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

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

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

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FORTUNE
置富產業信託 **REIT**

FORTUNE REAL ESTATE INVESTMENT TRUST

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

(Stock Code: 778)

**Managed by
ARA Asset Management (Fortune) Limited**

**(1) CONTINUING CONNECTED PARTY TRANSACTIONS;
(2) PROPOSED UNIT BUY-BACK MANDATE;
AND
(3) NOTICE OF ANNUAL GENERAL MEETING AND
CLOSURE OF REGISTER OF UNITHOLDERS**

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

BALLAS
C A P I T A L
A subsidiary of Crosby

A letter to the Unitholders is set out on pages 6 to 25 of this Circular. A notice convening the AGM to be held at 2:30 p.m. on Friday, 24 May 2024, at 24th Floor, Admiralty Centre I, 18 Harcourt Road, Hong Kong is set out on pages N-1 to N-3 of this Circular. Whether or not you are able to attend and vote at the AGM in person, please complete and return the accompanying form of proxy to the Unit Registrar, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than forty-eight (48) hours before the time appointed for the holding of the AGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM or any adjournment thereof should you so wish.

There will be NO distribution of gifts or service of refreshments at the AGM.

23 April 2024

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DEFINITIONS

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

AGM	An annual general meeting of the Unitholders to be convened on Friday, 24 May 2024 at 24th Floor, Admiralty Centre I, 18 Harcourt Road, Hong Kong.
AGM Notice	The notice included in this Circular in respect of the AGM to consider and, if thought fit, approve the AGM Resolutions to be proposed at the AGM.
AGM Resolutions	Collectively, Ordinary Resolution No. 1 and Ordinary Resolution No. 2.
ARA Acquisition	The acquisition of ARA Asset Management Limited by ESR which was completed on 20 January 2022.
associate	Has the meaning ascribed to it under the REIT Code.
Ballston Profits	Ballston Profits Limited, which was an indirect wholly-owned subsidiary of CKA as at the Latest Practicable Date.
Board	The board of Directors.
CCASS	The Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited.
CK Leasing Transactions	The leasing and licensing transactions that have been, or will from time to time be, entered into between a member of the Fortune REIT Group on the one hand and a member of the CKA Connected Persons Group on the other hand in respect of any part of Fortune REIT's Properties.
CK Property Management Transactions	Has the meaning ascribed to it under section 2.1 of this Circular.
CKA	CK Asset Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the SEHK (Stock Code: 1113).
CKA Connected Persons Group	CKA and its subsidiaries and associates (which for the avoidance of doubt, exclude the Fortune REIT Group, but include without limitation Focus Eagle, Ballston Profits and the Property Manager).
connected persons	Has the meaning ascribed to it under the REIT Code.
Continuing Connected Party Transactions	Collectively, the CK Leasing Transactions, the CK Property Management Transactions and the Manager Leasing Transactions.

DEFINITIONS

Deeds of Mutual Covenants	Has the meaning ascribed to it under section 2.1 of this Circular.
Director(s)	The director(s) of the Manager.
ESR	ESR Group Limited, a company incorporated in the Cayman Islands, whose shares are listed on the Main Board of the SEHK (Stock Code: 1821).
Existing CK Leasing Transactions Framework Agreement	The framework agreement dated 27 April 2021 entered into by the Manager (on behalf of the Fortune REIT Group) and CKA setting out the framework terms governing the CK Leasing Transactions for the period from 1 January 2022 to 31 December 2024.
Existing CK Property Management Transactions Framework Agreement	The framework agreement dated 27 April 2021 entered into by the Manager (on behalf of the Fortune REIT Group) and CKA setting out the framework terms governing the CK Property Management Transactions for the period from 1 January 2022 to 31 December 2024.
Existing Framework Agreements	Has the meaning ascribed to it in section 2.1 of this Circular.
Existing Manager Leasing Transactions Framework Agreement	The framework agreement dated 27 April 2021 entered into by the Manager (on behalf of the Fortune REIT Group) and the Manager (in its personal capacity) setting out the framework terms governing the Manager Leasing Transactions for the period from 1 January 2022 to 31 December 2024.
Explanatory Statement	The explanatory statement set out in Appendix III to this Circular.
Focus Eagle	Focus Eagle Investments Limited, which was an indirect wholly-owned subsidiary of CKA as at the Latest Practicable Date.
Fortune REIT	Fortune Real Estate Investment Trust.
Fortune REIT Group	Fortune REIT and its subsidiaries.
Fortune REIT's Properties	The real estate assets owned by Fortune REIT from time to time, whether held directly through the Trustee or indirectly through one or more SPVs or joint venture entities (where applicable).
Hong Kong	The Hong Kong Special Administrative Region of the People's Republic of China.
Independent Board Committee	The independent committee of the Board established to advise the Independent Unitholders on the CK Property Management Transactions.

DEFINITIONS

Independent Financial Adviser	Ballas Capital Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising in corporate finance) regulated activities as defined under the SFO.
Independent Non-executive Director(s)	The independent non-executive director(s) of the Manager.
Independent Unitholders	Unitholders other than those who are required to abstain or prohibited from voting on Ordinary Resolution No. 1 to be proposed at the AGM.
Latest Practicable Date	12 April 2024, being the latest practicable date prior to the printing of this Circular for the purpose of ascertaining certain information contained in this Circular.
Listing Rules	The Rules Governing the Listing of Securities on the SEHK, as amended, supplemented or modified from time to time (modified as appropriate pursuant to 2.26 of the REIT Code).
Manager	ARA Asset Management (Fortune) Limited, in its capacity as manager of Fortune REIT (unless otherwise specified).
Manager Group	Unless otherwise stated, the group comprising: (a) the Manager; (b) the directors and the chief executive of the Manager or any subsidiary of Fortune REIT (including persons who were such directors in the last 12 months from the date on which the relevant transaction was entered into); and (c) persons who are associates of the Manager.
Manager Lease Agreement	The lease and licence agreements dated 5 April 2024 and 29 January 2024 entered into by Vision Million Limited (being an SPV of Fortune REIT) as lessor and the Manager as lessee in respect of the premises known as Shop Nos. 901–906, 948–950, Level 9, Fortune Metropolis, 6 Metropolis Drive, Hung Hom, Hong Kong, being the premises at which the Manager’s place of business in Hong Kong is situated. The current term of the Manager Lease Agreement is five (5) years, expiring on 13 January 2029.
Manager Leasing Transactions	Has the meaning ascribed to it under section 2.1 of this Circular.
New CK Leasing Transactions Framework Agreement	The framework agreement dated 22 April 2024 entered into by the Manager (on behalf of the Fortune REIT Group) and CKA setting out the framework terms governing the CK Leasing Transactions for the period from 1 January 2025 to 31 December 2027.

DEFINITIONS

New CK Property Management Transactions Framework Agreement	The framework agreement dated 22 April 2024 entered into by the Manager (on behalf of the Fortune REIT Group) and CKA setting out the framework terms governing the CK Property Management Transactions for the period from 1 January 2025 to 31 December 2027.
New Framework Agreements	Collectively, the New CK Leasing Transactions Framework Agreement, the New CK Property Management Transactions Framework Agreement and the New Manager Leasing Transactions Framework Agreement.
New Manager Leasing Transactions Framework Agreement	The framework agreement dated 22 April 2024 entered into by the Manager (on behalf of the Fortune REIT Group) and the Manager (in its personal capacity) setting out the framework terms governing the Manager Leasing Transactions for the period from 1 January 2025 to 31 December 2027.
Ordinary Resolution	A resolution proposed and passed as such by a majority consisting of more than 50% of the total number of votes cast for and against such resolution at a meeting of Unitholders duly convened under the provisions of the Trust Deed.
Ordinary Resolution No. 1	The Ordinary Resolution in respect of the New CK Property Management Transactions Framework Agreement as set out in the AGM Notice.
Ordinary Resolution No. 2	The Ordinary Resolution in respect of the Unit Buy-back Mandate as set out in the AGM Notice.
Property Management Agreement	The property management agreement dated 7 July 2003 entered into by the previous trustee of Fortune REIT, the Manager and the Property Manager, as amended by an extension letter dated 1 August 2008, supplemented by a supplemental property management agreement dated 30 April 2010, amended by an extension letter dated 7 August 2013, supplemented by an amending and restating property management agreement dated 29 February 2016, amended by an extension letter dated 3 August 2018 and supplemented by a deed of novation dated 24 October 2019 (pursuant to which the rights and obligations of the previous trustee thereunder were novated to the Trustee), amended by a supplemental deed dated 27 April 2021 (pursuant to which the Trustee was removed as a party to the Property Management Agreement), amended by an extension letter dated 18 July 2023. The current term of the Property Management Agreement is five (5) years, expiring on 11 August 2028.
Property Manager	Goodwell-Fortune Property Services Limited, which was an indirect wholly-owned subsidiary of CKA as at the Latest Practicable Date.

DEFINITIONS

Register of Unitholders	The register of Unitholders.
REIT	Real estate investment trust.
REIT Code	The Code on Real Estate Investment Trusts issued by the SFC, as amended, supplemented or modified from time to time.
Rules	Any laws, rules or regulations, including the Trust Deed, the REIT Code, the Listing Rules, the SFO and the Takeovers and Share Buy-backs Code (where applicable).
SEHK	The Stock Exchange of Hong Kong Limited.
SFC	The Securities and Futures Commission of Hong Kong.
SFC Repurchase Circular	The “Circular to Management Companies of SFC-authorized Real Estate Investment Trusts — On-market Unit Repurchases by SFC-authorized REITs”, issued by the SFC on 31 January 2008.
SFO	The Securities and Futures Ordinance of Hong Kong (Cap. 571 of the Laws of Hong Kong), as amended, supplemented or modified from time to time.
SPV	A special purpose vehicle.
Substantial Unitholder	Has the same meaning as “substantial holder” as defined under the REIT Code
Takeovers and Share Buy-backs Code	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or modified from time to time.
Trust Deed	The deed of trust constituting Fortune REIT dated 4 July 2003, as amended, supplemented or modified from time to time.
Trustee	HSBC Institutional Trust Services (Asia) Limited, in its capacity as trustee of Fortune REIT.
Unit	One undivided unit in Fortune REIT.
Unit Buy-back Mandate	The proposed general mandate to be given to the Manager to repurchase Units for and on behalf of Fortune REIT.
Unitholder(s)	Any person(s) registered as holding Unit(s) and any person(s) holding Unit(s) through CCASS.
%	Per cent or percentage.

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

FORTUNE
置富產業信託 **REIT**

FORTUNE REAL ESTATE INVESTMENT TRUST

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

(Stock Code: 778)

Managed by
ARA Asset Management (Fortune) Limited

Directors of the Manager:

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

Non-executive Directors

Dr. Chiu Kwok Hung, Justin
Mr. Lim Hwee Chiang
Ms. Yeung, Eirene
Mr. Ma Lai Chee, Gerald

Executive Director

Ms. Chiu Yu, Justina

Independent Non-executive Directors

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

Singapore Registered Office:

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

Hong Kong Office:

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

23 April 2024

To: The Unitholders of Fortune REIT

Dear Sir/Madam,

**(1) CONTINUING CONNECTED PARTY TRANSACTIONS;
(2) PROPOSED UNIT BUY-BACK MANDATE;
AND
(3) NOTICE OF ANNUAL GENERAL MEETING AND
CLOSURE OF REGISTER OF UNITHOLDERS**

1. INTRODUCTION

Reference is made to the announcement of Fortune REIT dated 22 April 2024. The purposes of this Circular are to provide you with information in respect of the matters requiring Unitholders' approval and to serve the AGM Notice.

