between the parties and is consistent with the approach on adjustments taken by the Manager and the Trustee on other transactions in the past. The Consideration shall be applied: (i) firstly, as payment on a dollar-for-dollar basis for the assignment to the Trustee (or the Nominee) of the Shareholder Loan; and (ii) thereafter, as payment for the transfer of the Target Company Shares.

As the liabilities will be discharged or dealt with in the manner described above, the Manager does not consider it necessary to adjust the Consideration for non-current assets or liabilities. Also, the Share Purchase Agreement contains covenants that, among others: (a) require the Target Company not to carry on any business other than in the ordinary course, without the prior written consent of the Trustee; (b) restrict the Target Company from entering into any agreement or incurring any commitment involving material expenditure (in an amount exceeding HK\$500,000), without the prior written consent of the Trustee; and (c) restrict the Target Company from incurring additional borrowing, and any other indebtedness otherwise than in the ordinary course of business, without the prior written consent of the Trustee. These contractual protections mitigate the risk to Fortune REIT of any possible adverse changes to the assets of the Target Company arising from acts or omissions of the Vendor.

The final adjusted purchase consideration for the Kingswood Ginza Property shall be announced by the Manager as soon as practicable following the determination of such adjustments, together with the quantum of the adjustment amounts.

The Consideration for the Kingswood Ginza Property has been arrived at after taking into account of various factors, including, among others: (i) the valuations of the Kingswood Ginza Property by the Independent Property Valuers; (ii) the uniqueness and scarcity of Kingswood Ginza Property as the largest shopping centre in Yuen Long District; (iii) the strategic location of the Kingswood Ginza Property in Tin Shui Wai where it serves a total population of approximately 288,000 people within the catchment area; and (iv) on a willing buyer and a willing seller in an arm's-length transaction basis. The valuations by the Independent Property Valuers as at 30 June 2013 are summarised in the table below.

Appraised Values as at 30 June 2013

by JLL (appointed by the Trustee)	by Savills (appointed by the Manager)	Consideration
(HK\$ million)	(HK\$ million)	(HK\$ million)
5,858	5,850	5,849 ⁽¹⁾

Note:

(1) Before taking into account the Current Adjustment.

The Consideration represents a discount of less than 0.2% from both of the appraised values of the Kingswood Ginza Property as valued by JLL and Savills respectively.

In arriving at the appraised valuation of Kingswood Ginza Property, the Independent Property Valuers have made use of the income capitalisation method cross-referenced with the direct comparison method. The income capitalisation method is based on the capitalisation of the current passing rental income and potential reversionary income over the remaining tenure of the property from the date of valuation at appropriate investment yields to arrive at the capital value. The direct comparison method is based on comparing the properties to be valued directly with other comparable properties which recently changed hands or were leased. For further details on the methods and bases of the valuations, please refer to Appendix 4 to the Fortune REIT Circular headed “Independent Property Valuers’ Property Valuation Reports”.

3. Completion

Vendor’s Hive-Out Obligations

The Share Purchase Agreement also provides that prior to Completion, the Vendor will procure the Target Company to:

- (i) dispose of all its assets other than: (a) the Kingswood Ginza Property; (b) the fixed plant and equipment located in or on or which otherwise relate to the Kingswood Ginza Property or its operations; and (c) the current assets that will be adjusted for pursuant to the Current Adjustment;
- (ii) discharge all of its liabilities, other than: (a) the Shareholder Loan, (b) the current liabilities that will be adjusted for pursuant to the Current Adjustment; (c) the provision of deferred tax liabilities relating to the Kingswood Ginza Property that will be the subject of a Vendor indemnity (including claw back of taxation in respect of allowances as more particularly described in section B.6 headed “Deed of Tax Covenant”); and (d) immaterial liabilities that have been taken into account when determining the unadjusted Consideration;

- (iii) transfer or assign any licences of the Target Company, which are not relating to the Kingswood Ginza Property (the “**Unrelated Licences**”); and
- (iv) terminate or novate all rights and obligations under any contracts to which the Target Company is a party, which are not related to or in connection with the Kingswood Ginza Property (the “**Unrelated Contracts**”).

To the extent any Unrelated Contracts are not terminated or novated prior to Completion (the “**Post Completion Contracts**”), the Vendor irrevocably and unconditionally undertakes to the Trustee that it shall novate or terminate the Post Completion Contracts (other than those Post Completion Contracts which shall expire on or before 31 December 2013), as soon as possible after Completion and in any event on or before 31 December 2013, such that the Target Company shall be unconditionally and irrevocably discharged and released from any liability, cost and obligation under these Post Completion Contracts in any event before 31 December 2013.

Completion Date

Completion shall take place 5 days (or such other date as the Vendor and the Trustee may mutually agree) after the Conditions set out in section B.4 headed “Conditions Precedent” have been fulfilled, or if later, the date following 5 days after the outstanding pre-completion obligations of the Vendor set out in paragraphs (iii) and (iv) above are fulfilled (the “**Completion Date**”).

As soon as practicable following Completion, the Manager will issue an announcement to inform Unitholders that Completion has occurred. Such announcement will, among other things, contain further details regarding the Nominee.

4. Conditions Precedent

Completion is subject to and conditional upon satisfaction of the following conditions (collectively, the “**Conditions**”):

- (1) the passing of the EGM Resolution in relation to the Transaction Matters Requiring Approval by the Independent Unitholders;
- (2) no event or circumstance arising that prohibits or materially restricts the sale and purchase of the Target Company Shares and/or the Kingswood Ginza Property and/or the assignment of the Shareholder Loan pursuant to the REIT Code, the Hong Kong Listing Rules, the Singapore Listing Manual, the SFA and/or the Code on Collective Investment Schemes (including the Singapore Property Funds Appendix) issued by the MAS;

- (3) no material damage to the Kingswood Ginza Property and no material breach of the warranties given by the Vendor which, in the reasonable opinion of the Trustee, acting on the recommendation of the Manager, will have a material adverse effect on the financial condition, prospects, earnings, business, undertaking or assets of the Target Company or on the Kingswood Ginza Property, in each case, taken as a whole;
- (4) the licences, authorisations, orders, grants, confirmations, consents, permissions, registrations and other approvals necessary for or in respect of the Acquisition and the assignment of the Shareholder Loan having been obtained from third parties (including governmental or official authorities, courts or other regulatory bodies) on terms reasonably satisfactory to the Manager and such licences, authorisations, orders, grants, confirmations, consents, permissions, registrations and other approvals remaining in full force and effect;
- (5) no statute, regulation or decision which would prohibit, restrict or materially delay or adversely affect the sale and purchase of the Target Company Shares or the operation of the Target Company having been proposed, enacted or taken by any governmental or official authority; and
- (6) the obtaining of the New Facilities and the New Facilities being in place and available for drawdown at Completion.

In the event that any of the Conditions shall not have been fulfilled prior to the Long Stop Date, then neither the Trustee nor the Vendor shall be bound to proceed with the Acquisition and the Share Purchase Agreement shall terminate.

The Share Purchase Agreement also provides the Trustee with the right to rescind or terminate (as the case may be) the Share Purchase Agreement by notice in writing to the Vendor, if prior to Completion:

- (a) the government or other competent authority shall acquire or give notice of acquisition or resumption or intended acquisition or resumption of whole or a substantial part of the underlying property; or
- (b) it shall be found that any of the warranties under the Share Purchase Agreement was, when given, or will be or would be, at Completion not complied with or otherwise untrue or misleading in any material respect, and which will have a material adverse effect on the financial condition, earnings, business or assets of the Target Company and/or the Kingswood Ginza Property, taken as a whole.

In the event of termination, the Share Purchase Agreement will terminate save for certain provisions such as confidentiality which shall remain binding as between the parties.

5. Representations and Warranties; Covenants and Indemnities

Representations and Warranties

The Share Purchase Agreement contains customary representations and warranties given by the Vendor in respect of the Target Company and Kingswood Ginza Property, including: (a) that the Target Company Shares and the Kingswood Ginza Property shall be free and clear of all encumbrances at Completion; and (b) at Completion, the Target Company shall not have any operations or business other than the ownership of the Kingswood Ginza Property. The Vendor undertakes to indemnify and keep indemnified the Trustee to the fullest extent permissible by law against any and all losses which the Trustee or the Target Company may suffer which arises out of or in connection with a breach by the Vendor of any of the warranties.

The Share Purchase Agreement also sets out limitations on the liability of the Vendor in respect of any breach of warranties or other provisions of the Share Purchase Agreement. The maximum aggregate liability of the Vendor in respect of all claims under the Share Purchase Agreement (including in respect of the above breaches and pursuant to the indemnities referred to in the paragraph headed “Covenants and Indemnities” below) shall not exceed the consideration payable by the Trustee under the Share Purchase Agreement. The Trustee shall not be entitled to recover from the Vendor under the Share Purchase Agreement more than once in respect of the same damage suffered. The Share Purchase Agreement also provides for a limitation period of 21 months from the Completion Date for all claims relating to warranties (other than claims relating to tax-related warranties, in which case the limitation period is seven years from the Completion Date). The Manager considers that such limitations are on normal commercial terms following arm’s length negotiations between the relevant parties, are consistent with other transactions that Fortune REIT has entered into in the past, are fair and reasonable, and are in the interests of Fortune REIT, the Independent Unitholders, as well as the Unitholders as a whole.

Covenants and Indemnities

Pursuant to the Share Purchase Agreement, the Vendor irrevocably undertakes to indemnify and keep indemnified the Trustee to the fullest extent permissible by law against any and all losses which the Trustee or the Target Company may suffer which arises out of or in connection with:

- (a) any liabilities incurred, and any reasonable costs and expenses properly incurred, by the Target Company or the Trustee resulting from any outstanding legal proceedings relating to the Target Company as at the Completion;
- (b) any liabilities incurred, and any reasonable costs and expenses properly incurred, by the Target Company suffered or incurred in connection with the Post Completion Contracts; and
- (c) any liabilities incurred, and any reasonable costs and expenses properly incurred, by the Target Company suffered or incurred in connection with being the holder of any Unrelated Licences.

Pursuant to the Share Purchase Agreement, the Vendor also irrevocably undertakes to indemnify and keep indemnified the Trustee to the fullest extent permissible by law against any and all losses which the Trustee or the Target Company may suffer which arises out of or in connection with any costs, expenses, premium, penalties, waiver fees, approval fees, administrative fees, tolerance fees, liabilities, losses and damages whatsoever that may be incurred or suffered by the Target Company relating to or as a result of any non-conformity of the number, layout and/or use of the car parking spaces at Kingswood Ginza Property with the latest car park layout plans approved under the Government Grant and/or any mistake(s), error(s) and/or irregularity(ies) whatsoever contained in the Deed of Mutual Covenant of Kingswood Ginza Property.

In respect of the non-conformity of the car park layout plans, pursuant to special condition (34)(c) of the Government Grant, the grantee shall maintain the parking, loading and unloading facilities and bicycle storage spaces in accordance with the car park layout plans approved by the Director of Lands and shall not alter the layout except with the prior written consent of the Director of Lands.

According to the latest car park layout plans as approved under the Government Grant (the “**Latest Layout Plans**”), the total number of car parking spaces permitted for basement 2 of Kingswood Ginza Phase 1 is 192.

However, according to the first schedule to the relevant DMC, there should be 194 commercial car parking spaces in the said basement 2. Moreover, the plans annexed to the relevant DMC (the “**DMC Plans**”) are not the Latest Layout Plans.

Pursuant to the Share Purchase Agreement, the Vendor will procure the Target Company to use its best endeavours to, prior to Completion, rectify any non-conformity of the number, layout and/or use of the car parking spaces at the Kingswood Ginza Property with the latest car park layout plans approved under the Government Grant, and any mistake(s), error(s) and/or irregularity(ies) whatsoever contained in the DMC of the Kingswood Ginza Property. To rectify the non-conformity and in order that there is no amendment to the undivided shares and the DMC, it is intended that the Target Company will amend the Latest Layout Plans by moving two car parking spaces from other floor(s) to the said basement 2 so as to comply with the description of the numbers of the car parking spaces in the DMC (the “**Amendment**”), and will obtain the approvals from the Director of Lands, and (if required) the Building Authority and any other competent authority(ies) for the Amendment. The total number of the commercial car parking spaces to be purchased will not be affected. In the event that the Amendment is not completed prior to Completion, the Target Company will continue to proceed with the Amendment, and the costs of which will be indemnified by the Vendor. The Manager considers that, having considered legal advice, since the total number of commercial car parking spaces to be purchased will not be affected, there are no foreseeable difficulties in obtaining the approval of the Director of Lands in respect of the Amendment.

Subject to the compliance with all Government’s requirements as to rectification or ratification of the unauthorised change of the car park’s layout and non-conformity with the Government Grant, e.g. payment of any penalties, waiver/forbearance fees imposed by the Government, etc., there is no real risk of re-entry by the Government. It is difficult to estimate the amount of penalties, waiver/

forbearance fees as it is entirely at the Government's discretion. Subject to the limitation on the liability of the Vendor, being the consideration payable by the Trustee under the Share Purchase Agreement, the Vendor has agreed in the Share Purchase Agreement to bear all costs and expenses for the Amendment and (if required) the rectification of the DMC Plans, and to indemnify the Trustee against any costs, expenses, premium, penalties, waiver fees, approval fees, administrative fees, tolerance fees, liabilities, losses and damages relating to or as a result of the non-conformity as aforesaid. Such indemnity is not subject to any limitation period under the Share Purchase Agreement, but may be subject to a limitation period of six years from the date on which the cause of action accrued for actions founded on contracts according to the general limitation laws in Hong Kong.

