恒隆地產有限公司
HANG LUNG PROPERTIES LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00101)

2017 INTERIM RESULTS

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FINANCIAL HIGHLIGHTS

in HK$ Million (unless otherwise stated)

RESULTS

	For the Six Months Ended June 30		
	2017	2016	Change
Revenue	**6,358**	6,311	1%
Property Leasing	**3,835**	3,907	-2%
Property Sales	**2,523**	2,404	5%
Operating Profit	**4,541**	4,320	5%
Property Leasing	**2,899**	2,931	-1%
Property Sales	**1,642**	1,389	18%
Net Profit Attributable to Shareholders	**3,830**	2,935	30%
Earnings Per Share (HK$)	**$0.85**	$0.65	31%
Interim Dividend Per Share (HK$)	**$0.17**	$0.17	-

UNDERLYING RESULTS

	For the Six Months Ended June 30		
	2017	2016	Change
Underlying Net Profit Attributable to Shareholders	**3,040**	3,167	-4%
Underlying Earnings Per Share (HK$)	**$0.68**	$0.70	-3%

FINANCIAL POSITION

	At June 30	At December 31	
	2017	2016	Change
Shareholders' Equity	**129,814**	126,565	3%
Net Assets	**135,730**	132,145	3%
Net Debt	**1,350**	2,757	-51%
Financial Ratio			
Net Debt to Equity Ratio	**1.0%**	2.1%	-1.1 pts
Debt to Equity Ratio	**17.5%**	20.5%	-3.0 pts
Shareholders' Equity Per Share (HK$)	**$28.9**	$28.1	3%
Net Assets Per Share (HK$)	**$30.2**	$29.4	3%

REVIEW OF OPERATIONS

CONSOLIDATED RESULTS

For the six months ended June 30, 2017, total revenue of Hang Lung Properties Limited and its subsidiaries (collectively known as "Hang Lung Properties") increased 1% to HK$6,358 million mainly driven by higher property sales. Property sales revenue increased 5% to HK$2,523 million. Revenue from property leasing fell 2% to HK$3,835 million, but was up 1% if excluding the 5% Renminbi (RMB) depreciation against the Hong Kong Dollar (HKD) over the same period of last year. Total operating profit increased 5% to HK$4,541 million.

Underlying net profit attributable to shareholders decreased 4% to HK$3,040 million mainly due to lower interest income and a smaller amount of interest expense capitalization. After including a revaluation gain on investment properties, net profit attributable to shareholders advanced 30% to HK$3,830 million. Earnings per share increased similarly to HK$0.85.

Revenue and Operating Profit for the Six Months Ended June 30

	Revenue			**Operating Profit**		
	2017	2016	Change	**2017**	2016	Change
	HK$ Million	HK$ Million		**HK$ Million**	HK$ Million	
Property Leasing	**3,835**	3,907	-2%	**2,899**	2,931	-1%
Mainland China	**1,949**	2,038	-4%	**1,274**	1,327	-4%
Hong Kong	**1,886**	1,869	1%	**1,625**	1,604	1%
Property Sales	**2,523**	2,404	5%	**1,642**	1,389	18%
Total	**6,358**	6,311	1%	**4,541**	4,320	5%

DIVIDEND

The Board of Directors has declared an interim dividend of HK17 cents per share for 2017 (2016: HK17 cents) to be paid by cash on September 28, 2017, to shareholders whose names appeared on the register of members on September 14, 2017.

PROPERTY LEASING

For the first half of 2017, total revenue of our leasing properties dropped 2% to HK$3,835 million. Property renovations at Grand Gateway 66 in Shanghai and Causeway Bay and The Peak Galleria in Hong Kong caused a short-term disruption of rental income. The 5% RMB depreciation had also put a damper to the consolidated results. Income of the Hong Kong leasing portfolio increased 1%. Revenue of the mainland portfolio decreased 4%, but was up 1% in RMB terms. Total operating profit fell 1% to HK$2,899 million. Overall rental margin was up one point to 76%.

Mainland China

Revenue and operating profit of the entire mainland China portfolio both increased 1% to RMB1,723 million and RMB1,126 million, respectively. Average margin was 65%.

Consumption of luxury goods in Mainland cities where we have operations was subdued except at our Shanghai Plaza 66 mall. In line with our expectations, the substantially completed renovation programs at Shanghai Plaza 66 started to produce very favorable results in both revenue and retail sales during the first half of 2017. On the other hand, commencement of major asset enhancement programs at Shanghai Grand Gateway 66 in early 2017 caused a certain degree of income interruption, as expected.

The performance of our non-Shanghai portfolio was mixed. Overall business environment remained challenging in cities such as Shenyang and Wuxi. Vigilant tenant remix and marketing measures were implemented in the first six months of 2017. Undoubtedly, these efforts would have a short-term adverse impact on occupancy and financial performance. Such relentless pursuit of continuous improvements is expected to yield better future returns.

