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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 authorized 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**

### **DISCLOSEABLE TRANSACTION RELATING TO DISPOSAL OF PROPERTY**

On 19 December 2017, Fortune REIT (through its special purpose vehicle) entered into the Agreement with the Purchaser in relation to the disposal of (through the sale of the Sale Share in the Target Company) all interests in Provident Square (和富薈), which comprises of the shopping centre (except for the carparks, driveways and the appurtenant areas, and the common areas and facilities thereof and thereon) and the sub-basement of the entire residential and commercial development known as “Provident Centre” (和富中心).

The Consideration payable and to be procured to be paid by the Purchaser shall be the Adjusted Asset Value, being the Acquisition Value of HK\$2,000,000,000 plus the amount of net current assets or minus the amount of net current liability (as the case may be) of the Target Company as at Completion as set out in the Final Completion Accounts. The Acquisition Value represents a premium of approximately 88.5% of the Appraised Value.

The Manager is satisfied that the Disposal is not required to be approved by Unitholders pursuant to the REIT Code. Based on and in sole reliance on the opinion of the Board and the information in this announcement together with the information and assurances provided by the Manager to the Trustee, the Trustee is also satisfied that no Unitholders’ approval is required for the Disposal.

**As the Disposal may or may not proceed to Completion, Unitholders and prospective investors of Fortune REIT are advised to exercise caution when dealing in the Units.**

## A. THE AGREEMENT

On 19 December 2017, the Vendor (a special purpose vehicle directly wholly-owned by Fortune REIT) entered into the Agreement with the Purchaser, pursuant to which the Vendor has agreed to sell the Sale Share to the Purchaser and the Purchaser has agreed to acquire the Sale Share. The Sale Share represents the entire issued share capital of the Target Company, which in turn owns the Property.

The principal terms of the Agreement are as follows:

- Date** : 19 December 2017
- Parties** : (a) Elveden Enterprises Limited, a special purpose vehicle directly wholly-owned by Fortune REIT, as the Vendor; and  
(b) Farsight Investment Limited, a third party independent of Fortune REIT, as the Purchaser.
- Asset to be disposed** : Provident Square (details of which are set out under section B below)
- Consideration** : The Consideration payable and to be procured to be paid by the Purchaser shall be the Adjusted Asset Value, being the Acquisition Value of HK\$2,000,000,000 plus the amount of net current assets or minus the amount of net current liability (as the case may be) of the Target Company as at Completion as set out in the Final Completion Accounts.

The Consideration has been arrived at on a willing buyer and a willing seller on an arm's length transaction basis, after taking into account the Appraised Value of the Property as at 30 November 2017 (being HK\$1,061,000,000). The Acquisition Value represents a premium of approximately 88.5% of the Appraised Value.

- Terms of payment** : (i) The Purchaser paid to the Vendor's solicitors as stakeholders a deposit of HK\$200,000,000 (representing 10% of the Acquisition Value) upon execution of the Agreement (the "Deposit") as part of the Consideration; and  
(ii) Subject to the Post-Completion Adjustment, the balance of the Consideration (which includes repayment of an intra-group loan owing by the Target Company) based on the Pro Forma Completion Balance Sheet shall be paid and settled at Completion.

If any of the Conditions are not satisfied (or, if applicable, with respect to the Condition referred to paragraph (ii) in "*Conditions precedent*" below, waived by the Purchaser) on or before the Completion Date, or the Vendor fails to satisfy its obligations in relation to Completion, and the Purchaser elects to terminate the Agreement, the Deposit shall be returned (without interest or cost) to the Purchaser within 7 business days after such termination.

