



ABOUT FORTUNE REIT

Fortune Real Estate Investment Trust (“**Fortune REIT**”) is a real estate investment trust constituted by a trust deed (the “**Trust Deed**”) entered into on 4 July 2003 (as amended) made between ARA Asset Management (Fortune) Limited, as the manager of Fortune REIT (the “**Manager**”), and HSBC Institutional Trust Services (Singapore) Limited, as the trustee of Fortune REIT (the “**Trustee**”).

Fortune REIT is primary listed on The Stock Exchange of Hong Kong Limited (the “**SEHK**”) and secondary listed on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). Fortune REIT is Asia’s first cross-border REIT and also the first REIT to hold assets in Hong Kong. Fortune REIT currently holds a portfolio of 17 private housing estate retail properties in Hong Kong comprising of approximately 3.18 million square feet (“**Sq.ft.**”) of retail space and 2,713 carparking lots.

ABOUT THE MANAGER

Fortune REIT is managed by ARA Asset Management (Fortune) Limited, a wholly-owned subsidiary of ARA Asset Management Limited, a premier integrated real estate fund manager driven by a vision to be the best-in-class Asian real estate fund management company focused on the management of real estate investment trusts (“**REITs**”) and private real estate funds.

Established in 2002, to date it has approximately 1,300 professionals in 19 cities in seven countries, managing close to 100 properties measuring 55 million Sq.ft. in Asia Pacific, with assets under management of approximately S\$36 billion.



OUR MISSION

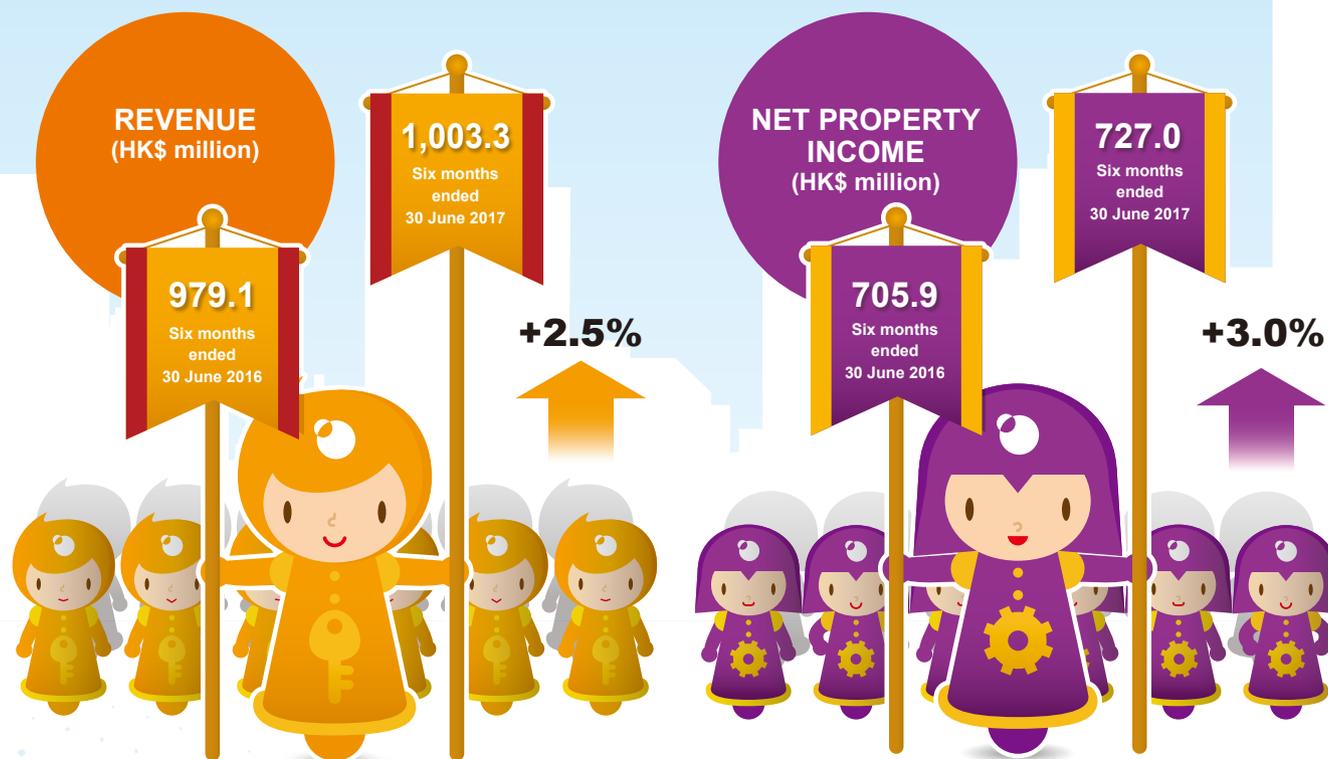
The Manager's key objective is to deliver regular and stable returns to holders of Fortune REIT units ("**Unitholders**") through proactive management of Fortune REIT's portfolio of assets and acquiring properties that generate long term benefits to Unitholders.



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FINANCIAL HIGHLIGHTS



	Six months ended 30 June 2017	Six months ended 30 June 2016	% change
Revenue (HK\$ million)	1,003.3	979.1	+2.5%
Net property income (HK\$ million)	727.0	705.9	+3.0%
Cost-to-revenue ratio	25.3%	25.7%	-0.4%
Income available for distribution (HK\$ million)	487.3	470.0	+3.7%
Distribution per unit ("DPU") (HK cents)	25.53	24.78	+3.0%



	As at 30 June 2017	As at 31 December 2016	% change
Net asset value per unit (HK\$)	13.39	12.90	+3.8%
Property valuation (HK\$ million)	37,500	36,368	+3.1%
Gearing ratio/Aggregate leverage ¹	28.4%	29.5%	-1.1%

Note:

1. Gearing ratio is defined as total borrowings as a percentage of gross assets. Aggregate leverage is defined as the value of total borrowings and deferred payments as a percentage of gross assets. As at 30 June 2017, there was no deferred payment.

THREE GROWTH STRATEGIES



YIELD-ACCRETIVE ACQUISITION

Fortune REIT is one of the fastest growing REITs in Hong Kong, actively identifying yield-accretive assets from time to time. Portfolio has expanded from 5 assets since listing in 2003 to now 17 and asset valuation has increased by more than 10 times to HK\$37.5 billion.



ACTIVE LEASING MANAGEMENT

Through proactively retaining quality tenants and securing early commitment before leases expire, Fortune REIT's retention rate reached a high of 78% during the six months ended 30 June 2017 (the "Reporting Period") with a rental reversion of 10.7%. Portfolio occupancy rate remained steady at 96.6% as at 30 June 2017.

ASSET ENHANCEMENT INITIATIVES (“AEIs”)

Fortune REIT has an outstanding track record in AEIs, added significant value to our assets and yielded good returns, reinforcing Fortune Malls’ position as the preferred shopping and dining destinations within the community.



MANAGEMENT DISCUSSION AND ANALYSIS

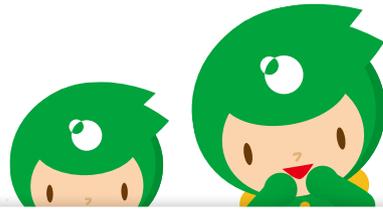
FINANCIAL REVIEW

Fortune REIT continued to deliver steady growth in its financial performance for the six months ended 30 June 2017. Total revenue rose by 2.5% year-on-year to HK\$1,003.3 million benefitting from the positive rental reversion across the portfolio. Total property operating expenses (excluding the Manager's performance fee) were well contained with a slight increase of 1.0% year-on-year to HK\$253.8 million, resulting in a 3.0% increase in net property income to HK\$727.0 million. Reduced electricity consumption as well as an one-off rebate received for electricity charges has resulted in lower utility expenses during the Reporting Period. As we continue to strive for operational efficiency, the cost-to-revenue ratio improved further to 25.3% for the Reporting Period (first half of 2016: 25.7%).

Income available for distribution for the Reporting Period was HK\$487.3 million, representing a year-on-year increase of 3.7%. The DPU for the Reporting Period was 25.53 HK cents, up by 3.0% year-on-year (first half of 2016: 24.78 HK cents). Based on the closing unit price of HK\$9.69 as of 30 June 2017 in Hong Kong, the DPU implied an annualised distribution yield of 5.3%.

The interim DPU of 25.53 HK cents for the Reporting Period will be paid on 29 August 2017 to Unitholders on the registers of Unitholders of Fortune REIT as of 14 August 2017.





