恒隆地產
HANG LUNG PROPERTIES

2015
Interim Report

Hang Lung Properties Limited
Stock Code: 00101

WE DO IT RIGHT

Corporate Information

DIRECTORS

Ronnie C. Chan *(Chairman)*
Philip N.L. Chen *(Managing Director)*
Ronald J. Arculli *GBM, CVO, GBS, OBE, JP* *
P.W. Liu *SBS, JP* *
Dominic C.F. Ho *
Nelson W.L. Yuen *
Andrew K.C. Chan *BBS, JP* #
H.K. Chang *GBS, JP* *
Anita Y.M. Fung *BBS, JP* *
H.C. Ho

Non-Executive Director

* *Independent Non-Executive Director*

AUDIT COMMITTEE

Dominic C.F. Ho *(Chairman)*
Andrew K.C. Chan *BBS, JP*
H.K. Chang *GBS, JP*
Anita Y.M. Fung *BBS, JP*
(appointed on August 4, 2015)

NOMINATION AND REMUNERATION COMMITTEE

Ronald J. Arculli *GBM, CVO, GBS, OBE, JP*
(Chairman)
Dominic C.F. Ho
H.K. Chang *GBS, JP*

AUTHORIZED REPRESENTATIVES

Philip N.L. Chen
Bella P.L. Chhoa

COMPANY SECRETARY

Bella P.L. Chhoa

REGISTERED OFFICE

28th Floor, Standard Chartered Bank Building
4 Des Voeux Road Central, Hong Kong
Tel: 2879 0111
Fax: 2868 6086

INTERNET ADDRESS

Website: http://www.hanglung.com
Email address: HLProperties@hanglung.com

AUDITOR

KPMG
Certified Public Accountants

RESULTS AND DIVIDEND

Compared to the last corresponding period, turnover increased 3% to HK$4,607 million. With a much smaller property revaluation gain, net profit attributable to shareholders fell by 12% to HK$2,841 million. Earnings per share dropped 13% to HK$0.63. When excluding all the effects of revaluation gain, the underlying net profit attributable to shareholders was down 1% to HK$2,448 million and the underlying earnings per share of HK$0.55 was the same as a year ago.

The Board has declared an interim dividend of HK17 cents per share payable on September 30, 2015 to shareholders of record on September 16, 2015.

BUSINESS REVIEW

The trading environment was tough as expected. Mainland China's overall economy was weak and retail growth especially for luxury goods has slowed further. Given this situation, we were performing as well as one could have expected.

For example, due partly to the completion of the expansion plans of six major brands at Plaza 66 in Shanghai where each of them has taken 57% to 480% more space, rental turnover compared to the same period of the previous year jumped 12%. At Grand Gateway 66, it increased by 6%. Our overall retail rental growth in Shanghai was 9% while occupancy stood at 99%. Rental reversions were on average up by almost 10%.

Because of the oversupply of new space in the immediate neighborhood, office rents collected at Plaza 66 fell by 7%. (The competitive landscape in Xujiahui District where Grand Gateway 66 is located has not been as severe. As a result, the office tower there, which is held by our parent Hang Lung Group, experienced a rental rise of 5%.) The blended growth rate for Plaza 66 was 3%. The total rents collected in Shanghai rose by 4% to HK$1,454 million. Rental margin remained high at 87% and gross rental return on unleveraged investment cost rose to 46%.

Shopping centers in second-tier cities encountered tougher conditions. Continuing on the path of recovery, Shenyang Palace 66 saw a rise in rental turnover. Jinan Parc 66 retreated slightly but Shenyang Forum 66 and Wuxi Center 66 fell. As predicted six months ago, occupancy held steady at Palace 66, rose nicely at Parc 66 but deteriorated at the other two facilities. The overall weak retail environment is putting downward pressure on rental reversions everywhere, especially at Forum 66 and Center 66. Tianjin Riverside 66 which has less than a full year of operation is performing acceptably with occupancy climbing steadily.