- Post-Completion Adjustment** : Within 5 business days after the agreement or determination of the Final Completion Accounts in accordance with the Agreement,
- (i) if the Adjusted Asset Value (as set out in the Final Completion Accounts) is higher than the Adjusted Asset Value (as set out in the Pro Forma Completion Balance Sheet), the Purchaser shall pay to the Vendor the difference in cash; and,
  - (ii) if the Adjusted Asset Value (as set out in the Final Completion Accounts) is lower than the Adjusted Asset Value (as set out in the Pro Forma Completion Balance Sheet), the Vendor shall repay to the Purchaser the difference in cash.
- Completion** : Pursuant to the terms of the Agreement, Completion is expected to take place on 28 February 2018 (or such other date as the parties may agree in writing).
- Conditions precedent** : Completion is conditional upon the following Conditions being satisfied or, where applicable, waived by the Purchaser on or before the Completion Date:
- (i) there being no change of any existing or no enactment / announcement of any new statute, code, rule, regulation, decision, or publicly announced policy of the Government of Hong Kong, the Securities and Futures Commission of Hong Kong, the Hong Kong Stock Exchange, or the Singapore Exchange Securities Trading Limited between the signing of the Agreement and Completion which would have the effect of prohibiting the transactions contemplated under the Agreement or other documents contemplated thereunder including the sale and purchase of the Sale Share or the ownership or operation of Property or the Target Company; and
  - (ii) the fundamental warranties remaining true and accurate in all respects and not misleading in any respect.
- Warranties and representations** The Agreement contains customary terms of representations, conditions and warranties for transactions of this nature and scale.

## B. THE PROPERTY

The Target Company is the legal and beneficial owner of the Property, a shopping centre in Hong Kong known as Provident Square (和富薈) at the residential and commercial development, “Provident Centre” (和富中心), 21-53 Wharf Road, North Point, Hong Kong. Completed in 1984, the Property comprises of the shopping centre at the basement, ground floor, upper ground floor (but excluding carparks, driveways, and the appurtenant areas, the common areas and facilities thereof and therein) and the sub-basement of “Provident Centre” (和富中心). The Property has a gross rentable area of approximately 180,238 square feet. The occupancy rate of the Property were 94.0% and 84.6% as at 30 June 2017 and 31 December 2016 respectively. The net property income of the Property for the 6 months ended 30 June 2017 (“1H2017”) and 12 months ended 31 December 2016 (“FY2016”) were approximately HK\$18,440,000 and HK\$23,025,000 respectively. The Property contributed 2.5% of Fortune REIT’s net property income for 1H2017.

The Property was acquired by Fortune REIT in February 2012 at the acquisition price of HK\$650,000,000. The Appraised Value of the Property as at 30 November 2017 assessed by the Independent Property Valuer was HK\$1,061,000,000.

The net profit (loss) before taxation, net profit (loss) after taxation and net asset value for the Target Company were approximately (HK\$11,319,000), (HK\$12,313,000) and HK\$280,949,000 respectively for FY2016 and HK\$57,351,000, HK\$54,203,000 and HK\$295,997,000 respectively for 12 months ended 31 December 2015.

### **C. DIVESTMENT FEE**

Pursuant to the Trust Deed, the Manager is entitled to receive a divestment fee in cash of 0.5% of the Acquisition Value as soon as practicable after Completion.

No fee is payable to the Trustee in connection with the Disposal.

### **D. REASONS FOR AND BENEFITS OF THE DISPOSAL**

The Acquisition Value represents 88.5% premium over than the Appraised Value, and thus the Disposal is accretive to the net asset value of Fortune REIT. Further, the Disposal is in line with the Manager's strategy to improve operational efficiency and performance of Fortune REIT's portfolio and recycle capital for value creation to the Unitholders.

Upon Completion, it is expected that Fortune REIT will record a gain of approximately HK\$921,000,000 from the Disposal.

Subject to Completion, based on the consolidated financial position of Fortune REIT as at 30 June 2017 (as disclosed in the latest interim financial statements of Fortune REIT as at 30 June 2017), the pro-forma gearing ratio and aggregate leverage of Fortune REIT is anticipated to decrease from 28.4% to 25.6% after adjusting for the repayment of an existing bank loan amounting to HK\$1,100,000,000 at Completion, if Completion took place on 30 June 2017.