CAPITAL MANAGEMENT

As part of our prudent capital management, we have, in April 2017, capitalized on the ample liquidity in the Hong Kong banking system and arranged for a HK\$1,200.0 million unsecured banking facility with a 5-year tenor to refinance all the debts due in 2018. As a result, the weighted average term to maturity of committed debts was maintained at 3.6 years as at 30 June 2017 (31 December 2016: 3.7 years) and there are no refinancing needs until 2019. The effective borrowing cost for the Reporting Period was 2.41% (first half of 2016: 2.39%).

As of 30 June 2017, Fortune REIT's total committed loan facilities amounted to HK\$11,855.1 million (31 December 2016: HK\$11,721.4 million). The gearing ratio and aggregate leverage decreased to 28.4% (31 December 2016: 29.5%) as a result of a higher property valuation. Fortune REIT's gross liability as a percentage of its gross assets decreased to 33.0% as of 30 June 2017 (31 December 2016: 33.8%).

Fortune REIT has obtained both secured and unsecured loan facilities. The secured loan facilities are secured over five investment properties which carried an aggregate fair value of HK\$10,033.0 million as of 30 June 2017. While proactively refinancing our debt portfolio with an extended maturity and at lower costs, we have also taken the opportunity to increase the proportion of unsecured debt which would provide us with more financial flexibility. As of 30 June 2017, approximately 70% of total committed debts were unsecured with unencumbered assets amounted to HK\$27,467.0 million in total. The Trustee has provided guarantees for all of the loan facilities.





MANAGEMENT DISCUSSION AND ANALYSIS

Available liquidity stood at HK\$1,941.7 million as at 30 June 2017, comprising committed but undrawn facilities of HK\$1,400.0 million and cash on hand of HK\$541.7 million. Fortune REIT currently possesses sufficient financial resources to satisfy its financial commitment and working capital requirements.

As of 30 June 2017, the interest cost for approximately 60% (31 December 2016: 67%) of Fortune REIT's outstanding debts had been hedged through interest rate swaps and caps. The Manager would continue to closely monitor the interest rate movements and optimize Fortune REIT's hedging profile when opportunity arises.

Net asset value per unit amounted to HK\$13.39 as of 30 June 2017, up 3.8% from HK\$12.90 as at the end of 2016.

PORTFOLIO VALUATION

As of 30 June 2017, Fortune REIT's portfolio of 17 retail properties was appraised at HK\$37,500.0 million by Knight Frank Petty Limited. This represents an increase of 3.6% and 3.1% from the valuation as of 30 June 2016 and 31 December 2016 respectively. The higher valuation has resulted in a revaluation gain of HK\$1,097.0 million for the Reporting Period.

PORTFOLIO HIGHLIGHTS

As at 30 June 2017, Fortune REIT owns a geographically diverse portfolio of 17 retail malls and properties in Hong Kong, comprising approximately 3.18 million Sq.ft. of retail space and 2,713 car parking lots.

Property	Gross Rentable Area ("GRA") (Sq.ft.)	Valuation (HK\$ million)	Occupancy	No. of car parking lots
Fortune City One	414,469	7,623	98.3%	653
Fortune Kingswood	665,244	6,984	97.7%	622
Ma On Shan Plaza	310,084	5,361	99.4%	290
Metro Town	180,822	3,570	100%	74
Fortune Metropolis	332,168	2,471	96.2%	179
Laguna Plaza	163,203	2,382	82.7%	150
Belvedere Square	276,862	2,313	99.9%	329
Waldorf Avenue	80,842	1,618	100%	73
Provident Square	180,238	1,052	94.0%	N/A
Caribbean Square	63,018	1,033	100%	117
Jubilee Square	170,616	873	99.6%	97
Smartland	123,544	717	95.9%	67
Tsing Yi Square	78,836	634	100%	27
Centre de Laguna	43,000	287	98.9%	N/A
Hampton Loft	74,734	274	66.4%	35
Lido Avenue	9,836	190	100%	N/A
Rhine Avenue	14,604	118	100%	N/A
Total/Overall average	3,182,120	37,500	96.6%	2,713

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONS REVIEW

The Hong Kong retail market finally shrugged off an extended setback for about two years and showed some positive signs during the Reporting Period. While it is too early to conclude the market is on track for a full recovery, it continues to pose opportunities and challenges for Fortune REIT's business.

As of 30 June 2017, the occupancy rate of Fortune REIT's portfolio remained steady at 96.6% (31 December 2016: 96.7%) with average passing rent at HK\$42.0 per Sq.ft. Rental reversion of 10.7% was achieved from renewals during the Reporting Period. Tenant retention rate reached a high of 78% as we have focused on proactively retaining quality tenants and securing early commitment before leases expire.

Fortune Malls have a well-diversified trade mix with a strong focus on daily necessities. Tenants in the non-discretionary retail sectors such as food and beverages, supermarkets as well as services and education altogether accounted for approximately 69% of total GRA. These sectors will continue to anchor Fortune Malls driving Fortune REIT's long-term resilience.

ASSET ENHANCEMENT INITIATIVES

Fortune REIT has a good track record in reaping benefits from its AElS. With the upcoming influx of population in the greater Tin Shui Wai/Yuen Long area, the Manager is planning to execute an AElS project on Fortune Kingswood with an aim to reposition it as a regional shopping and entertainment hub for a wider spectrum of shoppers beyond its primary catchment. We believe that, by enriching the offerings to shoppers and strengthening the business environment for tenants, the enormous potential for Fortune Kingswood, as the largest asset of Fortune REIT, would be unlocked.

OUTLOOK

The Hong Kong economy accelerated in the first quarter of 2017 with the gross domestic product growing notably by 4.3% year-on-year, compared to a 3.2% growth in the preceding quarter. With the support of favorable employment and income conditions, private consumption continued on its uptrend with a 3.7% year-on-year growth in the first quarter of 2017. The Hong Kong retail sales resumed moderate growth for the first time in March 2017 after a 24-month decline. While domestic demand has been resilient, the recent revival in tourist arrivals has given the retail market a lift. For the first five months in 2017, total retail sales value decreased by 0.7% year-on-year. The decline has narrowed as compared to the drop of 1.3% in first quarter of 2017 and 8.1% for 2016.

On the other hand, while U.S. interest rate normalization is expected to continue, our prudent capital management will limit its potential financial impact on Fortune REIT as interest cost on 60% of our outstanding debts has been hedged.

Fortune REIT would continue to build upon our three successful strategies in driving sustainable returns to Unitholders. We remain focused on executing active leasing management and enhancing the tenant mix, adding value to our malls through AElS and prudently seeking yield-accretive investment opportunities.



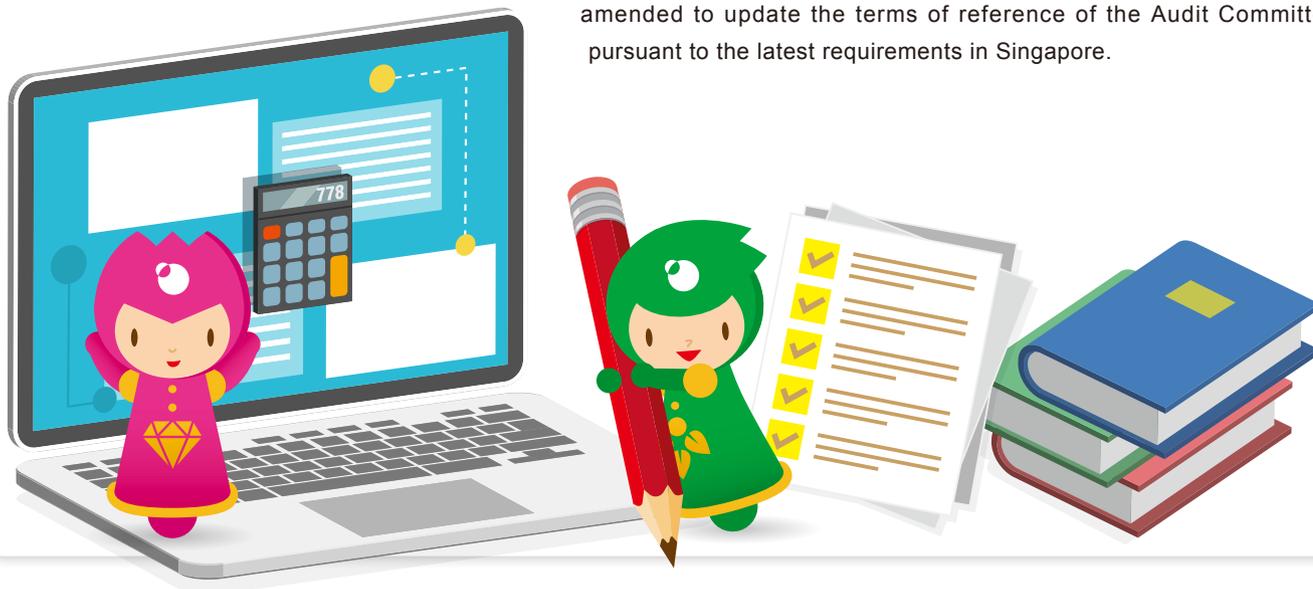
CORPORATE GOVERNANCE

With the objectives of establishing and maintaining high standards of corporate governance, certain policies and procedures have been put in place to promote the operation of Fortune REIT in a transparent manner with built-in checks and balances. The Manager has adopted a compliance manual (the “**Compliance Manual**”), which sets out the key processes, systems, measures and certain corporate governance policies and procedures applicable for governing the management and operation of Fortune REIT, to comply with the applicable Hong Kong regulations and legislation.

