恒隆地產有限公司
HANG LUNG PROPERTIES LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00101)

2016 INTERIM RESULTS

CONTENTS

FINANCIAL HIGHLIGHTS

in HK$ Million (unless otherwise stated)

RESULTS

	For the Six Months Ended June 30		
	2016	2015	Change
Revenue	**6,311**	4,607	37%
Property Leasing	**3,907**	3,862	1%
Property Sales	**2,404**	745	223%
Operating Profit	**4,320**	3,523	23%
Property Leasing	**2,931**	2,961	-1%
Property Sales	**1,389**	562	147%
Net Profit Attributable to Shareholders	**2,935**	2,841	3%
Earnings Per Share (HK$)	**$0.65**	$0.63	3%
Interim Dividend Per Share (HK$)	**$0.17**	$0.17	-

UNDERLYING RESULTS

	For the Six Months Ended June 30		
	2016	2015	Change
Underlying Net Profit Attributable to Shareholders	**3,167**	2,448	29%
Underlying Earnings Per Share (HK$)	**$0.70**	$0.55	27%

FINANCIAL POSITION

	At June 30	At December 31	
	2016	2015	Change
Shareholders' Equity	**127,817**	128,989	-1%
Net Assets	**133,677**	134,892	-1%
Net Debt	**2,834**	1,482	91%
Financial Ratio			
Net Debt to Equity Ratio	**2.1%**	1.1%	1.0pt
Debt to Equity Ratio	**23.6%**	24.3%	-0.7pt
Shareholders' Equity Per Share (HK$)	**$28.4**	$28.7	-1%
Net Assets Per Share (HK$)	**$29.7**	$30.0	-1%

REVIEW OF OPERATIONS

CONSOLIDATED RESULTS

For the six months ended June 30, 2016, total revenue of Hang Lung Properties Limited and its subsidiaries (collectively known as "Hang Lung Properties") increased 37% to HK$6,311 million driven by higher property sales. Property sales revenue rose 223% to HK$2,404 million as more residential units were sold during the first half of 2016. Revenue of property leasing posted a moderate growth to HK$3,907 million, or up 5% if excluding the 6% period-on-period Renminbi ("RMB") depreciation against the Hong Kong Dollar ("HKD"). Correspondingly, total operating profit advanced 23% to HK$4,320 million.

Underlying net profit attributable to shareholders advanced 29% to HK$3,167 million. After including a revaluation loss on investment properties due to a lower valuation of the mainland China leasing portfolio, net profit attributable to shareholders increased 3% to HK$2,935 million. Earnings per share increased similarly to HK$0.65.

Revenue and Operating Profit for the Six Months Ended June 30

	Revenue			Operating Profit		
	2016	2015	Change	**2016**	2015	Change
	HK$ Million	HK$ Million		**HK$ Million**	HK$ Million	
Property Leasing	**3,907**	3,862	1%	**2,931**	2,961	-1%
Mainland China	**2,038**	2,118	-4%	**1,327**	1,464	-9%
Hong Kong	**1,869**	1,744	7%	**1,604**	1,497	7%
Property Sales	**2,404**	745	223%	**1,389**	562	147%
Total	**6,311**	4,607	37%	**4,320**	3,523	23%

DIVIDEND

The Board of Directors has declared an interim dividend of HK17 cents per share for 2016 (2015: HK17 cents) to be paid by cash on September 29, 2016, to shareholders whose names appeared on the register of members on September 15, 2016.

PROPERTY LEASING

For the first six months of 2016, total revenue of property leasing increased 1% to HK$3,907 million. The Hong Kong leasing portfolio recorded a rental growth of 7% amidst a challenging environment. The benefits of asset enhancement initiatives and tenant mix optimization continued to materialize. Revenue of our investment properties in mainland China decreased by 4% to HK$2,038 million. On a like-for-like basis, however, rental income in mainland China grew 2% when excluding the 6% RMB depreciation effect during the first half of 2016. Overall operating profit of property leasing declined 1% to HK$2,931 million.

Mainland China

For the first half of 2016, the economy in mainland China remained weak. Against the backdrop of slower economic growth coupled with RMB depreciation, sales of high-end goods continued to be sluggish. Moreover, rental income of our Plaza 66 in Shanghai was affected during the mall’s renovation and this short-term interruption has been carefully managed with good progress in the pre-leasing of renovated spaces.

In response to these challenges, we implemented various measures to relieve pressure on revenue and reduce costs. These included accelerating tenant remix, upgrading our facilities and service standards, launching more creative and effective promotion campaigns, and implementing various cost reduction measures, etc.

On May 1, 2016, the final phase of the transition from the Business Tax to Value Added Tax (“VAT”) regime took effect and became applicable to the real estate sector, among other industries. We have taken appropriate measures to ensure a smooth transition to the new tax regime.

Total revenue of mainland China properties decreased 4% to HK$2,038 million. Operating profit retreated by 9% to HK$1,327 million. Average margin dropped four points to 65%. If excluding the 6% RMB depreciation effect, revenue and operating profit of our mainland China portfolio increased by 2% and decreased by 3%, respectively. The mainland China portfolio accounted for 52% and 45% of the total leasing revenue and operating profit of Hang Lung Properties, respectively.