As long time readers of this letter know, almost from the beginning of our operations on the Mainland, we have always insisted on a solid base rent. We are willing to sacrifice part of the upside in the form of turnover rent. When the market rose sharply, we might have lost some additional revenue, but now when conditions have become tough, we are much more protected. Many of our competitors voluntarily or involuntarily required little or no base rent from tenants, especially from top luxury brands. They are all suffering today.

An important indication of the health of shopping centers is the retail sales of our tenants. Both within and beyond Shanghai, we saw a growth of 4%. In second-tier cities, Palace 66 rose by 10%; Parc 66 almost kept up with the same period of a year ago; Forum 66 fell by 5% while Center 66 jumped 15%. The last number, however, warrants some explanation. The two car showrooms – Ferrari and Maserati – accounted for almost a quarter of the total sales of the property. Excluding them, tenant sales were flat. Whatever the case, the fact that 93 luxury cars have been sold in merely a few months tells us that private wealth abounds in Wuxi.

Despite the sluggish economy, our two new office towers are leasing satisfactorily. 60% of the one in Wuxi Center 66, completed in the fourth quarter of 2014, is committed. At Shenyang Forum 66, almost one-third of the space is leased. By year-end I expect the numbers to be over 80% and 60% respectively. Besides achieving acceptable unit rents, attracting the best possible tenants is just as important. This we are striving to do.

Hong Kong investment properties performed satisfactorily. Overall rent collected was 7% higher than the same period of 2014, with retail rising at 6% and office 9%. Both asset types remained basically fully occupied. At over HK$1.7 billion, Hong Kong accounted for 45% of the Company’s total rents received. Mainland China brought in 55% or slightly over HK$2.1 billion.

We continued to sell down our inventory of completed apartments. This period we only parted with 26 units compared to 88 a year ago. Turnover was 17% less but operating profit was actually 4% higher due to a higher profit margin. For example, the nine condos at The HarbourSide achieved a margin of 82%. We also parted with many car parking spaces.

All told, Company-wide turnover and operating profit both increased by 3%. Because revaluation gain was much lower than the year before, net profit attributable to shareholders fell by 12%. Taking out the non-cash item of revaluation yielded an underlying net profit attributable to shareholders of minus 1%. The number was so small that underlying earnings per share remained the same at HK$0.55.

As I have told shareholders before, we will spend HK$1.3 billion to enhance and upgrade our two Shanghai properties. They are over 15 years old and we want to make sure that they will continue to be leaders in their respective markets. Works at Plaza 66 have started already and that for Grand Gateway 66 will begin in the second half of 2016. Only after mall-opening hours will workers enter, and they will reinstate the premises before the new business day arrives. It will take longer to complete the renovation but tenants and shoppers will be least affected.

Two developments in the past few months were of particular significance to our Company. One was specific to our business while the other was of a more general nature. The former was the price cutting by luxury brands in China including Hong Kong. The latter related to the plunge in the Chinese stock market.

According to the global consulting firm McKinsey, China now accounts for some 20% of the annual global luxury goods market of some US$30 billion. Moreover, the rate of growth in China is astonishing. This has caused almost all major brands to flock to the country. In fact, more often than not they have to adjust their global strategy to tailor to this market. Together with the introduction of technology such as e-Commerce, and the fast-changing – and some say, upgrading of – tastes and preferences of Chinese consumers, we have an industry which is rapidly evolving.

Although high fashion only takes up 6% of our mall space, they generate some 17% of retail rents. Shopping centers in turn are responsible for about 80% of all our rents received on the Mainland. Beyond just numbers, our reputation in the country is built on luxury goods sales which help drive other types of tenants. As such, developments in this sector are of particular concern to us.