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

Name and City of the Property	**Revenue** (RMB Million)			**Occupancy Rate at June 30, 2017**	
	2017	2016	Change	Mall	Office
Shanghai Plaza 66	**710**	654	9%	89%	86%
Shanghai Grand Gateway 66	**451**	485	-7%	81%	N/A
Shenyang Palace 66	**77**	70	10%	88%	N/A
Shenyang Forum 66	**105**	119	-12%	77%	69%
Jinan Parc 66	**133**	135	-1%	92%	N/A
Wuxi Center 66	**105**	119	-12%	84%	77%
Tianjin Riverside 66	**90**	96	-6%	87%	N/A
Dalian Olympia 66 *	**52**	36	44%	64%	N/A
Total	**1,723**	1,714	1%		
Total in HK$ Million equivalent	***1,949***	*2,038*	*-4%*		

* Grand opening on September 9, 2016.

- *Shopping Malls*

The entire shopping mall portfolio in mainland China collected 2% more in rents to RMB1,338 million. Higher contributions from the Shanghai Plaza 66 mall and the new Dalian Olympia 66 mall were largely offset by the rental interruption due to renovation work at the Shanghai Grand Gateway 66 mall and negative rental reversions at some malls outside of Shanghai.

Revenue of the Shanghai Plaza 66 mall increased 23% mainly driven by the re-opening of the renovated basement and higher sales rents. The entire basement was closed for renovation since March 2016. It was re-opened in phases from January 2017, and now houses more than 30 tenants. For the first six months of 2017, the entire Plaza 66 mall recorded sales growth of 29% compared to the same period last year.

Our Shanghai Grand Gateway 66 mall commenced its major upgrading program in early 2017. The whole program will be carried out in phases till mid-2019. The work will include a new main entrance for the shopping mall, a new subway link to Metro Line 9, and a major layout re-configuration at Level 1 and the basement of the mall, etc. 19% of the leasable area has been closed for the enhancement and renovation program. As a result, occupancy of the mall dropped 15 points to 81%. Rental income of the mall retreated 7% against the same period of last year. When excluding the affected areas, rental income advanced 9% on a like-for-like basis. Retail sales decreased 5% as a result of the renovation work. Some of the affected areas will be re-opened in phases starting in 2018 to minimize the adverse impact on income and profit. This carefully planned asset enhancement program will strengthen the mall's long-term competitiveness and profitability.

The performance of our six shopping malls outside of Shanghai was mixed. Their total revenue dropped 3%. Some malls had to make downward adjustments in rents to optimize tenant mix and occupancy in the face of challenging market conditions. The Shenyang Palace 66 mall collected 10% more in rents, despite occupancy rate slipped one point to 88% by the end of June 2017. Revenue of Jinan Parc 66 mall fell 1%, while occupancy increased eight points to 92%. Income of the Tianjin Riverside 66 mall dropped 6%, but occupancy rate was up five points to 87%. Retails sales at Palace 66, Parc 66 and Riverside 66 increased by 12%, 8% and 14%, respectively.

Performance of the Shenyang Forum 66 mall was adversely affected by a tenant optimization exercise to replace non-performing tenants. As a result, rental income of the mall decreased 28%. Occupancy was down seven points to 77% by the end of June 2017. Despite a lower occupancy, retail sales at the mall increased by 2% due to a better tenant mix. The performance of Forum 66 is expected to improve gradually with the introduction of new tenants to the mall and increasing occupancy of its office tower. The conversion of the upper 19 floors of the office tower into a hotel, under the esteemed Conrad brand, is expected to open for business in 2019.

Following the success of the first office tower, construction of the second office tower above the Wuxi Center 66 mall is in progress. About 9% of the mall's leasable area was void temporarily as a result. Revenue of the mall decreased 13%. Despite the interruption, more new brands were introduced to the mall to enrich its offerings. Retail sales increased by 19% period-on-period. With occupancy stood at 84% at the end of June 2017, the remaining space available for leasing was only 7%. The leasing of the remaining space is progressing well.

The grand opening of the new mall, Olympia 66 in Dalian, took place on September 9, 2016. Occupancy was 64% at the end of June 2017.

- *Offices*

Offices at Shanghai Plaza 66 recorded a 7% drop due to transitional voids associated with major tenant relocation within the buildings and phased re-letting of units previously occupied by large space users.

The enhancement work for Office Tower One at Plaza 66 was completed in 2016 and was well received by tenants. A similar program for Office Tower Two also commenced in the fourth quarter of 2016 and is targeted to complete in phases by 2018. The remaining enhancement work will have minimal adverse impact on the revenue of Plaza 66.