LETTER TO THE UNITHOLDERS

2. CONTINUING CONNECTED PARTY TRANSACTIONS

2.1. Background

As disclosed in the circular of Fortune REIT dated 28 April 2021, the Manager (on behalf of the Fortune REIT Group) entered into the Existing CK Leasing Transactions Framework Agreement, the Existing CK Property Management Transactions Framework Agreement and the Existing Manager Leasing Transactions Framework Agreement on 27 April 2021 (collectively, the “**Existing Framework Agreements**”) which set out the framework terms governing the following categories of continuing connected party transactions in Fortune REIT Group’s ordinary and usual course of business:

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

Each of the Existing Framework Agreements has a term of three years from 1 January 2022 to 31 December 2024.

LETTER TO THE UNITHOLDERS

In anticipation of the expiries of the Existing Framework Agreements, on 22 April 2024, the relevant parties to the Existing Framework Agreements entered into corresponding New Framework Agreements for new terms of three years, commencing from 1 January 2025 and ending on 31 December 2027.

For the principal terms of each of the New Framework Agreements, please refer to the sections headed “2.2.1. New CK Property Management Transactions Framework Agreement”, “2.2.2. New CK Leasing Transactions Framework Agreement” and “2.3 Continuing Connected Party Transactions with the Manager” in this Circular.

Save for the New CK Property Management Transactions Framework Agreement, which is conditional upon the passing of Ordinary Resolution No. 1, none of the New Framework Agreements are conditional upon the approval of Independent Unitholders under Chapter 14A of the Listing Rules (modified as appropriate pursuant to 2.26 of the REIT Code).

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

2.2.1. New CK Property Management Transactions Framework Agreement

In anticipation of the expiry of the Existing CK Property Management Transactions Framework Agreement on 31 December 2024, and having regard to the regular, ordinary and ongoing nature of the CK Property Management Transactions, on 22 April 2024, Fortune REIT (through the Manager) and CKA entered into the New CK Property Management Transactions Framework Agreement to set out the framework terms governing the CK Property Management Transactions (including the transactions under the Property Management Agreement and the Deeds of Mutual Covenants) for the period from 1 January 2025 to 31 December 2027, the principal terms of which are as follows:

Parties:	(1) The Manager (for and on behalf of the Fortune REIT Group) (2) CKA
Term:	Three (3) years from 1 January 2025 to 31 December 2027.
Purpose, consideration and other terms:	To set out the framework terms governing the CK Property Management Transactions during the term of the New CK Property Management Transactions Framework Agreement.

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

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

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

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

Under the Property Management Agreement, the Property Manager is entitled to a fee of 3.0% per annum of the gross property revenue for the provision of property and lease management services. A marketing services fee to which the Property Manager is also entitled is to be calculated on the following basis for the provision of marketing services: (a) one (1) month's base rent for securing a tenancy of three (3) years or more; (b) one-half (1/2) month's base rent for securing a tenancy of less than three (3) years; (c) one-half (1/2) month's base rent for securing a renewal of tenancy (irrespective of duration); and (d) 10% of licence fee for securing a licence of less than twelve (12) months.

If and when the Property Management Agreement is renewed on or before the current term expiring on 11 August 2028, the Manager shall arrange for an independent assessment from an independent property consultancy firm to be conducted on the new property management fee and marketing services fee to ensure that such property management fee and marketing services fee are fair and reasonable, at prevailing market rate and on normal commercial terms or better before the Property Management Agreement is renewed.

If the Property Management Agreement is expected to continue to subsist beyond the expiry of the New CK Property Management Transactions Framework Agreement, the Manager (for and on behalf of Fortune REIT) will seek to enter into a new framework agreement with CKA and/or otherwise comply with the relevant requirements under Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to 2.26 of the REIT Code), including seeking Unitholders' approval for the transactions under the Property Management Agreement where appropriate.

In relation to the transactions which the Property Manager, as agent for the relevant registered owners of Fortune REIT's Properties, enters into with third party service providers who may be members of the CKA Connected Persons Group, before entering into or renewing the other services, the Manager shall arrange for invitation of at least three (3) tenders or quotations from contractors and suppliers, including one (1) from the CKA Connected Persons Group and two (2) from independent third parties or obtaining one or more valuations from independent property consultancy firm, before

LETTER TO THE UNITHOLDERS

the transaction is first entered into, except where they are conducted on standard or published rates, to ensure that the transactions are carried out at arm's length, on normal commercial terms and in the interests of Unitholders.

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

The New CK Property Management Transactions Framework Agreement is conditional upon the passing of Ordinary Resolution No. 1.

2.2.2. New CK Leasing Transactions Framework Agreement

In anticipation of the expiry of the Existing CK Leasing Transactions Framework Agreement on 31 December 2024, and having regard to the regular, ordinary and ongoing nature of the CK Leasing Transactions, on 22 April 2024, Fortune REIT (through the Manager) and CKA entered into the New CK Leasing Transactions Framework Agreement to set out the framework terms governing the CK Leasing Transactions for a period from 1 January 2025 to 31 December 2027, the principal terms of which are as follows:

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

Term: Three (3) years from 1 January 2025 to 31 December 2027.

Purpose, consideration and other terms: To set out the framework terms governing the CK Leasing Transactions during the term of the New CK Leasing Transactions Framework Agreement.

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

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

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In assessing whether each transaction under the New CK Leasing Transactions Framework Agreement is entered into based on the then prevailing market rate and on normal commercial terms, the Manager shall arrange for an independent valuation to be conducted by the then prevailing principal valuer of Fortune REIT or, if the principal valuer is unavailable, another independent property valuer which is able to satisfy the requisite criteria under Chapter 6 of the REIT Code, for each such transaction before the transaction is first entered into except where it is conducted on standard pre-determined rates (subject to periodic review by the Manager) at which the Fortune REIT Group leases or licenses to any parties, including independent third parties.

The New CK Leasing Transactions Framework Agreement is not conditional upon the approval of the Unitholders.

2.3. Continuing Connected Party Transactions with the Manager

In anticipation of the expiry of the Existing Manager Leasing Transactions Framework Agreement on 31 December 2024, and having regard to the regular, ordinary and ongoing nature of the Manager Leasing Transactions, on 22 April 2024, Fortune REIT (through the Manager) and the Manager (in its personal capacity) entered into the Manager Leasing Transactions Framework Agreement to set out the framework terms governing the Manager Leasing Transactions (including the transactions under the Manager Lease Agreement) for the period from 1 January 2025 to 31 December 2027, the principal terms of which are as follows:

Parties:	(1) The Manager (for and on behalf of the Fortune REIT Group) (2) The Manager (in its personal capacity)
Term:	Three (3) years from 1 January 2025 to 31 December 2027.
Purpose, consideration and other terms	To set out the framework terms governing the Manager Leasing Transactions during the term of the Manager Leasing Transactions Framework Agreement.

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

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

LETTER TO THE UNITHOLDERS

In assessing whether each transaction under the New Manager Leasing Transactions Framework Agreement is entered into based on the then prevailing market rate and on normal commercial terms, the Manager shall arrange for an independent valuation to be conducted by the then prevailing principal valuer of Fortune REIT or, if the principal valuer is unavailable, another independent property valuer which is able to satisfy the requisite criteria under Chapter 6 of the REIT Code, for each such transaction before the transaction is first entered into except where they are conducted on standard pre-determined rates (subject to periodic review by the Manager) at which the Fortune REIT Group leases or licenses to any parties, including independent third parties.

The New Manager Leasing Transactions Framework Agreement is not conditional upon the approval of the Unitholders.

2.4. Historical Transaction Amounts and Annual Caps

(a) CK Property Management Transactions

Based on the audited financial statements of Fortune REIT for each of the past financial years ended 31 December 2021, 31 December 2022, 31 December 2023, and the unaudited accounts for the two months ended 29 February 2024, the aggregate historical amounts paid by the Fortune REIT Group to the CKA Connected Persons Group in respect of the CK Property Management Transactions were approximately HK\$80,577,000, HK\$84,266,000, HK\$73,991,000 and HK\$11,010,000 for these periods, respectively.

It is expected that the maximum aggregate annual amount to be paid by Fortune REIT Group to the CKA Connected Persons Group in respect of the CK Property Management Transactions for the three financial years ending 31 December 2027 will not exceed the amounts set out below:

For the financial year ending 31 December		
2025	2026	2027
<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
330,000	330,000	330,000

The above proposed new annual cap for the CK Property Management Transactions for the financial year ending 31 December 2025 has been determined after taking into account the following factors and assumptions: (i) the historical transaction amount paid to the CKA Connected Persons Group for the financial year ended 31 December 2019 which was approximately HK\$92,893,000; (ii) a 12% increment in management expenses between the financial year ended 31 December 2019 and the financial year ending 31 December 2024, and assuming another 12% increment during the financial year ending 31 December 2025; (iii) the resulting increase in property management fees and marketing service fees due to a 24% increment in rental between the financial year ended 31 December 2019 and the financial year ending 31 December 2024, and assuming another 24% increment during the financial year ending 31 December 2025; (iv) an increase of approximately 25% in the property management fees and marketing service fees arising from possible acquisition of properties by Fortune REIT in the future, as determined by reference to the historical transaction amount of an existing property of Fortune REIT that incurs the highest property management expenses and the

LETTER TO THE UNITHOLDERS

assumption that Fortune REIT will acquire three such similar properties during the term of New CK Property Management Transactions Framework Agreement (for the avoidance of doubt, the Manager has no concrete plan or target for acquisition by Fortune REIT as at the Latest Practicable Date), which the Manager believes are reasonable; and (v) a buffer of 25% for contingencies.

The historical transaction amount for the financial year ended 31 December 2019 was used as the base amount instead of the transaction amounts for the past three years given the exceptional economic situation following the COVID-19 outbreak in the start of 2020 and the restrictive anti-COVID-19 measures in the past four years until their relaxation in 2023, which had a material impact on the transaction amounts during those years. The increment factors adopted have taken into account and/or assumed that there had been inflation, increase in cost and wages, as well as increase in rental based on the terms of the existing leases, tenancies and licenses. The contingency buffer has had regard to the range adopted by other REITs with similar property portfolios, and provides flexibility when more transactions are entered into with the CKA Connected Persons Group during the term of the New CK Property Management Transactions Framework Agreement. The Manager considers the increment factors and contingency buffer adopted to be reasonable.

The above proposed new annual caps for the CK Property Management Transactions for two financial years ending 31 December 2026 and 2027 are the same as the proposed new annual caps for the financial year ending 31 December 2025, assuming that the contingency buffer adopted in respect of the financial year ending 31 December 2025 will be sufficient to cater for any fluctuation in the total transaction amounts to be paid by the Fortune REIT Group to the CKA Connected Persons Group in respect of the CK Property Management Transactions during those two financial years.

(b) *CK Leasing Transactions*

Based on the audited financial statements of Fortune REIT, for each of the past financial years ended 31 December 2021, 31 December 2022, 31 December 2023, and the unaudited accounts for the two months ended 29 February 2024, the aggregate historical transaction amounts received by the Fortune REIT Group from the CKA Connected Persons Group in respect of the CK Leasing Transactions were approximately HK\$32,594,000, HK\$26,777,000, HK\$33,519,000 and HK\$5,880,903 for these periods, respectively.