Fortune REIT is a real estate investment trust primary listed on the SEHK and secondary listed on the SGX-ST. Fortune REIT and/or the Manager are subject to the applicable laws, rules and regulations in Hong Kong and Singapore, including the code provisions set out in the Corporate Governance Code (the “**CG Code**”) of the Rules Governing the Listing of Securities on the SEHK (the “**Hong Kong Listing Rules**”) (where applicable) and the Singapore Code of Corporate Governance 2012 (the “**Singapore Code**”).

The Manager confirms that it has in material terms complied with the provisions of the Compliance Manual and has adhered to the principles and guidelines set out in the CG Code and the Singapore Code which are applicable to Fortune REIT and/or the Manager throughout the Reporting Period.

During the Reporting Period, the Compliance Manual had been amended to update the terms of reference of the Audit Committee pursuant to the latest requirements in Singapore.





BOARD OF DIRECTORS OF THE MANAGER

The board of directors of the Manager (the “**Board**”) is responsible for corporate governance and the overall management of the Manager including establishing goals for management and monitoring the achievement of these goals. All Board members participate in matters relating to corporate governance, business operations and risks, financial performance and the nomination and review of the performance of directors of the Manager (the “**Directors**”). The Board has established a framework for the management of Fortune REIT and the Manager, including a system of internal controls and business risk management processes.

The Board meets regularly to review the Manager’s key activities. Board meetings are held once every quarter (or more often if necessary) to discuss and review the strategies and policies of Fortune REIT, including any significant acquisitions and disposals, annual budget, financial performance of Fortune REIT and to approve the release of the financial results. The Board also reviews the risks to Fortune REIT’s assets, and acts upon any comments from the auditors of Fortune REIT (the “**Auditors**”). Ad-hoc Board meetings will be held, as and when necessary, to address significant transactions or issues that may arise in between scheduled meetings. In lieu of physical meetings, written resolutions may also be circulated for approval by the Board.



CORPORATE GOVERNANCE

During the Reporting Period, the Board comprised eight members, seven of whom are Non-Executive Directors (“**NEDs**”). Three of the NEDs are Independent Non-Executive Directors (“**INEDs**”). Ms. Koh Poh Wah was appointed as an INED with effect from 1 August 2017. The biography of Ms. Koh is published on Fortune REIT’s website. The positions of Chairman and Chief Executive Officer are held by two different persons in order to maintain an effective segregation of duties.

The Board has established an Audit Committee, a Disclosures Committee and a Designated Committee with clear terms of reference to assist it in discharging its responsibilities.

- The role of the Audit Committee is to, among other things, safeguard the assets of the Manager and Fortune REIT, assist the Board with discharging its responsibility in maintaining adequate accounting records, develop, maintain and review the effectiveness of the financial reporting systems, internal control and risk management systems and the internal audit function, ensure integrity of financial statements and provide arrangements whereby concerns on financial improprieties or other matters raised by “whistle-blowers” are investigated and appropriate follow up actions are taken. The Audit Committee also, among other things, monitors the procedures established to regulate transactions with “connected person” (as defined in the Code on Real Estate Investment Trusts (the “**REIT Code**”)).
- The role of the Disclosures Committee is to assist the Board in reviewing matters relating to the disclosure of information to the Unitholders and public announcements.
- The role of the Designated Committee is to assist the Board in reviewing matters relating to hedging strategies, financing and refinancing arrangements and transactions involving derivative instruments for hedging purposes.

INTERESTS OF, AND DEALINGS IN UNITS BY DIRECTORS, THE MANAGER OR THE SIGNIFICANT UNITHOLDERS

The Manager has adopted the Code Governing Dealings in Units by Directors or the Manager (the “**Units Dealing Code**”) governing dealings in the securities of Fortune REIT by the Directors, the Manager and senior executives, officers or other employees of the Manager (collectively, the “**Management Persons**”) on terms no less exacting than the required standards of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Hong Kong Listing Rules. Specific enquiry has been made with the Management Persons, who confirmed that they have complied with the required standard set out in the Units Dealing Code during the Reporting Period.

COMMUNICATION BETWEEN FORTUNE REIT'S HONG KONG AND SINGAPORE OFFICES

As the management and operations of Fortune REIT are overseen and conducted by the Manager's management teams and staff located in Hong Kong and Singapore, the Manager will ensure that both offices work as a fully integrated team and communicate regularly and work closely together in meeting the investment objectives of Fortune REIT.

CHANGES OF DIRECTORS' INFORMATION

Subsequent to publication of the Annual Report 2016 of Fortune REIT, the Manager received notifications regarding the following changes of Directors' information during the Reporting Period:

- Mr. Chiu Kwok Hung, Justin is the chairman and director of ARA Asset Management Limited which was delisted from the SGX-ST on 19 April 2017.
- Mr. Lim Hwee Chiang has been appointed as the chairman of the Consultative Committee to the Department of Real Estate, National University of Singapore with effect from 1 May 2017. He is the group chief executive officer and executive director of ARA Asset Management Limited which was delisted from the SGX-ST on 19 April 2017.
- Ms. Chiu Yu, Justina has been appointed as a director of Advance Castle Investment Limited, a special purpose vehicle of Fortune REIT, with effect from 6 March 2017.
- Ms. Cheng Ai Ping has been appointed as a member of the Disciplinary Committee of SGX-ST, with effect from 10 April 2017.

REVIEW OF INTERIM REPORT

The interim report of Fortune REIT for the Reporting Period has been reviewed by the Audit Committee and the Disclosures Committee of the Manager. The interim financial statements have also been reviewed by the Auditors, in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by International Auditing and Assurance Standards Board.

CONNECTED PARTY TRANSACTIONS

Set out below is the information in respect of the connected party transactions involving Fortune REIT and its connected persons as defined in paragraph 8.1 of the REIT Code:

CONNECTED PARTY TRANSACTIONS – INCOME

Save as disclosed under the section headed “Connected Party Transactions with the Trustee Connected Persons”, the following table sets forth information on all connected party transactions from which Fortune REIT derived its income during the Reporting Period:

Name of Connected Party	Relationship with Fortune REIT	Nature of the Connected Party Transaction	Income for the six months ended 30 June 2017 HK\$'000	Rental deposit received as at 30 June 2017 HK\$'000
ARA Asset Management (Fortune) Limited	Manager	Licensing transactions	409	215
A.S. Watson Retail (HK) Limited	Associated company of a significant holder ¹	Leasing and licensing transactions	17,823	2,234
BIGBOXX.com Limited	Associated company of a significant holder ¹	Leasing transactions	1,206	–
Cheung Kong Property Development Limited	Associate of a significant holder ¹	Licensing transactions	21,329	–
Citybase Property Management Limited	Associate of a significant holder ¹	Leasing transactions	1,314	1,609
Hutchison Global Communications Limited	Associated company of a significant holder ¹	Leasing and licensing transactions	767	413
Hutchison International Limited	Associated company of a significant holder ¹	Leasing transactions	1,475	–
Hutchison Telephone Company Limited	Associated company of a significant holder ¹	Licensing transactions	4,591	1,590
PARKnSHOP (HK) Limited	Associated company of a significant holder ¹	Leasing and licensing transactions	76,605	2,148

Name of Connected Party	Relationship with Fortune REIT	Nature of the Connected Party Transaction	Income for the six months ended 30 June 2017 HK\$'000	Rental deposit received as at 30 June 2017 HK\$'000
Sino China Enterprises Limited	Associate of a significant holder ¹	Licensing transactions	8	5
Towerich Limited	Associate of a significant holder ¹	Licensing transactions	33	18
Total			125,560	8,232

Note:

1. Significant holder being Focus Eagle Investments Limited ("**Focus Eagle**").

CONNECTED PARTY TRANSACTIONS – EXPENSES

The following table sets forth information in relation to property management arrangements, third party services and other operational transactions provided by the connected parties for the properties of Fortune REIT during the Reporting Period:

Name of Connected Party	Relationship with Fortune REIT	Nature of the Connected Party Transaction	Expenses for the six months ended 30 June 2017 HK\$'000
Citybase Property Management Limited	Associate of a significant holder ¹	Property management and operations	496
E-Park Parking Management Limited	Associate of a significant holder ¹	Carpark lease agency fee	4,344
Goodwell-Fortune Property Services Limited	Associate of a significant holder ¹	Property and lease management fee and marketing service fee	37,328

CONNECTED PARTY TRANSACTIONS

Name of Connected Party	Relationship with Fortune REIT	Nature of the Connected Party Transaction	Expenses for the six months ended 30 June 2017 HK\$'000
Goodwell Property Management Limited	Associate of a significant holder ¹	Property management and operations	79
Metro Broadcast Corporation Limited	Associated company of a significant holder ¹	Advertising and promotion	258
Whampoa Property Management Limited	Associate of a significant holder ¹	Property management and operations	335
Total			42,840

Note:

1. Significant holder being Focus Eagle.

CONNECTED PARTY TRANSACTIONS – OTHERS

The following table sets forth information in relation to other services provided by the connected parties to Fortune REIT during the Reporting Period:

Name of Connected Party	Relationship with Fortune REIT	Nature of the Connected Party Transaction	Expenses for the six months ended 30 June 2017 HK\$'000
ARA Asset Management (Fortune) Limited	Manager	Manager's fee	77,446
HSBC Institutional Trust Services (Singapore) Limited	Trustee	Trustee's fee	6,345
Knight Frank Petty Limited	Principal valuer	Valuation fees	198
Total			83,989

CONNECTED PARTY TRANSACTIONS WITH THE TRUSTEE CONNECTED PERSONS

Leasing/Licensing Transactions

The following table sets forth information on the leasing/licensing transactions between Fortune REIT and the Trustee (and its directors, senior executives, officers, controlling entities, holding companies, subsidiaries and associated companies as defined in the REIT Code) and the HSBC Group¹ (collectively, the “Trustee Connected Persons”) during the Reporting Period:

Name of Connected Party	Relationship with Fortune REIT	Nature of the Connected Party Transaction	Income for the six months ended 30 June 2017 HK\$'000	Rental deposit received as at 30 June 2017 HK\$'000
Hang Seng Bank Limited	Trustee Connected Persons	Leasing and licensing transactions	9,674	5,138
The Hongkong and Shanghai Banking Corporation Limited (“HSBC”)	Trustee Connected Persons	Leasing and licensing transactions	4,931	2,132
Total			14,605	7,270

Note:

1. *HSBC Group means HSBC and its subsidiaries and unless otherwise expressly stated herein, excludes the Trustee and its proprietary subsidiaries (being the subsidiaries of the Trustee but excluding those subsidiaries formed in its capacity as the trustee of Fortune REIT). Specifically, HSBC Group includes Hang Seng Bank Limited and its subsidiaries.*

PROVISION OF ORDINARY BANKING AND FINANCIAL SERVICES

Fortune REIT has engaged HSBC Group to provide ordinary course of banking and financial services (namely, bank deposits and interest earned therefrom and loan facilities including interest and charges paid thereto) within the Reporting Period.

DISCLOSURE OF INTERESTS

UNIT CAPITAL

The total number of issued units as at 30 June 2017 is 1,905,208,839 units.

HOLDINGS OF SIGNIFICANT UNITHOLDERS AND OTHER UNITHOLDERS

As at 30 June 2017, each of the following persons was considered a “significant Unitholder”, and hence a “connected person” of Fortune REIT, for the purpose of the REIT Code:

Name	Direct interest		Deemed interest	
	Number of Units Held Long Position	Percentage of Unit Holdings	Number of Units Held Long Position	Percentage of Unit Holdings
Focus Eagle ¹	413,074,684	21.68%	–	–
Cheung Kong Property Holdings Limited (“CK Property”) ¹	–	–	525,630,684	27.59%
Schroders Plc ²	–	–	224,098,568	11.76%

In addition to the significant Unitholders as disclosed above, each of the following persons held, or was deemed to hold 5% or more of the issued units as at 30 June 2017:

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
Ballston Profits Limited ¹	112,556,000	5.91%	–	–

Notes:

1. *Focus Eagle and Ballston Profits Limited were indirect wholly-owned subsidiaries of CK Property. Therefore, CK Property was deemed to hold 525,630,684 units, of which: (i) 431,074,684 units were held by Focus Eagle; and (ii) 112,556,000 units were held by Ballston Profits Limited.*
2. *Schroders Plc was deemed to be interested in 224,098,568 units of which:*
 - (a) *70,898,400 units were held by Schroder Investment Management Limited;*
 - (b) *72,223,000 units were held by Schroder Investment Management (Singapore) Limited;*
 - (c) *79,728,000 units were held by Schroder Investment Management (Hong Kong) Limited;*
 - (d) *80,000 units were held by Schroders (C.I.) Limited; and*
 - (e) *1,169,168 units were held by Schroder & Co (Asia) Limited.*

INTERESTS OF THE MANAGER

As at 30 June 2017, the Manager held 543 units, or approximately 0.00003% of the issued units of Fortune REIT.

INTERESTS OF THE DIRECTORS AND SENIOR EXECUTIVES

Details of the unitholding interests of the Directors and senior executives of Fortune REIT as at 30 June 2017 were as follows:

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

Note:

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

DISCLOSURE OF INTERESTS

HOLDINGS OF THE OTHER CONNECTED PERSONS

HSBC Group, being the Trustee Connected Persons of Fortune REIT, held 31,233,000 units, or approximately 1.64% of the issued units of Fortune REIT as at 30 June 2017.

Saved as disclosed above, the Manager is not aware of any connected persons (as defined under the REIT Code) of Fortune REIT holding any units of Fortune REIT as at 30 June 2017.

To the best knowledge of the Manager and save as disclosed, the following sets out changes in the beneficial interest of certain connected persons of Fortune REIT, in compliance with rule 8.2(a) of the REIT Code, by reference to comparison of their respective beneficial interests as at 30 June 2017 and 31 December 2016:

- (a) Schroders Plc was beneficially interested in 224,098,568 units as at 30 June 2017 and 190,386,831 units as at 31 December 2016;
- (b) The Manager was beneficially interested in 543 units as at 30 June 2017 and 2,814,276 units as at 31 December 2016;
- (c) HSBC Group was beneficially interested in 31,233,000 units as at 30 June 2017 and 26,402,188 units as at 31 December 2016; and
- (d) Mr. Richard Waichi Chan, a director of Focus Eagle, and his associate were beneficially interested in 100,000 units as at 30 June 2017 and 31 December 2016.

OTHER INFORMATION

EMPLOYEES

Fortune REIT is managed by the Manager and does not employ any staff itself.

NEW UNITS ISSUED

As at 30 June 2017, the total number of issued units of Fortune REIT was 1,905,208,839. As compared with the position as at 31 December 2016, a total of 6,258,267 new units were issued during the Reporting Period in the following manner:

- On 3 January 2017, 3,177,375 new units were issued to the Manager at the price of HK\$8.6550 per unit (being ascribed in the Trust Deed) as payment in full of the Manager's base fee of approximately HK\$27.5 million payable by Fortune REIT for the period from 1 October 2016 to 31 December 2016.
- On 5 April 2017, 3,080,892 new units were issued to the Manager at the price of HK\$8.7320 per unit (being ascribed in the Trust Deed) as payment in full of the Manager's base fee of approximately HK\$26.9 million payable by Fortune REIT for the period from 1 January 2017 to 31 March 2017.

REPURCHASE, SALE OR REDEMPTION OF UNITS

During the Reporting Period, other than the disposal of 9,072,000 units by the Manager, there was no repurchase, sale or redemption of the units of Fortune REIT by Fortune REIT or its subsidiaries.

PUBLIC FLOAT

As far as the Manager is aware, more than 25% of the issued and outstanding units of Fortune REIT were held in public hands as at 30 June 2017.