Revenue from offices in Shenyang Forum 66 and Wuxi Center 66 grew by 4% in total. The office towers at both Forum 66 and Center 66 have established a strong foothold in the respective cities, attracting multi-national companies and renowned nationals. The tenant mix continued to improve via expansion and replacements.

Overall, revenue of the office portfolio in mainland China decreased 4% to RMB385 million.

Hong Kong

Total revenue and operating profit of our Hong Kong leasing portfolio both increased 1% to HK$1,886 million and HK$1,625 million, respectively. Overall rental margin was 86%.

Overall retail sales in Hong Kong declined by 1% for the first five months of 2017 against the same period of last year. However, our portfolio recorded sales growth of 7% when excluding the void areas attributable to the asset enhancement programs: the final stage of Fashion Walk in Causeway Bay and Phase 1 of The Peak Galleria.

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

	Revenue (HK$ Million)			**Occupancy Rate at June 30, 2017**
	2017	2016	Change	
Commercial	**1,118**	1,133	-1%	93%
Office and Industrial / Offices	**622**	595	5%	95%
Residential & Serviced Apartments	**146**	141	4%	74%
Total	**1,886**	1,869	1%	

- *Commercial*

Revenue of the Hong Kong commercial portfolio fell 1% to HK$1,118 million, but was up 2% when excluding areas closed for upgrading in Causeway Bay and The Peak Galleria. Overall occupancy at the end of June 2017 was 93%.

Rental revenue of the Causeway Bay portfolio decreased 4%, but was up 2% when excluding areas closed for renovation. The final phase of the asset enhancement program of the Causeway Bay retail portfolio at 9 Kingston Street, involved the closure of 23% of our Causeway Bay retail space since January 2017. The renovation work is targeted for completion in the second half of 2017, with enhanced ambience and more offerings, including more lifestyle brands and al fresco dining options. Benefitting from the enhanced tenant mix and offerings after renovation of Fashion Walk and Hang Lung Centre, retail sales of our tenants in Causeway Bay recorded an 8% growth on a comparable basis.

Income at Kornhill Plaza in Hong Kong East advanced 4%, mainly driven by positive rental reversions and tenants upgrade. Following the re-opening of the refurbished AEON STYLE in July 2016, Grand Kornhill Cinema added new excitement to this mall with the launch of Hong Kong's first MX4D technology-enabled movie offerings in April 2017. More quality food and beverage tenants were also introduced to the mall to enrich the offerings.

Revenue of our leasing properties in Mongkok, mainly comprising Grand Plaza and Gala Place, was stable period-on-period. The "Where Trends Meet" program was launched to enhance the profile of our malls in Mongkok. The jewelry and watch tenants at Grand Plaza, which were adversely affected in 2016, recorded a double digit sales growth in the first six months of 2017. Decathlon, a world-famous sports brand from France, will open its first flagship in Hong Kong this summer at Grand Plaza. Goji Studios, a unique fitness and wellness center, has also selected Grand Plaza as the home of its new flagship store of 35,000 square feet which will provide one-stop experience for personal training, food and nutrition guidance.

Amoy Plaza in Kowloon East collected 4% more in rents. A major tenant mix reshuffle was undertaken in 2016 to enhance its position in the region as an attractive one-stop shopping, dining, entertainment and lifestyle hub. The offerings were enriched with the introduction of more food and beverage tenants, like Tai Hing Group's three-in-one concept store, and fashion brands such as Ray-Ban and Skechers.

The Peak Galleria commenced a 3-year renovation program in March 2017. The entire asset enhancement program will be carried out in two phases with full completion in 2019. About 60% of its leasable area has been closed for renovation. Upon completion, The Peak Galleria, with a new façade and enhanced internal layout reconfigurations, will offer a unique iconic destination on the Peak.

- *Offices*

The Hong Kong office portfolio recorded a 5% rental growth to HK$622 million, mainly contributed by positive rental reversions and higher occupancy rate. Overall occupancy rate increased two points to 95%. Our offices in Central and Causeway Bay both posted a 5% rental growth. Revenue of the Mongkok offices rose 3% period-on-period.

- *Residential and Serviced Apartments*

Revenue of residential and serviced apartments increased 4% to HK$146 million mainly driven by higher occupancy. A new marketing campaign was adopted for the Kornhill Apartments in Hong Kong East to boost occupancy.

PROPERTY SALES

Revenue from property sales increased 5% to HK$2,523 million mainly because of higher selling prices during the first half of 2017. The sales comprised 197 units of The Long Beach flats (2016: 226 units) and the last unit (duplex) of The HarbourSide (2016: Nil). Profit from property sales increased 18% to HK$1,642 million due to increased market prices and a different product mix. Overall profit margin realized was 65%.