It is expected that the maximum aggregate annual amount to be received by Fortune REIT Group from the CKA Connected Persons Group in respect of the CK Leasing Transactions for the three financial years ending 31 December 2027 will not exceed the amounts set out below:

For the financial year ending 31 December		
2025	2026	2027
<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
80,000	80,000	80,000

LETTER TO THE UNITHOLDERS

The above proposed new annual cap for the CK Leasing Transactions for the financial year ending 31 December 2025 has been determined after taking into account the following factors and assumptions: (i) the amounts receivable by the Fortune REIT Group from the CKA Connected Persons Group in respect of the CK Leasing Transactions currently in existence; (ii) the possible increase in rental assumed at 20% compared to the levels under the existing CK Leasing Transactions; (iii) prevailing market conditions; (iv) a 5% increment in the current level of charge-out collection due to inflation; (v) an increment of approximately HK\$12,000,000 to factor in the possible new leases, tenancies and licences that members of the CKA Connected Persons Group may from time to time enter into with members of the Fortune REIT Group during the term of the New CK Leasing Transactions Framework Agreement, such amount being determined by reference to the highest total gross rentable area leased to the CKA Connected Persons Group historically and the current average effective unit rent of Fortune REIT's properties which the Manager believes are reasonable; and (vi) a buffer of 20% for contingencies. Having regard to the above and the range of contingency buffers adopted by other REITs with similar property portfolio, the Manager considers the increment factors and contingency buffer adopted to be reasonable. The above proposed new annual caps for the CK Leasing Transactions for two financial years ending 31 December 2026 and 2027 are the same as the proposed new annual caps for the financial year ending 31 December 2025, assuming that the contingency buffer adopted in respect of the financial year ending 31 December 2025 will be sufficient to cater for any fluctuation in the total transaction amounts in respect of the CK Leasing Transactions during those two financial years.

(c) *Manager Leasing Transactions*

Based on the audited financial statements of Fortune REIT, for each of the past financial years ended 31 December 2021, 31 December 2022, 31 December 2023, and the unaudited accounts for the two months ended 29 February 2024, the aggregate historical amounts received by the Fortune REIT Group from the Manager Group in respect of the Manager Leasing Transactions were approximately HK\$5,204,000, HK\$5,204,000, HK\$5,204,000 and HK\$933,170 for these periods, respectively.

It is expected that the maximum aggregate annual amount to be received by Fortune REIT Group from the Manager Group in respect of the Manager Leasing Transactions for the three financial years ending 31 December 2027 will not exceed the amounts set out below:

For the financial year ending 31 December		
2025	2026	2027
<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
15,200	15,200	15,200

The above proposed new annual cap for the Manager Leasing Transactions for the financial year ending 31 December 2025 has been determined after taking into account the following factors and assumptions: (i) the amounts receivable by the Fortune REIT Group from the Manager Group in respect of the Manager Leasing Transactions currently in existence; (ii) the possible increase in rental assumed at 20% compared to the levels under the existing Manager Leasing Transactions; (iii) prevailing market conditions (iv) a 5% increment in the current level of charge-out collection due to inflation; (v) an

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increment of approximately HK\$3,000,000 to factor in the possible new leases, tenancies and licences that members of the Manager Group may from time to time enter into with members of the Fortune REIT Group during the term of the New Manager Leasing Transactions Framework Agreement, such amount being determined having regard to the fact that, following completion of the ARA Acquisition, the Manager Group now includes ESR and its associates who may require premises for expansion or relocation to Hong Kong, which the Manager believes is reasonable; and (vi) a buffer of 20% for contingencies. Having regard to the above and the range of contingency buffers adopted by other REITs with similar property portfolio, the Manager considers the increment factors and contingency buffer adopted to be reasonable. The above proposed new annual caps for the Manager Leasing Transactions for two financial years ending 31 December 2026 and 2027 are the same as the proposed new annual caps for the financial year ending 31 December 2025, assuming that the contingency buffer adopted in respect of the financial year ending 31 December 2025 will be sufficient to cater for any fluctuation in the total transaction amounts in respect of the Manager Leasing Transactions during those two financial years.

2.5. Reasons for and Benefits of the Continuing Connected Party Transactions

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

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

2.6. Regulatory Implications

2.6.1. Approval

2.6.1.1. CKA Connected Persons Group

So far as the Manager is aware having made all reasonable enquiries, as at the Latest Practicable Date, Focus Eagle held 413,074,684 Units and Ballston Profits held 112,556,000 Units, collectively representing approximately 26.09% of the

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Units in issue. Focus Eagle and Ballston Profits are indirect wholly-owned subsidiaries of CKA, therefore, members of CKA Connected Persons Group are connected persons of Fortune REIT. Accordingly, the New CK Property Management Transactions Framework Agreement and the New CK Leasing Transactions Framework Agreement, as well as the transactions with members of the CKA Connected Persons Group contemplated thereunder, constitute continuing connected party transactions of Fortune REIT.

As the highest applicable percentage ratio (as calculated pursuant to Rule 14.07 of the Listing Rules (modified as appropriate pursuant to 2.26 of the REIT Code)) in respect of the annual caps applicable to the CK Property Management Transactions under the New CK Property Management Transactions Framework Agreement exceeds 5%, such transactions are subject to the independent unitholders' approval, announcement, reporting, annual review and other requirements under the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to 2.26 of the REIT Code). Therefore, such CK Property Management Transactions are conditional upon the passing of Ordinary Resolution No. 1.

As the highest applicable percentage ratio (as calculated pursuant to Rule 14.07 of the Listing Rules (modified as appropriate pursuant to 2.26 of the REIT Code)) in respect of the annual caps applicable to the CK Leasing Transactions under the New CK Leasing Transactions Framework Agreement is less than 5%, such transactions are subject to the announcement, reporting and annual review requirements but are exempted from the independent unitholders' approval requirement under the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to 2.26 of the REIT Code).

None of the Directors had any material interest in the CK Property Management Transactions and the CK Leasing Transactions except by virtue of being an executive director of CKA (including its subsidiaries) or the executive committee members of CKA and accordingly, no Director was required to abstain from voting on the Board resolutions to approve the CK Property Management Transactions and the CK Leasing Transactions and the respective annual caps applicable thereto. Notwithstanding the foregoing, Dr. Chiu Kwok Hung, Justin, being an Executive Director of CKA, Ms. Yeung, Eirene and Mr. Ma Lai Chee, Gerald, both being Executive Committee Members of CKA, voluntarily abstained from voting on the abovementioned resolutions.

2.6.1.2. Manager

As the Manager is a connected person of Fortune REIT pursuant to 8.1(a) of the REIT Code, therefore members of the Manager Group will be considered as connected persons of Fortune REIT. As disclosed in the announcement of Fortune REIT dated 20 January 2022, upon completion of the ARA Acquisition, the Manager became a wholly-owned subsidiary of ESR, and ESR and its associates became connected persons of Fortune REIT. Accordingly, the Manager Leasing Transactions with members of the Manager Group (which, following the ARA Acquisition, includes ESR and its associates) constitute continuing connected party transactions of Fortune REIT.

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As the highest applicable percentage ratio (as calculated pursuant to Rule 14.07 of the Listing Rules (modified as appropriate pursuant to 2.26 of the REIT Code)) in respect of the annual caps applicable to the Manager Leasing Transactions under the New Manager Leasing Transactions Framework Agreement is less than 5%, such transactions are subject to the announcement, reporting and annual review requirements but are exempted from the independent unitholders' approval requirement under the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to 2.26 of the REIT Code).

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

2.7. Internal Controls

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

- (a) The Manager maintains a register to record all connected party transactions which are entered into by members of the Fortune REIT Group and where applicable, the bases, including quotations from independent third parties and/or independent valuations obtained to support such bases, on which they are entered into. The Manager will review the quotations to ensure reasonableness having regard to the scale, scope and quality of services required, and the reputation, experience and track record of performance of the service providers.
- (b) The register of connected party transactions is reviewed on a quarterly basis to ensure the relevant annual caps are not exceeded.
- (c) As a general rule, the Manager will demonstrate to the Audit Committee of the Board that connected party transactions are carried out in accordance with the requirements under 8.7 of the REIT Code. In particular, the Audit Committee is provided with a summary of the connected party transactions including their transaction amounts on a half-yearly basis.
- (d) The internal auditor of the Manager will review all connected party transactions entered into by the Fortune REIT Group on an annual basis. The Manager will incorporate into its internal audit plan a review of all connected party transactions entered into by the Fortune REIT Group.

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2.8. Review and Reporting

The connected party transactions will be subject to the following review and reporting processes pursuant to 8.7A of the REIT Code and Rules 14A.55 to 14A.59, Rule 14A.71 and Rule 14A.72 of the Listing Rules (modified as appropriate pursuant to 2.26 of the REIT Code):

2.8.1. Annual Review by the Independent Non-executive Directors

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

2.8.2. Annual Review by the Auditors

In respect of each relevant financial year, the Manager shall engage the auditors of Fortune REIT to report on the connected party transactions annually. The auditors of Fortune REIT must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that any such transactions: (a) have not been approved by the Board (including all the Independent Non-executive Directors); (b) were not, in all material respects, in accordance with the pricing policies of the Fortune REIT Group; (c) were not entered into, in all material respects, in accordance with the relevant agreement governing it; and (d) have exceeded the applicable annual cap.

2.8.3. Auditors' Access to Records

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

2.8.4. Notification to the SFC

The Manager shall promptly notify the SFC and publish an announcement if the Independent Non-executive Directors and/or the auditors of Fortune REIT cannot confirm the matters set out in sections 2.8.1 and/or 2.8.2 of this Circular above. The SFC may require Fortune REIT to re-comply the announcement and unitholders' approval requirements and may impose additional conditions.

2.8.5. Annual Reports

A brief summary of the connected party transactions containing the information specified in Rules 14A.71 and 14A.72 of the Listing Rules (modified as appropriate pursuant to 2.26 of the REIT Code) shall be included in Fortune REIT's annual reports.

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2.9. Information on the Parties

Fortune REIT is a real estate investment trust and its units are listed on the Main Board of the SEHK (Stock Code: 778). Fortune REIT's current portfolio includes sixteen (16) private housing estate retail properties in Hong Kong and one (1) neighbourhood mall in Singapore. Fortune REIT is principally engaged in the business of ownership of and investment in a portfolio of retail shopping malls located in Hong Kong and Singapore with the primary objective of producing stable distributions for Unitholders and to achieve long-term growth in the net asset per Unit. The manager of Fortune REIT is ARA Asset Management (Fortune) Limited, a wholly-owned subsidiary of ESR Group Limited ("**ESR**"), and the principal business activity of ARA Asset Management (Fortune) Limited is being the manager of Fortune REIT. ESR is APAC's largest real asset manager powered by the New Economy and the third largest listed real estate investment manager globally.

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

3. PROPOSED UNIT BUY-BACK MANDATE

At the annual general meeting of the Unitholders held on 31 May 2023, an Ordinary Resolution was passed to grant a general mandate to the Manager on behalf of Fortune REIT to buy back up to 10% of the number of Units in issue as at 31 May 2023. This general mandate will expire at the conclusion of the forthcoming AGM. The Manager proposes to seek Unitholders' approval by way of Ordinary Resolution at the AGM to grant the Unit Buy-back Mandate to the Manager on behalf of Fortune REIT to buy back Units on the SEHK.