The Manager considers that the financial impact of the non-conformity not material and the Manager does not foresee that the non-conformity will cause material adverse impact on Fortune REIT.

6. Deed of Tax Covenant

Pursuant to the Share Purchase Agreement, the Vendor, the Guarantor and the Trustee will enter into a deed of tax covenant in favour of the Trustee (the "**Deed of Tax Covenant**") at Completion. Pursuant to the Deed of Tax Covenant, the Vendor will covenant to indemnify the Trustee in respect of (among others):

- (1) any liability for taxation (including profit tax, stamp duty, penalty, surcharge and others) resulting from any payment, utilisation of loss or relief, transaction or occurrence of whatever nature occurring on or before Completion or in respect of any gross receipts, economic interest, income, profits or gains earned, accrued or received by the Target Company, on or before Completion;
- (2) any liability for taxation relating to underpayment or claw back of taxation arising from or in respect of any payment, utilisation of loss or relief, allowance, transaction or occurrence of whatever nature occurring on or before Completion (including the transactions contemplated in the Share Purchase Agreement);
- (3) potential liability for taxation in relation to accounting re-classification from trading stock to investment property, of such part of Kingswood Ginza Property which is classified as stock of properties in the books of the Target Company, on or after Completion; and
- (4) all reasonable costs and expenses properly incurred (including legal and professional fees) and payable by the Target Company or the Trustee in connection with a successful claim under the Deed of Tax Covenant.

The limitation period for claims under the Deed of Tax Covenant is seven years from the Completion Date.

The Guarantor has unconditionally and irrevocably guaranteed to the Trustee the due and punctual payment of all amounts payable by the Vendor under the Deed of Tax Covenant and the due and punctual performance and observance by the Vendor of all its obligations, commitments and undertakings under or pursuant to the Deed of Tax Covenant.

7. Deed of Shareholder Loan Assignment

Pursuant to the Share Purchase Agreement, the Vendor must procure that prior to Completion, any amounts owed to or from the Target Company are repaid or transferred, as applicable, so that the only outstanding loan owed to or from the Target Company as at Completion is the Shareholder Loan.

The Vendor and the Trustee have agreed that a deed of shareholder loan assignment (the “**Deed of Shareholder Loan Assignment**”) be entered into at Completion, pursuant to which the Vendor will assign its rights, title, interest and benefit in and to the Shareholder Loan to the Nominee on a dollar-for-dollar basis on Completion. For the avoidance of doubt, the consideration payable for the assignment of the Shareholder Loan is part of the Consideration payable under the Share Purchase Agreement.

8. Guarantee of the Vendor’s Obligations under the Share Purchase Agreement and the Deed of Tax Covenant

As disclosed in section B.1 headed “Share Purchase Agreement – General” and section B.6 headed “Deed of Tax Covenant”, the Guarantor has unconditionally and irrevocably guaranteed to the Trustee the due and punctual payment of all amounts payable by the Vendor under the Share Purchase Agreement and the Deed of Tax Covenant and the due and punctual performance and observance by the Vendor of all its obligations, commitments, undertakings, warranties and indemnities under or pursuant to the Share Purchase Agreement and the Deed of Tax Covenant.

9. Deed of Ratification and Accession

At Completion, the Nominee, the Trustee, the Manager and the Property Manager will enter into a deed of ratification and accession (the “**Deed of Ratification and Accession**”). Pursuant to the Deed of Ratification and Accession, the operation, maintenance, management and marketing of the Kingswood Ginza Property will be managed by the Property Manager, which is an indirect wholly-owned subsidiary of Cheung Kong, subject to the overall management by the Manager pursuant to and in accordance with the terms of the Property Management Agreement.

The fees payable to the Property Manager under the Property Management Agreement (which have not been changed since the listing of Fortune REIT on the SGX-ST in August 2003) are as follows:

- (1) property management and lease management fee of 3.0% per annum of Gross Property Revenue;
- and

- (2) commission of: (a) one month's base rent for securing a tenancy of three years or more; (b) one-half month's base rent for securing a tenancy of less than three years; (c) one-half month's base rent for securing a renewal of tenancy irrespective of duration of the lease term; and (d) 10.0% of the total licence fee for securing a licence for a duration of less than 12 months (excluding licences for use as a show flat granted or to be granted to a member of the CKH Group).

10. Arm's Length Terms

The Share Purchase Agreement and other Transaction Documents have been entered into, or shall be entered into, by the parties thereto on normal commercial terms following arm's length negotiations.

The Manager has conducted, and is satisfied with the results of, due diligence in respect of the Kingswood Ginza Property. Such due diligence has been carried out in accordance with the relevant provisions of the REIT Code and the Manager's compliance manual. Immediately upon Completion, Fortune REIT will hold good marketable legal and beneficial title in the Kingswood Ginza Property.

11. Fees and Charges

The estimated total fees and charges payable by Fortune REIT in relation to the Acquisition are HK\$116 million. Accordingly, the total cost of the Acquisition (including fees and charges) is estimated to amount to approximately HK\$5,965 million, subject to the Current Adjustment. This estimated total cost of the Acquisition represents approximately 35.0% of Fortune REIT's audited NAV of HK\$17,058.5 million as at 30 June 2013 and 33.5% of such NAV as enlarged by the Acquisition.

12. Fees payable by Fortune REIT to the Manager in relation to the Acquisition

On Completion, the Manager will be entitled under clause 15.2.1 of the Trust Deed to receive an acquisition fee of HK\$58.49 million, which is equal to 1.0% of the acquisition price (i.e. HK\$5,849 million) for the Kingswood Ginza Property (the "**Acquisition Fee**"). The Acquisition Fee shall be paid to the Manager in the form of Units (the "**Acquisition Fee Units**") as soon as practicable after Completion. The Acquisition Fee will not be subject to the Current Adjustment.

As the Acquisition is an Interested Party Transaction under the Singapore Property Funds Appendix, the Manager is required to receive the Acquisition Fee in Units. In accordance with paragraph 5.6 of the Singapore Property Funds Appendix, the Units to be issued as payment to the Manager of the Acquisition Fee are not to be sold within one year from their date of issuance.

In accordance with the Trust Deed, the Manager shall receive such number of Units as may be purchased for the relevant amount of the Acquisition Fee at the prevailing market price on the SGX-ST (in respect of Units which the Manager elects to receive as Units listed on the SGX-ST) or the prevailing market price on the Hong Kong Stock Exchange (in respect of Units which the Manager elects to receive as Units listed on the Hong Kong Stock Exchange), as the case may be, at the time

of the issue of such Units. The Manager has elected to receive the Acquisition Fee Units as Units listed on the Hong Kong Stock Exchange, at the prevailing market price on the Hong Kong Stock Exchange.

As soon as practicable after the issuance of Acquisition Fee Units, the Manager will issue an announcement setting out the number and nature of the Acquisition Fee Units being issued to the Manager.

13. Additional costs payable in relation to the Acquisition

Fortune REIT incurred or is expected to incur other estimated fees and expenses (including stamp duty, advisory fees, professional fees and expenses) of HK\$58 million in connection with the Acquisition.

14. Ongoing fees and charges payable to the Manager and the Trustee in relation to the Kingswood Ginza Property following Completion

After Completion, and as disclosed in the Introduction Listing Document:

- (a) the Manager will be entitled under the Trust Deed to receive from the Deposited Property, management fees attributable to the Kingswood Ginza Property comprising: (i) a base fee of 0.3% per annum of the value of the Kingswood Ginza Property; and (ii) a performance fee of 3.0% per annum of the Net Property Income attributable to the Kingswood Ginza Property; and
- (b) the Trustee will receive a fee at the current rate of 0.035% per annum of the value of the Kingswood Ginza Property.

The Manager and the Trustee will be entitled to such fees attributable to the Kingswood Ginza Property in the future for so long as the Kingswood Ginza Property continues to form part of the Deposited Property. Other than as mentioned in paragraph (b) above, no other fees are payable to the Trustee in respect of the Acquisition.

C. REASONS FOR, AND BENEFITS OF THE ACQUISITION

The Manager believes that the key benefits of the Acquisition are that:

(1) Yield Accretive Acquisition

The Acquisition is expected to be yield accretive and improve the earning and distribution per Unit to existing Unitholders. Based on the pro forma financials as set out in section E headed “Financial Effects of the Transaction and the Unit Placement”, if the Acquisition and the Unit Placement were completed on 1 January 2013 and based on the other assumptions in section E,

Fortune REIT's pro forma DPU would have increased by 4.7% from 18.00 HK cents to 18.84 HK cents for the six months ended 30 June 2013. The acquisition of a yield accretive, quality income-producing property supplements the Manager's on-going asset enhancement initiatives to generate organic growth from the Existing Properties.

(2) Quality Asset in Strategic Location

The Kingswood Ginza Property has the following competitive strengths:

- **Strategically located with strong catchment area:** Being the largest shopping mall in the Yuen Long District of Hong Kong, the Kingswood Ginza Mall is strategically located in the centre of the Tin Shui Wai residential area. According to the Market Consultant's Report, the Kingswood Ginza Mall serves a total population of 287,901, representing 92,692 households. Based on the Market Consultant's Report, the median monthly household income of its primary catchment is HK\$26,966, compared to the HK\$20,500 median for Hong Kong as a whole. In addition, the Kingswood Ginza Mall also serves the hotel guests of 1,102 rooms and suites of the hotel known as "Harbour Plaza Resort City";
- **High occupancy and diversified tenant base:** It has a high occupancy rate (95.5% as at 30 June 2013) and a diversified trade mix of over 200 tenants that mainly cater to the daily necessities of the catchment population;
- **Direct accessibility to public transportation:** It is directly accessible by bus and light-rail train and within walking distance from the Tin Shui Wai MTR station; and
- **Beneficiary of demand from visitors from mainland China:** Due to its close proximity to the mainland China border, the Kingswood Ginza Property is in a good location to capture the growing demand from mainland China visitors as well as the expanding residential area nearby. Visitors from mainland China can easily gain access to Tin Shui Wai via the Hong Kong-Shenzhen Western Corridor.

(3) Greater Exposure to the Buoyant Retail Sector

The Acquisition fits the Manager's investment strategy of owning commercial properties with high occupancy and long term growth potential and provides an opportunity for further exposure to the robust retail market in Hong Kong.

Based on the Market Consultant's Report, Hong Kong retail sales value experienced a year-on-year growth of 9.8% in 2012. The growth accelerated to 15.5% year-to-year from January to April 2013 mainly due to reviving luxury spending by mainland Chinese tourists and local spending on consumer goods. In 2012, overnight tourist expenditure on shopping continued to increase by 11.9%, reaching HK\$110.7 billion and the Market Consultant believes that mainland Chinese spending on shopping will continue to increase and their appetite for all shopping items will remain in the coming years.

According to the Market Consultant, non-core shopping centres are increasingly popular among international retailers and experienced a more resilient rental performance during market downturns. In light of the fierce competition among international brands for prime space in core areas or traditional shopping districts, some international brands as well as luxury retailers are expanding into non-core locations along the railway lines, especially those seeing increasing mainland Chinese footfall. The Market Consultant expects the non-core retail rents to grow at approximately 10% to 15% per annum between 2013 to 2015.

(4) Operating Synergies

Fortune REIT will benefit from the increased portfolio size that will create a stronger platform to spread fixed operating costs over a larger portfolio and cost savings can be enjoyed, thus achieving greater operating synergies and economies of scale in operation.

D. FINANCING OF THE ACQUISITION

1. Overview

The purchase consideration for the Kingswood Ginza Property (being the Consideration) is HK\$5,849 million, subject to the Current Adjustment.

At Completion: (a) HK\$4,902 million of the Consideration will be financed by drawing down on the New Facilities; and (b) the remainder of the Consideration, being HK\$947 million, subject to the Current Adjustment, will be financed from the net proceeds of the Unit Placement. It is expected that the fees payable by Fortune REIT to the Manager in relation to the Acquisition referred to in section B.12 headed “Fees payable by Fortune REIT to the Manager in relation to the Acquisition” will be paid to the Manager in the form of Acquisition Fee Units while the additional costs referred to in section B.13 headed “Additional costs payable in relation to the Acquisition” will be financed by the New Facilities.