As at June 30, 2017, the book cost of the residential properties available for sale was HK$1,844 million. The inventory included 16 semi-detached houses at 23-39 Blue Pool Road and 39 units at The Long Beach.

PROPERTY REVALUATION

The total value of our investment properties was HK$128,954 million as of June 30, 2017, which comprised the value of the Hong Kong portfolio and the mainland China portfolio of HK$59,779 million and HK$69,175 million, respectively. Our investment properties were revalued by Savills, an independent valuer, as at June 30, 2017.

A revaluation gain of HK$737 million was recorded in the first half of 2017 (2016: loss of HK$335 million). The Hong Kong portfolio recorded a revaluation gain of HK$990 million which was partly offset by a revaluation loss of HK$253 million of the mainland China portfolio.

PROPERTY DEVELOPMENT AND CAPITAL COMMITMENT

The aggregated value of investment properties under development was HK$18,418 million. They comprised mainland China projects in Kunming, Wuhan, and the remaining phases of the developments in Shenyang and Wuxi. The portfolio consists of shopping malls, office towers, hotel and serviced apartments.

The construction work for Kunming Spring City 66 is progressing as planned. Total gross floor area of the entire mixed-use development is 434,000 square meters, comprising a world-class shopping center, a Grade A office tower, serviced apartments and car parking spaces. The entire complex is anticipated to be completed in phases from the end of 2018. Leasing activities for the mall have commenced.

Wuhan Heartland 66 covers a total gross floor area of 460,000 square meters. This prestigious commercial project will house a 177,000-square-meter shopping mall, a Grade A office tower, serviced apartments and car parking spaces. The project is planned for completion in stages from 2019 onwards.

The conversion of the upper 19 floors of the 67-story Grade A office tower at Shenyang Forum 66 into a hotel is making good progress. Under the esteemed Conrad brand, this five-star hotel will have 315 exquisitely appointed guest rooms and suites and is expected to open in 2019. The addition of this five-star hotel will complement our vision of the Forum 66 as the destination of choice for high-end shopping, entertainment, business and hospitality experiences in Shenyang.

The construction work for the second office tower at Wuxi Center 66 is in progress and is scheduled for completion in 2019. The main contract has been awarded. This new tower will have a gross floor area of 56,000 square meters. It is being built above the southeastern part of the Center 66 mall. About 9% of the leasable area of the Center 66 mall has been vacated while the new tower is under construction.

In May 2017, we took possession of the piece of land of 16,700 square meters for Wuxi phase 2 development. It is planned to build serviced apartments at the site.

These projects represented the majority of Hang Lung Properties' capital commitments at the reporting date, amounting to HK$36 billion. They will be completed in phases over a number of years. Hang Lung Properties has ample financial resources to meet the capital expenditure.

LIQUIDITY AND FINANCIAL RESOURCES

Hang Lung Properties centrally manages its liquidity and financial resources. The aims are to maintain an appropriate degree of liquidity and ample financial resources to meet foreseeable funding needs. Multiple channels of debt finance have also been established to seize new investment opportunities and to provide a buffer against unforeseeable events. All related risks management, including debt re-financing, foreign exchange exposure and interest rates volatility, etc., are centrally managed and controlled at the corporate level.

- *Liquidity Management*

The cash flow position and funding needs are closely monitored to ensure that Hang Lung Properties has a good 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 Medium Term Note (MTN) Program for bond issuance if and when needed.

As at June 30, 2017, Hang Lung Properties had total cash and bank balances of HK$22,449 million (December 31, 2016: HK$24,325 million). All the deposits are placed with banks with strong credit ratings and the counterparty risk is monitored on a regular basis.

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

	At June 30, 2017		At December 31, 2016	
	HK$ Million	*% of Total*	HK$ Million	*% of Total*
Denominated in:				
HKD	**13,853**	*61.7%*	2,821	*11.6%*
RMB	**8,591**	*38.3%*	21,499	*88.4%*
USD	**5**	-	5	-
Total cash and bank balances	**22,449**	*100%*	24,325	*100%*

As at June 30, 2017, the available amount of undrawn committed banking facilities amounted to HK$9,539 million. The undrawn balance of the USD3 billion MTN Program was equivalent to HK$10,623 million.

- *Debt Management*

Hang Lung Properties manages the debt portfolio with a focus on mitigating the re-financing and interest rate risks. These risks are well managed by maintaining an appropriate mix of fixed / floating rate borrowings, a staggered debt repayment profile and a diversified source of funding.