However, it is expected that the Disposal will also lead to a slightly lower net property income and distribution for Fortune REIT beginning from the Completion Date.

### **E. USE OF PROCEEDS**

The Manager currently intends to use the net proceeds from the Disposal for general corporate purpose and working capital including repayment of an existing bank loan amounting to HK\$1,100,000,000 at Completion.

### **F. IMPLICATION UNDER THE REIT CODE**

To the best of the knowledge, information and belief of the Manager having made all reasonable enquiry, the Purchaser and its ultimate beneficial owner are not connected persons, and are third parties independent of Fortune REIT. Therefore, the Disposal does not constitute a connected party transaction of Fortune REIT under the REIT Code.

The Acquisition Value represents approximately: (a) 10.99% 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 business days immediately preceding the date of the Agreement; and (b) 5.31% of the total assets of Fortune REIT as at 30 June 2017 (as disclosed in the latest interim financial statements of Fortune REIT as at 30 June 2017, less the distribution payable for the period from 1 January 2017 to 30 June 2017), which does not exceed 15% of the gross asset value of Fortune REIT as at 30 June 2017. Accordingly, the Disposal constitutes a discloseable transaction of Fortune REIT and the Manager is satisfied that no Unitholders' approval is required for the Disposal pursuant to the REIT Code and the Trust Deed.

## **G. OPINIONS OF THE BOARD**

The Board (including the independent non-executive Directors) is satisfied that the Disposal, and the terms and conditions of the Agreement are at arm's length, on normal commercial terms, fair and reasonable and in the interests of Fortune REIT and the Unitholders as a whole. Further, the Board is satisfied that no Unitholders' approval is required for the Disposal.

## **H. OPINIONS OF THE TRUSTEE**

Based and in sole reliance on the opinion of the Board and the information in this announcement, together with the information and assurances provided by the Manager to the Trustee, having taken into account its duties under the Trust Deed and the REIT Code, the Trustee is satisfied that: (i) the Disposal is in compliance with the REIT Code and the Trust Deed; and (ii) no Unitholders' approval is required under the REIT Code for the Disposal.

## **I. FURTHER ANNOUNCEMENTS**

The Manager will make further announcements upon Completion having taken place and when the Consideration is finally determined according to the Final Completion Accounts after Completion.

## **J. GENERAL**

This announcement is made pursuant to paragraph 10.3 of the REIT Code.

So far as the Manager is aware, the Purchaser is a company incorporated in the British Virgin Islands and is primarily engaged in property investment, and is a special purpose vehicle controlled by two property real estate funds.

## K. DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

<b>“Acquisition Value”</b>	the agreed value of the Property, being HK\$2,000,000,000.
<b>“Adjusted Asset Value”</b>	the Acquisition Value of HK\$2,000,000,000 plus the amount of net current assets or minus the amount of net current liability (as the case may be) of the Target Company as at Completion.
<b>“Agreement”</b>	the sale and purchase agreement entered into between the Vendor and the Purchaser on 19 December 2017 in relation to the sale and purchase of (through the sale and purchase of the Sale Share) all interests in the Property.
<b>“Appraised Value”</b>	the value of the Property as at 30 November 2017 as assessed by the Independent Property Valuer, being HK\$1,061,000,000.
<b>“Board”</b>	the board of Directors.
<b>“Completion”</b>	the completion of the Disposal pursuant to the Agreement.
<b>“Completion Date”</b>	28 February 2018 (or such other date as the parties may agree in writing).
<b>“Conditions”</b>	the conditions precedent to Completion, the details of which are set out in the section headed “A. <i>The Agreement – Conditions precedent</i> ” of this announcement.
<b>“connected person(s)”</b>	has the meaning as ascribed thereto under the REIT Code.
<b>“Consideration”</b>	the consideration (being the Adjusted Asset Value as set out in the Final Completion Accounts) payable by the Purchaser for the purchase of the Sale Share which includes the obligation to procure the repayment of an intra-group loan owing by the Target Company.
<b>“Deposit”</b>	has the meaning as ascribed thereto under the section headed “A. <i>The Agreement – Terms of payment</i> ” of this Announcement.
<b>“Director(s)”</b>	the director(s) of the Manager.
<b>“Disposal”</b>	the disposal of the Sale Share pursuant to the terms and conditions of the Agreement.