The Unit Buy-back Mandate, if approved by Unitholders, will be in force for the period from the date of the AGM up to and including the earliest of the following dates:

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

Pursuant to the SFC Repurchase Circular, Fortune REIT shall comply with the restrictions and notification requirements applicable to listed companies purchasing their own shares on the SEHK under Rule 10.06 of the Listing Rules (modified as appropriate pursuant to 2.26 of the REIT Code), with necessary changes being made, as if the provisions therein were applicable to REITs. These include, but are not limited to, the dealing restrictions, the restrictions on subsequent issues, the reporting requirements and status of purchased shares.

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Subject to the passing of Ordinary Resolution No. 2, the number of Units which may be bought back pursuant to the Unit Buy-back Mandate is up to 10% of the total number of Units in issue as at the date of the passing of such resolution.

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

4. VOTING AT THE AGM

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

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

4.1. Continuing Connected Party Transactions

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

At the Latest Practicable Date, Focus Eagle and Ballston Profits (being members of the CKA Connected Persons Group) in aggregate held 525,630,684 Units representing approximately 26.09% of the Units in issue and accordingly, each member of the CKA Connected Persons Group (including Focus Eagle and Ballston Profits) shall abstain from voting on Ordinary Resolution No. 1.

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

4.2. Proposed Unit Buy-back Mandate

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

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5. VIEWS AND RECOMMENDATIONS

5.1. Continuing Connected Party Transactions

As stated in section 2.6.1 of this Circular above: (a) Independent Unitholders' approval is required for the entry into of the CK Property Management Transactions under the New CK Property Management Transactions Framework Agreement and the proposed annual caps applicable thereto; and (b) Independent Unitholders' approval is not required for the entry into of the CK Leasing Transactions under the New CK Leasing Transactions Framework Agreement and the Manager Leasing Transactions under the New Manager Leasing Transactions Framework Agreement and the annual caps applicable thereto.

Pursuant to Rule 14A.40 of the Listing Rules (modified as appropriate pursuant to 2.26 of the REIT Code), the Independent Board Committee (comprising all of the Independent Non-executive Directors) has been established by the Board to advise the Independent Unitholders on the matters relating to the CK Property Management Transactions. Pursuant to Rule 14A.44 of the Listing Rules (modified as appropriate pursuant to 2.26 of the REIT Code), the Independent Financial Adviser has been appointed to make recommendations to the Independent Board Committee, the Independent Unitholders and the Trustee on the matters relating to the CK Property Management Transactions under Rule 14A.45 of the Listing Rules (modified as appropriate pursuant to 2.26 of the REIT Code).

5.1.1. *Independent Financial Adviser*

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

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

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

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5.1.2. *Independent Board Committee*

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

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

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

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

5.1.3. *Board*

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

Having taken account of the duties of the Manager under the Trust Deed and the REIT Code, The Board (including the Independent Non-executive Directors) is of the view that:

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

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

Furthermore, in respect of the CK Leasing Transactions under the New CK Leasing Transactions Framework Agreement and the Manager Leasing Transactions under the New Manager Leasing Transactions Framework Agreement and the respective new annual caps thereof, the Board (including the Independent Non-executive Directors) is of the view that:

- (a) the terms of each such transaction (including the proposed new annual caps thereof and the basis of arriving at the same) are fair and reasonable and in the interests of Fortune REIT and the Unitholders as a whole; and
- (b) each such transaction: (i) is conducted in the ordinary and usual course of business of Fortune REIT and consistent with the investment objectives and strategy of Fortune REIT and in compliance with the REIT Code and the Trust Deed; and (ii) will be conducted on terms which are and will be at arm's length and on normal commercial terms.

5.1.4. *Trustee*

Based and in sole reliance upon: (1) the opinion of the Board in this letter and the information and assurances provided by the Manager; (2) the Letter from the Independent Board Committee; and (3) the Letter from the Independent Financial Adviser, the Trustee, having taken into account its duties set out in the Trust Deed and the REIT Code, is of the view that:

- (a) the terms of the New CK Property Management Transactions Framework Agreement and the basis for the CK Property Management Transactions and the proposed annual caps applicable thereto and the basis of arriving at the same are, and each CK Property Management Transaction entered into in accordance with the terms of the New CK Property Management Transactions Framework Agreement, will be:
 - (i) consistent with the investment objectives and strategy of Fortune REIT and in compliance with the REIT Code and the Trust Deed; and
 - (ii) on normal commercial terms which are fair and reasonable and in the interests of Fortune REIT and the Independent Unitholders, as well as the Unitholders as a whole;
- (b) the terms of the CK Leasing Transactions under the New CK Leasing Transactions Framework Agreement and the Manager Leasing Transactions under the New Manager Leasing Transactions Framework Agreement and the respective new annual caps thereof and the basis of arriving at the same will be:
 - (i) consistent with the investment objectives and strategy of Fortune REIT and in compliance with the REIT Code and the Trust Deed; and

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- (ii) on normal commercial terms which are fair and reasonable and in the interests of Fortune REIT and the Unitholders as a whole; and
- (c) Independent Unitholders' approval is only required for the New CK Property Management Transactions Framework Agreement (and the applicable annual caps) and for the CK Property Management Transactions entered into pursuant thereto and, subject to such Independent Unitholders' approval, the Trustee does not have any objection to the New Framework Agreements (and the applicable annual caps) and the Continuing Connected Party Transactions entered into in accordance with such agreements.

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

5.2. Proposed Unit Buy-back Mandate

5.2.1. Board

The Directors have considered the relevant factors, including the rationale for the proposed Unit Buy-back Mandate as set out in the Explanatory Statement in connection with the Unit Buy-back Mandate in Appendix III to this Circular, and considers the proposed Unit Buy-back Mandate to be in the best interests of Fortune REIT and the Unitholders as a whole and accordingly recommend that Unitholders vote at the AGM in favour of the Ordinary Resolution No. 2 to approve the Unit Buy-back Mandate.

5.2.2. Trustee

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

The Trustee's confirmation is being furnished for the sole purpose of complying with the SFC Repurchase Circular, and is not to be taken as a recommendation or representation by the Trustee of the merits of the proposed Unit Buy-back Mandate or of any statements or information made or disclosed in this Circular. The Trustee has not made any assessment of the merits or impact of the proposed Unit Buy-back Mandate or of any repurchases of Units which may be made thereunder, other than for the purposes of fulfilling its fiduciary duties set out in the Trust Deed and the REIT Code. Accordingly, the Trustee urges all Unitholders, including those who have any doubts as to the merits or impact of the Unit Buy-back Mandate, to seek their own financial or other professional advice.

LETTER TO THE UNITHOLDERS

6. AGM AND CLOSURE OF REGISTER OF UNITHOLDERS

The AGM will be held at 2:30 p.m. on Friday, 24 May 2024 or any adjournment thereof, at 24th Floor, Admiralty Centre I, 18 Harcourt Road, Hong Kong, for the purpose of considering and, if thought fit, passing with or without amendments, the AGM Resolutions set out in the AGM Notice, which is set out on pages N-1 to N-3 to this Circular.

The Register of Unitholders will be closed from Monday, 20 May 2024 to Friday, 24 May 2024 (both days inclusive), during which no transfer of Units will be effected, to determine which Unitholders will qualify to attend and vote at the AGM. For those Unitholders who are not already on the Register of Unitholders, in order to qualify to attend and vote at the AGM, all duly completed transfers of Units accompanied by the relevant Unit certificates must be lodged with the Unit Registrar, Computershare Hong Kong Investor Services Limited, at Room 1712–1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration by 4:30 p.m. on Friday, 17 May 2024.

You can vote at the AGM if you are a Unitholder at the close of business on Friday, 17 May 2024. You will find enclosed with this Circular the AGM Notice (please refer to pages N-1 to N-3 to this Circular) and a form of proxy for use for the AGM.

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

Yours faithfully,

By order of the board of directors of

ARA Asset Management (Fortune) Limited

(in its capacity as manager of Fortune Real Estate Investment Trust)

Chiu Yu, Justina

Chief Executive Officer

FORTUNE
置富產業信託 **REIT**

FORTUNE REAL ESTATE INVESTMENT TRUST

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

(Stock Code: 778)

Managed by
ARA Asset Management (Fortune) Limited

23 April 2024

To: The Independent Unitholders of Fortune REIT

Dear Sir/Madam,

**CONTINUING CONNECTED PARTY TRANSACTIONS
IN RELATION TO CK PROPERTY MANAGEMENT TRANSACTIONS**

We have been appointed as members of the Independent Board Committee to advise you on the CK Property Management Transactions, details of which are set out in the Letter to the Unitholders in the Circular from the Manager to the Unitholders, of which this letter forms a part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

The Independent Financial Adviser has been appointed by the Manager to advise us, the Independent Unitholders and the Trustee on the CK Property Management Transactions. Details of the Independent Financial Adviser's opinion and recommendation (including the reasons for its opinion, the key assumptions made and the factors that it has taken into consideration in forming the opinion) are set out in the Letter from the Independent Financial Adviser, the text of which is contained in the Circular.

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

- (a) the terms of the New CK Property Management Transactions Framework Agreement and the basis for the CK Property Management Transactions (including the proposed new annual caps and the basis of arriving at the same) are fair and reasonable and are in the interests of Fortune REIT, the Independent Unitholders, as well as the Unitholders as a whole; and

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

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

Yours faithfully,

Independent Board Committee

ARA Asset Management (Fortune) Limited

(in its capacity as manager of Fortune Real Estate Investment Trust)

Mr. Chui Sing Loi (alias Tsui Sing Loi)

Independent Non-executive Director

Ms. Cheng Ai Phing

Independent Non-executive Director

Ms. Yeo Annie (alias Yeo May Ann)

Independent Non-executive Director

Ms. Koh Poh Wah

Independent Non-executive Director

BALLAS

C A P I T A L

A subsidiary of Crosby

5/F Capital Centre
151 Gloucester Road
Wan Chai, Hong Kong

23 April 2024

*To the Independent Board Committee,
the Independent Unitholders and the Trustee of
Fortune Real Estate Investment Trust*

Dear Sir or Madam,

CONTINUING CONNECTED PARTY TRANSACTIONS

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee, the Independent Unitholders and the Trustee in respect of the CK Property Management Transactions pursuant to the New CK Property Management Transactions Framework Agreement (including the proposed new annual caps for the three financial years ending 31 December 2027 (the "**New Annual Cap(s)**")), details of which are set out in the letter to the Unitholders (the "**Letter to the Unitholders**") contained in the circular of Fortune REIT (the "**Circular**") to the Unitholders dated 23 April 2024, of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 28 May 2021, an Ordinary Resolution was passed by the Unitholders at the annual general meeting of the Unitholders for approving, among others, the Existing CK Property Management Transactions Framework Agreement, the transactions under the Existing CK Property Management Transactions Framework Agreement and the proposed annual caps for the three years ending 31 December 2024 applicable thereto.

In anticipation of the expiry of the Existing CK Property Management Transactions Framework Agreement on 31 December 2024, and in view of the fact that the Manager expects that the Fortune REIT Group will enter into property management transactions with the CKA Connected Persons Group from time to time beyond 31 December 2024, the Manager proposes to seek Unitholders' approval, by way of Ordinary Resolution at the AGM to approve the CK Property Management Transactions contemplated under the New CK Property Management Transactions Framework Agreement and the proposed New Annual Caps for the three financial years ending 31 December 2025, 2026 and 2027.