Mainland China Property Leasing Portfolio for the Six Months Ended June 30

Name and City of the Property	**Revenue** (HK$ Million)				**Occupancy Rate at June 30, 2016**	
	2016	2015	Change	*In RMB Terms*	Mall	Office
Shanghai Plaza 66	**778**	847	-8%	-2%	83%	96%
Shanghai Grand Gateway 66	**576**	607	-5%	1%	96%	N/A
Shenyang Palace 66	**83**	84	-1%	5%	89%	N/A
Shenyang Forum 66	**142**	136	4%	11%	84%	49%
Jinan Parc 66	**160**	168	-5%	1%	84%	N/A
Wuxi Center 66	**142**	155	-8%	-2%	76%	58%
Tianjin Riverside 66	**114**	121	-6%	-	82%	N/A
Dalian Olympia 66*	**43**	N/A	N/A	N/A	62%	N/A
Total	**2,038**	2,118	-4%	2%		

* Soft opening on December 18, 2015.

- *Shopping Malls*

Our eight shopping malls in mainland China collectively generated HK$1,559 million in rents in the first half of 2016, down 7% over the previous corresponding period. Revenue of the malls accounted for 76% of the total revenue of mainland China.

The asset enhancement works at the Shanghai Plaza 66 shopping mall started in September 2015. The basement of the mall has been closed for renovation since March 2016. All the works should be completed in stages by early 2017. The asset enhancement works at Shanghai Grand Gateway 66 shopping mall will start in the first quarter of 2017. Although some leases were renewed on a short-term basis during this period, a small amount was not renewed pending imminent commencement of work in those spaces. As a result, the occupancy rate of the shopping malls at Plaza 66 and Grand Gateway 66 decreased by 17 points and two points, respectively, compared to a year ago. While these asset enhancement initiatives will mean a short-term disruption of revenue, they help to enhance our long-term competitiveness and profitability. Rental revenue of our two flagship malls in Shanghai fell 8% to HK$971 million, with Plaza 66 decreasing by 13% to HK$395 million (or down 7% in RMB terms) and Grand

Gateway 66 retreating by 5% to HK$576 million (but up 1% in RMB terms). Retail sales at the Plaza 66 mall and Grand Gateway 66 mall also decreased by 2% and 6%, respectively.

The performance of our six malls outside Shanghai was mixed as they were at different stages of their gestation period. Amidst a challenging retail market, revenue of Palace 66 in Shenyang, the first mall opened outside Shanghai, was up 5% in RMB terms, otherwise was down 1%. Occupancy rate rose five points to 89% with continued enhancement in tenant mix. Revenue of Parc 66 in Jinan rose 1% in RMB terms, otherwise was down 5%. In the interim, occupancy dropped six points to 84% due to planned replacement of both fashion and F&B tenants during the year. Such improvements are consistent with the strategy of a gradual tenancy upgrade, led by the grand opening of the first Apple Store in Jinan at Parc 66 in May 2016.

Our shopping malls at Forum 66 in Shenyang and Center 66 in Wuxi, which house a relatively larger number of high-end tenants, were affected by the weakened luxury market and therefore had to make some downward adjustment to rent and work with non-renewals. Occupancy of Forum 66 retreated by four points to 84% and that at Center 66 slipped one point to 76%. Their aggregated revenue dropped by 25%. Retail sales at the Forum 66 mall declined 5% while Center 66 mall (excluding car sales) recorded moderate growth. With the growing occupancy of their newly opened Grade A office towers, we expect that the increased footfall and continuous optimization of trade mix will help to improve the future performance of both malls.

Revenue of Riverside 66 in Tianjin was stable in RMB terms. While more popular brands were introduced to the mall during the period, Apple chose Riverside 66 as the home of their first Norman Foster (world renowned architect) designed flagship store in China, which opened in March 2016. During the course of trade mix reshuffle, occupancy rate dropped six points to 82% by the end of June 2016. Retail sales increased by 6%.

Our newest mall, Olympia 66 in Dalian, had its soft opening last December. Occupancy reached 62% by the end of June 2016, with a lively trade mix including Apple Store, Palace Cinema, Olé supermarket and up-market fashion and accessories.

- *Office*

The office portfolio in mainland China posted a 10% rental growth to HK$479 million, mainly attributable to higher contributions from the new office towers in Wuxi and Shenyang.

The enhancement works for Office Tower One at Plaza 66 in Shanghai were almost completed. A similar program for Office Tower Two has also started. The whole upgrade program will be completed in phases by 2018. So far the works have had no adverse impact on the revenue of the two office towers at Plaza 66. Revenue increased by 3% in RMB terms, otherwise was down 3% year-on-year. Occupancy rate stayed flat at 96%.

Our new office towers at Wuxi Center 66 and Shenyang Forum 66 commenced operation in October 2014 and January 2015, respectively. Both Grade A office towers have already established a leading position and commanded premium rents in their respective markets. Revenue of the two office towers jumped 146% to HK$96 million. Occupancy rate of the Center 66 office tower was 58%, one point up, and that of the Forum 66 office tower increased to 49% at the reporting date.