2. New Facilities

The Manager has on 30 July 2013 signed mandate letters with DBS Bank Ltd. and Standard Chartered Bank (Hong Kong) Limited in relation to term loans of up to an aggregate principal amount of HK\$5,227 million, which will comprise:

- (1) a HK\$1,066.3 million term loan to be provided to a special purpose vehicle to be established and wholly-owned by Fortune REIT as borrower, which will bear interest at a margin of 1.48% per annum over HIBOR. Such term loan will mature and become repayable 5 years from the date of the agreement in respect of such facility, and be secured by, among others: (i) a charge over rentals, deposits, sales proceeds and all other income generated from the shopping centre known as “Metro Town” located in Tseung Kwan O, New Territories, Hong Kong received by such borrower (and Mega Gain Resources Limited, which holds the legal and economic interest

in the “Metro Town” property and Marvel Point Investments Limited, which is the parent company of Mega Gain Resources Limited); (ii) an assignment of the rights in the insurance policies (other than third party liability insurances) and in the tenancy agreements relating to the “Metro Town” property held by such borrower (and Mega Gain Resources Limited and Marvel Point Investments Limited); (iii) a charge over the shares of such borrower (and Mega Gain Resources Limited and Marvel Point Investments Limited); (iv) a legal charge over the “Metro Town” property; (v) an assignment of the rights in the relevant property management agreements relating to the “Metro Town” property held by such borrower (and Mega Gain Resources Limited and Marvel Point Investments Limited); and (iv) charge over all other assets of such borrower (and Mega Gain Resources Limited and Marvel Point Investments Limited) in relation to the “Metro Town” property;

- (2) a HK\$2,340.0 million term loan to be provided to a special purpose vehicle to be established and wholly-owned by Fortune REIT as borrower, which will bear interest at a margin of 1.30% per annum over HIBOR. Such term loan will mature and become repayable 3.5 years from the date of the agreement in respect of such facility, and be secured by, among others: (i) a charge over rentals, deposits, sales proceeds and all other income generated from the Kingswood Ginza Property received by such borrower, the Nominee and Target Company; (ii) an assignment of the rights in the insurance policies (other than third party liability insurances) and in the tenancy agreements relating to the Kingswood Ginza Property held by such borrower, the Nominee and the Target Company; (iii) a charge over the shares of such borrower, the Nominee and the Target Company; (iv) a legal charge over the Kingswood Ginza Property; (v) an assignment of the rights in the relevant property management agreements relating to the Kingswood Ginza Property held by such borrower, the Nominee and the Target Company; and (iv) a charge over all other assets of such borrower, the Nominee and the Target Company in relation to the Kingswood Ginza Property;
- (3) an unsecured term loan of HK\$1,160.7 million to be provided to a special purpose vehicle to be established and wholly-owned by Fortune REIT, which will bear interest at a margin of 1.70% per annum over HIBOR, and will mature and become repayable 3.5 years from the date of the agreement in respect of such facility; and
- (4) an unsecured term loan of HK\$660.0 million to be provided to a special purpose vehicle to be established and wholly-owned by Fortune REIT, which will bear interest at a margin of 1.70% per annum over HIBOR, and will mature and become repayable 3.5 years from the date of the agreement in respect of such facility

(collectively, the “**New Facilities**”).

The Trustee (and if applicable, the relevant intermediate holding companies and subsidiaries holding the legal and economic interest in the relevant property) will provide an unconditional and irrevocable guarantee in favour of the lenders. The Manager intends to draw down HK\$4,902 million under the New Facilities at Completion to finance the payment of part of the Consideration.

The terms and conditions of the New Facilities described in this announcement are indicative only, and may be subject to change, depending on the market conditions at the time the New Facilities are finalised and the relevant loan agreement(s) are signed, and do not represent the complete set of the actual terms and conditions. The actual terms and conditions of the New Facilities may differ from, or may comprise additional or fewer terms and conditions as compared with the indicative terms and conditions described in this announcement. To the extent that there are any material changes to the indicative terms and conditions described in this announcement, the Manager will issue an announcement to provide details of such changes.

3. Unit Placement

The Manager successfully closed the placement of 142,962,000 Units to institutional and/or other professional investors, who are not Connected Persons of Fortune REIT, at an issue price of HK\$6.82 per Unit (the “**Issue Price**”). The new Units were issued on 6 August 2013 and listed on both SGX-ST and the Hong Kong Stock Exchange on 7 August 2013.

The gross proceeds from the Unit Placement amounted to approximately HK\$975 million and the net proceeds from the Unit Placement amounted to approximately HK\$947 million, after deducting the advisory, underwriting, selling and management fee and other estimated fees and expenses (including professional fees and expenses) incurred in connection with the Unit Placement.

The Manager intends to use HK\$947 million from the net proceeds of the Unit Placement to finance the payment of part of the Consideration.

4. Expected Gearing Ratio and Aggregate Leverage

Based on the financing structure as described in section D.1 headed “Overview” and the estimated fees and charges incurred in relation to the Transaction, the Gearing Ratio/Aggregate Leverage of Fortune REIT will increase from 20.9% (as at 30 June 2013) to approximately 34.0% (immediately following Completion and the Unit Placement). Upon Completion, the Gearing Ratio and Aggregate Leverage of Fortune REIT will not exceed the borrowing limits under the Singapore Property Funds Appendix and the REIT Code which currently limit: (a) the Aggregate Leverage to 35% (as no credit rating has been obtained by Fortune REIT); and (b) the Gearing Ratio to 45% of Fortune REIT’s Deposited Property, respectively.

E. FINANCIAL EFFECTS OF THE TRANSACTION AND THE UNIT PLACEMENT

1. Pro Forma Financial Effects of the Acquisition and the Unit Placement

The pro forma financial effects of the Acquisition and the Unit Placement on DPU and NAV below are strictly for illustrative purposes and were prepared based on:

- (a) the audited consolidated financial statements of Fortune REIT for the year ended 31 December 2012;
- (b) the audited consolidated financial statements of Fortune REIT for the six months ended 30 June 2013; and
- (c) the audited financial statements of the Target Company for the year ended 31 December 2012 and for the six months ended 30 June 2013 as set out in Appendix 2 to the Fortune REIT Circular headed “Accountants’ Report in respect of the Target Company”,

and assuming:

- (i) Fortune REIT had acquired the Kingswood Ginza Property on the date as indicated and that they were valued at the Consideration on such date;
- (ii) the Consideration is HK\$5,849 million subject to Current Adjustment;
- (iii) the Consideration was funded from the net proceeds of the Unit Placement of HK\$947 million, and the remainder was funded out of the New Facilities at a blended interest margin of 1.48% per annum over HIBOR;
- (iv) 8,930,000 Units are issued to the Manager in satisfaction of the Acquisition Fee at HK\$6.55 per Unit being the closing market price per Unit of Fortune REIT quoted from the Hong Kong Stock Exchange on the Latest Practicable Date; and
- (v) Fortune REIT had conducted the Unit Placement on the date as indicated.

The Manager considers the above assumptions to be appropriate and reasonable as at the date of this announcement. However, Unitholders should consider the information outlined below in light of such assumptions and make their own assessment of the future performance of Fortune REIT.

Based on the pro forma financial effects of the Acquisition and the Unit Placement as stated in this section as well as Appendix 3 to the Fortune REIT Circular headed “Pro Forma Financial Information of the Enlarged Group” which provides a more detailed illustration of the financial effects of the Acquisition and the Unit Placement, the Manager does not foresee any material adverse impact on the financial position of Fortune REIT as a result of the Acquisition and the Unit Placement.

2. Financial Year ended 31 December 2012

Pro Forma DPU

The pro forma financial effects of the Acquisition and the Unit Placement on the DPU for the financial year ended 31 December 2012, as if the Acquisition and the Unit Placement were completed on 1 January 2012, and Fortune REIT had held and operated the Kingswood Ginza Property through to 31 December 2012, are as follows:

	Actual	After the Acquisition and the Unit Placement
	<hr/>	<hr/>
Net Property Income (<i>HK\$'000</i>)	788,275	993,239
Distributable Income (<i>HK\$'000</i>)	549,462	624,844
Issued Units (<i>'000</i>)	1,700,225	1,854,796
DPU (<i>HK cents</i>)	32.35	33.69

3. As at 31 December 2012

Pro Forma NAV per Unit

The pro forma financial effects of the Acquisition and the Unit Placement on the NAV per Unit as at 31 December 2012, as if the Acquisition and the Unit Placement were completed on 31 December 2012, are as follows:

	Actual	After the Acquisition and the Unit Placement
	<hr/>	<hr/>
NAV (<i>HK\$'000</i>)	14,977,709	15,744,213
Issued Units (<i>'000</i>)	1,700,225	1,852,117
NAV per Unit (<i>HK\$</i>)	8.81	8.50

Pro Forma Capitalisation

The following table sets forth the pro forma capitalisation of Fortune REIT as at 31 December 2012, as if Fortune REIT had completed the Acquisition and the Unit Placement on 31 December 2012.

	Actual	After the Acquisition and the Unit Placement
	<u>(HK\$'000)</u>	<u>(HK\$'000)</u>
Short-term debt:		
Secured debt	940,000	940,000
Unsecured debt	—	—
	<u>940,000</u>	<u>940,000</u>
Total short-term debt	<u>940,000</u>	<u>940,000</u>
Long-term debt:		
Secured debt	3,930,000	7,336,300
Unsecured debt	—	1,783,385
	<u>3,930,000</u>	<u>9,119,685</u>
Total long-term debt	<u>3,930,000</u>	<u>9,119,685</u>
Total debt	<u>4,870,000</u>	<u>10,059,685</u>
Net assets attributable to Unitholders	<u>14,977,709</u>	<u>15,744,213</u>
Total capitalisation	<u><u>19,847,709</u></u>	<u><u>25,803,898</u></u>

4. Six Months ended 30 June 2013

Pro Forma DPU

The pro forma financial effects of the Acquisition and the Unit Placement on the DPU for the six months ended 30 June 2013, as if the Acquisition and the Unit Placement were completed on 1 January 2013, and Fortune REIT had held and operated the Kingswood Ginza Property through to 30 June 2013, are as follows:

	Actual	After the Acquisition and the Unit Placement
	<hr/>	<hr/>
Net Property Income (<i>HK\$'000</i>)	437,580	544,827
Distributable Income (<i>HK\$'000</i>)	306,965	350,000
Issued Units (<i>'000</i>)	1,704,731	1,857,951
DPU (<i>HK cents</i>)	18.00	18.84

5. As at 30 June 2013

Pro Forma NAV per Unit

The pro forma financial effects of the Acquisition and the Unit Placement on the NAV per Unit as at 30 June 2013, as if the Acquisition and the Unit Placement were completed on 30 June 2013, are as follows:

	Actual	After the Acquisition and the Unit Placement
	<hr/>	<hr/>
NAV (<i>HK\$'000</i>)	17,058,487	17,823,688
Issued Units (<i>'000</i>)	1,704,731	1,856,623
NAV per Unit (<i>HK\$</i>)	10.01	9.60

Pro Forma Capitalisation

The following table sets forth the pro forma capitalisation of Fortune REIT as at 30 June 2013, as if Fortune REIT had completed the Acquisition and the Unit Placement on 30 June 2013.

	Actual	After the Acquisition and the Unit Placement
	<u>(HK\$'000)</u>	<u>(HK\$'000)</u>
Short-term debt:		
Secured debt	840,000	840,000
Unsecured debt	—	—
	<u>840,000</u>	<u>840,000</u>
Total short-term debt	<u>840,000</u>	<u>840,000</u>
Long-term debt:		
Secured debt	3,927,953	7,334,253
Unsecured debt	—	1,667,682
	<u>3,927,953</u>	<u>9,001,935</u>
Total long-term debt	<u>3,927,953</u>	<u>9,001,935</u>
Total debt	<u>4,767,953</u>	<u>9,841,935</u>
Net assets attributable to Unitholders	<u>17,058,487</u>	<u>17,823,688</u>
Total capitalisation	<u><u>21,826,440</u></u>	<u><u>27,665,623</u></u>

F. CONNECTED PARTY TRANSACTIONS, INTERESTED PARTY TRANSACTIONS AND INTERESTED PERSON TRANSACTIONS AS A RESULT OF THE TRANSACTION

In connection with or following the Transaction, the Manager, the Trustee, the Nominee, the Guarantor and/or the Target Company have entered or will enter into a number of transactions with certain Connected Persons, Interested Parties and/or Interested Persons of Fortune REIT. These transactions include the following:

1. Share Purchase Agreement

The Trustee entered into the Share Purchase Agreement with the Vendor and the Guarantor for the sale and purchase of the Target Company Shares on 28 August 2013. For further details of the Share Purchase Agreement, please refer to section B headed “Share Purchase Agreement”.

2. Deed of Tax Covenant

The Vendor (along with the Guarantor) will enter into a Deed of Tax Covenant in favour of the Trustee at Completion. For further details of the Deed of Tax Covenant, please refer to section B.6 headed “Deed of Tax Covenant”.

3. Deed of Shareholder Loan Assignment

The Vendor will assign the Shareholder Loan to the Nominee at Completion. For details of the Deed of Shareholder Loan Assignment, please refer to section B.7 headed “Deed of Shareholder Loan Assignment”.

4. Deed of Ratification and Accession

Each of the Nominee, the Trustee, the Manager and the Property Manager will enter into the Deed of Ratification and Accession at Completion. For details of the Deed of Ratification and Accession, please refer to section B.9 headed “Deed of Ratification and Accession”.

5. Pre-existing Agreements in respect of the Kingswood Ginza Property

The Target Company has entered into agreements with the CKH Group, the Manager Group and the HSBC Group (each as defined herein) in relation to the Kingswood Ginza Property, that will continue to subsist after Completion. These agreements comprise:

Deed of Mutual Covenant in respect of the Kingswood Ginza Property

In Hong Kong, the relationship between the co-owners of a property is governed by a document called a deed of mutual covenant (or an instrument of a similar nature), which is an agreement between the co-owners to regulate their respective rights and obligations as co-owners of the land and building(s) and to provide for the building’s effective maintenance and management (“**DMC**”).

The Target Company, as the owner of the Kingswood Ginza Property and being a party to the DMCs in respect of the Kingswood Development, is bound by such DMCs.

Citybase Property Management Limited, an indirect wholly-owned subsidiary of Cheung Kong, is a party to the DMC in respect of Kingswood Ginza Phase 1 and Kingswood Ginza Phase 2 as the DMC manager thereof, and Prompton Property Management Limited, an indirect wholly-owned subsidiary of Cheung Kong, is a party to the DMCs in respect of the remaining parts of the Kingswood Development as the DMC manager thereof.

Tenancy and Licence Agreements with the CKH Group and the HSBC Group

The Target Company has entered into various tenancy and licence agreements with members of the: (a) CKH Group; and (b) the HSBC Group in respect of the Kingswood Ginza Property, which will continue to subsist post-Completion. The Manager believes that such agreements were made on normal commercial terms and are not prejudicial to the interests of Fortune REIT and the Unitholders.