As set out in the Letter to the Unitholders, as at the Latest Practicable Date, Focus Eagle held 413,074,684 Units and Ballston Profits held 112,556,000 Units, collectively representing approximately 26.09% of the Units in issue. Focus Eagle and Ballston Profits are indirect wholly-owned subsidiaries of CKA, therefore, members of CKA Connected Persons Group are connected persons of Fortune REIT. Accordingly, the New CK Property Management Transactions Framework Agreement and the New CK Leasing Transactions Framework Agreement, as well as the

transactions with members of the CKA Connected Persons Group contemplated thereunder, constitute continuing connected party transactions of Fortune REIT. As the highest applicable percentage ratio (as calculated pursuant to Rule 14.07 of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code)) in respect of the New Annual Caps applicable to the CK Property Management Transactions under the New CK Property Management Transactions Framework Agreement exceeds 5%, the CK Property Management Transactions are subject to the Independent Unitholders' approval, announcement, reporting, annual review and other requirements under the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to 2.26 of the REIT Code).

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

The Independent Board Committee comprising all of the Independent Non-executive Directors, namely Mr. Chui Sing Loi (alias Tsui Sing Loi), Ms. Cheng Ai Phing, Ms. Yeo Annie (alias Yeo May Ann) and Ms. Koh Poh Wah, has been established to advise the Independent Unitholders on the matters relating to the CK Property Management Transactions (including the proposed New Annual Caps).

We, Ballas Capital Limited ("**Ballas Capital**"), have been appointed by the Manager and the Trustee to advise the Independent Board Committee, the Independent Unitholders and the Trustee as to whether (i) the CK Property Management Transactions contemplated under the New CK Property Management Transactions Framework Agreement (including the proposed New Annual Caps) are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of Fortune REIT, in the interests of Fortune REIT and the Unitholders as a whole and (ii) the Independent Unitholders should vote in favour of the CK Property Management Transactions contemplated under New CK Property Management Transactions Framework Agreement (including the proposed New Annual Caps).

BASIS OF OUR OPINION

In formulating our recommendation, we have reviewed (i) information retrieved from the public domain (being published annual reports and annual results announcement of Fortune REIT, the published annual reports and circulars of other REITS listed on SEHK, and statistics from the Census and Statistics Department of Hong Kong and the Rating and Valuation Department of the Government of Hong Kong), and (ii) information obtained from Fortune REIT (being the New CK Property Management Transactions Framework Agreement, the Property Management Agreement, independent reports dated 16 July 2018 (the "**2018 PMA Report**"), and 20 July 2023 (the "**2023**

PMA Report”), issued by an independent property consultancy firm (collectively, the “**PMA Reports**”), the underlying calculation in arriving at the proposed New Annual Caps, sample Deeds of Mutual Covenants, and the internal control measures governing connected party transactions adopted by the Manager). For details, please refer to the paragraph headed “3. Major terms of the New CK Property Management Transactions Framework Agreement” and “4. The proposed New Annual Caps” of this letter. Furthermore, we also relied on the information and facts contained or referred to in the Circular as well as the representations made or provided by the Directors and the senior management of the Manager. The Manager and the Directors have declared in a responsibility statement set out in the Letter to the Unitholders that they collectively and individually accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading. We have also assumed that the information and the representations made by the Manager and the Directors as contained or referred to in the Circular were true and accurate at the time they were made and continue to be so up to the date of the AGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the Manager. We have also been advised by the Directors and believe that no material facts have been omitted or withheld from the Circular.

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

INDEPENDENCE DECLARATION

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background of the CK Property Management Transactions

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

2. Reasons for and benefits of the CK Property Management Transactions

Fortune REIT is a real estate investment trust formed primarily to own and invest in retail malls with the primary objective of producing stable distributions for the Unitholders and to achieve long-term growth in the net asset value per Unit. We have reviewed the revenue breakdown of Fortune REIT from its annual reports/annual results announcement for the three financial years ended 31 December 2021, 2022 and 2023 and noted that the Fortune REIT Group's income from rental-related activities for the three financial years ended 31 December 2021, 2022 and 2023 amounted to approximately HK\$1,805 million, HK\$1,762 million and HK\$1,784 million, respectively, which represented approximately 99.9%, 99.9% and 99.9% of the Fortune REIT Group's total revenue for the said three year period.

As set out in the Letter to the Unitholders, since the initial public offering of Fortune REIT, the Property Manager has been appointed to operate, maintain, manage and market Fortune REIT's Properties under the overall management and supervision of the Manager. From time to time, the Property Manager (as agent for the relevant member of the Fortune REIT Group) will enter into contracts with third party service providers (which may include members of the CKA Connected Persons Group) for the provision of cleaning, maintenance, security, car park management and other ancillary services for the relevant property. The Manager expects that the Fortune REIT Group will continue to enter into CK Property Management Transactions with the CKA Connected Persons Group to ensure business continuity and efficiency. Furthermore, pursuant to the Deeds of Mutual Covenants, property managers (which may include members of the CKA Connected Persons Group) are appointed to provide

maintenance and other ancillary services for the common areas and facilities of developments in which Fortune REIT's Properties are located, and all owners, including the relevant members of the Fortune REIT Group and other independent third parties, and their successors-in-title are bound by the Deeds of Mutual Covenants through such ownership irrespective of whether they were an original party thereto.

We have discussed with the Manager to understand that the Manager considers that the entering into of the CK Property Management Transactions is beneficial and provides flexibility to the Fortune REIT Group provided that the CK Property Management Transactions are carried out in the ordinary and usual course of business of the Fortune REIT Group on normal commercial terms and in accordance with the Manager's internal policies.

Having considered that:

- (a) the approved annual caps for the CK Property Management Transactions will expire on 31 December 2024 and the fact that the Manager expects that the Fortune REIT Group will continue to enter into the CK Property Management Transactions with the CKA Connected Persons Group beyond 31 December 2024 from time to time during a three-year period from 1 January 2025 to 31 December 2027;
- (b) the CKA Connected Persons Group has been providing the services to the Fortune REIT Group in relation to the CK Property Management Transactions in respect of the owned properties of the Fortune REIT Group since Fortune REIT's listing on the SEHK, and such services facilitate continuous effective management of the Fortune REIT Group's properties;
- (c) the nature of the CK Property Management Transactions is the same as the continuing connected party transactions in relation to property management services between the Fortune REIT Group and the CKA Connected Persons Group under the Existing CK Property Management Transactions Framework Agreement; and
- (d) the New CK Property Management Transactions Framework Agreement will allow the Fortune REIT Group to transact with the CKA Connected Persons Group on normal commercial terms,

we consider that the CK Property Management Transactions are within the ordinary and usual course of business of the Fortune REIT Group, and it is in the best interests of Fortune REIT, the Independent Unitholders and the Unitholders as a whole.

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

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

Date:	22 April 2024
Parties:	(1) The Manager (for and on behalf of the Fortune REIT Group) (2) CKA
Term:	Three years from 1 January 2025 up to 31 December 2027
Purpose, consideration and other terms:	To set out the framework terms governing the CK Property Management Transactions during the term of the New CK Property Management Transactions Framework Agreement. The relevant parties of the Fortune REIT Group and CKA Connected Persons Group shall enter into separate written agreements on normal commercial terms to be negotiated on a case-by-case and at arm's length basis which are fair and reasonable, which shall be no less favourable than those offered to or available from independent third parties. The fees chargeable for such transactions shall be based on the then prevailing market rates for similar services provided by professional property management service providers for properties of similar size and with similar attributes.
Condition:	The New CK Property Management Transactions Framework Agreement is conditional upon the passing of Ordinary Resolution No. 1.

Services provided by the Property Manager

The categories of services provided by the Property Manager under the New CK Property Management Transactions Framework Agreement include the following:

- (I) transactions under the Property Management Agreement, including the provision of (i) property management services (“**Management Services**”); (ii) lease management services (“**Lease Services**”); and marketing services (“**Marketing Services**”). Pursuant to the Property Management Agreement, the Property Manager is entitled to a fee of 3.0% per annum of the gross property revenue for the provision of Management Services and Lease Services. For Marketing Services, the fee to which the Property Manager is also entitled is to be calculated on the following basis: (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); and (d) 10% of licence fee for securing a licence for a duration of less than twelve months. The Property Management Agreement was renewed in July 2023. Prior to renewing the Property Management Agreement, Fortune REIT has, in compliance with its internal control procedures, engaged an independent property consultancy firm, to ensure the aforesaid property management fee and marketing services fee are fair and reasonable, at prevailing market rate and on normal commercial terms or better.
- (II) transactions relating the Third Party Services which the Property Manager, as agent for the relevant registered owners of Fortune REIT’s Properties, enters into with third party service providers who may be members of the CKA Connected Persons Group. Before entering into or renewing the other services provided by such third parties, the Manager shall arrange for invitation of at least three tenders or quotations from contractors and suppliers, including one from the CKA Connected Persons Group and two from independent third parties or obtaining one or more valuations from independent professional valuers, before the transaction is first entered into, except where they are conducted on standard or published rates, to ensure that the transactions are carried out at arm’s length, on normal commercial terms and in the interests of the Unitholders.
- (III) In relation to the Transactions under the Deeds of Mutual Covenants, the relevant members of the Fortune REIT Group shall ensure that the fees charged to them are at the same rates as those charged to the other owners of the development unrelated to the Fortune REIT Group or the CKA Connected Persons Group, to ensure that the transactions are carried out at arm’s length, on normal commercial terms and in the interests of the Unitholders.

Internal control measures adopted by the Manager

As set out in the Letter to the Unitholders, the Manager has established an internal control system to ensure that the connected party transactions between the Fortune REIT Group and its connected persons are monitored and that such transactions are undertaken on terms in compliance with the REIT Code. As required by the REIT Code, all connected party transactions shall be (i) carried out at arm's length and on normal commercial terms; (ii) valued, in relation to a property transaction, by an independent valuer that meets the requirements of Chapter 6 of the REIT Code; (iii) consistent with the investment objectives and strategy of the scheme; (iv) on terms that are fair and reasonable and in the best interests of the Unitholders; and (v) properly disclosed to the Unitholders. The following internal control measures are in place to ensure that such transactions satisfy the foregoing criteria:

- (a) The Manager maintains a register to record all connected party transactions which are entered into by members of the Fortune REIT Group and where applicable, the bases, including quotations from independent third parties and/or independent valuations obtained to support such bases, on which they are entered into. The Manager will review the quotations to ensure reasonableness having regard to the scale, scope and quality of services required, and the reputation, experience and track record of performance of the service providers.
- (b) The register of connected party transactions is reviewed on a quarterly basis to ensure the relevant annual caps are not exceeded.
- (c) As a general rule, the Manager will demonstrate to the Audit Committee of the Board that connected party transactions are carried out in accordance with the requirements under 8.7 of the REIT Code. In particular, the Audit Committee is provided with a summary of the connected party transactions including their transaction amounts on a half-yearly basis.
- (d) The internal auditor of the Manager will review all connected party transactions entered into by the Fortune REIT Group on an annual basis. The Manager will incorporate into its internal audit plan a review of all connected party transactions entered into by the Fortune REIT Group.

Our work done***Management Services, Lease Services and Marketing Services (collectively the "Property Management Services")***

The Property Management Agreement was first entered into by the previous trustee of Fortune REIT, the Manager and the Property Manager on 7 July 2003, and was amended and supplemented by several extension letters and supplemental agreements since then. For details, please refer to the definition of the Property Management Agreement in this circular. An extension letter dated 3 August 2018 (the "**2018 Extension Letter**") was entered into in respect of the Property Management Agreement to extend its term for a period from 11 August 2018 to 11 August 2023. Another

extension letter dated 18 July 2023 (the “**2023 Extension Letter**”) was entered into to further extend the term of the Property Management Agreement for a period from 11 August 2023 to 11 August 2028.