CORPORATE INFORMATION

MANAGER

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DIRECTORS OF THE MANAGER

CHUI Sing Loi (alias TSUI Sing Loi), *Chairman and Independent Non-Executive Director*

CHIU Kwok Hung, Justin, *Non-Executive Director*

LIM Hwee Chiang, *Non-Executive Director*

YEUNG, Eirene, *Non-Executive Director*

MA Lai Chee, Gerald, *Non-Executive Director*

CHIU Yu, Justina, *Chief Executive Officer and Executive Director*

CHENG Ai Ping, *Independent Non-Executive Director*

YEO Annie (alias YEO May Ann), *Independent Non-Executive Director*

KOH Poh Wah, *Independent Non-Executive Director*⁽¹⁾

⁽¹⁾ Appointed with effect from 1 August 2017

COMPANY SECRETARY OF THE MANAGER

YEOH Kar Choo, Sharon

TRUSTEE

HSBC Institutional Trust Services (Singapore) Limited

LEGAL ADVISER AS TO HONG KONG LAW

Woo Kwan Lee & Lo

LEGAL ADVISER AS TO SINGAPORE LAW

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REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF ARA ASSET MANAGEMENT (FORTUNE) LIMITED

INTRODUCTION

We have reviewed the condensed consolidated financial statements set out on pages 28 to 55, which comprises the condensed consolidated statement of financial position of Fortune Real Estate Investment Trust (“**Fortune REIT**”) as of 30 June 2017 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in net assets attributable to unitholders, condensed consolidated statement of cash flows and distribution statement for the six-month period then ended and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on condensed consolidated financial statements to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“**IAS 34**”) issued by the International Accounting Standards Board. ARA Asset Management (Fortune) Limited, as manager of Fortune REIT, is responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of these condensed consolidated financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

28 July 2017

FINANCIAL STATEMENTS

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Notes	Six months ended 30 June	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Revenue	4	1,003,274	979,064
Property operating expenses	6	(253,754)	(251,263)
Net property income (before manager's performance fee)		749,520	727,801
Manager's performance fee		(22,496)	(21,876)
Net property income		727,024	705,925
Manager's base fee		(54,950)	(53,931)
Foreign currency exchange gain		70	282
Interest income		342	1,405
Trust expenses	7	(8,145)	(9,813)
Change in fair value of investment properties	12	1,096,953	223,368
Change in fair value of derivative financial instruments		(84,280)	(100,663)
Borrowing costs	8	(132,645)	(139,958)
Profit before taxation and transactions with unitholders	9	1,544,369	626,615
Income tax expense	10	(110,449)	(105,604)
Profit for the period, before transactions with unitholders		1,433,920	521,011
Distributions to unitholders		(487,324)	(470,008)
Profit for the period, after transactions with unitholders		946,596	51,003
Other comprehensive income – item that may be reclassified subsequently to profit or loss			
Net gain on derivative financial instruments under cash flow hedge		–	7,041
Total comprehensive income for the period		946,596	58,044
Income available for distribution to unitholders		487,324	470,008
Basic earnings per unit (HK cents)	11	75.24	27.51

DISTRIBUTION STATEMENT

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Profit for the period, before transactions with unitholders	1,433,920	521,011
Adjustments:		
Manager's base fee	54,950	53,931
Change in fair value of investment properties	(1,096,953)	(223,368)
Change in fair value of derivative financial instruments	84,280	100,663
Non-tax deductible front end fees	4,852	10,676
Foreign currency exchange gain	(70)	(282)
Other non-tax deductible trust expenses	6,345	7,377
Income available for distribution (Note (i))	487,324	470,008
Distribution per unit (HK cents) (Note (ii))	25.53	24.78

Notes:

- (i) The distribution policy of Fortune REIT has been amended on 26 March 2010 pursuant to the extraordinary resolution passed on the same date for the purpose of allowing Fortune REIT to comply with the relevant Hong Kong regulatory requirements, including the Code on Real Estate Investment Trusts (the "REIT Code") issued by the Securities and Futures Commission of Hong Kong ("SFC"). The current distribution policy, as amended, obliges Fortune REIT to distribute to unitholders on a semi-annual basis, the higher of (a) 100% of its tax-exempt income (exclude dividends paid out of interest income and gains, if any, which are distributable at the discretion of ARA Asset Management (Fortune) Limited (the "Manager")) after deduction of applicable expenses ("Net Tax-Exempt Income"); and (b) 90% of consolidated net profit after tax (before transactions with unitholders) for the relevant financial period adjusted to eliminate the effects of certain adjustments in the REIT Code ("Net Profit After Tax").

Net Tax-Exempt Income and Net Profit After Tax for the six months ended 30 June 2017 is HK\$487.3 million (six months ended 30 June 2016: HK\$470.0 million) and HK\$451.7 million (six months ended 30 June 2016: HK\$437.0 million), respectively. Accordingly, the income available for distribution, based on the Net Tax-Exempt Income, of HK\$487.3 million (six months ended 30 June 2016: HK\$470.0 million) would be distributed to unitholders for the six months ended 30 June 2017.

- (ii) The distribution per unit of 25.53 HK cents for the six months ended 30 June 2017 (six months ended 30 June 2016: 24.78 HK cents) is calculated based on the income available for distribution of HK\$487.3 million for the six months ended 30 June 2017 (six months ended 30 June 2016: HK\$470.0 million) over 1,908,173,581 units (30 June 2016: 1,896,137,133 units), representing issued units as at 30 June 2017 of 1,905,208,839 units (30 June 2016: 1,893,151,293 units) plus the number of units issued after the distribution period to the Manager as settlement of the Manager's base fee for its service in the second quarter of 2017 of 2,964,742 units (second quarter of 2016: 2,985,840 units). The distribution amounting to HK\$487.3 million (six months ended 30 June 2016: HK\$470.0 million) will be paid on 29 August 2017 (six months ended 30 June 2016: 29 August 2016).

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	12	37,500,000	36,368,000
Derivative financial instruments	13	3,358	50,702
Total non-current assets		37,503,358	36,418,702
Current assets			
Trade and other receivables	14	77,345	67,280
Bank balances and cash		541,672	585,217
Total current assets		619,017	652,497
Total assets		38,122,375	37,071,199
Non-current liabilities			
Derivative financial instruments	13	40,437	4,965
Borrowings	15	10,368,643	10,229,967
Deferred tax liabilities		441,417	426,802
Total non-current liabilities		10,850,497	10,661,734
Current liabilities			
Trade and other payables	16	754,648	753,220
Borrowings	15	370,000	630,000
Derivative financial instruments	13	1,834	370
Distribution payable		487,324	465,183
Provision for taxation		111,643	15,809
Total current liabilities		1,725,449	1,864,582
Total liabilities, excluding net assets attributable to unitholders		12,575,946	12,526,316
Net assets attributable to unitholders		25,546,429	24,544,883
Units in issue and to be issued ('000)	17	1,908,174	1,902,128
Net asset value per unit attributable to unitholders (HK\$)	18	13.39	12.90

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the six months ended 30 June 2017

	Units in issue and to be issued HK\$'000	Unit issue costs HK\$'000	Retained profits HK\$'000	Total HK\$'000
Net assets attributable to unitholders as at 1 January 2017 (Audited)	7,879,828	(286,279)	16,951,334	24,544,883
OPERATIONS				
Profit for the period, before transactions with unitholders	–	–	1,433,920	1,433,920
Distribution paid and payable of 25.53 HK cents per unit for the six months ended 30 June 2017	–	–	(487,324)	(487,324)
Total comprehensive income for the period	–	–	946,596	946,596
UNITHOLDERS' TRANSACTIONS				
Creation of units – Manager's base fee paid/payable in units	54,950	–	–	54,950
Increase in net assets resulting from unitholders' transactions	54,950	–	–	54,950
Net assets attributable to unitholders as at 30 June 2017 (Unaudited)	7,934,778	(286,279)	17,897,930	25,546,429

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the six months ended 30 June 2017

	Units in issue and to be issued HK\$'000	Unit issue costs HK\$'000	Hedging reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Net assets attributable to unitholders as at 1 January 2016 (Audited)	7,771,032	(286,279)	(7,041)	16,628,612	24,106,324
OPERATIONS					
Profit for the period, before transactions with unitholders	–	–	–	521,011	521,011
Distribution paid and payable of 24.78 HK cents per unit for the six months ended 30 June 2016	–	–	–	(470,008)	(470,008)
Change in fair value of derivative financial instruments under cash flow hedge	–	–	3,256	–	3,256
Release to profit or loss	–	–	3,785	–	3,785
Total comprehensive income for the period	–	–	7,041	51,003	58,044
UNITHOLDERS' TRANSACTIONS					
Creation of units					
– Manager's base fee paid/ payable in units	53,931	–	–	–	53,931
Increase in net assets resulting from unitholders' transactions	53,931	–	–	–	53,931
Net assets attributable to unitholders as at 30 June 2016 (Unaudited)	7,824,963	(286,279)	–	16,679,615	24,218,299

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Net cash from operating activities	710,318	737,341
Net cash used in investing activities:		
Upgrading of investment properties	(35,047)	(46,632)
Other investing cash flows	344	1,360
	(34,703)	(45,272)
Net cash used in financing activities:		
Drawdown of borrowings	1,570,000	364,052
Repayment of borrowings	(1,696,300)	(400,000)
Distribution paid	(465,070)	(444,514)
Payment of debt front end fee	(12,000)	(32,000)
Borrowing costs paid	(115,790)	(118,465)
	(719,160)	(630,927)
Net (decrease)/increase in cash and cash equivalents	(43,545)	61,142
Cash and cash equivalents at beginning of the period	585,217	710,339
Cash and cash equivalents at end of the period, represented by bank balances and cash	541,672	771,481
Represented by:		
Cash at banks and in hand	541,672	535,981
Fixed deposits with original maturity date less than 3 months	–	235,500
	541,672	771,481

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1 GENERAL

Fortune Real Estate Investment Trust (“**Fortune REIT**”) is a real estate investment trust constituted by a trust deed entered into on 4 July 2003 (as amended) (the “**Trust Deed**”) between ARA Asset Management (Fortune) Limited, as the manager of Fortune REIT (the “**Manager**”), and HSBC Institutional Trust Services (Singapore) Limited, as the trustee of Fortune REIT (the “**Trustee**”). Fortune REIT is primary listed on The Stock Exchange of Hong Kong Limited (“**SEHK**”) and secondary listed on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”).