G. NEW CONTINUING CONNECTED PARTY TRANSACTIONS

As part of the Transaction, the Manager has applied to the SFC for a modification and extension of the Existing CKH/Manager CPT Waiver from strict compliance with the disclosure and unitholders' approval requirements under Chapter 8 of the REIT Code, in respect of the New Continuing Connected Party Transactions. The Manager is seeking Unitholder's approval for the Waiver Modification and Extension, details of which are set out below in this section G.

1. Connected Persons of Fortune REIT

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

CKH Group

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

Any person who is connected to Cheung Kong as described in paragraphs 8.1(e), (f) or (g) of the REIT Code is also a Connected Person of Fortune REIT, and these persons include: (i) any director, senior executive or officer of Cheung Kong; (ii) any associate (as defined in the REIT Code) of Cheung Kong or of any director, senior executive or officer of Cheung Kong; and (iii) any controlling entity, holding company, subsidiary or associated company (as defined in the REIT Code) of Cheung Kong (collectively, and together with Cheung Kong, the "**CKH Group**").

Manager Group

The Manager is a Connected Person of Fortune REIT under paragraph 8.1(a) of the REIT Code.

Any person who is connected to the Manager as described in paragraphs 8.1(e), (f) or (g) of the REIT Code is also a Connected Person of Fortune REIT, and these persons include: (i) any director, senior executive or officer of the Manager; (ii) any associate (as defined in the REIT Code) of any director, senior executive or officer of the Manager; and (iii) any controlling entity, holding company, subsidiary or associated company (as defined in the REIT Code) of the Manager (collectively, and together with the Manager, the “**Manager Group**”).

Trustee Connected Persons

The Trustee and companies within the same group of, or otherwise “associated” with, the Trustee are each also within the definition of a Connected Person in the REIT Code (the “**Trustee Connected Persons**”). As a result, the list of Connected Persons of Fortune REIT will include HSBC Holdings plc, and other members of its group (including The Hongkong and Shanghai Banking Corporation Limited, Hang Seng Bank Limited and their respective subsidiaries) (the “**HSBC Group**”) because the Trustee is an indirect wholly-owned subsidiary of HSBC Holdings plc.

2. Existing Waivers in respect of Chapter 8 of the REIT Code

Continuing Transactions with the CKH Group and/or the Manager Group

In 2012, the SFC granted a waiver (being the “**Existing CKH/Manager CPT Waiver**”), subject to certain terms and conditions, from strict compliance with the disclosure and unitholders’ approval requirements under Chapter 8 of the REIT Code in respect of certain continuing connected party transactions that are summarised in the Belvedere Square and Provident Square Circular (the “**Existing Continuing Connected Party Transactions**”). Such waiver is due to expire on 31 December 2014 (the “**Existing CPT Waiver Expiry Date**”).

Continuing Transactions with the Trustee Connected Persons

In 2010, the SFC also granted a waiver (being the “**Existing Trustee CPT Waiver**”), subject to certain terms and conditions, from strict compliance with the disclosure and unitholders’ approval requirements under Chapter 8 of the REIT Code, in respect of certain continuing connected party transactions between the Fortune REIT Group on the one hand, and the Trustee Connected Persons on the other hand. As at the date of this announcement, such waiver remains in place. For further details of the waiver and the terms and conditions that apply to it, please see section 17.2.2 of the Introduction Listing Document.

3. Reasons for Modification of the Existing CKH/Manager CPT Waiver

If the Acquisition is completed, and assuming that the various transactions and arrangements in relation to the Kingswood Ginza Property will continue to be conducted with the CKH Group and/or the Trustee Connected Persons, more continuing connected party transactions will arise.

In respect of the resulting continuing transactions with the CKH Group, the nature of such transactions will be the same as the Existing Continuing Connected Party Transactions in respect of which the Existing CKH/Manager CPT Waiver was granted. The Acquisition will accordingly increase the scale of the continuing connected party transactions with the CKH Group.

As is the case for the Existing Continuing Connected Party Transactions, the Manager considers that it will be unduly burdensome and not in the interests of the Unitholders, for Fortune REIT to be subject to strict compliance with the requirements under Chapter 8 of the REIT Code with respect to such transactions in relation to the Kingswood Ginza Property, on each and every occasion when they arise.

In accordance with its terms, the Existing CKH/Manager CPT Waiver may be extended beyond the Existing CPT Waiver Expiry Date, and/or the terms and conditions of the Existing CKH/Manager CPT Waiver may be modified from time to time, provided that the terms and conditions below are complied with:

- (i) the due approval of Independent Unitholders is obtained by way of an ordinary resolution passed in a general meeting of Unitholders;
- (ii) disclosure of details of the proposed extension and/or amendment (as the case may be) will be made by way of an announcement by the Manager of such proposal, and a circular and notice will be issued to Unitholders in accordance with Chapter 10 of the REIT Code; and
- (iii) any extension of the period of the Existing CKH/Manager CPT Waiver shall, on each occasion of such extension, be for a period which will expire not later than the third full financial year-end date of Fortune REIT after the date on which the approval referred to in (i) above is obtained.

Accordingly, the Manager would like to take the opportunity of the EGM for the Independent Unitholders to approve modifications and extensions to the Existing CKH/Manager CPT Waiver (the “**Waiver Modification and Extension**” and the resulting modified and extended waiver being the “**Modified and Extended CPT Waiver**”) so as to:

- (i) expand the scope of the Existing Continuing Connected Party Transactions to include transactions entered or to be entered into by the Target Company in respect of the Kingswood Ginza Property and the additional continuing connected party transactions with the CKH Group and/or the Manager Group in respect of the Kingswood Ginza Property (the “**Additional**

Continuing Connected Party Transactions” and together with the Existing Continuing Connected Party Transactions, the “**New Continuing Connected Party Transactions**”) as a result of the Completion of the Acquisition as described in section G.4 headed “New Continuing Connected Party Transactions”;

- (ii) set new annual monetary limits to accommodate the New Continuing Connected Party Transactions for the financial years ending 31 December 2013, 31 December 2014 and 31 December 2015 (the “**Proposed Caps**”) as described in section G.5 headed “Proposed Caps” below. The Proposed Caps increase the previous caps set on 19 January 2012, to cover the New Continuing Connected Party Transactions relating to the Kingswood Ginza Property, as well as additional CKH/Manager Group Leases/Licences (as defined below) (beyond those contemplated when the previous caps were set) to be entered into; and
- (iii) extend the Existing CPT Waiver Expiry Date so that the three-year waiver duration can commence afresh as described in section G.6 headed “Waiver Extension” below.

The proposed Waiver Modification and Extension is subject to Completion and the approval of the SFC. In the event that the EGM Resolution regarding the Waiver Modification and Extension is not approved by the Independent Unitholders, the Existing CKH/Manager CPT Waiver will continue to apply for the remainder of its duration.

For completeness, in respect of the resulting continuing transactions with the Trustee Connected Persons, the nature of such transactions will be the same as the transactions in respect of which the Existing Trustee CPT Waiver was granted. However, as the Existing Trustee CPT Waiver is not subject to an annual cap or time limitation, no new waiver packages in respect of the subject transactions are required to be proposed to Unitholders.

4. New Continuing Connected Party Transactions

The New Continuing Connected Party Transactions are connected party transactions entered into or to be entered into between the Fortune REIT Group on the one hand, and the CKH Group and/or the Manager Group (as the case may be) on the other hand. The two categories of the New Continuing Connected Party Transactions are as follows:

Revenue Transactions

(1) Leasing/Licencing Transactions

As part of the Fortune REIT Group’s ordinary and usual course of business, each Property Company which is a direct owner of a Property (including, upon Completion, the Target Company), is either already a party to, or may from time to time enter into, leases or licences with members of the CKH Group (the “**CKH Group Leases/Licences**”) or members of the Manager Group (the “**Manager Group Leases/Licences**” and together with the CKH Group Leases/Licences, the “**CKH/Manager Group Leases/Licences**”) in respect of its properties.

All the CKH/Manager Group Leases/Licences subsisting are on normal arm's length commercial terms and at market levels.

The scope of the CKH/Manager Group Leases/Licences in respect of the Kingswood Ginza Property is the same as the Kingswood CKH Interested Persons Tenancy and Licence Agreements, and details of such agreements are set out in Appendix B headed "Kingswood CKH Interested Persons Tenancy and Licence Agreements". Fortune REIT's latest Annual Report sets out the details of the CKH/Manager Group Leases/Licences in respect of the Existing Properties as at the date of the report.

Expenditure Transactions

Fortune REIT and members of the CKH Group have entered into various continuing connected party transactions relating to property management, estate management and other operational transactions in respect of Fortune REIT and its assets and operations. This has resulted and may in the future result in expenditures being paid by Fortune REIT to the CKH Group, comprising the following:

(1) Property Management Transactions

Under the Property Management Agreement dated 7 July 2003 entered into between the Trustee, the Manager and the Property Manager, the Manager has delegated the property and lease management and marketing functions in respect of Fortune REIT's real estate assets to the Property Manager, which is an indirect wholly-owned subsidiary of Cheung Kong.

Pursuant to a property management extension letter from the Property Manager to the Trustee and the Manager dated 11 August 2013, the Property Management Agreement has been extended for a further term of 5 years to 11 August 2018. As noted in section B.9 headed "Deed of Ratification and Accession", the parties to the Property Management Agreement intend to extend the scope of the property management services so as to include the Kingswood Ginza Property pursuant to the Deed of Ratification and Accession.

Under the Property Management Agreement, the Property Manager is entitled to a fee of 3% per annum of the Gross Property Revenue for the provision of property and lease management services. In addition, the Property Manager is also entitled to commissions for the provision of marketing services, such commissions are derived at by reference to the duration of the relevant leases/licences entered into or renewed and the total rental/licence fees paid. For further details regarding the Property Management Agreement, please refer to the section headed "Material and Other Agreements Relating to Fortune REIT Property Management Agreement" in the Introduction Listing Document.

(2) Third Party Services

Under the Property Management Agreement, the Property Manager, as agent for the relevant Property Companies, has entered into, and will continue to enter into contracts with third-party service providers for the provision of, among other things, cleaning, maintenance, security, parking lot management and other ancillary services in respect of the properties held by Fortune REIT. Some of these third party service providers are and may be members of the CKH Group. In consideration for such services, Fortune REIT will pay fees to such contractors. The anticipated amounts of these fees will form part of the New Continuing Connected Party Transactions.

It is the current intention of the parties that after Completion, the Property Manager, as agent for the Target Company, will enter into contracts with such third party service providers which may include members of the CKH Group in respect of the provision of property management-related services in connection with the Kingswood Ginza Property. Those third party service providers may include those companies who have been providing such services in respect of the Kingswood Ginza Property.

(3) Deeds of Mutual Covenant

Each Property Company will, where applicable, be bound by the terms of the DMC applicable to the Property owned by it. The DMC binds the manager from time to time appointed under the DMC (the “**DMC manager**”) and all the owners of a development and their successors-in-title, irrespective of whether they are original parties to the DMC. Some of the DMC managers in respect of the Properties held by Fortune REIT are members of the CKH Group. These include the DMC managers of Ma On Shan Plaza, Fortune Metropolis, Nob Hill Square, Centre de Laguna, Hampton Loft, Lido Avenue, Rhine Avenue, Belvedere Garden Phase 1 and the commercial units of Belvedere Garden Phase 3. Further, there may also be situations arising where one or more members of the CKH Group may own other parts of the development of which the Property owned by Fortune REIT forms part, and therefore technically the DMC constitutes a contract between them.

As noted in section F.5 headed “Pre-existing Agreements in respect of the Kingswood Ginza Property – Deed of Mutual Covenant in respect of the Kingswood Ginza Property”, Citybase Property Management Limited, a member of the CKH Group, is a party to the DMC in respect of Kingswood Ginza Phase 1 and Kingswood Ginza Phase 2 as the DMC manager thereof, and Prompton Property Management Limited, a member of the CKH Group, is a party to the DMCs in respect of the remaining parts of the Kingswood Development as the DMC manager thereof. Upon Completion, Fortune REIT will also be a party to the DMCs in respect of the Kingswood Development through its acquisition and ownership of the Target Company.

5. Proposed Caps

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

Categories of New Continuing Connected Party Transactions	Connected Person	Proposed annual monetary limits under the Waiver Modification and Extension		
		For the financial year ending 31 December 2013	For the financial year ending 31 December 2014	For the financial year ending 31 December 2015
		(HK\$'000)	(HK\$'000)	(HK\$'000)
I. Revenue				
Leasing/licencing transactions	CKH Group	360,000	469,000	563,000
Leasing/licencing transactions	Manager Group	13,200	15,200	15,200
II. Expenditure				
Property management arrangements, third party services and other operational transactions	CKH Group	155,000	229,000	276,000

(1) In respect of CKH Group Leases/Licences

The proposed annual caps for the year ending 31 December 2013 have been determined with general reference to the historical data for the last three years, and based on the anticipated aggregate value of such transactions during the relevant financial years subsequent to the completion of the Acquisition (i.e. including the CKH Group Leases/Licences that would arise in connection with the Acquisition).