Hong Kong

The benefits of asset enhancement initiatives continued to flow through. Despite lukewarm economic growth and sliding retail sales in Hong Kong, revenue and operating profit of our diversified Hong Kong leasing portfolio increased 7% to HK$1,869 million and HK$1,604 million. Overall rental margin was 86%.

Hong Kong Property Leasing Portfolio for the Six Months Ended June 30

	Revenue (HK$ Million)			**Occupancy Rate at June 30, 2016**
	2016	2015	Change	
Commercial	**1,084**	963	13%	99%
Office and Industrial / Offices	**581**	559	4%	92%
Residential & Serviced Apartments	**142**	157	-10%	67%
Car Parking	**62**	65	-5%	N/A
Total	**1,869**	1,744	7%	

- *Commercial*

The Hong Kong commercial portfolio achieved a 13% rental growth to HK$1,084 million in a challenging environment. The efforts of asset enhancement were rewarded by significant rental reversions. Occupancy rate was up two points to 99% by the end of June 2016, mainly attributable to the progressive completion of the upgrade program at Hang Lung Centre in Causeway Bay and the opening of an H&M flagship store in October 2015.

In May 2016, adidas opened a 14,586 square feet flagship store at Hang Lung Centre, which combined shopping with a training experience for sports lovers. H&M unveiled its 54,000 square feet full concept flagship store in January 2016 at Mongkok Gala Place, transforming the mall into a fashionable regional destination. Grand Plaza has become increasingly vibrant with the opening of a 6,900 square feet Quiksilver/Roxy flagship store. Amoy Plaza, our community shopping mall in Kowloon East, is much refreshed with better zoning, including a sports zone featuring a variety of trendy brands. For the first five months of 2016, retail sales at our properties decreased by 2% against the same period last year, due partly to the phased closure and revamp of the largest department store in our portfolio, AEON STYLE store in Kornhill Plaza. Even then, overall retail sales in our malls compared favorably to the city-wide drop of 11% in Hong Kong during the same period.

Rental revenue of the Causeway Bay and Mongkok commercial portfolio grew by 20% and 17%, respectively, attributable to remarkable rental reversions after the asset enhancement programs. Our Central commercial portfolio recorded a 7% rental growth. Kornhill Plaza and Amoy Plaza posted an 11% and 5% increase in income, respectively.

Other efforts to upgrade our properties and further optimize our trade mix in phases will continue. The Peak Galleria is undergoing an upgrade program, which is expected to complete in 2018. Kornhill Plaza, our community mall in Hong Kong East, has its major tenant, AEON STYLE store, undergo a major refurbishment. It was successfully executed and re-opened on July 8, paying a higher rent. These initiatives will deliver unique shopping experiences and upon completion provide an impetus to long-term rental growth.

- *Office*

The Hong Kong office portfolio recorded a stable rental growth of 4% to HK$581 million, mainly attributable to positive rental reversions. Hang Lung Centre in Causeway Bay achieved a 9% rental growth. The Central office portfolio collected 3% more in rents. The Mongkok portfolio, which includes more service centers and semi-retail tenants, posted a moderate rental growth of 2%. Occupancy rate of our office portfolio decreased four points to 92% largely because of a slight drop in occupancy rate in the Mongkok portfolio.

On June 21, 2016, a fire broke out at Amoycan Industrial Centre, an industrial building which is about 73% jointly owned by Hang Lung Properties and its parent company, Hang Lung Group Limited. We were deeply saddened by the tragic death of two courageous firefighters in the course of fighting the blaze. The fire was eventually put out on June 25, after some 108 hours. We have commissioned authorized professionals to conduct a thorough inspection of the safety and structural integrity of the building and will continue to fully support the relevant government authorities on the investigations into the cause of the fire. Based on our preliminary assessment, the overall financial impact on us should not be significant.

- *Residential and Serviced Apartments*

Revenue of residential and serviced apartments decreased 10% to HK$142 million due to lower occupancy rate. Demand for our luxury apartments at The Summit was soft as corporate clients tightened their accommodation budgets in light of the economic slowdown. Our Kornhill Apartments faced keen competition from hotels, which offered deep discounts in response to the decreasing number of visitors from mainland China.

PROPERTY SALES

For the six months ended June 30, 2016, revenue and operating profit of property sales were up 223% and 147% to HK$2,404 million and HK$1,389 million, respectively. During the first half of 2016, 226 residential units of The Long Beach and the last two apartments of Carmel-on-the-Hill were sold, compared to nine units of The HarbourSide and 17 apartments of AquaMarine being sold in the first six months of 2015. Overall profit margin realized was 58%.

As at June 30, 2016, the book cost of the completed residential properties available for sale was HK$3,144 million. The properties included 18 semi-detached houses at 23-39 Blue Pool Road, 446 units of The Long Beach and two duplex units of The HarbourSide. These properties will be released for sale when market conditions are favorable.

PROPERTY REVALUATION

The total value of our investment properties amounted to HK$127,976 million as at June 30, 2016, which comprised the value of the Hong Kong portfolio and the mainland China portfolio of HK$57,744 million and HK$70,232 million, respectively. Our investment properties portfolio was revalued by Savills, an independent valuer, as at June 30, 2016.