The principal activity of Fortune REIT is investment holding whereas its subsidiaries (together with Fortune REIT referred to as the “**Group**”) is to own and invest in a portfolio of retail shopping malls located in Hong Kong with the primary objective of producing stable distributions for unitholders and to achieve long term growth in the net asset value per unit.

2 BASIS OF PREPARATION

The condensed consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of Fortune REIT.

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on SEHK and with International Accounting Standard 34 “Interim Financial Reporting” and the relevant disclosure requirements set out in Appendix C of the Code on Real Estate Investment Trusts issued by the Securities and Futures Commission of Hong Kong.

The Manager is of the opinion that, taking into account the fair value of investment properties, presently available undrawn banking facilities and internal financial resources of the Group, the Group has sufficient working capital for its present requirements within one year from the end of the reporting period. Hence, the condensed consolidated financial statements have been prepared on a going concern basis.

3 PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis, except for investment properties and certain financial instruments, which are measured at fair values.

The accounting policies used in these condensed consolidated financial statements are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016 except as described below.

The International Accounting Standards Board has issued a number of new and amendments to International Financial Reporting Standards ("**IFRSs**"). The adoption of these IFRSs which are effective for the Group's annual accounting period beginning on 1 January 2017 has no significant impact on the Group's results and financial position.

The Group has not early adopted the following new and amendments to IFRSs which were issued and are pertinent to its operations but not yet effective:

IFRS 9	Financial Instruments ¹
IFRS 15	Revenue from Contracts with Customers and related Amendments ¹
IFRS 16	Leases ²
IFRIC 23	Uncertainty over Income Tax Treatments ²
Amendments to IAS 40	Transfers of Investment Property ¹

Notes:

1. *Effective for annual periods beginning on or after 1 January 2018*
2. *Effective for annual periods beginning on or after 1 January 2019*

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

IFRS 9 Financial Instruments

IFRS 9 introduced new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

IFRS 9 Financial Instruments (Continued)

- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39 *Financial Instruments: Recognition and Measurement*. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Manager has reviewed the Group's financial instruments as at 30 June 2017 and anticipated that the application of IFRS 9 is not likely to have material impact on the results and financial position of the Group based on an analysis of the Group's existing business model.

The other new and amendments to IFRSs that are not yet effective are not expected to have any material impact on the Group when they become effective.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

4 REVENUE

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Base rental	730,644	712,428
Charge-out collections	173,097	171,310
Other rental	97,666	95,005
Other income	1,867	321
	1,003,274	979,064

5 SEGMENTAL REPORTING

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, which is the management of the Manager, in order to allocate resources to segments and to assess their performance.

The Group owns 17 (31 December 2016: 17) properties as at 30 June 2017 which are located in Hong Kong. Revenue and net property income of each property (which constitutes an operating segment) is the measure reported to the Manager for the purposes of resource allocation and performance assessment. The Manager considers that all existing properties held by the Group, consisting of retail shopping malls, have similar economic characteristics and have similar nature in providing leasing service to similar type of retail tenants for rental income. In addition, the cost structure and the economic environment in which they operate are similar. Therefore, the Manager concluded that each of the properties or operating segments are aggregated into a single reportable segment and no further analysis for segment information is presented.

6 PROPERTY OPERATING EXPENSES

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Building management expenses	106,760	102,154
Utilities	20,420	25,777
Government rents and rates	53,450	51,579
Property manager fee	23,380	22,794
Carpark operating expenses	13,890	12,944
Advertising and promotion	9,262	11,579
Legal and other professional fees	5,011	6,393
Leasing commission and marketing services fee	14,529	11,329
Others	7,052	6,714
	253,754	251,263

7 TRUST EXPENSES

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Trustee's fee	6,345	6,276
Other charges	1,800	3,537
	8,145	9,813

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

8 BORROWING COSTS

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Interest expense on		
– term loans	87,445	81,232
– revolving loans	1,942	5,658
Equalisation of interest expense through interest rate swaps and caps	24,397	34,588
Commitment fee	1,885	1,084
Front end fees		
– amortisation	12,817	17,197
– written off upon early repayment of term loans	4,159	199
	132,645	139,958

9 PROFIT BEFORE TAXATION AND TRANSACTIONS WITH UNITHOLDERS

Profit before taxation and transactions with unitholders is arrived at after charging:

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Fees to external auditor	1,644	1,559
Fees to internal auditor	170	170
Valuation fees (paid to principal valuer)	198	193

10 INCOME TAX EXPENSE

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Current tax:		
– Hong Kong	95,834	90,076
Deferred taxation	14,615	15,528
	110,449	105,604

Fortune REIT's subsidiaries in Hong Kong are subject to Hong Kong Profits Tax at 16.5% (six months ended 30 June 2016: 16.5%) for the period. Fortune REIT, which is established in Singapore, is subject to Singapore income tax at 17% (six months ended 30 June 2016: 17%) for the period. No provision for Singapore income tax has been made as Fortune REIT had no assessable profit for the period.

Deferred tax is provided on temporary differences in relation to accelerated tax depreciation and tax losses using the applicable rate of 16.5%. The investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time and hence the presumption that the carrying amounts are recovered entirely through sale is not rebutted.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

11 EARNINGS PER UNIT

Basic earnings per unit is calculated by dividing the profit for the period, before transactions with unitholders of HK\$1,433.9 million (six months ended 30 June 2016: HK\$521.0 million) by the weighted average of 1,905,692,529 units (six months ended 30 June 2016: 1,893,604,897 units) outstanding during the period.

No diluted earnings per unit is presented as there are no potential units in issue during the financial period nor outstanding at the end of the financial period.

12 INVESTMENT PROPERTIES

	For the six months ended 30 June 2017 HK\$'000 (Unaudited)	For the year ended 31 December 2016 HK\$'000 (Audited)
Fair Value		
At beginning of the period/year	36,368,000	35,918,000
During the period/year:		
Capital expenditure incurred in upgrading investment properties	35,047	72,961
Change in fair value of investment properties	1,096,953	377,039
At end of the period/year	37,500,000	36,368,000

12 INVESTMENT PROPERTIES (Continued)

Notes:

- (i) *In estimating the fair value of investment properties, it is the Group's policy to engage an independent qualified external valuer to perform the valuation. The Manager works closely with the valuer to establish appropriate inputs to the valuation model.*

On 30 June 2017 and 31 December 2016, independent valuations were undertaken by Knight Frank Petty Limited ("Knight Frank") and Savills Valuation and Professional Services Limited ("Savills"), respectively. These firms are independent qualified external valuer not related to the Group and have appropriate professional qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation of the properties was principally arrived at using income capitalisation approach which is a method of valuation whereby the existing net rental incomes (i.e. exclusive of rates, government rent and management fees) of all lettable units of each property are capitalised for the respective unexpired terms of contractual tenancies whilst vacant units are assumed to be let at their respective market rents as at the valuation date. In the valuation, the market rentals of all lettable units of the properties are assessed and capitalised at market yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighbourhood. The market yield which is the capitalisation rate adopted is made by reference to the yields derived from analysing the sales transactions of similar properties in Hong Kong and adjusted to take account of the valuer's knowledge of the market expectation from property investors to reflect factors specific to the Group's investment properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The adopted capitalisation rates in the valuation range from 4.3%–5.0% (31 December 2016: 4.3%–5.0%). The capitalisation rate is one of the key parameters in the valuation method of income capitalisation and they involve professional judgment in relation to the adjustments made by the valuer. A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.