As mentioned above, the Property Management Agreement was last renewed in July 2023 pursuant to the 2023 Extension Letter. Prior to renewing the Property Management Agreement in July 2023, Fortune REIT has, in compliance with its internal control procedures, engaged an independent property consultancy firm, to ensure the aforesaid property management fee and marketing services fee are fair and reasonable, at prevailing market rate and on normal commercial terms or better. Similarly, before the previous renewal of the Property Management Agreement in 2018, Fortune REIT has also obtained the 2018 PMA Report for the same purpose.

The Property Management Services conducted during the three years ended 31 December 2023 (the “**Review Period**”), can be divided into two periods: (i) the period governed by the 2018 Extension Letter which renewed the Property Management Agreement for a term from 11 August 2018 to 11 August 2023; and (ii) the period governed by the 2023 Extension Letter which renewed the Property Management Agreement for a term from 11 August 2023 to 11 August 2028.

We have reviewed both the 2018 PMA Report and the 2023 PMA Report which confirmed that the property management fee of 3% per annum of the gross property revenue and the commission range for the provision of marketing services are reasonable and at market levels as at the date of the PMA Reports and hence we consider that the Property Management Services were carried out at arm’s length, on normal commercial terms, and on terms that are fair and reasonable and in the best interests of Fortune REIT, the Independent Unitholders and the Unitholders as a whole. Furthermore, we have reviewed the terms of the Property Management Agreement and the terms of similar transactions regarding the property management services of another real estate investment trust listed in Hong Kong and noted that their key terms, including property management fees and commission range for marketing, are in general comparable to those offered by the Property Manager to the Fortune REIT Group.

Third Party Services

In relation to the Third Party Services, we understand from the Manager that they have been and will be conducted in accordance with the Manager’s internal control procedures, which require, among other things, before entering into or renewing the Third Party Services, the Manager shall arrange for invitation of at least three tenders or quotations from contractors and suppliers, including one from the CKA Connected Persons Group and two from independent third parties or obtaining one or more valuations from independent property consultancy firm, before the transaction is first entered into, except where they are conducted on standard or published rates, to ensure that the transactions are carried out at arm’s length, on normal commercial terms and in the interests of the Unitholders. We noted that for the Review Period, the sole Third-Party Services provided by the CKA Connected Persons Group to Fortune REIT was for car park management services. The terms of the car park management services,

including the fees, are stipulated in the Property Management Agreement. Therefore, the fees of the car park management services were renewed whenever the Property Management Agreement was renewed.

In other words, similar to the Property Management Services as mentioned above, the car park management services fees during the Review Period can be also divided into two periods: (i) the period governed by the 2018 Extension Letter which renewed the Property Management Agreement for a term from 11 August 2018 to 11 August 2023; and (ii) the period governed by the 2023 Extension Letter which renewed the Property Management Agreement for a term from 11 August 2023 to 11 August 2028.

Prior to the entering into the 2018 Extension Letter and the 2023 Extension Letter, Fortune REIT has, in compliance with its internal control procedures, obtained the 2018 PMA Report and the 2023 PMA Report which confirmed that the car park management services fee as set out in the Property Management Agreement was reasonable and at market level as at the date of the 2018 PMA Report and the 2023 PMA Report respectively.

In this respect, we have reviewed the PMA Reports and noted that the independent property consultancy firm confirmed in the PMA Reports that the car park management fee of 3% of gross receipts per month was reasonable and at market level as at the date of the PMA Reports and hence we consider that the car park management services were carried out at arm's length, on normal commercial terms, and on terms that are fair and reasonable and in the best interests of Fortune REIT, the Independent Unitholders and the Unitholders as a whole.

Transactions under the Deeds of Mutual Covenants

In relation to the Transactions under the Deeds of Mutual Covenants, we understand that each property holding SPV would, where applicable, be bound by, and has the benefit of, the terms of the Deeds of Mutual Covenants applicable to the Fortune REIT's Properties owned by it. Currently, all the managers under the deeds of mutual covenants (the "**DMC Manager**") in respect of the Fortune REIT Properties are members of the CKA Connected Persons Group. We have reviewed sample Deeds of Mutual Covenants and noted that the management fees payable to the DMC Managers pursuant to the relevant Deed of Mutual Covenants were generally based on the DMC Managers' duties as set out in the relevant Deed of Mutual Covenants on the proportion as the number of management units allocated to the portion/part of the Fortune REIT's Properties bears to the total management units allocated to the entire development erected on the lot(s) of land with reference to the management expenses.

In light of the fact that:

- (i) the Deeds of Mutual Covenants bind the DMC Manager and all the owners of a development and their successors-in-title, irrespective of whether they are original parties to the Deeds of Mutual Covenants;
- (ii) all the owners of a development and their successors-in-title, including the Fortune REIT Group and other independent third parties, are bound by, and have the benefit of, the terms of the Deeds of Mutual Covenants; and
- (iii) the fees payable to the DMC Managers were generally based on the DMC Managers' duties on the proportion as the number of management units allocated to the portion/part of the Fortune REIT's Properties bears to the total management units allocated to the entire development erected on the lot(s) of land with reference to the management expenses,

we consider that the Transactions under the Deeds of Mutual Covenants were carried out at arm's length, on normal commercial terms, and on terms that are fair and reasonable and in the best interests of Fortune REIT, the Independent Unitholders and the Unitholders as a whole.

Our view

Taking into account the principal business of Fortune REIT as set out in the section headed "2. Reasons for and benefits of the CK Property Management Transactions" above, we are of the view that the Property Management Services, the Third Party Services and the Transactions under the Deeds of Mutual Covenants carried out with the CKA Connected Persons Group have been and will be conducted in the ordinary and usual course of business of Fortune REIT.

For historical transactions under the Property Management Agreement conducted during the Review Period, we have (i) in respect of the fees for property management fee, marketing services, and the car park management services, reviewed the PMA Reports which confirmed the fees were reasonable and at market levels as at the date of the PMA Reports; (ii) in respect of the transactions under the Deeds of Mutual Covenants, reviewed sample Deeds of Mutual Covenants and noted that the terms applied to all owners (including the independent third party owners).

Based on our work done set out above (which includes review of the PMA Reports, review of selected Deeds of Mutual Covenants, review of the internal control measures governing connected party transactions adopted by the Manager and review of the property management services fee of other real estate investment trust ("REIT") listed on the SEHK), we are of the opinion that the CK Property Management Transactions have been and will be carried out at arm's length, on normal commercial terms, and on terms that are fair and reasonable and in the best interests of Fortune REIT, the Independent Unitholders and the Unitholders as a whole.

4. The proposed New Annual Caps

The historical transaction amounts (which are based on the audited financial statements of Fortune REIT for each of the past financial years ended 31 December 2021, 31 December 2022 and 31 December 2023 and the unaudited management accounts of Fortune REIT for the two months ended 29 February 2024) and the proposed New Annual Caps for the CK Property Management Transactions between Fortune REIT and the CKA Connected Persons Group are summarized as follows:

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

	For the financial year ended 31 December			For the two months ended 29 February
	2021	2022	2023	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Historical transaction amounts	80,577	84,266	73,991	11,010
	For the financial year ending 31 December			
	2025	2026	2027	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
Proposed New Annual Caps	330,000	330,000	330,000	

The Manager proposed New Annual Caps for the CK Property Management Transactions of HK\$330 million for each of the three years ending 31 December 2027. According to the Manager, the proposed New Annual Caps have been determined after taking into account the following factors (the “**Factors**”):

- (i) the historical transaction amount paid to the CKA Connected Persons Group for the financial year ended 31 December 2019 which was approximately HK\$92,893,000;
- (ii) a 12% increment in management expenses between the financial year ended 31 December 2019 and the financial year ending 31 December 2024, and assuming another 12% increment during the financial year ending 31 December 2025;
- (iii) the resulting increase in property management fees and marketing service fees due to a 24% increment in rental between the financial year ended 31 December 2019 and the financial year ending 31 December 2024, and assuming another 24% increment during the financial year ending 31 December 2025;
- (iv) an increase of approximately 25% in the property management fees and marketing services fees as a result of the possible acquisition of properties by Fortune REIT in the future; and

- (v) a buffer of 25% for contingencies.

Our work done

In assessing the fairness and reasonableness of the proposed New Annual Caps, we have reviewed and discussed with the Manager in relation to the Factors and the underlying calculation in arriving at the proposed New Annual Caps. Our analysis on each of the Factors are set out below.

(i) *Historical transaction amounts*

The historical transaction amounts were approximately HK\$80.6 million, HK\$84.3 million, HK\$74.0 million and HK\$11.0 million, for the three financial years ended 31 December 2021, 2022 and 2023, and the two months ended 29 February 2024, respectively. We understand from the Manager that the outbreak of COVID-19 and the restrictive anti-COVID-19 measures during the period had a material impact on the transaction amounts. As explained by the Manager, traffic to and business of the tenants of Fortune REIT's Properties has dropped significantly during the period which led to a continual drop in Fortune REIT's gross revenue from 2019 to 2022. While the COVID-19 related restrictions had been abolished in 2023, the local economy did not recover as fast as expected. As announced, Fortune REIT's gross revenue for the year ended 31 December 2023 only recorded a marginal increase of 1.2% as compared to that for the previous year. The Manager believes it will take a bit longer for the local economy to return to pre-pandemic level and hence the Manager does not consider the transaction amounts for the past three years to be representative or appropriate for determining the proposed New Annual Caps. Instead, the Manager has chosen the historical transaction amount of the CK Property Management Transactions for the year ended 31 December 2019 (i.e. the pre-pandemic year) as the base amount for determining the New Annual Caps. We concur with the Manager's rationale for using the historical transaction amount for the year ended 31 December 2019 as the base amount given the exceptional economic situation in the past three years following the outbreak of COVID-19 in 2020.

(ii) *Increment for possible increase in cost and wages*

In determining the New Annual Cap for the year ending 31 December 2025, the Manager has assumed a 12% increment in management expenses between the financial year ended 31 December 2019 and the financial year ending 31 December 2024, and assuming another 12% increment during the financial year ending 31 December 2025, taking into account possible increase in costs and wages. We understand from the Manager that the expenses for Third Party Services mainly includes advertising, cleaning, maintenance, security, car park management and other ancillary services fees and the fees payable to the DMC Manager is based on a commission rate of the management expenses. Given that a major portion of the management expenses is attributable to the labour costs for cleaning, security and maintenance, the management expenses fluctuates in line with the wage levels, particularly that for the labour workers. Based on the information provided by the Manager, the highest annual increment of the wage level of Fortune REIT's labour staff during the period from 2021 to 2022 was 12%. We have reviewed statistics from the Census and Statistics Department of Hong Kong and

noted that during 2019 to 2023, the highest year-on-year increment on the general average wage rate for real estate leasing and maintenance management as measured by the wage index was 9.5%. Given the expected recovery of the economy, the historical wages increment and the labour shortage in recent years, we consider it is justifiable for Fortune REIT to assume a 12% increment in management expenses between the financial year ended 31 December 2019 and the financial year ending 31 December 2024, and assuming another 12% increment during the financial year ending 31 December 2025 to cater for the volatility of expenses.