<b>“Final Completion Accounts”</b>	the final completion accounts statement of financial position of the Target Company as at the Completion Date to be prepared by the Vendor and agreed by the Purchaser, and failing such agreement, to be determined by the expert in accordance with the Agreement.
<b>“Fortune REIT”</b>	Fortune Real Estate Investment Trust, a real estate investment trust established under the laws of Singapore pursuant to the Trust Deed and the Units of which are primary listed on the Hong Kong Stock Exchange and secondary listed on the Singapore Exchange Securities Trading Limited.
<b>“HK\$”</b>	Hong Kong dollars, the lawful currency of Hong Kong.
<b>“Hong Kong”</b>	Hong Kong Special Administrative Region of the People’s Republic of China.
<b>“Hong Kong Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited.
<b>“Independent Property Valuer”</b>	Knight Frank Petty Limited, the current Principal Valuer (as defined in the REIT Code of Fortune) REIT, who is an independent property valuer within the meaning of Chapter 6 of the REIT Code.
<b>“Manager”</b>	ARA Asset Management (Fortune) Limited, in its capacity as manager of Fortune REIT.
<b>“Post-Completion Adjustment”</b>	has the meaning as ascribed thereto under the section headed “A. <i>The Agreement – Post-Completion Adjustment</i> ” of this announcement.
<b>“Pro Forma Completion Balance Sheet”</b>	the pro forma balance sheet of the Target Company as at the Completion Date to be prepared by the Vendor.
<b>“Property”</b>	Provident Square (和富薈), which comprises of the shopping centre (except for the carparks, driveways and the appurtenant areas, and the common areas and facilities thereof and thereon) and the sub-basement of the entire residential and commercial development known as “Provident Centre” (和富中心), 21-53 Wharf Road, North Point, Hong Kong.
<b>“Purchaser”</b>	Farsight Investment Limited.
<b>“REIT Code”</b>	the Code on Real Estate Investment Trusts published by the SFC (as amended, supplemented or otherwise modified from time to time).
<b>“Sale Share”</b>	one issued share of the Target Company, being the only issued share and representing the entire share capital of the Target Company.

<b>“Target Company”</b>	Maulden Investments Limited, a business company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned special purpose vehicle subsidiary of Fortune REIT as at the date of the Agreement.
<b>“Trust Deed”</b>	the Trust Deed dated 4 July 2003 entered into between the Trustee and the Manager constituting Fortune REIT (as amended, varied and supplemented from time to time).
<b>“Trustee”</b>	HSBC Institutional Trust Services (Singapore) Limited, in its capacity as trustee of the Fortune REIT.
<b>“Unit”</b>	a unit in Fortune REIT.
<b>“Unitholders”</b>	any person registered as holding a Unit.
<b>“Vendor”</b>	Elveden Enterprises Limited, company incorporated in the British Virgin Islands, which is a special purpose vehicle directly wholly-owned by Fortune REIT.
<b>“%”</b>	per cent.

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

Hong Kong, 19 December 2017

*The Directors of the Manager as at the date of this announcement are Mr. Chui Sing Loi (alias Tsui Sing Loi) as Chairman and Independent Non-executive Director; Dr. Chiu Kwok Hung, Justin, Mr. Lim Hwee Chiang, Ms. Yeung, Eirene and Mr. Ma Lai Chee, Gerald as Non-executive Directors; Ms. Chiu Yu, Justina as Executive Director; Ms. Cheng Ai Phing, Ms. Yeo Annie (alias Yeo May Ann) and Ms. Koh Poh Wah as Independent Non-executive Directors.*