- (ii) *As at 30 June 2017, properties with total fair value of HK\$10,033.0 million (31 December 2016: HK\$15,286.0 million) have been mortgaged as collaterals for credit facilities granted by the banks.*

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

13 DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Derivative financial instruments are analysed as:		
Derivatives not under hedge accounting:		
Interest rate swaps and caps	(38,913)	45,367
Reflected on condensed consolidated statement of financial position based on remaining contractual maturity as:		
Non-current assets	3,358	50,702
Non-current liabilities	(40,437)	(4,965)
Current liabilities	(1,834)	(370)
	(38,913)	45,367

The Group uses interest rate swaps and caps as hedging instruments in order to manage its exposure to interest rate movements on its bank borrowings by swapping a proportion of these borrowings from floating rates to fixed rates.

Derivatives not under hedge accounting:

Contracts not under hedge accounting with total notional amount of HK\$6,463.2 million (31 December 2016: HK\$7,299.2 million) as at 30 June 2017 will mature from April 2018 to April 2021 (31 December 2016: March 2017 to April 2021). These contracts have fixed interest payments at rates ranging from 0.67% to 1.85% (31 December 2016: 0.21% to 1.85%) per annum and have floating interest receipts at one or three months Hong Kong Inter-bank Offered Rate (“HIBOR”) or at three months HIBOR minus 1.50% if HIBOR is within a pre-determined range (if applicable) with HIBOR being repriced every three months.

The change in fair value of the derivative financial instruments not under hedge accounting amounting to a loss of HK\$84.3 million (six months ended 30 June 2016: HK\$96.9 million), is recognised in the profit or loss for the six months ended 30 June 2017.

13 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Derivatives not under hedge accounting: (Continued)

During the six months ended 30 June 2016, certain interest rate swap contracts previously designated under hedge accounting were no longer highly effective, the respective cumulative losses from inception of the hedge until then that was previously recognised in hedging reserve remains in equity and is released to profit or loss over the periods during which the interest payment in relation to the interest rate swap contracts affects the profit or loss. Release of such cumulative losses from the hedging reserve amounted to HK\$3.8 million. Accordingly, the total change in fair value of derivative financial instruments recognised in profit or loss for the six months ended 30 June 2016 was a net loss of HK\$100.7 million.

Derivatives under hedge accounting:

Contract with notional amount of HK\$708.2 million were highly effective and matured in April 2016. These contracts had fixed interest payments at 2.017% per annum for the six months ended 30 June 2016 and had floating interest receipts at three months HIBOR being repriced every three months.

The change in fair value of the derivative financial instruments, amounting to a gain of HK\$3.3 million was recognised in other comprehensive income for the six months ended 30 June 2016.

The derivative financial instruments are measured at fair value at the end of the reporting period. Their fair values are determined based on the discounted future cash flows using the applicable yield curve for the remaining duration of the instruments.

The fair value of derivative financial instruments falls under Level 2 of the fair value hierarchy and is based on valuation of the instruments provided by the counterparty banks, which are determined using interest rates implied from observable market inputs such as market interest rates yield curves and contracted interest rates discounted at a rate that reflects the credit risk of various counterparties.

As at 30 June 2017 and 31 December 2016, none of the derivatives financial instruments was under hedge accounting.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

14 TRADE AND OTHER RECEIVABLES

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
(a) Trade receivables:		
Outside parties	29,974	32,941
Related parties (Note 22)	7,249	379
	37,223	33,320
(b) Other receivables and prepayments:		
Security deposits	27,901	28,102
Other receivables	8,904	3,840
Prepayments	3,317	2,018
	40,122	33,960
	77,345	67,280

Aging analysis of the Group's trade receivables presented based on the invoice date at the end of the reporting period is as follows:

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
0–30 days	32,516	33,139
31–90 days	3,918	102
Over 90 days	789	79
	37,223	33,320

15 BORROWINGS

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Secured term loans	3,100,000	5,321,360
Unsecured term loans	7,355,060	5,000,000
Unsecured revolving loans	370,000	630,000
	10,825,060	10,951,360
Less: unamortised front end fees	(86,417)	(91,393)
	10,738,643	10,859,967
Carrying amount repayable:		
On demand or within one year	370,000	630,000
More than one year, but not more than two years	1,092,674	1,061,448
More than two years, but not more than five years	9,275,969	9,168,519
	10,738,643	10,859,967
Less: Amount due within one year shown under current liabilities	(370,000)	(630,000)
	10,368,643	10,229,967

- (i) On 13 March 2017, Fortune REIT through its wholly owned subsidiary, entered into a 5-year unsecured term loan facility agreement of HK\$1,200.0 million. This facility was used in part to refinance the existing loan facilities due in 2018 and the balance was used to finance the corporate funding requirement of the Group.

As at 30 June 2017, total committed loan facilities amounted to HK\$11,855.1 million (31 December 2016: HK\$11,721.4 million), bear interest at HIBOR plus a margins ranging from 0.98% to 1.40% (31 December 2016: 1.14% to 1.48%).

In addition, the Trustee (in its capacity as Trustee of Fortune REIT) has provided guarantee for all the loan facilities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

15 BORROWINGS (Continued)

- (ii) During the current period, the Group has paid front end fees of HK\$12.0 million (six months ended 30 June 2016: HK\$32.0 million) to the banks to secure the loan facilities. The front end fees are amortised over the respective loan periods. The movements in the front end fees and accumulated amortisation are as follows:

	30 June 2017	31 December 2016
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
At beginning of the period/year	130,000	139,245
Addition	12,000	77,000
Reversal during the period/year	(17,862)	(86,245)
At end of the period/year	124,138	130,000
Movement in accumulated amortisation:		
At beginning of the period/year	(38,607)	(84,218)
Amortised during the period/year	(12,817)	(31,859)
Reversal during the period/year	13,703	77,470
At end of the period/year	(37,721)	(38,607)
Net book values	86,417	91,393

16 TRADE AND OTHER PAYABLES

	30 June 2017	31 December 2016
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
(a) Trade payables:		
Tenants' deposits		
– Outside parties	491,723	471,912
– Related parties (Note 22)	15,502	16,587
Rental received in advance		
– Outside parties	38,102	23,458
	545,327	511,957
(b) Other payables:		
Trustee's fee	2,160	2,122
Other expenses		
– Outside parties	124,167	127,667
– Related parties (Note 22)	55,135	60,660
– Manager (Note 22)	22,496	43,664
Interest payable	3,142	3,249
Others	2,221	3,901
	209,321	241,263
	754,648	753,220

Trade and other payables comprise deposits refundable to tenants upon termination or cancellation of operating lease arrangements and amounts outstanding for ongoing costs. The tenants' deposits are refundable to tenants within 30 days upon the termination of the tenancy agreement.

The tenants' deposits to be settled after twelve months from the end of the reporting period based on lease term amounted to HK\$276.0 million (31 December 2016: HK\$264.2 million) as at 30 June 2017.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

17 UNITS IN ISSUE AND TO BE ISSUED

	Number of units '000	HK\$'000
Balance as at 1 January 2016	1,889,899	7,771,032
Issue of new units during the period:		
As payment of Manager's base fee for the period from 1 January to 30 September 2016	9,052	81,296
Balance in issue as at 31 December 2016	1,898,951	7,852,328
Issue of new units during the period:		
As payment of Manager's base fee for the period from 1 October to 31 December 2016 (Note (i))	3,177	27,500
Balance as at 31 December 2016	1,902,128	7,879,828
Issue of new units during the period:		
As payment of Manager's base fee for the period from 1 January to 31 March 2017	3,081	26,902
Balance in issue as at 30 June 2017	1,905,209	7,906,730
New units to be issued:		
As payment of Manager's base fee for the period from 1 April to 30 June 2017 (Note (i))	2,965	28,048
Balance as at 30 June 2017	1,908,174	7,934,778

Note:

- (i) *Manager's base fee payable to the Manager is in the form of units. On 4 July 2017, Fortune REIT issued 2,964,742 units at an issue price of HK\$9.4605 per unit to the Manager as base fee for the period from 1 April 2017 to 30 June 2017. On 3 January 2017, Fortune REIT issued 3,177,375 units at an issue price of HK\$8.655 to the Manager as base fee for the period from 1 October 2016 to 31 December 2016.*

18 NET ASSET VALUE PER UNIT ATTRIBUTABLE TO UNITHOLDERS

Net asset value per unit is calculated based on the net assets attributable to unitholders of the Group of HK\$25,546.4 million (31 December 2016: HK\$24,544.9 million) and the total number of 1,908,173,581 units (31 December 2016: 1,902,127,947 units) in issue or to be issued, including the new units to be issued as payment of Manager's base fee.