The approximately 5% increase of the annual cap for the financial year ending 31 December 2013 from HK\$344 million (pursuant to the Existing CKH/Manager CPT Waiver) to HK\$360 million and the approximately 9% increase of the annual cap for the financial year ending 31 December 2014 from HK\$430 million (pursuant to the Existing CKH/Manager CPT Waiver) to HK\$469 million, is mainly due to the new CKH Group Leases/Licences of HK\$16 million and HK\$39 million for the financial years ending 31 December 2013 and 31 December 2014 respectively to be taken up at the Kingswood Ginza Property upon and after completion of the Acquisition. The proposed annual cap for the financial year ending 31 December 2015 of HK\$563 million (of which includes HK\$47 million of new CKH Group Leases/Licences in

respect of the Kingswood Ginza Property), has been determined by applying a 20% increment to the figure proposed for the immediately preceding financial year, with some minor rounding up of figures. The 20% increment factor has been applied after taking into account the change in rental or other market conditions, inflation and a 5% buffer for contingencies, for instance, the possible increase in the number of premises under the CKH Group Leases/Licences during the New CPT Waiver Period.

(2) In respect of the Manager Group Leases/Licences

The Manager Group currently has one lease of premises at the portfolio of properties of Fortune REIT. However, it is possible that more leases/licences may be entered into at some time during the New CPT Waiver Period.

The proposed annual caps for the financial years ending 31 December 2013 and 31 December 2014 are the same as the existing annual caps under the Existing CKH/Manager CPT Waiver. The proposed annual cap for the financial year ending 31 December 2015 are equivalent to the annual cap of HK\$15.2 million for the financial year ending 31 December 2014.

(3) In respect of property management arrangements, third party services and other operational transactions

The proposed annual caps for the financial year ending 31 December 2013 have been determined with general reference to the historical data for the last three years, and based on the anticipated aggregate value of such transactions during the relevant financial years subsequent to the completion of the Acquisition.

The approximately 14% increase of the annual cap for the financial year ending 31 December 2013 from HK\$136 million (pursuant to the Existing CKH/Manager CPT Waiver) to HK\$155 million, and the financial year ending 31 December 2014 from HK\$183 million (pursuant to the Existing CKH/Manager CPT Waiver) to HK\$229 million, is mainly taking into account the expected new operating expenses from the Kingswood Ginza Property of HK\$19 million and HK\$46 million for the financial years ending 31 December 2013 and 31 December 2014 respectively upon completion of the Acquisition.

The proposed annual caps for the financial year ending 31 December 2015 of HK\$276 million, of which include HK\$56 million of new operating expenses from the Kingswood Ginza Property has been determined by applying a 20% increment to the figure proposed for the immediately preceding financial year, with some minor rounding up of figures. The 20% increment factor has been applied after taking into account: (i) the general economic environment in Hong Kong including the inflation, possible increase in costs and wages, and specifically, the anticipated increase in management expenses; and (ii) the resulting anticipated increase in the property management fees and marketing service fees payable by Fortune REIT to the Property Manager during the New CPT Waiver Period and 5% buffer for contingencies.

6. Waiver Extension

As noted above, the Existing CKH/Manager CPT Waiver will expire on 31 December 2014. It is proposed that Existing CPT Waiver Expiry Date be extended (the “**Waiver Extension**”), so that the waiver will apply for the three financial years ending 31 December 2015 (the “**New CPT Waiver Period**”). The Waiver Extension shall be effective from the Completion Date.

7. Waiver Conditions

The Manager undertakes that it will continue to comply with the waiver conditions of the Existing CKH/Manager CPT Waiver, subject to the proposed revisions to the annual monetary limits and waiver expiry date described above. The waiver conditions of the Modified and Extended CPT Waiver will be as follows:

- (1) The EGM Resolution having been approved by the Independent Unitholders and adopted as set out in the EGM Notice, without material amendments thereto and Completion.
- (2) The Modified and Extended CPT Waiver will supersede the Existing CKH/Manager Waiver and will commence as from the Completion Date and continues until 31 December 2015.
- (3) *Modification or Extension*

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

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

For the avoidance of doubt, any material change to the transactions covered under the Modified and Extended CPT Waiver (including without limitation the scope or nature of the transactions) in the application for Waiver Modification and Extension dated 28 August 2013 provided by the Manager based on which the waiver is sought and granted must be approved by the Independent Unitholders as referred to in (a) above and details of the proposed changes shall be disclosed in the manner as referred to in (b) above.

(4) *Annual caps*

In any relevant financial year, the annual value of the New Continuing Connected Party Transactions shall not exceed the respective annual monetary limits stated in section G.5 headed “Proposed Caps”.

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

(5) *Disclosure in Interim and Annual Reports*

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

(6) *Auditors’ Review Procedures*

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

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

(7) *Review by the Independent Non-Executive Directors of the Manager*

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

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

(8) *Auditors' Access to Books and Records*

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

(9) *Notification to the SFC*

The Manager shall promptly notify the SFC and publish an announcement if it knows or has reason to believe that the auditors and/or the independent non-executive Directors will not be able to confirm the matters set out in sections G.7(6) and G.7(7) respectively.

(10) *Subsequent Increases in Annual Caps with Independent Unitholders' Approval*

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

- (a) Independent Unitholders' approval – the approval of Independent Unitholders is obtained by way of an Ordinary Resolution passed in a general meeting of Unitholders;
- (b) Disclosure – disclosure of details of the proposal to increase the relevant annual cap amounts shall be made by way of an announcement by the Manager of such proposal, and a circular and notice shall be issued to Unitholders in accordance with Chapter 10 of the REIT Code; and

- (c) Other compliance requirements – all the waiver terms and conditions above shall continue to apply to the relevant transactions, save that the relevant increased annual cap amounts will apply.

8. Paragraph 8.14 of the REIT Code

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

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

9. Opinion of the Board

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

- (1) in its opinion, the Waiver Modification and Extension, and the basis for the Waiver Modification and Extension (including the Proposed 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;
- (2) in its opinion, each of the New Continuing Connected Party Transactions subsisting as at the Latest Practicable Date (including the Additional Continuing Connected Party Transactions to be assumed by Fortune REIT as a result of the Acquisition): (i) has been entered into in the ordinary and usual course of business of Fortune REIT and is consistent with the investment objectives and strategy of Fortune REIT; (ii) has been entered into at arm's length and on normal commercial terms; and (iii) is fair and reasonable and in the interests of Fortune REIT, the Independent Unitholders, as well as the Unitholders as a whole; and
- (3) in its opinion, that each of the New Continuing Connected Party Transactions to be entered into after the Latest Practicable Date shall be: (i) in the ordinary and usual course of business of Fortune REIT and consistent with the investment objectives and strategy of Fortune REIT; and (ii) at arm's length and on normal commercial terms and are fair and reasonable and in the interests of the Independent Unitholders, as well as the Unitholders as a whole.

H. IMPLICATIONS UNDER THE REIT CODE AND THE TRUST DEED

1. Connected Party Transactions

Clause 16.2.1 of the Trust Deed requires any connected party transaction to be carried out in accordance with the provisions of the REIT Code and any conditions (including conditions of any waiver or exemption from the operation of the REIT Code granted by the SFC from time to time) imposed by the SFC from time to time. Under paragraph 8.1 of the REIT Code, Connected Persons of Fortune REIT include, among others, a Significant Holder (that is, a holder of 10% or more of the outstanding Units) and associated companies. Cheung Kong owns more than 10% of the Units and therefore is a Significant Holder of Fortune REIT. The Vendor is an associated company (as defined in the REIT Code) of Cheung Kong and therefore, is a Connected Person of Fortune REIT within the meaning of the REIT Code. Accordingly, each of the following constitutes a connected party transaction of Fortune REIT under paragraph 8.5 of the REIT Code:

- (1) the entering into and performance of the Share Purchase Agreement;
- (2) the entering into and performance of the Deed of Shareholder Loan Assignment;
- (3) the entering into and performance of the Deed of Tax Covenant; and
- (4) the entering into and performance of the Deed of Ratification and Accession.

As the Consideration exceeds 5.0% of the latest audited NAV of Fortune REIT, as disclosed in its latest published audited accounts, and adjusted for any subsequent transaction since their publication, pursuant to paragraph 8.11 of the REIT Code and the Trust Deed, each of the above transactions will require Independent Unitholders' approval by way of an Ordinary Resolution at the EGM.

2. Major Acquisition

In addition, as the Consideration represents approximately 49.1% of the total market capitalisation of Fortune REIT, based on the average closing price of Fortune REIT on the Hong Kong Stock Exchange for the five trading days immediately preceding the Latest Practicable Date, the Transaction also constitutes a major acquisition by Fortune REIT under the relevant Hong Kong rules and regulations.

3. New Continuing Connected Party Transactions

The Board proposes to seek Independent Unitholders' approval for the Waiver Modification and Extension, which will accommodate the increase in size and the number of varieties of the continuing connected party transactions of Fortune REIT following Completion.

Please refer to section G headed “New Continuing Connected Party Transactions” for further details regarding the Waiver Modification and Extension. Details of the relevant connected party transactions will be disclosed in Fortune REIT’s semi-annual and annual reports, as required under paragraph 8.14 of the REIT Code.

4. Ordinary Resolution

The Manager takes the view that: (i) the Transaction and the assumption of the Kingswood CKH Interested Persons Tenancy and Licence Agreements; and (ii) the Waiver Modification and Extension are linked to each other and part and parcel of a significant proposal, as the Waiver Modification and Extension only arises from the consummation of the Transaction and will not be required but for the entering into of the agreements underlying the Transaction.

Please refer to the EGM Notice for the proposed EGM Resolution in relation to the Transaction Matters Requiring Approval. As soon as practicable after the EGM, the Manager will issue an announcement setting out the results of the EGM, including whether the proposed EGM Resolution has been passed.

5. Restrictions on Voting

Paragraph 9.9(f) of the REIT Code provides that where a Unitholder has a material interest in the resolution tabled for approval, and that interest is different from that of all other Unitholders, such Unitholder shall abstain from voting.

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

Members of the CKH Group and the Manager Group are parties to one or more of the Transactions, the Kingswood CKH Interested Persons Tenancy and Licence Agreements and the New Continuing Connected Party Transactions, and as such, have a material interest in each of the EGM Resolution.

Pursuant to the REIT Code and the Trust Deed:

- (a) Cheung Kong has agreed to abstain, and will procure that each member of the CKH Group and its associates will abstain, from voting on the EGM Resolution; and
- (b) ARA (being the holding company of the Manager) has agreed to abstain, and will procure that each member of the Manager Group and its associates will abstain, from voting on the EGM Resolution.

To the best of the Manager's knowledge, information and belief, after having made reasonable enquiries, the Manager takes the view that save as disclosed above, no other Unitholders are required to abstain from voting at the EGM in respect of the EGM Resolution.

Please refer to the Fortune REIT Circular for further details in relation to the implications under the REIT Code and the Trust Deed.

I. IMPLICATIONS UNDER THE SINGAPORE LISTING MANUAL AND THE SINGAPORE PROPERTY FUNDS APPENDIX

1. Interested Person Transaction under Chapter 9 of the Singapore Listing Manual

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

The Vendor is 100% held by the CKH Group. As at the Latest Practicable Date, Cheung Kong was deemed to hold an aggregate indirect interest in 525,630,684 Units, which is equivalent to approximately 28.4% of the total number of Units then in issue, and is therefore regarded as a "controlling unitholder" (as defined in the Singapore Listing Manual) of Fortune REIT. As the Vendor is an associate (as defined in the Singapore Listing Manual) of Cheung Kong, it is therefore considered to be an Interested Person of Fortune REIT.

Based on the audited consolidated financial statements of Fortune REIT for the six months ended 30 June 2013, the audited NAV/NTA was HK\$17,058.5 million as at 30 June 2013. Accordingly, if the value of a transaction which is proposed to be entered into by Fortune REIT with an Interested Person is, in the current financial year, either in itself or in aggregation with all other earlier transactions (each of a value equal to or greater than S\$100,000 or HK\$635,200 based on the exchange rate of S\$1 = HK\$6.3520 as at 3 January 2013) entered into with the same Interested Person during the current financial year, equal to or in excess of HK\$852.9 million, such a transaction would have to be subject to Independent Unitholders' approval. Given the Consideration of HK\$5,849 million (subject to the Current Adjustment) (which comprises 34.3% of the audited NAV/NTA of Fortune REIT as at 30 June 2013), the aggregate value of the Acquisition exceeds the said audited threshold.

As such, the Acquisition (together with the entering into of the various agreements and instruments described in section H.1 headed "Connected Party Transactions") is subject to Independent Unitholders' approval under Chapter 9 of the Singapore Listing Manual.

2. Interested Party Transaction under Paragraph 5 of the Singapore Property Funds Appendix

Paragraph 5 of the Singapore Property Funds Appendix also imposes a requirement to obtain Independent Unitholders' approval for an Interested Party Transaction by Fortune REIT whose value exceeds 5.0% of Fortune REIT's latest audited NAV.

The Vendor is 100% held by the CKH Group. As at the Latest Practicable Date, Cheung Kong was deemed to hold an aggregate indirect interest in 525,630,684 Units, which is equivalent to approximately 28.4% of the total number of Units then in issue, and is therefore regarded as a "controlling unitholder" (as defined in the Singapore Property Funds Appendix) of Fortune REIT. As the Vendor is an associate (as defined in the Singapore Property Funds Appendix) of Cheung Kong, it is therefore considered to be an Interested Party of Fortune REIT.

Based on the audited consolidated financial statements of Fortune REIT for the six months ended 30 June 2013, the audited NAV of Fortune REIT was HK\$17,058.5 million as at 30 June 2013. Accordingly, if the value of a transaction which is proposed to be entered into by Fortune REIT with an Interested Party (aggregated with all other transactions with the same Interested Party during the current financial year) is equal to or in excess of HK\$852.9 million, such a transaction would be subject to Independent Unitholders' approval. Given the Consideration of HK\$5,849 million (subject to the Current Adjustment) (which comprises 34.3% of the NAV of Fortune REIT as at 30 June 2013), the aggregate value of the Acquisition exceeds the said audited threshold.