An overall revaluation loss of HK$335 million was recorded in the first half of 2016, compared to a gain of HK$427 million in the corresponding period in 2015. Benefitting from positive rental reversions of offices in Central, the Hong Kong investment properties recorded a revaluation gain of HK$78 million. The mainland China portfolio had a revaluation loss of HK$413 million mainly due to lower valuation of the malls at Forum 66 in Shenyang and Center 66 in Wuxi.

PROPERTY DEVELOPMENT AND CAPITAL COMMITMENT

The aggregated value of the investment properties under development was HK$16,961 million. They comprised mainland China projects in Kunming, Wuhan and the remaining phases of projects in Shenyang and Wuxi. The portfolio mainly consists of shopping malls, office towers, and serviced apartments, etc. These projects represented the majority of Hang Lung Properties' capital commitments at the reporting date, amounting to HK$39 billion. They will be completed in phases over many years and Hang Lung Properties has ample financial resources to meet the funding needs.

The construction work of Kunming Spring City 66 is progressing as planned. Total gross floor area of the entire complex is 434,000 square meters, comprising a world-class shopping center, a Grade A office tower, serviced apartments and about 2,000 car parking spaces. The shopping mall of Spring City 66 is scheduled to open in late 2018.

Wuhan Heartland 66, covering a total gross floor area of 460,000 square meters, is a prestigious commercial project which will house a 177,000 square meters shopping mall, a Grade A office tower, serviced apartments and about 2,400 car parking spaces. This project is scheduled for completion, in stages, from late 2019.

LIQUIDITY AND FINANCIAL RESOURCES

Hang Lung Properties centrally manages liquidity and financial resources. The aims are to maintain a high degree of liquidity and ample financial resources to meet future funding needs of both capital commitments and new investment opportunities.

- *Liquidity Management*

The cash flow position and funding needs are closely monitored to ensure that Hang Lung Properties has a high degree of flexibility and liquidity to meet operational requirements and seize investment opportunities. This is achieved by keeping sufficient cash resources, having adequate undrawn committed banking facilities available, and maintaining the USD3 billion Medium Term Note Program ("MTN"). At June 30, 2016, it had cash and bank balances of HK$28,733 million. About 92% of the liquid funds were held as RMB bank deposits. The RMB bank deposits are held as a natural hedge for meeting future construction payments of projects under development in mainland China.

The currencies of cash and bank balances at the reporting date were as follows:

	At June 30, 2016		At December 31, 2015	
	HK$ Million	*% of Total*	HK$ Million	*% of Total*
Denominated in:				
RMB	**26,531**	*92.3 %*	30,102	*96.2%*
HKD	**2,198**	*7.7 %*	1,181	*3.8%*
USD	**4**	-	6	-
Total cash and bank balances	**28,733**	*100%*	31,289	*100%*

With a strong cash position arising from operating cash flow and multiple funding channels, Hang Lung Properties is well positioned to seize opportunities for long-term expansion.

- *Debt Management*

Hang Lung Properties manages the debt portfolio focusing on mitigating the re-financing and interest rate risks. These risks are well managed by maintaining an appropriate mix of fixed / floating rate borrowings and a preferred maturity profile.

As at June 30, 2016, total borrowings of Hang Lung Properties were HK$31,567 million. During the period, proceeds from property sales were used to repay some of the floating rate HKD bank borrowings, resulting in a lower proportion of floating rate borrowings. The table below shows the mix of floating rate bank borrowings and fixed rate bonds at the reporting date.

	At June 30, 2016		At December 31, 2015	
	HK$ Million	*% of Total*	HK$ Million	*% of Total*
Floating rate HKD bank loans	**8,271**	*26.2%*	9,136	*27.9%*
Floating rate RMB bank loans	**10,674**	*33.8%*	11,031	*33.7%*
Fixed rate bonds	**12,622**	*40.0%*	12,604	*38.4%*
Denominated in USD	***7,758***	*24.6%*	*7,751*	*23.6%*
Denominated in HKD	***4,864***	*15.4%*	*4,853*	*14.8%*
Total borrowings	**31,567**	*100%*	32,771	*100%*

At the balance sheet date, the average tenor of the entire loan portfolio was 4.0 years (December 31, 2015: 3.9 years), with a well staggered maturity profile as below.

	At June 30, 2016		At December 31, 2015	
	HK$ Million	*% of Total*	HK$ Million	*% of Total*
Repayable:				
Within 1 year	**2,308**	*7.3%*	4,693	*14.3%*
After 1 but within 2 years	**2,313**	*7.3%*	1,862	*5.7%*
After 2 but within 5 years	**17,673**	*56.0%*	12,155	*37.1%*
Over 5 years	**9,273**	*29.4%*	14,061	*42.9%*
Total borrowings	**31,567**	*100%*	32,771	*100%*

The overall average cost of borrowings for the first half of 2016 was 4.1% (2015: 4.2%), comprising average cost of borrowings of floating rate bank borrowings at 3.8% (2015: 4.1%) and fixed rate bonds at 4.6% (2015: 4.6%). Gross interest expenses incurred during the period amounted to HK$668 million (2015: HK$764 million), which was lower than the corresponding period last year. Two factors contributed to the decrease in gross interest expenses. Firstly, the average bank borrowings balance in Hong Kong has reduced because of cash generated from property sales. Secondly, the average cost of borrowings in mainland China has also reduced due to the reductions in benchmark lending rates by the People's Bank of China. After netting off a lower interest capitalization upon completion of projects under development, finance costs charged to the statement of profit or loss for the first half of 2016 amounted to HK$540 million (2015: HK$528 million).