As at June 30, 2017, total borrowings of Hang Lung Properties were HK$23,799 million. The lower debt balance compared to December 31, 2016 was mainly resulted from prepayments of some bank borrowings. The following table shows the mix of floating rate bank borrowings and fixed rate bonds:

	At June 30, 2017		At December 31, 2016	
	HK$ Million	*% of Total*	HK$ Million	*% of Total*
Floating rate HKD bank loans	**294**	*1.2%*	4,108	*15.2%*
Floating rate RMB bank loans	**10,816**	*45.5%*	10,345	*38.2%*
Fixed rate bonds	**12,689**	*53.3%*	12,629	*46.6%*
Denominated in USD	***7,806***	*32.8%*	*7,756*	*28.6%*
Denominated in HKD	***4,883***	*20.5%*	*4,873*	*18.0%*
Total borrowings	**23,799**	*100%*	27,082	*100%*

At the balance sheet date, the average tenor of the entire loan portfolio was 3.5 years (December 31, 2016: 3.9 years). The maturity profile was well staggered, with over 79% of loans repayable after 2 years.

	At June 30, 2017		At December 31, 2016	
	HK$ Million	*% of Total*	HK$ Million	*% of Total*
Repayable:				
Within 1 year	**1,904**	*8.0%*	568	*2.1%*
After 1 but within 2 years	**2,924**	*12.3%*	3,106	*11.4%*
After 2 but within 5 years	**15,743**	*66.1%*	14,997	*55.4%*
Over 5 years	**3,228**	*13.6%*	8,411	*31.1%*
Total borrowings	**23,799**	*100%*	27,082	*100%*

- *Gearing Ratios & Interest Cover*

As at June 30, 2017, Hang Lung Properties had a net debt balance of HK$1,350 million (December 31, 2016: HK$2,757 million). The net debt to equity ratio was 1.0% (December 31, 2016: 2.1%) while the debt to equity ratio was 17.5% (December 31, 2016: 20.5%).

For the six months ended June 30, 2017, the amount of total gross interest expense incurred was HK$646 million (2016: HK$668 million). The decrease in gross interest expense was mainly due to a lower average bank borrowings balance in Hong Kong as a result of loan prepayments. However, the amount of finance costs charged to the statement of profit or loss for the first half of 2017 increased by HK$82 million to HK$622 million year-on-year because of a smaller amount of interest capitalization.

For the first half of 2017, interest income was HK$312 million (2016: HK$470 million). The decrease in interest income was mainly due to a lower average balance of RMB deposits which had higher yields.

With lower interest income and a higher amount of finance costs, the amount of net interest expense, i.e. the excess of finance costs over interest income, for the first half of 2017 increased by HK$240 million to HK$310 million over a year ago.

As part of the foreign exchange risk management strategy to match our funding policy, more RMB debts which have higher interest rates than HKD loans were used to finance development projects in mainland China. Consequently, the average effective cost of borrowings for the first half of 2017 was 5.2% (2016: 4.1%).

Interest cover, a key indicator for debt servicing capability, for the first six months of 2017 was 13 times (2016: 21 times).

- *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. Appropriate measures have been taken to mitigate the foreign exchange risk exposure.

(a) RMB Exposure

The RMB exposure of Hang Lung Properties is mainly derived from two respects of the operations. These are, firstly, the net assets of our Mainland subsidiaries which mostly comprise of investment properties. 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.

At June 30, 2017, the amount of net assets on the Mainland amounted to RMB60 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 gain of HK$2,090 million, as the RMB had appreciated by about 3% against the HKD compared to December 31, 2016. By the same token, the RMB4,002 million deposits had to be re-translated into HKD as well and they accounted for HK$228 million of the re-translation gain for the first six months of 2017. The total re-translation gain of HK$2,318 million for the first half of 2017 (2016: total re-translation loss of HK$1,661 million) was recognized in other comprehensive income / exchange reserve.

RMB bank deposits were held as a natural hedge for meeting funding needs for projects under development in mainland China. We have adopted an enterprise risk management approach to mitigate the currency risks rather than forming a view on which side the currency will move. Regular business reviews are conducted to assess the level of funding needs for Mainland projects under development, after taking account of various factors such as regulatory constraints, project development timelines and the business environment. Appropriate modifications to the currency hedging program will be conducted in light of the outcome of the periodic reviews.

(b) USD Exposure

The USD foreign exchange exposure of Hang Lung Properties is related to the two USD500 million fixed rate bonds issued, equivalent to HK$7,806 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 effectively fix the exchange rate between USD and HKD for future interest payments and principal repayments.

The changes in the fair value of both swap contracts did not impact the cash flows and the profit or loss materially as they qualified for cash flow hedge accounting.

- *Charge of Assets*

Assets of Hang Lung Properties were not charged to any third parties as at June 30, 2017.

- *Contingent Liabilities*

Hang Lung Properties did not have any material contingent liabilities as at June 30, 2017.

OUTLOOK

In response to consumer trends, Hang Lung Properties has been introducing new food and beverage tenants and searching out new trades especially for the upper floors of our malls. Targeted and sales-driven marketing efforts including special events and digital communications were designed and executed to drive retail sales and footfall which have both returned to an upward trend.