As such, the Acquisition (together with the entering into of the various agreements and instruments described in section H.1 headed "Connected Party Transactions") is also subject to Independent Unitholders' approval under Paragraph 5 of the Singapore Property Funds Appendix.

3. Kingswood CKH Interested Persons Tenancy and Licence Agreements

The Target Company has entered into various leases or licences with members of the CKH Group in respect of the Kingswood Ginza Property which will continue to subsist post-Completion ("**Kingswood CKH Interested Persons Tenancy and Licence Agreements**", as detailed in Appendix B headed "Kingswood CKH Interested Persons Tenancy and Licence Agreements").

4. Existing Interested Person Transactions

As at the Latest Practicable Date, Fortune REIT had entered into several Interested Person Transactions/Interested Party Transactions with certain entities within the CKH Group during the course of the current financial year. The aggregate value of the existing Interested Person Transactions/Interested Party Transactions (each of a value equal to or greater than S\$100,000 (equivalent to approximately HK\$635,200) based on the exchange rate of S\$1 = HK\$6.352 as at 3 January 2013) amounts to HK\$488.2 million (which comprises 2.9% of the audited NAV/NTA of Fortune REIT as at 30 June 2013). The existing Interested Person Transactions/Interested Party Transactions will be aggregated with the Transaction for the purpose of computing the threshold under Rule 906 of the Singapore Listing Manual and paragraph 5.2 of the Singapore Property Funds Appendix respectively.

For details of the existing Interested Person Transactions/Interested Party Transactions, please refer to Appendix A headed “Existing Interested Person Transactions”.

5. Approval by Unitholders

In approving the Transaction, Independent Unitholders are deemed to have approved the Existing Interested Person Transactions (as detailed in Appendix A headed “Existing Interested Person Transactions”) and the other transactions contemplated under, associated with and/or related to the Transaction, including the assumption of the Kingswood CKH Interested Persons Tenancy and Licence Agreements (as detailed in Appendix B headed “Kingswood CKH Interested Persons Tenancy and Licence Agreements”) and the Deed of Ratification and Accession, pursuant to which the Kingswood Ginza Property will be included as part of the properties to be managed by the Property Manager, upon Completion. These transactions and agreements are, therefore, not subject to Rules 905 and 906 of the Singapore Listing Manual (which require Fortune REIT to make an announcement or obtain the approval of Independent Unitholders depending on the materiality of the Interested Person Transactions) insofar as there are no subsequent changes to the rental, rates and/or basis of the fees charged thereunder which will adversely affect Fortune REIT. Future renewal or extension of the agreements will be subject to Rules 905 and 906 of the Singapore Listing Manual.

6. Restrictions on Voting

Rule 919 of the Singapore Listing Manual prohibits related parties and their associates (as defined in the Singapore Listing Manual) from voting on a resolution, or accepting appointments as proxies unless specific instructions as to voting are given, in relation to a matter in respect of which such persons are interested in the EGM.

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

Members of the CKH Group and the Manager Group are parties to one or more of the Transaction, the Kingswood CKH Interested Tenancy and Licence Agreements and the New Continuing Connected Party Transactions, and as such, have a material interest in each of the EGM Resolution.

Given that Cheung Kong is a Controlling Unitholder and ARA is the holding company of the Manager:

- (a) Cheung Kong has agreed to abstain, and will procure that each member of the CKH Group and its associates will abstain, from voting on the EGM Resolution; and
- (b) ARA has agreed to abstain, and will procure that each member of the Manager Group and its associates will abstain, from voting on the EGM Resolution.

Please refer to the Fortune REIT Circular for further details on relation to the implications under the Singapore Listing Manual and the Singapore Property Funds Appendix.

7. Independent Board Committee and Audit Committee Statement

The Independent Board Committee and the Audit Committee will be obtaining an opinion from the Independent Financial Advisers before coming to their view on the Acquisition, and this opinion will be set out in the Fortune REIT Circular.

8. Relative Figures Computed on the Basis set out in Rule 1006

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

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

Comparison of:	Kingswood Ginza Property	Fortune REIT	Relative Figure (%)
Profits (<i>HK\$ million</i>)	210.2 ⁽¹⁾	788.3 ⁽²⁾	26.7
Consideration against market capitalisation (<i>HK\$ million</i>)	5,849.0	12,157.8 ⁽³⁾	48.1

Notes:

- (1) Based on Net Property Income for the financial year ended 31 December 2012 of the Target Company.
- (2) Based on Net Property Income for the financial year ended 31 December 2012 of Fortune REIT.
- (3) Based on the closing price of the Units of HK\$6.58 in the SGX-ST for the market day immediately preceding the Latest Practicable Date.

The Manager is of the view that the Acquisition is in the ordinary course of Fortune REIT’s business as it falls within Fortune REIT’s investment policy. Therefore, Independent Unitholders’ approval for purposes of Chapter 10 of the Singapore Listing Manual is not required for the Acquisition. In any case, as the Acquisition and other related transactions as set out in the foregoing paragraphs of this section I constitute interested person and/or interested party transactions under the Singapore Listing Manual and/or the Singapore Property Funds Appendix, Independent Unitholders’ approval will still be sought for the Acquisition and other related transactions as set out in the foregoing paragraphs of this section I.

J. DISCLOSURE OF INTERESTS IN UNITS

The total number of issued units as at the Latest Practicable Date is 1,847,692,532 Units.

Holdings of Significant Unitholders and Other Unitholders

As at the Latest Practicable Date, each of the following persons was considered a “significant Unitholder”, and hence a Connected Person of Fortune REIT, for the purpose of the REIT Code:

Name	Direct interest		Deemed interest	
	Number of Units held long position	Percentage of Unitholdings	Number of Units held long position	Percentage of Unitholdings
Focus Eagle Investments Limited ⁽¹⁾	413,074,684	22.35%	–	–
Cheung Kong ⁽¹⁾	–	–	525,630,684	28.44%
Schroders Plc ⁽²⁾	–	–	233,751,000	12.65%

In addition to the significant Unitholders as disclosed above, each of the following persons held, or was deemed to hold 5% or more of the issued units as at Latest Practicable Date:

Name	Direct interest		Deemed interest	
	Number of Units held long position	Percentage of Unitholdings	Number of Units held long position	Percentage of Unitholdings
Ballston Profits Limited ^{(1), (3)}	112,556,000	6.09%	–	–
Hutchison Whampoa Limited ⁽¹⁾	–	–	112,556,000	6.09%

Notes:

- (1) Focus Eagle Investments Limited was an indirect wholly-owned subsidiary of Cheung Kong; and Ballston Profits Limited was an indirect wholly-owned subsidiary of Hutchison Whampoa Limited, which in turn was 49.9% owned by Cheung Kong. Therefore, Cheung Kong was deemed to hold 525,630,684 Units, of which: (i) 413,074,684 Units were held by Focus Eagle Investments Limited; and (ii) 112,556,000 Units were held by Ballston Profits Limited; Hutchison Whampoa Limited was deemed to hold 112,556,000 Units, which were held by its indirect wholly-owned subsidiary, Ballston Profits Limited.
- (2) Schroders Plc was deemed to be interested in 233,751,000 Units of which:
 - (a) 97,403,000 Units were held by Schroder Investment Management Limited;
 - (b) 72,342,000 Units were held by Schroder Investment (Singapore) Limited;
 - (c) 63,886,000 Units were held by Schroder Investment (Hong Kong) Limited; and
 - (d) 120,000 Units were held by Schroder Investment Management (Guernsey) Limited.
- (3) A director of Ballston Profits Limited, Mr. Robin Cheng Khoong Sng, is the spouse of Mrs. Sng Sow-Mei, an independent non-executive Director, a member of the Audit Committee and the Independent Board Committee.

Interests of the Manager

As at the Latest Practicable Date, the Manager held 5,594,236 Units, or approximately 0.30% of the issued units of Fortune REIT.

Interests of the Directors and Senior Executives

Details of the unitholding interests of the Directors and senior executives in Fortune REIT as at the Latest Practicable Date were as follows:

Name of Directors	Direct interest		Deemed interest	
	Number of Units held long position	Percentage of Unitholdings	Number of Units held long position	Percentage of Unitholdings
Lim Hwee Chiang ⁽¹⁾	–	–	7,694,236	0.42%
Sng Sow-Mei (alias Poon Sow Mei)	220,000	0.01%	–	–

Note:

(1) Mr. Lim Hwee Chiang was deemed to be interested in a total of 7,694,236 Units of which:

- (a) 5,594,236 Units were held by the Manager (a wholly-owned subsidiary of ARA), Mr. Lim was deemed to be interested in these Units by virtue of his direct and indirect holding of one third or more of shareholding interest in a chain of corporation including ARA; and
- (b) 2,100,000 Units were held by Citibank Nominees Singapore Pte. Ltd. (as nominee for JL Philanthropy Ltd). The beneficiary of JL Philanthropy Ltd is JL Charitable Settlement and Mr. Lim Hwee Chiang is the settlor of JL Charitable Settlement.

No person is proposed to be appointed as a Director of the Manager in connection with the Acquisition or any other transactions contemplated in relation to the Acquisition.

Save as disclosed above, none of the Manager, the Directors and the chief executive of the Manager is interested (or deemed to be interested) in Units, or held any short position in Units, and the Manager is not aware of any Connected Persons of Fortune REIT who were interested (or are deemed to be interested) in Units as at the Latest Practicable Date.

K. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at no charge during normal business hours at the offices of the Manager from 9:00 a.m. to 5:00 p.m. on Business Days, from the date of the Fortune REIT Circular, up to and including the date falling three months after the date of the Fortune REIT Circular:

- (a) the Share Purchase Agreement (and the attachments thereto, and all material contracts relating to the Acquisition mentioned in this announcement and the Fortune REIT Circular);

- (b) the placement agreement dated 30 July 2013 entered into between the Manager and the Joint Lead Managers and Underwriters;
- (c) the pricing determination supplement dated 30 July 2013 entered into between the Manager and the Joint Lead Managers and Underwriters;
- (d) the mandate letters in respect of the New Facilities dated 30 July 2013 entered into between the Manager, DBS Bank Ltd. and Standard Chartered Bank (Hong Kong) Limited;
- (e) the consolidated audited accounts of Fortune REIT for the period from 1 January 2012 to 31 December 2012, and the consolidated audited accounts of Fortune REIT for the period from 1 January 2013 to 30 June 2013;
- (f) the accountants' report disclosed under Appendix 2 to the Fortune REIT Circular headed "Accountants' Report in respect of the Target Company";
- (g) the unaudited pro forma financial information of the Enlarged Group disclosed under Appendix 3 to the Fortune REIT Circular headed "Pro Forma Financial Information of the Enlarged Group";
- (h) the Letter from the Independent Board Committee and the Audit Committee;
- (i) the Letter from the Independent Financial Advisers;
- (j) the Independent Property Valuers' Property Valuation Reports;
- (k) the Market Consultant's Report;
- (l) the Introduction Listing Document;
- (m) the written consents referred to in section 6 headed "Experts and Consents" of Appendix 9 to the Fortune REIT Circular headed "General Information";
- (n) the announcement issued by the Manager dated 30 July 2013 in respect of the non-binding memorandum of understanding in relation to the Acquisition;
- (o) the Placement Announcements;
- (p) this announcement;
- (q) the annual reports of Fortune REIT for the three years ended 31 December 2012 referred to in Appendix 1 to the Fortune REIT Circular headed "Financial Information of Fortune REIT"; and

- (r) all material contracts disclosed under section 8 headed “Material Contracts” of Appendix 9 to the Fortune REIT Circular headed “General Information”.

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

L. GENERAL

The Fortune REIT Circular containing, among other things: (1) a letter from the Board to the Unitholders containing details of, among other things, the Transaction and the New Continuing Connected Party Transactions; (2) a letter from the Independent Board Committee and the Audit Committee to the Independent Unitholders in relation thereto; (3) a letter from the Independent Financial Advisers containing their advice to the Independent Board Committee, the Audit Committee, the Independent Unitholders and the Trustee in relation thereto; and (4) the EGM Notice, will be sent to the Unitholders as soon as practicable.

Unitholders who do not receive the Fortune REIT Circular within a week from the date of this announcement may obtain a copy of the same from (a) the Singapore Unit Registrar, Boardroom Corporate & Advisory Services Pte. Limited, at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623 (for Singapore Unitholders); or (b) the Hong Kong Unit Registrar, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.

M. NOTICE OF BOOK CLOSURE PERIOD

In connection with the EGM, the register of Unitholders will be closed from 12 to 16 September 2013, both days inclusive, during which period no transfer of Units will be effected, to determine which Unitholders will qualify to attend and vote at the EGM. For those Unitholders who are not already on the register of Unitholders, in order to qualify and vote at the EGM, all Unit certificates accompanied by the duly completed transfers of Units must be lodged with the Singapore Unit Registrar, Boardroom Corporate & Advisory Services Pte. Limited, at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623 (for Singapore Unitholders) for registration by 5:00 p.m. on Wednesday, 11 September 2013, or with the Hong Kong Unit Registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong (for Hong Kong Unitholders) for registration by 4:30 p.m. on Wednesday, 11 September 2013.