For many years, the same luxury products in China on average have been sold at about 20% higher than in Europe. As a result, over 60% of the purchases made by the Chinese took place outside of the Mainland. It also bred a kind of arbitrage of buying overseas and selling on the Mainland. A main reason, although not the only one, for the price differential is the high import duty levied by the Beijing government. Three years ago I asked a relevant senior official why the government still kept the high taxes when they were losing money over people buying overseas. I was told in no uncertain terms that when it was politically expedient, such import duties would be adjusted downward. So far it has not happened.

Your management was certainly expecting such an adjustment. It should benefit us as a certain percentage of overseas sales will surely return to China where we have some of the best malls. If only a quarter of the present 60% overseas transactions were brought back onshore, the domestic market would grow by about 40%. Recent announcement of the lowering of taxes for certain consumer products also gave us hope.

To our surprise, in March this year a top global luxury brand started to cut prices in China on a permanent basis, i.e. it was not a seasonal sales campaign. Before long a good number of other big names followed suit. The idea is ostensibly to equalize prices with other parts of the world so as to stamp out the undesirable consequences of a significant price differential.

Our preference is to have the government cut the import duty because it will impact all luxury products instead of only a few brands which have chosen to lower prices. In fact, I was concerned that such brand decisions may preclude government action. But whatever the case, as long as the consumer pays less, some overseas sales will likely return. This should be good news to us and to the industry in China.

Then there was a piece of not so encouraging news – the sharp fall in Chinese stock prices in recent days and weeks. When the Beijing government began late last year to flood the economy with liquidity and direct it to the stock markets of Shanghai and Shenzhen, we knew that it would sooner or later bring trouble. We in the rest of East Asia have seen all too many market crashes. Recall 1973, 1987, 1997, 2000 and 2008. While the immediate cause of each might differ, it was always preceded by euphoria and inevitably ended in almost free fall. They were scary and anyone who has experienced them will not easily forget. Yet inside Mainland China, investors have not seen it, and it takes firsthand experience to know what it is like.

So to the latest trouble, I have the following comments. First, every developing economy and its stock market will sooner or later undergo such a roller coaster ride. Even the U.S. experienced it in 1929. Every East Asian market which is somewhat mature has gone through it. For example, today few global investors pay attention to Taiwanese stocks. But in the mid to late 1980's, it was a wild market. One should not be surprised that Mainland China today should undergo similarly huge ups and downs. Indeed it would be abnormal if it does not. It is just the normal process of market maturation.

Some may take exception to the way and the extent that Beijing has strived to prop up the market. That too should not surprise anyone. History tends to show that every government will do its best to come to the rescue if it is within its power to do so. The Chinese may have more tools to use and so they have used them.

While such huge equity market swings will inevitably hurt the local economy to some extent, in most historical cases the latter recovers. So will the Chinese economy. After all, the Beijing government not only has various means to rescue the market; it also has many to stimulate growth. While it is difficult to predict how much longer Beijing will be able to keep that privilege as its economy continues to deregulate, for now, it will do its best to revive it.

If the latest "experiment" of directing massive amounts of private capital into the stock market was meant to stimulate the economy, it has backfired. No doubt a collateral benefit of this disaster is that officials have learned what not to do. This should help them do a better job next time.

There is another reason why the market fall may not damage the real economy as much as in other places. Namely, the correlation between the Chinese stock market and the underlying economy may be weaker than that of the West. A big part of the Chinese capital market is associated with huge state-owned enterprises which are monopolies or oligopolies in their respective industries. Many of them are financially strong and their ability to make money has little to do with the conditions of the stock market.

Furthermore, compared to a year ago or to the beginning of 2015, the Chinese stock market index today is still considerably higher. Nevertheless those individuals who have lost money of late in the stock market will inevitably consume less.

Perhaps a greater worry for the economy is the weakness of the housing market. Real estate is one way or another related to some 20% of the overall economy. In the past when everyone was building feverishly, the economy was buoyed by it. Now the reverse is true. I have touched upon this worry in the past, and its effects are now increasingly felt. This explains why loan demand all over the country is weak. With diminished economic activities, job creation is also curtailed. These are worrying signs.