Facility and service enhancements are continuing across the portfolio in order to enrich the shopping experience. We are continuing to invest in and expand our Customer Relationship Management (CRM) programs, including the introduction of a high-end Very Important Customer (VIC) lounge at the Shanghai Plaza 66 mall in the third quarter of 2017. In Hong Kong, we are working on the launch of 9 Kingston Street in Causeway Bay, which is currently under renovation and will be completed in the second half of 2017.

We will continue to closely monitor the residential property market in Hong Kong, and will sell some of the residential units on hand at appropriate terms. Backed by our financial strength, we may further build our land bank when opportunities arise.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED JUNE 30, 2017 (UNAUDITED)

				For information purpose only	
		2017	2016	**2017**	2016
	Note	**HK$ Million**	HK$ Million	**RMB Million**	RMB Million
Revenue	*2(a)*	**6,358**	6,311	**5,618**	5,311
Direct costs and operating expenses		**(1,817)**	(1,991)	**(1,606)**	(1,674)
Gross profit		**4,541**	4,320	**4,012**	3,637
Other net income	*3*	**70**	159	**61**	135
Administrative expenses		**(293)**	(307)	**(258)**	(259)
Operating profit before changes in fair value of investment properties		**4,318**	4,172	**3,815**	3,513
Net increase/(decrease) in fair value of investment properties		**737**	(335)	**642**	(284)
Operating profit after changes in fair value of investment properties		**5,055**	3,837	**4,457**	3,229
Interest income		**312**	470	**276**	396
Finance costs		**(622)**	(540)	**(550)**	(455)
Net interest expense	*4*	**(310)**	(70)	**(274)**	(59)
Share of profits of joint ventures		**28**	30	**25**	25
Profit before taxation	*2(a) & 5*	**4,773**	3,797	**4,208**	3,195
Taxation	*6(a)*	**(734)**	(656)	**(649)**	(551)
Profit for the period		**4,039**	3,141	**3,559**	2,644
Attributable to:					
Shareholders		**3,830**	2,935	**3,375**	2,471
Non-controlling interests		**209**	206	**184**	173
		4,039	3,141	**3,559**	2,644
Earnings per share	*8(a)*				
Basic		**HK$0.85**	HK$0.65	**RMB0.75**	RMB0.55
Diluted		**HK$0.85**	HK$0.65	**RMB0.75**	RMB0.55

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2017 (UNAUDITED)

	Note	**2017 HK$ Million**	2016 HK$ Million	*For information purpose only* **2017 RMB Million**	2016 RMB Million
Profit for the period		**4,039**	3,141	**3,559**	2,644
Other comprehensive income	*6(b)*				
Items that are or may be reclassified subsequently to profit or loss:					
Exchange difference arising from translation of foreign subsidiaries/to presentation currency		**2,318**	(1,661)	**(1,619)**	476
Movement in hedging reserve:					
Effective portion of changes in fair value		**(194)**	-	**(169)**	-
Net amount transferred to profit or loss		**(44)**	-	**(38)**	-
Item that will not be reclassified to profit or loss:					
Net change in fair value of equity investments		**1**	-	**1**	-
		2,081	(1,661)	**(1,825)**	476
Total comprehensive income for the period		**6,120**	1,480	**1,734**	3,120
Total comprehensive income attributable to:					
Shareholders		**5,739**	1,385	**1,550**	2,940
Non-controlling interests		**381**	95	**184**	180
		6,120	1,480	**1,734**	3,120

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2017

	Note	(Unaudited) June 30, 2017 HK$ Million	(Audited) December 31, 2016 HK$ Million	*For information purpose only* June 30, 2017 RMB Million	*For information purpose only* December 31, 2016 RMB Million
Non-current assets					
Property, plant and equipment					
Investment properties	*9*	**128,954**	125,421	**112,054**	112,419
Investment properties under development	*9*	**18,418**	16,160	**15,985**	14,455
Other property, plant and equipment		**1,487**	1,449	**1,291**	1,297
		148,859	143,030	**129,330**	128,171
Interest in joint ventures		**1,250**	1,249	**1,088**	1,122
Other assets		**86**	2	**75**	2
Deferred tax assets		**1**	10	**1**	9
		150,196	144,291	**130,494**	129,304
Current assets					
Cash and deposits with banks		**22,449**	24,325	**19,524**	21,832
Trade and other receivables	*10*	**1,501**	3,939	**1,304**	3,535
Properties for sale		**1,844**	2,352	**1,605**	2,113
		25,794	30,616	**22,433**	27,480
Current liabilities					
Bank loans and other borrowings		**1,904**	568	**1,653**	508
Trade and other payables	*11*	**6,727**	6,327	**5,844**	5,669
Taxation payable		**1,153**	932	**1,003**	836
		9,784	7,827	**8,500**	7,013
Net current assets		**16,010**	22,789	**13,933**	20,467
Total assets less current liabilities		**166,206**	167,080	**144,427**	149,771
Non-current liabilities					
Bank loans and other borrowings		**21,895**	26,514	**19,031**	23,783
Deferred tax liabilities		**8,581**	8,421	**7,448**	7,534
		30,476	34,935	**26,479**	31,317
NET ASSETS		**135,730**	132,145	**117,948**	118,454
Capital and reserves					
Share capital		**39,912**	39,912	**37,431**	37,431
Reserves		**89,902**	86,653	**75,382**	76,032
Shareholders' equity		**129,814**	126,565	**112,813**	113,463
Non-controlling interests		**5,916**	5,580	**5,135**	4,991
TOTAL EQUITY		**135,730**	132,145	**117,948**	118,454