N. INDICATIVE TIMETABLE

Please see below an indicative timetable showing the key dates of the relevant events for this Transaction:

Event	Date and Time
Latest date and time for lodging transfers of Units to participate and vote in the EGM	: 11 September 2013 (4:30 p.m. for Hong Kong Unitholders/5:00 p.m. for Singapore Unitholders)
Book closure period (both days inclusive) to determine the eligibility of Unitholders to participate and vote in the EGM	: 12 to 16 September 2013
Latest date and time for lodging proxy forms for the EGM	: 14 September 2013 at 11:00 a.m.
EGM Record Date	: Close of business on 11 September 2013
Date and time of the EGM	: 16 September 2013 at 11:00 a.m.
If the approvals sought at the EGM are obtained:	
Drawdown under the New Facilities	: To be determined by the Manager (but within one month from the date of signing of the loan agreement(s) in respect of the New Facilities)
Completion of the Acquisition	: To be determined by the Manager (but no later than the Long Stop Date)

Further announcement(s) will be made by the Manager in relation to those events which are scheduled to take place after the EGM as and when appropriate in accordance with applicable regulatory requirements.

The completion of the Acquisition is subject to and conditional upon satisfaction of certain conditions (as set out in section B.4 of this announcement headed “Conditions Precedent”), which includes Independent Unitholders’ approval being obtained at the EGM, and accordingly, may or may not complete. Unitholders, as well as any prospective investors of Fortune REIT, are advised to exercise caution when dealing in the Units.

DEFINITIONS

In this announcement, the following definitions apply throughout unless otherwise stated. Also, where terms are defined and used in only one section of this document, these defined terms are not included in the table below:

Acquisition	The proposed acquisition by the Trustee from the Vendor of the Target Company Shares pursuant to the Share Purchase Agreement.
Acquisition Fee	The acquisition fee which the Manager will be entitled to receive from Fortune REIT upon completion of the Acquisition.
Acquisition Fee Units	Has the meaning ascribed to this term in section B.12 headed “Fees payable by Fortune REIT to the Manager in relation to the Acquisition”.
Additional Continuing Connected Party Transactions	The continuing connected party transactions with the CKH Group and/or the Manager Group in respect of the Kingswood Ginza Property.
Aggregate Leverage	The ratio of the value of total borrowings and deferred payments (including deferred payments for assets whether to be settled in cash or in Units) to the value of the gross assets of Fortune REIT, including all its authorised investments held or deemed to be held under the Trust Deed. This definition is consistent with the definition of “ aggregate leverage ” set out in the Singapore Property Funds Appendix.
ARA	ARA Asset Management Limited.
Audit Committee	The audit committee of the Board comprising Mr. Lim Lee Meng, Mrs. Sng Sow-Mei (alias Poon Sow Mei) and Dr. Lan Hong Tsung, David.
Belvedere Square and Provident Square Circular	The circular published by the Manager on 28 December 2011 in respect of the acquisition of the Belvedere Garden Property and the Provident Centre Property (both terms as defined therein).
Board	The board of Directors.

Business Day	Any day (other than a Saturday, Sunday or gazetted public holiday) on which (i) commercial banks are open for business in Singapore and the SGX-ST is open for trading, and (ii) commercial banks are open for business in Hong Kong and the Hong Kong Stock Exchange is open for trading.
CCASS	The Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited.
CDP	Central Depository (Pte) Limited.
Charge-Out Collections	The air conditioning charges, management fees, promotional charges, government rates, government rents, utilities charges, cleaning and other charges payable by the tenants and licencees of the Properties.
Cheung Kong or Guarantor	Cheung Kong (Holdings) Limited.
CKH Group	Together with Cheung Kong, any person who is connected to Cheung Kong (as described in paragraphs 8.1(e), (f) or (g) of the REIT Code) and these persons include: <ul style="list-style-type: none"> (i) any director, senior executive or officer of Cheung Kong; (ii) any associate (as defined in the REIT Code) of Cheung Kong or of any director, senior executive or officer of Cheung Kong; and (iii) any controlling entity, holding company, subsidiary or associated company (as defined in the REIT Code) of Cheung Kong.
Completion	Completion of the Acquisition pursuant to the Share Purchase Agreement.
Completion Date	The date that Completion occurs, as more particularly described in section B.3 headed “Completion”.
Conditions	The conditions precedent to Completion, as more particularly described in section B.4 headed “Conditions Precedent”.
Connected Person	Has the meaning ascribed to this term in the REIT Code.

Consideration	The purchase consideration payable by the Trustee for the acquisition of the entire issued share capital of Tin Shui Wai Development Limited pursuant to the Share Purchase Agreement, which is agreed to be HK\$5,849 million, subject to the Current Adjustment.
Current Adjustment	<p>The customary adjustment to the agreed sum of HK\$5,849 million for:</p> <ul style="list-style-type: none"> (i) current assets (such as all receivables, refundable utility and other deposits placed with relevant authorities or suppliers, all cash and deposits at bank and all prepaid operating expenses); and (ii) current liabilities (such as all security deposits, all rental/licence fees received in advance in relation to the Kingswood Ginza Property, all payments due to creditors and accruals of property and other relevant expenses and all provision for taxation) <p>of the Target Company as at Completion but excluding the Shareholder Loan and any deferred tax liabilities of the Target Company.</p>
Deed of Ratification and Accession	The deed of ratification and accession to be entered into between the Nominee, the Trustee, the Manager and the Property Manager at Completion, pursuant to which, the operation, maintenance, management and marketing of the Kingswood Ginza Property will be managed by Goodwell-Fortune Property Services Limited (being the Property Manager) subject to the overall management by the Manager pursuant to and in accordance with the terms of the Property Management Agreement.
Deed of Shareholder Loan Assignment	The deed of shareholder loan assignment to be entered into between the Vendor and the Nominee at Completion, pursuant to which the Vendor will assign its rights, title, interest and benefit in and to the Shareholder Loan to the Nominee on a dollar-for-dollar basis at Completion.
Deed of Tax Covenant	The deed of tax covenant in favour of the Trustee to be entered into between the Vendor, the Guarantor and the Trustee at Completion.

Deposited Property	The gross assets of Fortune REIT, including the Existing Properties held in Fortune REIT’s portfolio and, from and after Completion, the Kingswood Ginza Property.
Directors	The directors of the Manager.
DMC	Deed of mutual covenant (or an instrument of a similar nature), which is an agreement between the co-owners of a property to regulate their respective rights and obligations as co-owners of the land and building(s) and to provide for the building’s effective maintenance and management.
DPU	Distribution per Unit.
EGM	The extraordinary general meeting of Unitholders convened by and referred to in the EGM Notice.
EGM Notice	The notice included in the Fortune REIT Circular in respect of the EGM to consider and, if thought fit, approve the EGM Resolution.
EGM Resolution	The Ordinary Resolution to be passed at the EGM, as set out in the EGM Notice and explained in the Fortune REIT Circular.
Enlarged Group	Collectively, Fortune REIT and Tin Shui Wai Development Limited, a company incorporated in Hong Kong, being the owner of the Kingswood Ginza Property.
Existing CKH/Manager CPT Waiver	The waiver granted by the SFC in 2012 from strict compliance with the disclosure and unitholders’ approval requirements under Chapter 8 of the REIT Code in respect of certain continuing connected party transactions that are summarised in the Belvedere Square and Provident Square Circular.
Existing Interested Person Transactions	Has the meaning ascribed to this term in Appendix A headed “Existing Interested Person Transactions”.
Existing Properties	The 16 properties currently held by Fortune REIT as at the Latest Practicable Date, as described in the Introduction Listing Document and the Belvedere Square and Provident Square Circular.
Existing Property Companies	Each special purpose vehicle which is the direct or indirect owner of an Existing Property.

Fortune REIT	Fortune Real Estate Investment Trust.
Fortune REIT Circular	The circular to be issued by Fortune REIT in respect of the Transaction and related matters.
Fortune REIT Group	Fortune REIT and companies or entities held or controlled by it.
Gearing Ratio	The aggregate borrowings of Fortune REIT (as calculated under the Trust Deed) as a percentage of the total gross asset value of the Deposited Property as set out in the Fortune REIT's latest published audited accounts immediately prior to such borrowing being effected. Pursuant to the Trust Deed and in compliance with paragraph 7.9 of the REIT Code, the Gearing Ratio of Fortune REIT shall not at any time exceed 45%.
Government	The Government of the Hong Kong Special Administrative Region.
Government Grant	The government grant entered into between the government of Hong Kong (as grantor) and Tin Shui Wai Development Limited (as grantee) under which the leasehold title to the Kingswood Ginza Property is leased, as described in section 1 of Appendix 7 to the Fortune REIT Circular headed "Summary of Government Grant and Deeds of Mutual Covenant".
Gross Floor Area	In respect of a Property, the gross floor area of that Property being the area contained within the external walls of the building measured at each floor level (including any floor below the level of the grounds), together with the area of each balcony in the building, which shall be calculated from the overall dimensions of the balcony (including the thickness of the sides thereof), and the thickness of external walls of the building excluding any floor space that is constructed or intended to be used solely for parking motor vehicles, loading or unloading of motor vehicles, or for refuse storage chambers, refused storage and material recovery chambers, material recovery chambers, refuse storage and material recovery rooms, refuse chutes, refuse hopper rooms and other types of facilities provided to facilitate the separation of refuse, or for access facilities for telecommunications and broadcasting services, or occupied solely by machinery or equipment for any lift, air-conditioning or heating system or any similar service.
Gross Property Revenue	Gross Revenue less Charge-Out Collections and car park revenues.

Gross Rentable Area	In respect of a Property, that portion of the Gross Floor Area of the relevant property determined by the Property Manager at any given time to be rentable.
Gross Rental Income	Consists of rental income and licence income due from tenancies but excludes Turnover Rent.
Gross Revenue	Consists of Gross Rental Income, Charge-Out Collections and all other income accruing or resulting from the operation of the Properties including licence fees, Turnover Rent, car park revenues and other revenues.
Group Companies	The companies which are, from time to time, directly or indirectly owned by the Trustee, and “ Group Company ” means any one of them.
HIBOR	The rate of interest offered on Hong Kong dollar loans by banks in the Hong Kong interbank market for a specified period ranging from overnight to one year.
HK\$	Hong Kong dollars, the lawful currency of Hong Kong.
HK Independent Financial Adviser	Kim Eng Securities (Hong Kong) Limited, a corporation licenced to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO and in its capacity as the independent financial adviser for the purpose of paragraph 10.10(p) of the REIT Code.
Hong Kong	The Hong Kong Special Administrative Region of the People’s Republic of China.
Hong Kong Listing Rules	The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited.
Hong Kong Unit Registrar	Computershare Hong Kong Investor Services Limited, in its capacity as the Hong Kong unit registrar of Fortune REIT.
HSBC Group	HSBC Holdings plc, and other members of its group (including The Hongkong and Shanghai Banking Corporation Limited, Hang Seng Bank Limited and their respective subsidiaries).

Independent Board Committee	The independent committee of the Board established to advise the Independent Unitholders on the Transaction, comprising Mr. Lim Lee Meng, Mrs. Sng Sow-Mei (alias Poon Sow Mei) and Dr. Lan Hong Tsung, David, being all three of the independent non-executive Directors of the Manager.
Independent Financial Advisers	The HK Independent Financial Adviser and the Singapore Independent Financial Adviser.
Independent Property Valuers	JLL (appointed by the Trustee) and Savills (appointed by the Manager), each an “ Independent Property Valuer ”.
Independent Property Valuers’ Property Valuation Reports	The valuation reports dated 26 July 2013 issued by the Independent Property Valuers in respect of the Kingswood Ginza Property, the text of which is set out in Appendix 4 to the Fortune REIT Circular headed “Independent Property Valuers’ Property Valuation Reports”.
Independent Unitholders	Unitholders other than those who have a material interest in the relevant transactions and who are entitled to vote at the EGM.
Interested Party	Means: <ul style="list-style-type: none"> (i) a director, chief executive officer or controlling shareholder of the Manager, the Manager, the Trustee or controlling Unitholder of Fortune REIT; or (ii) an associate of any director, chief executive officer or controlling shareholder of the Manager, or an associate of the Manager, the Trustee or any controlling Unitholder of Fortune REIT.
Interested Party Transaction	A transaction entered into with an “Interested Party” as governed under the Singapore Property Funds Appendix.
Interested Person	Means: <ul style="list-style-type: none"> (i) a director, chief executive officer or controlling shareholder of the Manager, or the Manager, the Trustee or controlling Unitholder of Fortune REIT; or (ii) an associate of any director, chief executive officer or controlling shareholder of the Manager, or an associate of the Manager, the Trustee or any controlling Unitholder of Fortune REIT.

Interested Person Transaction	Has the meaning ascribed to it in the Singapore Listing Manual.
Introduction Listing Document	The listing document dated 31 March 2010 of Fortune REIT in connection with the listing of its Units by way of introduction on the Hong Kong Stock Exchange.
JLL	Jones Lang LaSalle Limited.
Joint Lead Managers and Underwriters	Collectively, DBS Bank Ltd., DBS Asia Capital Limited, Standard Chartered Securities (Hong Kong) Limited and Standard Chartered Securities (Singapore) Pte. Limited, as joint lead managers and underwriters in respect of the Unit Placement.
Kingswood Development	The developments known as “Kingswood Villas”, “Kingswood Ginza Phase 1” and “Kingswood Ginza Phase 2” which are located in Tin Shui Wai, New Territories, Hong Kong.
Kingswood Ginza Mall	The entire shopping mall commonly known as “Kingswood Ginza”, located within the Kingswood Ginza Property.
Kingswood Ginza Property	Comprises the Kingswood Ginza Mall as well as other retail, kindergarten, parking lots and ancillary spaces to such areas (including loading bays and external walls), reserve shares and common areas within Kingswood Development, as more particularly described in section 2 of Appendix 7 to the Fortune REIT Circular headed “Summary of Government Grant and Deeds of Mutual Covenant”.
Kingswood CKH Interested Persons Tenancy and Licence Agreements	Has the meaning ascribed to this term in section I.3 headed “Kingswood CKH Interested Persons Tenancy and Licence Agreements”.
Latest Practicable Date	27 August 2013, being the latest practicable date prior to the printing of the Fortune REIT Circular for the purpose of ascertaining certain information contained in the Fortune REIT Circular.
Long Stop Date	The date that falls six months after the date that the Share Purchase Agreement was signed (or such other date as the Vendor and the Trustee may agree in writing).
Manager	ARA Asset Management (Fortune) Limited, a wholly-owned subsidiary of ARA, in its capacity as manager of Fortune REIT.