For the first half of 2016, interest income was HK$470 million (2015: HK$614 million). Decrease in interest income was due to lower RMB deposit rates and deposit balance. Overall, net finance costs i.e. the excess of finance costs over interest income for the first half of 2016 was HK$70 million (2015: net interest income of HK$86 million).

- *Foreign Exchange Management*

The activities of Hang Lung Properties are exposed to foreign currency risks which mainly arise from its operations in mainland China and certain bank deposits denominated in RMB held in and relating to mainland China entities. In addition, it has exposure to USD arising from the two USD500 million bonds issued.

If appropriate, Hang Lung Properties may use derivative financial instruments for controlling or hedging foreign exchange risk exposures. Use of such instruments for speculative purposes is strictly prohibited. Derivative financial instruments currently used by Hang Lung Properties are cross currency swaps, with details set out in section (b) below.

Given that certain of the investments and operations are located in mainland China, Hang Lung Properties has exposure represented by the amount of net assets denominated in RMB. It endeavors to establish an appropriate level of external local borrowings in RMB up to the extent permitted by the prevailing regulations in order to minimize the foreign currency exposure.

(a) RMB Exposure

The RMB exposure of Hang Lung Properties is mainly derived from two respects of our operations. These are, firstly, the net assets of our Mainland subsidiaries which mostly comprise investment properties such as shopping malls, office towers and projects under development. Secondly, they are the RMB deposits held in and relating to mainland China entities which are primarily for the purposes of settling future construction payments in RMB of those projects under development in mainland China.

At June 30, 2016, the amount of net assets on the Mainland amounted to RMB59 billion. The re-translation of these net assets denominated in RMB into HKD using the exchange rate as at the reporting date resulted in a re-translation loss of HK$1,430 million, as RMB depreciated by 2% compared to December 31, 2015. By the same token, the RMB deposits held in Hong Kong equivalent to HK$20,144 million had to be re-translated into HKD as well and they accounted for HK$231 million of the re-translation loss for the first six months of 2016. The total re-translation loss of HK$1,661 million for the first half of 2016 (2015: re-translation gain of HK$12 million) was recognized in other comprehensive income / exchange reserve.

As a result of the continuous update of our business plan and changes in relevant rules and regulations in mainland China, the amount of funds needed in mainland China will change over time. Taking into consideration various factors such as regulatory constraints on local RMB borrowings, the business environment and project progress, etc., regular reviews have been conducted to assess the level of funding requirements in mainland China. We will make necessary modification to the currency hedging arrangement when appropriate.

(b) USD Exposure

The USD foreign exchange exposure of Hang Lung Properties is related to the USD1 billion fixed rate bonds issued, equivalent to HK$7,758 million at the reporting date. The related currency exchange risk was covered back-to-back by two USD/HKD cross currency swap contracts. The swap contracts were entered into in order to fix the exchange rate between USD and HKD for future interest payments and principal repayments. Accounting rules stipulate that the swap contracts be marked to market value at each reporting date. Any differences in the marked to market valuation between the reporting dates shall be treated as unrealized gain or loss for the period. For the six months ended June 30, 2016, the swap contracts had an unrealized fair value gain of HK$164 million (2015: fair value loss of HK$65 million). Related unrealized valuation gains and losses will be self-correcting upon expiry of the swap contracts.

- *Gearing Ratios and Interest Cover*

As at June 30, 2016, Hang Lung Properties had a net debt balance of HK$2,834 million (December 31, 2015: HK$1,482 million). Net debt to equity ratio and debt to equity ratio as at June 30, 2016, were 2.1% (December 31, 2015: 1.1%) and 23.6% (December 31, 2015: 24.3%), respectively.

The debt servicing capability, interest cover, for the first six months of 2016 was 21 times (2015: 21 times).

- *Charge of Assets*

Assets of Hang Lung Properties were not charged to any third parties as at June 30, 2016.

- *Contingent Liabilities*

Hang Lung Properties did not have any material contingent liabilities as at June 30, 2016.

OUTLOOK

In the second half of 2016, it is expected that both mainland China and Hong Kong will continue to face the challenges posed by slow economic growth and weak retail consumption sentiment. The decision of Britain leaving the European Union ("Brexit") has also increased the uncertainty of global economic outlook. Although the immediate impact of Brexit on our business is unlikely to be significant, the medium to long-term effect remains unknown. We will closely monitor the ensuing development. In response to these tough market conditions, we will continue to raise our facilities and service standards to enhance the shopping experience at our malls and at the same time closely manage our operating costs. In addition to introducing new retail ideas to our malls, we will launch more promotion programs to help our tenants drive sales.