19 NET CURRENT LIABILITIES

As at 30 June 2017, the Group's net current liabilities, defined as current liabilities less current assets, amounted to HK\$1,106.4 million (31 December 2016: HK\$1,212.1 million).

20 TOTAL ASSETS LESS CURRENT LIABILITIES

As at 30 June 2017, the Group's total assets less current liabilities amounted to HK\$36,396.9 million (31 December 2016: HK\$35,206.6 million).

21 CAPITAL COMMITMENTS

As at 30 June 2017, the Group had capital commitments in respect of investment properties which were authorised but not contracted for of HK\$295.1 million (31 December 2016: HK\$301.9 million) and contracted but not provided for of HK\$61.6 million (31 December 2016: HK\$97.4 million).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

22 CONNECTED AND RELATED PARTY TRANSACTIONS

During the period, the Group also entered into the following transactions with connected and related parties:

	Notes	Six months ended 30 June	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Rent and rental related income from			
ARA Asset Management (Fortune) Limited	(e)	409	407
A.S. Watson Retail (HK) Limited	(c)	17,823	16,777
BIGBOXX.com Limited	(c)	1,206	1,139
Cheung Kong Property Development Limited	(b)	21,329	22,831
Citybase Property Management Limited	(b)	1,314	1,885
Hang Seng Bank Limited	(d)	9,674	9,421
HSBC Life (International) Limited	(d)	–	32
Hutchison Global Communications Limited	(c)	767	744
Hutchison International Limited	(c)	1,475	1,463
Hutchison Telephone Company Limited	(c)	4,591	4,568
PARKnSHOP (HK) Limited	(c)	76,605	71,680
Sino China Enterprises Limited	(b)	8	7
Harbour Plaza Resort City Limited	(b)	–	24
The Hongkong and Shanghai Banking Corporation Limited (“HSBC”)	(d)	4,931	7,261
Towerich Limited	(b)	33	32
Carpark lease agency fee for the operations of the Group’s carpark			
E-Park Parking Management Limited	(b)	4,344	4,023

22 CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

	Notes	Six months ended 30 June	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Property management fee			
Citybase Property Management Limited	(b)	496	465
Goodwell-Fortune Property Services Limited	(b)	23,045	22,446
Goodwell Property Management Limited	(b)	79	79
Guardian Property Management Limited	(f)	–	693
Whampoa Property Management Limited	(b)	335	318
Leasing commission and marketing services fee			
Goodwell-Fortune Property Services Limited	(b)	14,283	11,320
Advertising and promotion expenses			
Metro Broadcast Corporation Limited	(c)	258	328
Trustee's fee			
HSBC Institutional Trust Services (Singapore) Limited		6,345	6,276
Manager's base fee			
ARA Asset Management (Fortune) Limited	(e)	54,950	53,931
Manager's performance fee			
ARA Asset Management (Fortune) Limited	(e)	22,496	21,876
Valuation and other fees			
Savills	(g)	–	193
Knight Frank	(g)	198	–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

22 CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

The following are the balances with connected and related parties at the end of the reporting period:

	Notes	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Trade receivables with connected and related companies are as follows:			
Cheung Kong Property Development Limited	(b)	7,025	–
A.S. Watson Retail (HK) Limited	(c)	5	62
Hang Seng Bank Limited	(d)	–	49
HSBC	(d)	–	17
Hutchison Telephone Company Limited	(c)	4	2
PARKnSHOP (HK) Limited	(c)	215	249
		7,249	379
Other payables with connected and related companies are as follows:			
ARA Asset Management (Fortune) Limited	(e)	22,496	43,664
Citybase Property Management Limited	(b)	28,143	25,873
E-Park Parking Management Limited	(b)	738	1,362
Goodwell-Fortune Property Services Limited	(b)	8,796	12,046
Goodwell Property Management Limited	(b)	12,585	15,677
Whampoa Property Management Limited	(b)	4,873	5,702
		55,135	60,660
		77,631	104,324

22 CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

	Notes	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Deposits placed with the Group for the lease of the Group's properties			
ARA Asset Management (Fortune) Limited	(e)	215	211
A.S. Watson Retail (HK) Limited	(c)	2,234	1,647
Citybase Property Management Limited	(b)	1,609	1,608
Hang Seng Bank Limited	(d)	5,138	5,109
HSBC	(d)	2,132	2,112
Hutchison Global Communications Limited	(c)	413	385
Hutchison Telephone Company Limited	(c)	1,590	1,590
PARKnSHOP (HK) Limited	(c)	2,148	3,902
Sino China Enterprises Limited	(b)	5	5
Towerich Limited	(b)	18	18
		15,502	16,587

Notes:

- (a) Significant holder of Fortune REIT (as defined in the REIT Code) being Focus Eagle Investments Limited (the "**Significant Holder**"), which holds approximately 21% of the units of Fortune REIT as at 30 June 2017.
- (b) These companies are subsidiaries of Cheung Kong Property Holdings Limited ("**CK Property**") and CK Property is the holding company of the Significant Holder.
- (c) These companies are associated companies (as defined in the REIT code) of the Significant Holder.
- (d) These companies are fellow subsidiaries of the Trustee.
- (e) This company is the Manager of Fortune REIT.
- (f) This company is a fellow subsidiary of Savills.
- (g) Knight Frank and Savills were the principal valuers of investment properties for the six months ended 30 June 2017 and for the year ended 31 December 2016, respectively.

In addition, the Trustee (in its capacity as trustee of Fortune REIT) has provided guarantees for all loan facilities granted to the Group.

PERFORMANCE TABLE

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Net assets attributable to unitholders (HK\$'000)	25,546,429	24,544,883
Net asset value per unit (HK\$)	13.39	12.90
The highest traded price during the period/year (HK\$)	9.69	10.18
The highest premium of the trade price to net asset value ¹	N/A	N/A
The lowest traded price during the period/year (HK\$)	8.30	7.30
The highest discount of the trade price to net asset value	38.0%	43.4%
The net yield per unit ²	5.3%	5.5%

Notes:

- The highest traded price is lower than the net asset value per unit as at the end of the period. Accordingly, premium of the traded price to net asset value per unit had not been recorded.*
- The net yield per unit for the six months ended 30 June 2017 is an annualized yield based on the distribution per unit for the six months ended 30 June 2017 over the last traded price for the period.*

The net yield per unit for the year ended 31 December 2016 is based on the distribution per unit for the year ended 31 December 2016 over the last traded price for the period.

PORTFOLIO SUMMARY 物業總覽



As at 30 June 2017, Fortune REIT owns a geographically diverse portfolio of 17 retail malls and properties in Hong Kong, comprising approximately 3.18 million Sq.ft. of retail space and 2,713 car parking lots.

於2017年6月30日，置富產業信託的物業組合由17個分佈於香港多個區域的零售商場及物業組成，其中包括約318萬平方呎的零售樓面及2,713個車位。

Property	物業	Gross Rentable Area 可出租總面積 (Sq.ft.) (平方呎)	Valuation 估值 (HK\$ million) (百萬港元)	Occupancy 出租率	No. of Car Parking Lots 車位數目	
1	Fortune City One	置富第一城	414,469	7,623	98.3%	653
2	Fortune Kingswood	置富嘉湖	665,244	6,984	97.7%	622
3	Ma On Shan Plaza	馬鞍山廣場	310,084	5,361	99.4%	290
4	Metro Town	都會駅	180,822	3,570	100%	74
5	Fortune Metropolis	置富都會	332,168	2,471	96.2%	179
6	Laguna Plaza	麗港城商場	163,203	2,382	82.7%	150
7	Belvedere Square	麗城薈	276,862	2,313	99.9%	329
8	Waldorf Avenue	華都大道	80,842	1,618	100%	73
9	Provident Square	和富薈	180,238	1,052	94.0%	N/A
10	Caribbean Square	映灣薈	63,018	1,033	100%	117
11	Jubilee Square	銀禧薈	170,616	873	99.6%	97
12	Smartland	荃薈	123,544	717	95.9%	67
13	Tsing Yi Square	青怡薈	78,836	634	100%	27
14	Centre de Laguna	城中薈	43,000	287	98.9%	N/A
15	Hampton Loft	凱帆薈	74,734	274	66.4%	35
16	Lido Avenue	麗都大道	9,836	190	100%	N/A
17	Rhine Avenue	海韻大道	14,604	118	100%	N/A
Total/Overall Average		合計／總平均值	3,182,120	37,500	96.6%	2,713



新界
NEW TERRITORIES

九龍
KOWLOON

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LANTAU ISLAND

香港島
HONG KONG

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