(iii) *Increment in rental*

In determining the New Annual Cap for the year ending 31 December 2025, the Manager has taken into account the resulting increase in property management fees and marketing service fees due to a 24% increment in rental between the financial year ended 31 December 2019 and the financial year ending 31 December 2024, and assuming another 24% increment during the financial year ending 31 December 2025 (the "**Rental Increment Factor**"). Based on the Property Management Agreement, the property management fees are based on an annual rate of 3% of the gross property revenue for provision of the property and lease management services. As advised by the Manager, the volatility of property rental values will in turn result in fluctuation of property management fees. To assess the reasonableness of the increment, we have considered the following factors:

- (a) Based on its annual report for the ten years from 2010 to 2019 (before the outbreak of COVID-19 which was an exceptional situation distorting the performance of the local economy), Fortune REIT recorded positive rental reversion rate in each of the years ranging from 7.2% to 23.8%.
- (b) We have reviewed statistics from the Rating and Valuation Department of the Government of Hong Kong on the retail property sector in the New Territories district in Hong Kong, where most of the Fortune REIT Group's properties are located, accounting for over 80% of the total gross rentable area of the Fortune REIT Group for the financial year ended 31 December 2022. We noted that the average annual rent in the retail property sector in the New Territories district in Hong Kong increased by 2.3% in 2023 compared to 2022. We also noted that since 2021, the aforesaid average annual rent has been subject to year-on-year fluctuations from -13.7% to 11.8%; and the month-on-month fluctuation has been even larger for average monthly rent, which ranged from -15.8% to 22.3%.

Taking into account highest rental reversion rate of 23.8% recorded by Fortune REIT during 2010 to 2019 and the top end of the month-on-month fluctuation of 22.3% for retail property sector in the New Territories since 2021, we consider the Rental Increment Factor is justifiable.

(iv) *Possible acquisition of properties by Fortune REIT*

In determining the proposed New Annual Cap for the year ending 31 December 2025, the Manager assumed an increase of approximately 25% in the property management fees and marketing services fees as a result of the possible acquisition of properties by Fortune REIT in the future. Solely for the purpose of determining the proposed New Annual Caps, the Manager assumed that three acquisitions of properties by Fortune REIT might take place during the years up to 31 December 2027 and such acquisitions would result in additional property management fees and marketing service fees. For avoidance of doubt, Fortune REIT has no concrete acquisition target or plan as at the Latest Practicable Date. Due to the uncertainty as to the timing of the possible acquisitions, the Manager has assumed such acquisitions to take place in 2025 which will give rise to additional property management fees and marketing fees in the year of acquisition as well as for subsequent years. The Manager has used the historical transaction amount of an existing property of Fortune REIT, which has the highest property management expenses, as the basis in estimating the expected expenses in relation to these acquisitions. We noted that the total estimated transaction amount arising from the three possible acquisitions to be broadly equivalent to three times of that from the abovementioned existing property of Fortune REIT.

We have reviewed Fortune REIT's annual report for the year ended 31 December 2022 (the "**FY2022 Annual Report**") and noted that one of the three growth strategies of Fortune REIT is "yield-accretive acquisitions". As disclosed in the FY2022 Annual Report, Fortune REIT has acquired 14 properties since its establishment in 2003, enlarging its portfolio size by 11 times. Its latest acquisition was completed in September 2022. Accordingly, we consider that the assumption of three possible acquisitions in the three years ending 31 December 2027 is consistent with the business strategy of Fortune REIT and the relevant estimated transaction amount in setting the New Annual Caps is justifiable.

(v) *Buffer for contingencies*

The Manager has taken into account a buffer of 25% for contingencies such as unforeseeable market fluctuations in determining the proposed New Annual Caps. We have reviewed and compared the range of contingency buffer of other REITs listed on the SEHK as extracted from their respective latest circulars published (where available) and noted that the contingency buffer ranges from 10% to 25%. Accordingly, we are of the view that the buffer adopted is acceptable.

Our view

Having considered the above, we are of the view that the basis in determining the proposed New Annual Caps for the CK Property Management Transactions for each of the three financial years ending 31 December 2025, 2026 and 2027 are fair and reasonable and in the best interests of Fortune REIT, the Independent Unitholders and the Unitholders as a whole.

5. Requirements regarding the Connected Party Transactions

As set out in the Letter to the Unitholders, the connected party transactions (including the CK Property Management Transactions) will be subject to the following review and reporting processes pursuant to paragraph 8.7A of the REIT Code and Rules 14A.55 to 14A.59, Rule 14A.71 and Rule 14A.72 of the Listing Rules (modified as appropriate pursuant to 2.26 of the REIT Code):

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

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

(b) Annual Review by the Auditors

In respect of each relevant financial year, the Manager shall engage the auditors of Fortune REIT to report on the connected party transactions annually. The auditors of Fortune REIT must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that any such transactions: (i) have not been approved by the Board (including all the Independent Non-executive Directors); (ii) were not, in all material respects, in accordance with the pricing policies of the Fortune REIT Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing it; and (iv) have exceeded the applicable annual cap.

(c) Auditors' Access to Records

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

(d) Notification to the SFC

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

(e) Annual Reports

A brief summary of the connected party transactions containing the information specified in Rules 14A.71 and 14A.72 of the Listing Rules (modified as appropriate pursuant to 2.26 of the REIT Code) shall be included in Fortune REIT's annual reports.

The Manager has confirmed to adhere to the internal control policies in place to ensure that the CK Property Management Transactions are conducted in accordance with the terms of the New CK Property Management Transactions Framework Agreement as set out in the Letter to the Unitholders, on normal commercial terms and not exceeding the approved annual caps. We have reviewed the annual reports of Fortune REIT for the three years ended 31 December 2020, 2021 and 2022 and noted that the Manager and Fortune REIT have adhered to the internal control measures by having the Independent Non-executive Directors and auditors of Fortune REIT to conduct an annual review of connected party transactions (including the CK Property Management Transactions) and including a summary of connected party transactions in the annual reports.

In light of (a) the internal control measures established by the Manager in respect of connected party transactions as set out in the section headed “Internal control measures adopted by the Manager” above; (b) the reporting requirements relating to the connected party transactions (including the CK Property Management Transactions), in particular, (i) the restriction of transaction value by way of the annual caps; and (ii) the ongoing review by the Independent Non-executive Directors and the auditors of Fortune REIT on the terms of the connected party transactions and the annual caps not being exceeded; and (c) the requirement for Fortune REIT to re-comply with the announcement and Unitholders’ approval requirements (if applicable) in relation to the CK Property Management Transactions before any New Annual Cap is exceeded or it proposes to effect a material change to their terms pursuant the Listing Rules (modified as appropriate pursuant to 2.26 of the REIT Code), we are of the view that appropriate measures have been put in place to govern the conduct of the CK Property Management Transactions and safeguard the interests of Fortune REIT and the Unitholders as a whole.

RECOMMENDATION

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

- (i) the terms of the New CK Property Management Transactions Framework Agreement and the basis for the CK Property Management Transactions (including the proposed New Annual Caps and the basis of arriving at the same) are fair and reasonable and are in the best interests of Fortune REIT, the Independent Unitholders and the Unitholders as a whole; and
- (ii) the CK Property Management Transactions will be (a) conducted in the ordinary and usual course of business of Fortune REIT and consistent with the investment objectives and strategy of Fortune REIT and in compliance with the REIT Code and the Trust Deed; (b) conducted on terms which are and will be at arm’s length and on normal commercial terms; and (c) fair and reasonable and in the best interests of Fortune REIT, the Independent Unitholders and the Unitholders as a whole.

We therefore recommend the Independent Board Committee to advise the Independent Unitholders, and we also recommend the Independent Unitholders, to vote in favour of Ordinary Resolution No. 1 in respect of the CK Property Management Transactions and the New Annual Caps as set out in the AGM Notice.

Yours faithfully,
For and on behalf of
Ballas Capital Limited

Heidi Cheng
Managing Director

Cathy Leung
Director

Note:

Ms. Heidi Cheng and Ms. Cathy Leung of Ballas Capital Limited are responsible officers of Type 6 (advising on corporate finance) regulated activities. Ms. Heidi Cheng has over 20 years of corporate finance experience and Ms. Cathy Leung has over 10 years of corporate finance experience.

This is the Explanatory Statement as required by the SFC Repurchase Circular to provide requisite information to enable you to make an informed decision on whether to vote for or against Ordinary Resolution No. 2 to approve the grant of the Unit Buy-back Mandate to the Manager.

(A) ISSUED UNITS

As at the Latest Practicable Date, 2,014,669,562 Units were in issue. Subject to the passing of the Ordinary Resolution No. 2 approving the Unit Buy-back Mandate as set out in the AGM Notice, the Manager will be allowed under the Unit Buy-back Mandate to buy back up to 10% of the number of Units in issue as at the date of the resolution approving the Unit Buy-back Mandate, which, if no additional Units will be issued prior to the AGM, would be equivalent to a maximum of 201,466,956 Units.

(B) REASONS FOR THE UNIT BUY-BACK

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

(C) FUNDING OF THE UNIT BUY-BACK

Subject to applicable law and regulation, the Manager intends to use internal sources of funds of Fortune REIT or external borrowings or combination of both to finance the repurchase of Units pursuant to the Unit Buy-back Mandate. For the purposes of any buy-backs, the Manager will only use funds legally available for such purposes in accordance with the Trust Deed, the REIT Code, the guidelines issued by the SFC from time to time and the applicable Rules.

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

(D) UNIT PRICES

The highest and lowest prices at which the Units have traded on the SEHK in each of the previous twelve (12) months preceding the Latest Practicable Date were as follows:

	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
April 2023	6.78	6.40
May 2023	6.59	5.65
June 2023	5.93	5.47
July 2023	5.84	5.53
August 2023	5.76	4.80
September 2023	4.97	4.53
October 2023	4.78	4.36
November 2023	5.02	4.36
December 2023	5.04	4.60
January 2024	5.00	4.39
February 2024	4.63	4.40
March 2024	4.52	3.70
From 1 April 2024 up to the date preceding the Latest Practicable Date	3.83	3.62

(E) UNITS BOUGHT-BACK

The Manager has not bought back any Units on behalf of Fortune REIT (whether on the SEHK or otherwise) in the six (6) months prior to the Latest Practicable Date.

(F) STATUS OF BOUGHT-BACK UNITS

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

(G) DIRECTORS' UNDERTAKING

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

(H) DISCLOSURE OF INTERESTS

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

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

(I) EFFECT OF THE TAKEOVERS AND SHARE BUY-BACKS CODE

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

According to the register required to be kept by the Manager under clause 32.4.1 of the Trust Deed, and so far as the Manager is aware, as at the Latest Practicable Date, Focus Eagle Investments Limited, which directly held 413,074,684 Units, together with parties which are or presumed to be acting in concert with Focus Eagle Investments Limited (together, the "**Concert Group**"), held a total of approximately 26.09% of the Units in issue.

In the event of full exercise of the Unit Buy-back Mandate, and assuming that the unitholding of the Concert Group remains unchanged, and that the number of Units in issue and the capital structure of Fortune REIT otherwise remain unchanged, the aggregate interests of the Concert Group in Units would be increased to approximately 29.0% and such increase will give rise to an obligation to make a mandatory offer under Rule 26 of the Takeovers and Share Buy-backs Code.

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

(A) RESPONSIBILITY STATEMENT

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

(B) EXPERT AND CONSENT

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

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

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

As at the Latest Practicable Date, the Independent Financial Adviser had no direct or indirect interest in any assets which had since 31 December 2023 (being the date to which the most recent published audited financial statements of Fortune REIT were made up) been acquired or disposed of by or leased to any member of the Fortune REIT Group, or were proposed to be acquired or disposed of by or leased to any member of the Fortune REIT Group.