This must be why the government is doing all it can to stimulate the economy. Old tricks such as monetary easing will not work so well anymore. There is already an oversupply of many basic materials and manufacturing capacity.

On the demand side, China's biggest export market – Europe – is not growing. The U.S. economy is faring better but this market as far as China is concerned has three issues. First, after years of fast salary growth in China, the cost differential between China and the U.S. has narrowed. Secondly, with technological advances such as robotics and 3D printing and the availability of cheap energy from shale gas, America may soon once again become a manufacturing powerhouse as in the 1950's and 1960's. Her need for the import of a myriad of goods may lessen. Thirdly, protectionism is rearing its ugly head: consider the slogan "Buy America!"

Aside from export, consumption is the second engine for the economy. Partly due to the negative wealth effect of stagnating home prices, the citizenry has become more cautious in spending money. The increase of public investments remains the only time-honored method, but this too has its limits. New initiatives must be crafted but these will not be easy.

The two attempts in this regard are to encourage entrepreneurship among younger people, and the introduction of the new Silk Road concept called "One Belt, One Road" or as some say, "OBOR." It is doubtful if either will bring sufficient short term benefits to jump-start the economy.

Whereas the stock market trouble of late may not in itself be that serious, it is the more fundamental difficulties which are worrisome. It is not easy to see what the new economic engine will be. This is why I do not see a quick uplift in our shopping center business.

The Hong Kong retail segment has been performing acceptably although it could have been better. Some locals have reacted to Mainland visitors buying up daily necessities here. Unfortunate incidents of unwelcoming gestures have left many of our compatriots cautious about visiting Hong Kong. Doubtless this has hurt our retail sales. So much so that in certain districts, many street front shops which have previously commanded high rents are now empty. While the phenomenon affects us little, it cannot be good for Hong Kong as a whole.

Such sentiments against Mainlanders are unnecessary and improper although we are not unique. Singapore has witnessed the same. Some of the issues are supply-demand related that can be easily resolved. Taking infant milk powder as an example: why not go to the best supplier in the world and purchase in huge quantities? Then set up outlet stores close to the border between Hong Kong and the Mainland. Quantity buying will bring down prices for all and we will retain shoppers from the other side. Animosity towards such visitors will thus be alleviated and at the same time, Mainlanders' sentiments towards our city will not deteriorate. They will keep coming and while here, will use our many other services. This will keep our job market healthy and our overall economy more sound than otherwise.

As we all know, Mainland tourists anywhere in the world are among the highest spenders, both in absolute terms and on a per capita basis. To turn them away is to turn money away. Hong Kong has always been an open commercial city and to turn away legitimate business is foreign to us.

Hong Kong people will do well to remember that we have competition. With our dollar pegged to the American dollar, and with almost all major currencies depreciated of late against the greenback, many of our neighbors appear very attractive to Mainland tourists. Our Tsim Sha Tsui (TST) district used to be a popular destination spot; now the new TST to them is Tokyo, Seoul and Taipei. And once a bad reputation of our city is formed on the Mainland, it will be difficult to reverse.

To look down on our compatriots is equally irrational. Very few of our local population are truly native to Hong Kong. A little over a century ago, this city was not much more than a fishing village. Even by the end of World War II, our population was quite small. Most of us or our parents originally came from the Mainland. As such, the difference between the mistreated tourists and recent immigrants and the mistreating locals is only the time they arrived at this city.

Statistics have already reflected the downturn. Growth in inbound Mainland tourists has slowed, and even consumer spending is slightly down. Hong Kong must as soon as possible take steps to reverse the slide. Our democratic and so strait-jacketed political process are also stalling the much needed infrastructural development such as the third runway at our airport. The Hong Kong-Zhuhai-Macao Bridge when built should help our economy, but that too is mired in wasteful political infighting.

All the above are cautioning us that we should not be overly optimistic about Hong Kong's retail business in the next year or two. Market expansion will be limited. As such, we will have to gain market share if we want to grow. In this regard, our recent Asset Enhancement Initiatives should help. There is still considerable potential in our portfolio for upgrading. This we will do.