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, 2017 of Hung Lung Properties Limited (the “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 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 interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the changes summarized below.

Impact of early adoption of HKFRS 9, Financial Instruments

Certain of the Group's equity investments of HK$100 which were previously classified as available-for-sale investments (not held for trading) and measured at cost less impairment under HKAS 39, *Financial Instruments: Recognition and Measurement,* have been designated as at fair value through other comprehensive income (FVTOCI). The estimated fair value of these equity investments was HK$85 million as at January 1, 2017. Consequently, the opening balance of the Group's other reserves as at January 1, 2017 was impacted.

1. Basis of preparation (Continued)

Initial application of hedge accounting

The Group has elected to adopt the hedge accounting requirements in HKFRS 9, which requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

The Group uses USD/HKD cross currency swaps (entered into in 2015) to hedge the variability in cash flows arising from changes in foreign exchange rates relating to the USD-denominated Medium Term Notes. Starting from January 1, 2017, the Group has designated the cross currency swaps in their entirety as the hedging instrument in the above cash flow hedging relationship. The effective portion of changes in fair value of the hedging instruments is recognized in other comprehensive income and accumulated in a hedging reserve as a separate component of equity. Any ineffective portion of changes in fair value is recognized immediately in profit or loss. The associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

The presentation currency of these consolidated financial statements is Hong Kong dollar. In view of the Group's significant business operations in mainland China, management has included additional financial information prepared in Renminbi in the consolidated financial statements. Such supplementary information is prepared on the same basis as 2016.

The financial information relating to the financial year ended December 31, 2016 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 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, 2016 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	
	2017	2016	**2017**	2016
	HK$ Million	HK$ Million	**HK$ Million**	HK$ Million
Segment				
Property leasing				
- Mainland China	**1,949**	2,038	**1,274**	1,327
- Hong Kong	**1,886**	1,869	**1,625**	1,604
	3,835	3,907	**2,899**	2,931
Property sales				
- Hong Kong	**2,523**	2,404	**1,642**	1,389
Segment total	**6,358**	6,311	**4,541**	4,320
Other net income			**70**	159
Administrative expenses			**(293)**	(307)
Operating profit before changes in fair value of investment properties			**4,318**	4,172
Net increase / (decrease) in fair value of investment properties			**737**	(335)
- Property leasing in Hong Kong			**990**	78
- Property leasing in mainland China			**(253)**	(413)
Net interest expense			**(310)**	(70)
- Interest income			**312**	470
- Finance costs			**(622)**	(540)
Share of profits of joint ventures			**28**	30
Profit before taxation			**4,773**	3,797

2. Revenue and segment information (Continued)

(b) Total assets by segments

	Total assets	
	June 30, 2017 HK$ Million	December 31, 2016 HK$ Million
Segment		
Property Leasing		
- Mainland China	**88,644**	84,420
- Hong Kong	**60,305**	58,830
	148,949	143,250
Property sales		
- Hong Kong	**2,078**	4,949
Segment total	**151,027**	148,199
Other property, plant and equipment	**1,177**	1,122
Interest in joint ventures	**1,250**	1,249
Other assets	**86**	2
Deferred tax assets	**1**	10
Cash and deposits with banks	**22,449**	24,325
Total assets	**175,990**	174,907

3. Other net income

	2017 HK$ Million	2016 HK$ Million
Gain on disposal of investment properties	**2**	2
Fair value gain on derivative financial instruments (Note)	**-**	164
Ineffectiveness on cash flow hedges (Note)	**(5)**	-
Net exchange gain / (loss)	**73**	(7)
	70	159

Note: The Group entered into USD/HKD cross currency swaps for the purpose of fixing the exchange rate for the USD-denominated Medium Term Notes. Starting from January 1, 2017, the Group has designated the cross currency swaps as the hedging instrument in cash flow hedges.