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

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

(C) NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Manager and the Directors were not aware of any material adverse change in the financial or trading position of the Fortune REIT Group since 31 December 2023 (being the date to which the most recent published audited financial statements of Fortune REIT were made up).

(D) DISCLOSURE OF INTERESTS IN UNITS

As at the Latest Practicable Date, so far as is known to, or can be ascertained after reasonable enquiry by, the Manager, the interests and short positions of the Manager and each Director and chief executive of the Manager in Units and its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Manager and the SEHK pursuant to the provisions of

Part XV of the SFO as deemed to be applicable by virtue of clause 32 of the Trust Deed, or which were recorded in the register required to be kept by the Manager pursuant to clause 32.4.1 of the Trust Deed, are as follows:

Directors

Name	Direct Interest		Deemed Interest	
	Number of Units Held Long Position	Percentage of Unit Holdings	Number of Units Held Long Position	Percentage of Unit Holdings
Lim Hwee Chiang ¹	1,000,000	0.05%	2,100,000	0.10%
Manager	44,848,632	2.23%	—	—

Note:

1. Mr. Lim Hwee Chiang (“Mr. Lim”) was deemed to be interested in the 2,100,000 Units held by Citibank Nominees Singapore Pte. Ltd. (as nominee for JL Philanthropy Ltd.). Mr. Lim is the settlor of JL Charitable Settlement which is the beneficiary of JL Philanthropy Ltd.

(E) DIRECTORSHIP OR EMPLOYMENT WITH SUBSTANTIAL UNITHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Manager, the following Director was the director or employee of a company which had an interest or short position in the Units which would fall to be disclosed to the Manager and the SEHK under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Director	Name of companies which had such discloseable interest or short position/Position held by the Director in such companies
Dr. CHIU Kwok Hung, Justin	CKA (<i>Executive Director</i>)

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

As at the Latest Practicable Date:

- (a) none of the Directors had any direct or indirect interest in any assets which had since 31 December 2023 (being the date to which the most recent published audited financial statements of Fortune REIT were made up) been acquired or disposed of by or leased to any member of the Fortune REIT Group, or were proposed to be acquired or disposed of by or leased to any member of the Fortune REIT Group;
- (b) none of the Directors was materially interested in any subsisting contract or arrangement which was significant in relation to the business of the Fortune REIT Group taken as a whole; and
- (c) none of the Directors or their close associates (within the meaning of the Listing Rules (modified as appropriate pursuant to 2.26 of the REIT Code)) had any interest in a business which competes or may compete, either directly or indirectly, with the business of the Fortune REIT Group, or had or may have had any other conflicts of interest with the Fortune REIT Group pursuant to Rule 8.10 of the Listing Rules (modified as appropriate pursuant to 2.26 of the REIT Code).

(G) INSPECTION OF DOCUMENTS

A copy of the New CK Property Management Transactions Framework Agreement, which is conditional upon the approval of Independent Unitholders under Chapter 14A of the Listing Rules (modified as appropriate pursuant to 2.26 of the REIT Code), will be published on the websites of the SEHK (<https://www.hkexnews.hk>) and Fortune REIT (<https://www.fortunereit.com>) from the date of this Circular up to and including the date of the AGM.

A copy of 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.

(H) MISCELLANEOUS

The English text of this Circular shall prevail over its Chinese text.

NOTICE OF ANNUAL GENERAL MEETING

FORTUNE 置富產業信託 REIT

FORTUNE REAL ESTATE INVESTMENT TRUST

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

(Stock Code: 778)

**Managed by
ARA Asset Management (Fortune) Limited**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (“**AGM**”) of the unitholders (“**Unitholders**”) of Fortune Real Estate Investment Trust (“**Fortune REIT**”) will be held at 24th Floor, Admiralty Centre I, 18 Harcourt Road, Hong Kong on Friday, 24 May 2024 at 2:30 p.m. for the following purposes:

- (a) To note the audited financial statements of Fortune REIT together with Independent Auditor’s Report for the year ended 31 December 2023.
- (b) To note the appointment of the auditor of Fortune REIT and the fixing of its remuneration.
- (c) To consider and, if thought fit, pass with or without modification, the following resolutions:

ORDINARY RESOLUTIONS

(1) **Ordinary Resolution No. 1:**

“**THAT:**

- (a) the New CK Property Management Transactions Framework Agreement, the CK Property Management Transactions under the New CK Property Management Transactions Framework Agreement and the proposed annual caps applicable thereto for the financial years ending 31 December 2025, 31 December 2026 and 31 December 2027, be and are hereby generally and unconditionally approved, confirmed and ratified; and
- (b) the Manager, any Director, the Trustee and any authorised signatory of the Trustee be and are hereby severally authorised to complete and do all such acts and things (including executing the New CK Property Management Transactions Framework Agreement and all such documents as may be required) as the Manager, such Director, the Trustee and/or such authorised signatory of the Trustee, as the case may be, may consider desirable, expedient or necessary or in the interest of Fortune REIT to implement or give effect to all matters contemplated and/or authorised in paragraph (a) of this resolution.”

NOTICE OF ANNUAL GENERAL MEETING

(2) **Ordinary Resolution No. 2:**

“THAT:

- (a) subject to paragraph (b) of this resolution, the exercise by the Manager during the Relevant Period (as defined below) of all the powers of Fortune REIT to purchase the Units on the SEHK, subject to and in accordance with the Trust Deed, REIT Code, the circulars and guidelines issued by the SFC from time to time, and applicable laws of Hong Kong, be and is hereby generally and unconditionally approved;
- (b) the total number of Units which may be purchased or agreed to be purchased by Fortune REIT pursuant to the approval in paragraph (a) of this resolution during the Relevant Period (as defined below) shall not exceed 10% of the total number of Units in issue as at the date of the passing of this resolution, and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and
- (c) for the purpose of this resolution, **“Relevant Period”** means the period from the date of the passing of this resolution up to and including whichever is the earliest of:
 - (i) the date on which the next annual general meeting of Unitholders is held (unless by Ordinary Resolution passed at that meeting the Unit Buy-back Mandate is renewed, either unconditionally or subject to conditions) or required by the Rules to be held;
 - (ii) the date on which the authority conferred by the Unit Buy-back Mandate is revoked or varied by the Unitholders by way of Ordinary Resolution in a general meeting; and
 - (iii) the date on which repurchase of Units pursuant to the Unit Buy-back Mandate is carried out to the full extent mandated.”

Words and expressions that are not expressly defined in this notice of AGM shall bear the same meaning as that defined in the unitholder circular dated 23 April 2024.

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

Hong Kong, 23 April 2024

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

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

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. A Unitholder entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or two proxies to attend and, on a poll, vote in his/her stead. The person appointed to act as a proxy need not to be a Unitholder.
2. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the unit registrar of Fortune REIT, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof. Completion and return of the proxy will not preclude you from attending and voting in person should you so wish. In the event that you attend the meeting or adjourned meeting (as the case may be) after having lodged a form of proxy, the form of proxy will be deemed to have been revoked.
3. Where there are joint registered Unitholders of a Unit, any one of such Unitholders may vote at the meeting either personally or by proxy in respect of such Unit as if he/she were solely entitled thereto, but if more than one of such Unitholders is present at the meeting personally or by proxy, that one of such Unitholders so present whose name stands first on the Register of Unitholders of Fortune REIT in respect of such Unit shall alone be entitled to vote in respect thereof.
4. The Register of Unitholders will be closed from Monday, 20 May 2024 to Friday, 24 May 2024, both days inclusive, to determine which Unitholders will qualify to attend and vote at the AGM, during which period no transfers of Units will be effected. For those Unitholders who are not already on the Register of Unitholders, in order to qualify to attend and vote at the meeting convened by the above notice, all Unit certificates accompanied by the duly completed transfers must be lodged with the unit registrar of Fortune REIT, Computershare Hong Kong Investor Services Limited at shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration by 4:30 p.m. on Friday, 17 May 2024.
5. If a black rainstorm warning signal, a tropical cyclone warning signal no. 8 or above or "extreme conditions" from Super Typhoon as announced by the HKSAR Government, is in force in Hong Kong at 11:00 a.m. on Friday, 24 May 2024, the AGM will be rescheduled. The Manager will publish an announcement on the website of Fortune REIT at www.fortunereit.com and Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk to notify Unitholders of the arrangement of the rescheduled meeting.

IMPORTANT: PLEASE READ THE NOTES TO PROXY FORM BELOW

FORTUNE REAL ESTATE INVESTMENT TRUST

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

IMPORTANT

PLEASE READ THE NOTES TO THE PROXY FORM

**PROXY FORM
ANNUAL GENERAL MEETING**

I/We _____(Name)

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

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

and/or (delete as appropriate)

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

or, both of whom failing, the Chairman of the Annual General Meeting (“**AGM**”) as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the AGM of Fortune REIT to be held at 24th Floor, Admiralty Centre I, 18 Harcourt Road, Hong Kong at 2:30 p.m. on Friday, 24 May 2024 or any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the AGM.

		To be used in the event of a poll	
		No. of Votes For*	No. of Votes Against*
Ordinary Resolution			
1	To approve the New CK Property Management Transactions Framework Agreement, the CK Property Management Transactions under the New CK Property Management Transactions Framework Agreement and the proposed annual caps applicable thereto as set out in the AGM Notice dated 23 April 2024.		
2	To approve the grant of the Unit Buy-back Mandate as set out in the AGM Notice dated 23 April 2024.		

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

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

Dated this _____day of _____2024

Total number of Units held

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

IMPORTANT: PLEASE READ THE NOTES TO PROXY FORM BELOW

Notes to Proxy Form

1. Full name(s) and address(es) are to be inserted in **BLOCK CAPITALS** as shown in the Register of Unitholders.
2. A Unitholder entitled to attend and vote at the AGM is entitled to appoint one or two proxies to attend and vote in his stead.
3. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.
4. A proxy needs not be a Unitholder but must attend the AGM to represent the Unitholder.
5. A Unitholder should insert the total number of Units held. If no number is inserted, this form of proxy will be deemed to relate to all the Units held by Unitholder.
6. In the case of joint Unitholders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint Unitholder(s), and for this purpose seniority will be determined by the order in which the names stand on the Register of Unitholders in respect of the relevant joint holding, the first being the senior.
7. Any alteration made to this form of proxy must be initialled by the person who signs it.
8. The instrument appointing a proxy or proxies must be lodged at the unit registrar of Fortune REIT (the "**Unit Registrar**"), Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than forty-eight (48) hours before the time appointed for AGM.
9. The instrument appointing a proxy or proxies must be executed under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of an officer or attorney so authorised.
10. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must be lodged with the instrument of proxy pursuant to Note 8 above; failing which the instrument may be treated as invalid.
11. The Manager shall be entitled to reject a proxy form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form.
12. All Unitholders will be bound by the outcome of the AGM regardless of whether they have attended or voted at the AGM.
13. For so long as Fortune REIT is a SFC-authorized REIT, at any meeting a resolution put to the meeting shall be decided on a poll and the result of the poll shall be deemed to be the resolution of the meeting.
14. Words and expressions that are not expressly defined in this proxy form shall bear the same meaning as that defined in the unitholder circular dated 23 April 2024.

PERSONAL INFORMATION COLLECTION STATEMENT

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