PROSPECTS

Given the slower retail markets in both Mainland China and Hong Kong, we are bracing ourselves for a long winter. I would be happy to be proven wrong, but it seems prudent at this stage to be cautious. We do not see many encouraging signs in the economy nor our industry.

Consider the fact that within six months of our opening Tianjin Riverside 66 last Fall, at least six sizable retail outlets in the City had closed down! We do not for a moment think that we are the cause of their troubles. We are not that powerful, being among the best in the market notwithstanding. While recognizing that there will be less competition going forward, we are not particularly pleased with this development, for it tells us that the market is lethargic and there is no end in sight.

Coincidentally all six closed-down retail facilities in Tianjin were department stores. It was not that long ago when institutional investors asked us which model – traditional department stores versus shopping centers – was superior. I thought the answer was obvious but one could have easily accused me for being biased. Now most people are as convinced as I am. This however does not mean that all malls are spared from trouble; rather, it merely says that the weaker model will be the first to be hurt. (That said, some department stores will survive.) If consumer confidence remains low, the inferior malls will also go. This is already happening.

Fortunately not only do we have some of the best properties in the market, we are also financially very strong. For the past nine years and to this day, we basically have zero net debt. As such, it is difficult to think of an exogenous factor that can kill us. The same cannot be said for most of our competitors.

Observing for some years the glut of inferior retail space in Chinese cities, I have long pondered over how the industry will evolve. Now the answers are unveiling before us at considerable speed.

The simplest form is to close down, or at least to mothball the property. Many are doing just that. To figure out an alternative use will tax one's ingenuity. One possibility is to turn them into old folks' activity centers. Given an ageing society, there will be considerable demand for such facilities. However, how to make money therefrom is another issue. Retail rental is among the highest yielding for any space, which means that most other usage, if not all, will bring inferior returns.

A few daring souls are buying up failed shopping centers. Perhaps the new owners will be able to come up with better usage. But if all they do is to keep the space for retail, then I question their chances of success. The main reason for mall failure is not the software but the hardware, i.e. what I call "real estate genetics" – location, size, design and construction. These are factors which can never be changed once a facility is constructed. It is like a short man not being able to play professional basketball or a tall man doing gymnastics. A switch to a better coach will not help, for it is the genetics that counts the most.

I believe that finding other reasonable functions for the space is a safer route to take. One company is turning well located malls into office space for entrepreneurs on a daily rental. After all, top Chinese leaders are calling young people to innovate and to start new businesses. So apparently there is some market for it but will it fill up a mall or many malls? Hardly! Moreover, simple calculation if not common sense will tell us that the return from such a conversion can in no way come close to that of a well-run shopping center, especially one in the luxury sector. Such is the price for not respecting “genetics.”

There are yet other strategies. One high-profile player who formerly claimed to be in the luxury mall space has publicly announced that besides closing down some weaker facilities, all remaining properties will go downward on the value chain. They will now tailor to the masses. Like many others, they have finally discovered that to build and manage top-end shopping centers is a high-expertise endeavor, something that I have repeatedly advocated on this platform.

I believe the conversion game has just begun. As long as the economy remains sluggish and consumer spending feeble, the speed of conversion can only pick up, for the oversupply situation in many cities is serious. It may take a few years for those markets to reach a supply-demand equilibrium. My suspicion is that once the sentiment turns for the better, this market cleansing mechanism will stop. People will begin to build again. Like everywhere else, one should not underestimate the follies of human nature.

What then shall Hang Lung do? First, stay the course. Several institutional investors have recently asked if we would consider lowering the price point of products sold in our malls. I find their suggestion incredulous. Since there will always be a market for luxury goods, we should not move downward on the value chain. At or near the top-end of the market, there are very few players, for few know how to develop and manage four- or five-star malls. We already have several properties well entrenched in that space with a limited number of competitors. If we move down, we will dilute our uniqueness and run into much more competition even though the market is bigger. The segment where we play today is much easier to defend than the next level below.