Backed by our financial strength, various asset enhancement programs will continue both in Hong Kong and in Shanghai. Some short-term rental loss may be inevitable during the renovation period. Projects under development in mainland China will continue to proceed as planned. It is anticipated that the completion of various enhancement programs and projects will match the gradual recovery in the retail cycle, yielding highly positive results in the future.

We will continue to closely monitor the residential property market in Hong Kong, and will sell some of the residential units on hand and may further build our land bank when opportunities arise.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED JUNE 30, 2016 (UNAUDITED)

	Note	**2016 HK$ Million**	2015 HK$ Million
Revenue	*2(a)*	**6,311**	4,607
Direct costs and operating expenses		**(1,991)**	(1,084)
Gross profit		**4,320**	3,523
Other net income	*3*	**159**	8
Administrative expenses		**(307)**	(330)
Operating profit before changes in fair value of investment properties		**4,172**	3,201
Net (decrease)/increase in fair value of investment properties		**(335)**	427
Operating profit after changes in fair value of investment properties		**3,837**	3,628
Interest income		**470**	614
Finance costs		**(540)**	(528)
Net interest (expense)/income	*4*	**(70)**	86
Share of profits of joint ventures		**30**	37
Profit before taxation	*2(a) & 5*	**3,797**	3,751
Taxation	*6(a)*	**(656)**	(665)
Profit for the period		**3,141**	3,086
Attributable to:			
Shareholders		**2,935**	2,841
Non-controlling interests		**206**	245
		3,141	3,086
Earnings per share	*8(a)*		
Basic		**HK$0.65**	HK$0.63
Diluted		**HK$0.65**	HK$0.63

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2016 (UNAUDITED)

	Note	**2016** **HK$ Million**	2015 HK$ Million
Profit for the period		**3,141**	3,086
Other comprehensive income	*6(b)*		
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising from translation of foreign subsidiaries		**(1,661)**	12
Total comprehensive income for the period		**1,480**	3,098
Total comprehensive income attributable to:			
Shareholders		**1,385**	2,858
Non-controlling interests		**95**	240
		1,480	3,098

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT JUNE 30, 2016

	Note	**(Unaudited) June 30, 2016 HK$ Million**	(Audited) December 31, 2015 HK$ Million
Non-current assets			
Investment properties	*9*	**127,976**	129,425
Investment properties under development	*9*	**16,961**	16,709
Other property, plant and equipment		**334**	336
Interest in joint ventures		**1,245**	1,241
Other assets		**3**	4
Deferred tax assets		**11**	11
		146,530	147,726
Current assets			
Cash and deposits with banks		**28,733**	31,289
Trade and other receivables	*10*	**2,282**	1,173
Properties for sale		**3,144**	3,830
		34,159	36,292
Current liabilities			
Bank loans and other borrowings		**2,308**	4,693
Trade and other payables	*11*	**5,945**	6,806
Taxation payable		**692**	501
		8,945	12,000
Net current assets		**25,214**	24,292
Total assets less current liabilities		**171,744**	172,018
Non-current liabilities			
Bank loans and other borrowings		**29,259**	28,078
Deferred tax liabilities		**8,808**	9,048
		38,067	37,126
NET ASSETS		**133,677**	134,892
Capital and reserves			
Share capital		**39,903**	39,903
Reserves		**87,914**	89,086
Shareholders’ equity		**127,817**	128,989
Non-controlling interests		**5,860**	5,903
TOTAL EQUITY		**133,677**	134,892

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The interim results set out in the announcement do not constitute the interim report for the six months ended June 30, 2016 of Hang Lung Properties Limited (“Company”) and its subsidiaries (collectively the “Group”) but are extracted from the report.

The unaudited interim financial report has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The preparation of this interim financial report in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements.

The HKICPA has issued certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") that are first effective for the current accounting period of the Group. The adoption of these amendments to HKFRSs does not have significant impact on the Group’s interim financial report.

The financial information relating to the financial year ended December 31, 2015 that is included in this announcement of interim results as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended December 31, 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

1. Basis of preparation (Continued)

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

2. Revenue and segment information

The Group manages its businesses according to the nature of services and products provided. Management has determined three reportable operating segments for the measurement of performance and the allocation of resources. The segments are property leasing in Hong Kong and mainland China and property sales in Hong Kong.

Property leasing segment includes property leasing operation. The Group's investment properties portfolio, which mainly consists of retail, office, residential, serviced apartments and carparks are primarily located in Hong Kong and mainland China. Property sales segment includes development and sale of the Group's trading properties in Hong Kong.

Management evaluates performance primarily based on profit before taxation.

Segment assets principally comprise all non-current assets and current assets directly attributable to each segment with the exception of interest in joint ventures, other assets, deferred tax assets and cash and deposits with banks. The investment properties of the Group are included in segment assets at their fair values whilst the changes in fair value of investment properties are not included in segment profits. No segment liabilities analysis is presented as the Group monitors and manages its liabilities on a group basis.