Manager Group	The Manager and any person who is connected to the Manager as described in paragraphs 8.1(e), (f) or (g) of the REIT Code.
Manager's Performance Fee	An annual performance fee of 3% per annum from each of the Property Companies of the Net Property Income of the relevant Property Company.
Market Consultant	Savills (Hong Kong) Limited.
Market Consultant's Report	The letter dated 28 August 2013 from the Market Consultant, the form of which is set out in Appendix 5 to the Fortune REIT Circular headed "Market Consultant's Report".
MAS	Monetary Authority of Singapore.
Modified and Extended CPT Waiver	The resulting modified and extended CKH/Manager CPT Waiver, if the proposed modifications and extensions to the Existing CKH/Manager CPT Waiver are approved by the Independent Unitholders at the EGM.
NAV	Net asset value.
Net Property Income	Gross Revenue less Property Operating Expenses.
New Continuing Connected Party Transactions	Collectively, (i) the continuing connected party transactions with the CKH Group and/or the Manager Group in respect of the Kingswood Ginza Property and (ii) the existing continuing connected party transactions that are summarised in the Belvedere Square and Provident Square Circular.
New CPT Waiver Period	The extended waiver period in respect of the Existing CKH/Manager CPT Waiver, being three financial years ending on 31 December 2015.
New Facilities	The term loans of up to an aggregate principal amount of HK\$5,227 million to be provided to special purposes vehicle(s) to be established and wholly-owned by Fortune REIT, details of which are further set out in section D.2 headed "New Facilities".
Nominee	A special purpose vehicle of Fortune REIT, to be nominated by the Trustee pursuant to the Share Purchase Agreement and to be incorporated in the British Virgin Islands, being the Property Company that will directly hold the Target Company Shares and the Shareholder Loan to be assigned pursuant to the Deed of Shareholder Loan Assignment.

NTA	Net tangible assets.
Ordinary Resolution	A resolution proposed and passed as such by a majority being greater than 50% of the total number of votes cast for and against such resolution at a meeting of Unitholders duly convened under the provisions of the Trust Deed.
Placement Announcements	The announcements issued by the Manager on 30 July 2013, 5 August 2013 and 6 August 2013 in respect of the placement of 142,962,000 Units by Fortune REIT, which was completed on 6 August 2013.
Post Completion Contracts	Any contracts to which the Target Company is a party that are not related to or in connection with the Kingswood Ginza Property which are not terminated or novated prior to Completion.
Properties	Collectively, the Existing Properties and the Kingswood Ginza Property, and “ Property ” means any one of them.
Property Companies	Collectively, the Existing Property Companies and the Target Company, and “ Property Company ” means any one of them.
Property Management Agreement	The property management agreement dated 7 July 2003 entered into between the Trustee, the Manager and the Property Manager (as amended by an extension letter dated 1 August 2008, supplemented by a supplemental property management agreement dated 30 April 2010 and amended by an extension letter dated 11 August 2013).
Property Manager	Goodwell-Fortune Property Services Limited, an indirect wholly-owned subsidiary of Cheung Kong, a Connected Person of Fortune REIT and a company incorporated in Hong Kong.
Property Operating Expenses	Consists of all costs and expenses incurred by the Property Companies in the operation, maintenance, management and marketing of the Properties including property management fees, government rents and government rates, the Manager’s Performance Fee and other property operating expenses.
Proposed Caps	The annual monetary limits specified in section G.5 headed “Proposed Caps”.
REIT	Real Estate Investment Trust.

REIT Code	The Code on Real Estate Investment Trusts published by the SFC as amended, supplemented or otherwise modified for the time being.
Savills	Savills Valuation and Professional Services Limited.
SFA	The Securities and Futures Act (Chapter 289 of Singapore).
SFC	The Securities and Futures Commission of Hong Kong.
SFC-Authorised REIT	A collective investment scheme in the nature of a real estate investment trust authorised by the SFC under Section 104 of the SFO.
SFO	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).
SGX-ST	Singapore Exchange Securities Trading Limited.
Shareholder Loan	The aggregate amount owing from the Target Company, Tin Shui Wai Development Limited, to the Vendor as at the Completion Date.
Share Purchase Agreement	The share purchase agreement entered into between the Vendor, the Guarantor and the Trustee, pursuant to which the Vendor agrees to: (i) sell to the Trustee (or the Nominee) the Target Company Shares, with the rights attaching to them as at and from the Completion Date; and (ii) assign to the Trustee (or the Nominee) the Shareholder Loan.
Significant Holder	Has the meaning ascribed to this term in the REIT Code.
Singapore Independent Financial Adviser	Maybank Kim Eng Securities Pte Ltd.
Singapore Listing Manual	The Listing Manual of the SGX-ST.
Singapore Property Funds Appendix	Appendix 6 of the Code on Collective Investment Schemes issued by the MAS in relation to real estate investment trusts.
Singapore Unit Registrar	Boardroom Corporate & Advisory Services Pte. Ltd.
sq. ft.	Square foot/Square feet.

Target Company	Tin Shui Wai Development Limited, a company incorporated in Hong Kong and the owner of the Kingswood Ginza Property.
Target Company Shares	The entire issued share capital of the Target Company.
Transaction	Collectively (1) the Acquisition and entering into and performance of the Share Purchase Agreement; (2) the entering into and performance of the Deed of Tax Covenant; (3) the entering into and performance of the Deed of Shareholder Loan Assignment; and (4) the entering into and performance of the Deed of Ratification and Accession.
Transaction Documents	Collectively (1) the Share Purchase Agreement; (2) the Deed of Tax Covenant; (3) the Deed of Shareholder Loan Assignment; and (4) the Deed of Ratification and Accession, details of which are set out in section B headed “Share Purchase Agreement”.
Transaction Matters Requiring Approval	Collectively (1) the Transaction and the assumption of Kingswood CKH Interested Persons Tenancy and Licence Agreements; and (2) the Waiver Modification and Extension.
Trust Deed	The trust deed entered into between the Trustee and the Manager constituting Fortune REIT, dated 4 July 2003 and as amended, varied and supplemented from time to time.
Trustee	HSBC Institutional Trust Services (Singapore) Limited, in its capacity as trustee of Fortune REIT.
Turnover Rent	Rent calculated by reference to a fixed percentage of a tenant’s monthly sales turnover.
Unit	One undivided unit in Fortune REIT.
Unit Placement	The placing of 142,962,000 Units by Fortune REIT which was completed on 6 August 2013, details of which are contained in the Placement Announcements.
Unitholder	Any person registered as holding a Unit and any person holding Units through CCASS or CDP.
Unrelated Licences	Any licences of the Target Company which are not relating to the Kingswood Ginza Property.

Vendor	Mightycity Company Limited, a company incorporated in Hong Kong, which is owned in the manner described in section A.3 headed “Current and Expected Holding Structure”.
Waiver Extension	The proposed extension to the Existing CKH/Manager CPT Waiver which is due to expire on 31 December 2014.
Waiver Modification and Extension	The modifications and extensions to the Existing CKH/Manager CPT Waiver to: <ul style="list-style-type: none"> (i) expand the scope of Existing Continuing Connected Party Transactions to include transactions entered or to be entered into by the Target Company in respect of the Kingswood Ginza Property and the additional continuing connected party transactions with the CKH Group and/or the Manager Group in respect of the Kingswood Ginza Property as a result of the Completion of the Acquisition; (ii) set new annual monetary limits (as described in section G.5) to accommodate the continuing connected party transactions summarised in the Belvedere Square and Provident Square Circular and the continuing connected party transactions with the CKH Group and/or the Manager Group in respect of the Kingswood Ginza Property, for the financial years ending 31 December 2013, 31 December 2014 and 31 December 2015; and (iii) extend the Existing CKH/Manager CPT Waiver which is due to expire on 31 December 2014, so that the waiver will apply for the New CPT Waiver Period.

% Per cent or percentage.

By order of the board of directors of
ARA Asset Management (Fortune) Limited
(as Manager of Fortune Real Estate Investment Trust)

ANG Meng Huat, Anthony
Executive Director and Chief Executive Officer

Singapore, Hong Kong, 28 August 2013

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

APPENDIX A

Existing Interested Person Transactions

Details of the existing Interested Person Transactions (excluding transactions of less than S\$100,000 (equivalent to HK\$635,200)) entered into between the Fortune REIT Group and certain entities within the CKH Group (the “Existing Interested Person Transactions”) in the current financial year are set out below:

Interested Person	Nature of transaction	Area (sq. ft.)	Start date	Term (Years)	Value of Interested Person Transactions in respect of the Existing Properties (excluding transactions of less than S\$100,000 (HK\$635,200) each) (HK\$ million) ⁽²⁾	Percentage of audited NAV/NTA ⁽¹⁾
AMTD Strategic Capital Limited	Tenancy at Hampton Loft	35,562	1 September 2013	3	22.4	0.13%
A.S. Watson Retail (HK) Limited Cheung Kong Property Development Limited ⁽³⁾	Tenancy at Metro Town	4,068	2 May 2013	3	7.1	0.04%
Goodwell-Fortune Property Services Limited	Licence at Fortune Metropolis	31,383	15 April 2013	1	24.5	0.14%
	Licence at Fortune Metropolis	20,800	1 July 2013	1		
	Licence at Fortune Metropolis	14,713	1 July 2013	1		
Hutchison Telephone Company Limited ⁽³⁾ Hutchison International Limited PARKnSHOP (HK) Limited	Property management services	–	12 August 2013	5	268.5	1.57%
	Licence at Ma On Shan Plaza	–	1 April 2013	3	7.3	0.04%
	Tenancy at Belvedere Square	14,592	1 January 2013	3	8.1	0.05%
	Tenancy at Ma On Shan Plaza	47,410	10 August 2013	3	150.3	0.88%
	Tenancy at Metro Town	27,431	1 February 2013	3		
	Tenancy at Tsing Yi Square	9,425	1 June 2013	3		
	Tenancy at Fortune City One	24,151	1 July 2013	3		
Total					488.2	2.85%

Notes:

(1) Audited NAV/NTA of Fortune REIT as at 30 June 2013 of HK\$17,058.5 million.

(2) Exchange rate of S\$1.00 to HK\$6.3520 as at 3 January 2013.

(3) These are related to the usage of space of the Existing Properties.

These existing Interested Person Transactions have been subject to the internal control procedures established by the Manager to ensure that such transactions are undertaken on normal commercial terms and are not prejudicial to the interests of Fortune REIT or its Independent Unitholders. These procedures include the review and approval of such transactions by the Audit Committee. These transactions reported comply with the requirements of Chapter 9 of the Singapore Listing Manual.

Rationale and Benefit of Existing Interested Person Transactions

The existing Interested Person Transactions relate to leases signed by the various interested persons as tenants of the Existing Properties. In addition to contributing to the income of the Existing Properties, these tenants are, by and large, very well-known major retailers in Hong Kong. For instance, Park’N Shop, which is a part of PARKnSHOP (HK) Limited is a leading supermarket chain and Watsons (which is part of A.S. Watson Retail (HK) Limited) is one of the largest personal care retailers in Hong Kong. Their presence enhances shopper traffic at the Existing Properties thereby improving the attractiveness of the Existing Properties.

APPENDIX B

Kingswood CKH Interested Persons Tenancy and Licence Agreements

Details of the Kingswood CKH Interested Persons Tenancy and Licence Agreements are set out in the table below. The aggregate licence fees derived or to be derived from the Kingswood CKH Interested Persons Tenancy and Licence Agreements is estimated at HK\$91.19 million.

Interested Person	Nature of Transaction	Area (<i>sq.ft.</i>)	Start Date	Term (<i>Years</i>)	Value of Interested Person Transactions (excluding transactions of less than S\$100,000 each) (HK\$635,200) each (<i>HK\$ million</i>) ⁽²⁾	Percentage of audited NAV/NTA ⁽¹⁾
A.S. Watson Retail (HK) Limited	Tenancy	7,290	1 March 2011	3	7.76	0.05%
Hutchison Telephone Company Limited ⁽³⁾	Tenancy Licence Licence	2,300 – –	1 May 2011 1 August 2012 1 August 2012	3 3 3	4.15 3.74 2.95	0.02% 0.02% 0.02%
Kingswood Property Services Limited ⁽³⁾	Licence	617	16 March 2012	2	1.17	0.01%
PARKnSHOP (HK) Limited	Tenancy	7,007	1 July 2013	3	14.20	0.08%
	Tenancy	74,576	1 March 2011	3	57.22	0.34%
	Total				91.19	

Notes:

(1) Audited NAV/NTA of Fortune REIT as at 30 June 2013 of HK\$17,058.5 million.

(2) Exchange rate of S\$1.00 to HK\$6.3520 as at 3 January 2013.

(3) These are related to the usage of space of the Kingswood Ginza Property.