Secondly, whereas we have no intention to slow down construction, neither will we break our neck to get ahead as we once did. We expect the market lull to be with us for some time so there is no hurry.

Thirdly, we will take advantage of the present slow market to upgrade our existing portfolio. Our Asset Enhancement Initiatives have started a while ago in Hong Kong with much success. We have done a lot of work in Mong Kok and Causeway Bay, and will do more. The enhancement of Plaza 66 has also started, while that for Grand Gateway 66 will follow in 2016. Payback period will be about 4 years for both Shanghai properties.

There will come a time when land prices on the Mainland become attractive. This is the fourth area to which we will pay attention. But for now, we will not rush into acquisitions, for we do not see how the economy can recover quickly.

The fifth item is critical and we will do our best to complete – the building out our management team, especially at the senior level. Six months ago I have written extensively on the subject. Progress is being made but there is always room for improvement.

Finally and concurrent with augmenting the team is the strengthening of corporate culture. This is yet another topic to which I have previously devoted considerable attention.

At times of adversity, the strong players will become even stronger, and the weak ones, as we have seen earlier, will sooner or later fail. Given the assets we possess both tangible and intangible, Hang Lung will be one of the very few big winners. As in most industries in market economies, success will over time concentrate in the hands of a few.

Dalian will officially open in early December under a most difficult environment. With a gross floor area of about 220,000 square meters, to fill it up intelligently will be a challenge for anyone. Average unit rental rate is expected to be slightly below that of Tianjin.

We will inaugurate the mall in two phases, with the first accounting for 87% of all available space. At the opening we shall expect 80% occupancy of phase one or 70% of the entire mall. When we approach 90% full for phase one, we should have achieved the targeted 4-5% initial gross yield. Once fully occupied, there is a good chance that we will be at the 5-6% range. Given the enormity of the property size and the tough market environment, this is a rather satisfactory outcome.

I should mention that at the opening, the upper floors and the basement will be basically full but not the first two levels. The latter are the easiest to fill for everyone wants to be there. However, we are unwilling to lease such premium space to just anybody. Once occupied, it will take time and effort to relocate them later when we need to make room for what may prove to be more appropriate names. For now top brands are not opening new stores and so we will take our time to find the brands we want.

After Dalian, the next mall to open should be Kunming. In recent years, building regulations have become increasingly unwieldy. This is perhaps understandable as the fast-rising market over the past two decades has left many holes in the system. As such, one can consider this latest development as an improvement. However, to address one problem often creates difficulties if not impossibilities in other areas. For example, new fire regulations have rendered efficient and indeed reasonable design unattainable. Such issues are usually resolvable at the end but the process is invariably tedious and painful. We have experienced similar situations before but they seem endless. So besides the fact that we bought the land almost two and a half years after that of Dalian, increasingly stringent building codes will also mean that Kunming will not open until 2018.

We welcome this respite. Since 2010, we have inaugurated one world-class shopping center per year. Opening six huge facilities in six years is by any standard phenomenal. No wonder the expansion of our management team could hardly keep up. We were indeed fortunate that no major mishaps have taken place.

Whereas adding new space will invariably raise the top line from day one, it will not contribute to profit immediately since it takes time for a shopping center to mature. In fact it will average down the rental margin. Not adding completed projects for a while will have the opposite effect. Ironing out the bugs in the newer facilities should raise both the unit and the total rent. Overall rental margin should improve and more of the top line will flow through to profit. This is ultimately the main purpose for any business.

As before, we will constantly review market conditions to determine when to construct the remaining office towers and apartment blocks in Forum 66 and Center 66.

Returning to the more immediate term, the overall consumer market is for now still weak. The threat of negative reversion in second-tier cities is real and serious. Your management will have to pull out all the stops to prevent the situation from getting out of hand. Moreover, enhancement of our two Shanghai properties will present some challenges although I do not expect the impact to be significant.