2. Revenue and segment information (Continued)

(a) Revenue and results by segments

	Revenue		Profit before taxation	
	2016	2015	**2016**	2015
	HK$ Million	HK$ Million	**HK$ Million**	HK$ Million
Segment				
Property leasing				
- Mainland China (Note)	**2,038**	2,118	**1,327**	1,464
- Hong Kong	**1,869**	1,744	**1,604**	1,497
	3,907	3,862	**2,931**	2,961
Property sales				
- Hong Kong	**2,404**	745	**1,389**	562
Segment total	**6,311**	4,607	**4,320**	3,523
Other net income			**159**	8
Administrative expenses			**(307)**	(330)
Operating profit before changes in fair value of investment properties			**4,172**	3,201
Net (decrease)/increase in fair value of investment properties			**(335)**	427
- Property leasing in Hong Kong			**78**	334
- Property leasing in mainland China			**(413)**	93
Net interest (expense)/income			**(70)**	86
- Interest income			**470**	614
- Finance costs			**(540)**	(528)
Share of profits of joint ventures			**30**	37
Profit before taxation			**3,797**	3,751

Note: Pursuant to Caishui [2016] No. 36 jointly issued by China's Ministry of Finance and State Administration of Taxation, from May 1, 2016, Value-Added Tax ("VAT") has replaced Business Tax ("BT") to cover all the sectors which were previously falling under the BT regime. The VAT rate for property leasing is 11% and VAT is excluded from revenue. With effect from May 1, 2016, the Group is no longer required to pay BT for property leasing.

2. Revenue and segment information (Continued)

(b) Total assets by segments

	Total assets	
	June 30, 2016 HK$ Million	December 31, 2015 HK$ Million
Segment		
Property Leasing		
- Mainland China	**88,149**	89,419
- Hong Kong	**58,366**	58,202
	146,515	147,621
Property sales		
- Hong Kong	**4,182**	3,852
Segment total	**150,697**	151,473
Interest in joint ventures	**1,245**	1,241
Other assets	**3**	4
Deferred tax assets	**11**	11
Cash and deposits with banks	**28,733**	31,289
Total assets	**180,689**	184,018

3. Other net income

	2016 HK$ Million	2015 HK$ Million
Gain on disposal of investment properties	**2**	67
Unrealized gain/(loss) on remeasurement of derivative financial instruments (Note)	**164**	(65)
Net exchange (loss)/gain	**(7)**	6
Other net income	**159**	8

Note: Derivative financial instruments represent USD/HKD cross currency swaps, which were entered into for the purpose of fixing the exchange rate for the Medium Term Note denominated in USD.

4. Net interest (expense)/income

	2016	2015
	HK$ Million	HK$ Million
Interest income on bank deposits	**470**	614
Interest expenses on bank loans and other borrowings	**640**	716
Other borrowing costs	**28**	48
Total borrowing costs	**668**	764
Less: Borrowing costs capitalized	**(128)**	(236)
Finance costs	**540**	528
Net interest (expense)/income	**(70)**	86

5. Profit before taxation

	2016	2015
	HK$ Million	HK$ Million
Profit before taxation is arrived at after charging:		
Cost of properties sold	**820**	113
Staff costs, including employee share-based payments of HK$51 million (2015: HK$75 million)	**671**	632
Depreciation	**27**	24

6. Taxation

(a) Provision for Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the period. Mainland China Income Tax represents China Corporate Income Tax calculated at 25% (2015: 25%) and China withholding income tax at the applicable rates. A withholding tax of 5% is levied on the Hong Kong companies in respect of dividend distributions arising from profits of foreign investment enterprises in mainland China earned after January 1, 2008.

	2016	2015
	HK$ Million	HK$ Million
Current tax		
Hong Kong Profits Tax	**414**	265
Mainland China Income Tax	**316**	331
	730	596
Deferred tax		
Changes in fair value of investment properties	**(104)**	24
Other origination and reversal of temporary differences	**30**	45
	(74)	69
Total income tax expenses	**656**	665

(b) There is no tax effect relating to the component of the other comprehensive income for the period.

7. Dividend

(a) Interim dividend

	2016	2015
	HK$ Million	HK$ Million
Proposed after the end of reporting period:		
HK17 cents (2015: HK17 cents) per share	**765**	763

The dividend proposed after the end of the reporting period has not been recognized as a liability at the end of the reporting period.

(b) Final dividend approved and paid during the period

	2016	2015
	HK$ Million	HK$ Million
2015 Final dividend of HK58 cents (2014: HK59 cents) per share	**2,608**	2,646

8. Earnings per share

(a) The calculation of basic and diluted earnings per share is based on the following data:

	2016	2015
	HK$ Million	HK$ Million
Earnings for calculation of basic and diluted earnings per share (net profit attributable to shareholders)	**2,935**	2,841

8. Earnings per share (Continued)

(a) (Continued)

	Number of shares	
	2016	2015
	Million Shares	Million Shares
Weighted average number of shares used in calculating basic and diluted earnings per share (Note)	**4,497**	4,485

Note: Diluted earnings per share were the same as the basic earnings per share for the periods as there were no dilutive potential ordinary shares in existence during both periods.