4. Net interest expense

	2017	2016
	HK$ Million	HK$ Million
Interest income on bank deposits	**312**	470
Interest expense on bank loans and other borrowings	**574**	640
Other borrowing costs	**72**	28
Total borrowing costs	**646**	668
Less: Borrowing costs capitalized	**(24)**	(128)
Finance costs	**622**	540
Net interest expense	**(310)**	(70)

5. Profit before taxation

	2017	2016
	HK$ Million	HK$ Million
Profit before taxation is arrived at after charging:		
Cost of properties sold	**707**	820
Staff costs, including employee share-based payments of HK$33 million (2016: HK$51 million)	**679**	671
Depreciation	**26**	27

6. Taxation

(a) Provision for Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for the period. Mainland China Income Tax represents mainland China Corporate Income Tax calculated at 25% (2016: 25%) and mainland 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.

	2017	2016
	HK$ Million	HK$ Million
Current tax		
Hong Kong Profits Tax	**470**	414
Mainland China Income Tax	**342**	316
	812	730
Deferred tax		
Changes in fair value of investment properties	**(63)**	(104)
Other origination and reversal of temporary differences	**(15)**	30
	(78)	(74)
Total income tax expense	**734**	656

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

7. Dividends

(a) Interim dividend

	2017	2016
	HK$ Million	HK$ Million
Proposed after the end of reporting period:		
HK17 cents (2016: HK17 cents) per share	**765**	765

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

	2017	2016
	HK$ Million	HK$ Million
2016 Final dividend of HK58 cents (2015: HK58 cents) per share	**2,608**	2,608

8. Earnings per share

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

	2017	2016
	HK$ Million	HK$ Million
Earnings used in calculating basic and diluted earnings per share (net profit attributable to shareholders)	**3,830**	2,935

8. Earnings per share (Continued)

(a) (Continued)

	Number of shares	
	2017	2016
	Million	Million
Weighted average number of shares used in calculating basic earnings per share	**4,498**	4,497
Effect of dilutive potential shares - share options	**1**	-
Weighted average number of shares used in calculating diluted earnings per share	**4,499**	4,497

(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:

	2017	2016
	HK$ Million	HK$ Million
Net profit attributable to shareholders	**3,830**	2,935
Effect of changes in fair value of investment properties	**(737)**	335
Effect of corresponding deferred tax	**(63)**	(104)
	(800)	231
Non-controlling interests	**10**	1
	(790)	232
Underlying net profit attributable to shareholders	**3,040**	3,167

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

	2017	2016
Basic	**HK$0.68**	HK$0.70
Diluted	**HK$0.68**	HK$0.70

9. Investment properties and investment properties under development

(a) Additions

During the period, additions to investment properties and investment properties under development amounted to HK$2,504 million (2016: HK$889 million).

(b) Valuation

The investment properties and investment properties under development of the Group were revalued as at June 30, 2017 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 are trade receivables (based on the due date) with the following aging analysis:

	June 30, 2017 HK$ Million	December 31, 2016 HK$ Million
Not past due or less than 1 month past due (Note)	**250**	2,621
1 - 3 months past due	**10**	21
More than 3 months past due	**3**	12
	263	2,654

Note: Not past due or less than one month past due receivables mainly represented property sales receivables for residential units sold in the first half of the year. 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. Proceeds from property sales are receivable pursuant to the terms of the sale and purchase agreements. In addition to the payment of rental deposits, tenants are required to pay monthly rents in respect of leased properties in advance. 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$288 million (December 31, 2016: HK$279 million).

11. Trade and other payables

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

	June 30, 2017 HK$ Million	December 31, 2016 HK$ Million
Due within 3 months	**1,313**	1,492
Due after 3 months	**2,435**	1,813
	3,748	3,305

OTHER INFORMATION

Employees

As at June 30, 2017, the number of employees was 4,584 (comprising 1,215 Hong Kong employees and 3,369 mainland China employees). The total employee costs for the six months ended June 30, 2017 amounted to HK$679 million. We provide competitive remuneration packages for all employees including discretionary bonuses payable 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, 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities.

Compliance with Corporate Governance Code

During the six months ended June 30, 2017, the Company complied with the code provisions set out in the Corporate Governance Code 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, 2017 have been reviewed by the Company's Audit Committee and auditor, KPMG.

Book Close Dates

Book close dates (both days inclusive)	September 13 to 14, 2017
Latest time to lodge transfers	4:30 pm on September 12, 2017
Record date for interim dividend	September 14, 2017
Payment date for interim dividend	September 28, 2017

On Behalf of the Board
Ronnie C. Chan
Chairman

Hong Kong, July 27, 2017

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, Mr. H.C. HO and Mr. Adriel W. CHAN
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 expense on total borrowings and other borrowing costs, net of amount capitalized

Total borrowings: Total of bank loans and 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

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

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

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

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

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