(b) The underlying net profit attributable to shareholders which excluded changes in fair value of investment properties net of related deferred tax and non-controlling interests, is calculated as follows:

	2016	2015
	HK$ Million	HK$ Million
Net profit attributable to shareholders	**2,935**	2,841
Effect of changes in fair value of investment properties	**335**	(427)
Effect of corresponding deferred tax	**(104)**	24
Effect of changes in fair value of investment properties of joint ventures	**-**	(8)
	231	(411)
Non-controlling interests	**1**	18
	232	(393)
Underlying net profit attributable to shareholders	**3,167**	2,448

The earnings per share based on underlying net profit attributable to shareholders are:

	2016	2015
Basic	**HK$0.70**	HK$0.55
Diluted	**HK$0.70**	HK$0.55

9. Investment properties and investment properties under development

(a) Addition

During the period, additions to investment properties and investment properties under development amounted to HK$889 million (2015: HK$3,061 million).

(b) Valuation

The investment properties and investment properties under development of the Group were revalued as at June 30, 2016 by Mr. Charles C.K. Chan, Registered Professional Surveyor (General Practice), of Savills Valuation and Professional Services Limited, on a market value basis.

10. Trade and other receivables

(a) Included in trade and other receivables, aging analysis of trade receivables (based on the due date) is as follows:

	June 30, 2016 HK$ Million	December 31, 2015 HK$ Million
Current and within 1 month (Note)	**1,080**	41
1 to 3 months	**16**	8
Over 3 months	**16**	4
Total trade receivables	**1,112**	53

Note: Current and within 1 month receivables mainly represented property sales receivables for residential units sold in the first half of 2016. Most of the sales receivables would be settled over the next few months upon sales completion.

The balance of bad and doubtful debts is insignificant. The Group maintains a defined credit policy including stringent credit evaluation on and payment of a rental deposit from tenants. In addition to the payment of rental deposits, tenants are required to pay monthly rents in respect of leased properties in advance. Proceeds from property sales are receivable pursuant to the terms of the sale and purchase agreements. Except for sale of properties developed by the Group, it does not hold any collateral over the receivables. Receivables are regularly reviewed and closely monitored to minimize any associated credit risk.

10. Trade and other receivables (Continued)

(b) Included in other receivables of the Group is deposit of land acquisition in mainland China of HK$293 million (December 31, 2015: HK$298 million).

11. Trade and other payables

Included in trade and other payables are trade creditors with the following aging analysis:

	June 30, 2016 HK$ Million	December 31, 2015 HK$ Million
Due within 1 month	**2,201**	2,094
Due after 3 months	**796**	582
Total trade creditors	**2,997**	2,676

OTHER INFORMATION

Employees

As at June 30, 2016, the number of employees was 4,722 (comprising 1,272 Hong Kong employees and 3,450 mainland China employees). The total employee costs for the six months ended June 30, 2016 amounted to HK$671 million. We provide competitive remuneration packages for all employees including discretionary bonuses payable to employees based on individual performance. We regularly review the remuneration packages to ensure that they comply with relevant regulatory requirements and market conditions. The Company has share option schemes for the executives and provides professional and high-quality training for all employees.

Purchase, Sale or Redemption of Listed Securities

During the six months ended June 30, 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities.

Compliance with Corporate Governance Code

During the six months ended June 30, 2016, the Company has complied with the code provisions set out in the revised Corporate Governance Code (effective from accounting period beginning on January 1, 2016) as stated in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Review of Interim Results

The interim results for the six months ended June 30, 2016 have been reviewed by the Company's Audit Committee and auditor, KPMG.

Book Close Dates

Book close dates (both days inclusive)	September 14 to 15, 2016
Latest time to lodge transfers	4:30 pm on September 13, 2016
Record date for interim dividend	September 15, 2016
Payment date for interim dividend	September 29, 2016

On Behalf of the Board
Ronnie C. Chan
Chairman

Hong Kong, July 28, 2016

As at the date of this announcement, the board of directors of the Company comprises the following directors:
Executive Directors: Mr. Ronnie C. CHAN, Mr. Philip N.L. CHEN and Mr. H.C. HO
Independent Non-Executive Directors: Mr. Ronald J. ARCULLI, Mr. Dominic C.F. HO, Mr. Nelson W.L. YUEN, Dr. Andrew K.C. CHAN, Prof. H.K. CHANG and Ms. Anita Y.M. FUNG

GLOSSARY

Financial Terms

Finance costs: Total of interest expenses on total borrowings and other borrowing costs, net of amount capitalized

Total borrowings: Total of bank loans & other borrowings, net of unamortized other borrowing costs

Net debt: Total borrowings net of cash and deposits with banks

Net profit attributable to shareholders: Profit for the period (after tax) less amounts attributable to non-controlling interests

Underlying net profit attributable to shareholders: Net profit attributable to shareholders excluded changes in fair value of investment properties net of related deferred tax and non-controlling interests

Financial Ratios

$$\text{Basic earnings per share} = \frac{\text{Profit attributable to shareholders}}{\text{Weighted average number of shares in issue during the period}}$$

$$\text{Debt to equity} = \frac{\text{Total borrowings}}{\text{Total equity}}$$

$$\text{Net assets per share} = \frac{\text{Net assets}}{\text{Weighted average number of shares in issue during the period}}$$

$$\text{Net debt to equity} = \frac{\text{Net debt}}{\text{Total equity}}$$

$$\text{Interest cover} = \frac{\text{Operating profit before changes in fair value of investment properties}}{\text{Finance costs before capitalization less interest income}}$$