There are however some anticipated happy news. Although Hong Kong's consumption is weak, we should fare better than the overall market. Asset Enhancement Initiatives being executed of late are beginning to bear fruit. For example, the next enhancement to be completed should be the podium at Hang Lung Centre where our headquarters was located before 1993. H&M will open one of their global flagship stores there towards the end of this year.

All told, I expect our total rents received to grow nicely. The less predictable part of our business is Hong Kong property sales. It is difficult to tell at this stage how many more completed apartments at The Long Beach we will sell for the rest of the year. Such number will impact our bottom line. Most likely the full-year sales figure will be less than that of last year when we sold many units at The HarbourSide. Nevertheless, the chances are good that we will be able to maintain the high profit margin at The Long Beach as in the recent past.

It saddens me to announce the death of our long-serving director Ms. Laura Chen. After a valiant fight of almost a decade, she succumbed to cancer on May 18, 2015. She began her career as a banker and eventually became an investor. Her philanthropic work stood out as bold and effective in helping to eradicate certain diseases in China. She will be sorely missed.

On a happier note, it gives me great pleasure to welcome Ms. Anita Fung as our new independent non-executive director. Anita left HSBC earlier this year. She was its CEO Hong Kong where the operation in 2014 accounted for over a third of the Group's total profit. Anita was Group General Manager of HSBC Holdings plc since 2008 and was in charge of the Global Banking and Markets business of Asia Pacific. She is widely recognized as one of the most seasoned experts in treasury capital markets. I can hardly think of a more appropriate person to provide this expertise on our Board.

Finally, I am pleased to inform shareholders that the Company has continued to garner many prestigious awards especially in design, sustainability and corporate governance. A full list will be presented at year-end.

Ronnie C. Chan
Chairman of the Board of Directors
Hong Kong, July 30, 2015

Financial Highlights

in HK$ Million (unless otherwise stated)

RESULTS

	Note	For the six months ended June 30 2015	2014	Change
Turnover		4,607	4,457	+3%
Property Leasing		3,862	3,556	+9%
Property Sales		745	901	-17%
Operating Profit		3,523	3,408	+3%
Property Leasing		2,961	2,868	+3%
Property Sales		562	540	+4%
Net Profit Attributable to Shareholders		2,841	3,217	-12%
Earnings Per Share (HK$)		$0.63	$0.72	-13%
Interim Dividend Per Share (HK$)		$0.17	$0.17	—

UNDERLYING RESULTS

	Note	For the six months ended June 30 2015	2014	Change
Underlying Net Profit Attributable to Shareholders	1	2,448	2,484	-1%
Underlying Earnings Per Share (HK$)	2	$0.55	$0.55	—

FINANCIAL POSITION

	Note	At June 30 2015	At December 31 2014	Change
Shareholders' Equity		132,617	132,327	—
Net Assets		138,975	139,003	—
Net Cash	3	935	4,848	-81%
Debt to Equity Ratio	3	25.3%	25.2%	+0.1pt
Shareholders' Equity Per Share (HK$)		$29.6	$29.5	—
Net Assets Per Share (HK$)		$31.0	$31.0	—

Notes:

1. Underlying net profit attributable to shareholders is presented by excluding the effect of adopting Hong Kong Accounting Standard 40, Investment Property, which requires changes in fair value of investment properties and investment properties under development, net of related deferred tax and non-controlling interests, be accounted for in profit or loss.
2. The relevant calculation is based on underlying net profit attributable to shareholders.
3. Net cash represents cash and deposits with banks net of bank loans and other borrowings. Equity comprises shareholders' equity and non-controlling interests.

GROUP RESULTS

For the first six months ended June 30, 2015, overall turnover of the Group increased by 3% to HK$4,607 million year-on-year as rental income growth was partly offset by smaller property sales turnover. Turnover of our core business, property leasing, rose 9% to HK$3,862 million, driven by continual growth from both the mainland China and Hong Kong portfolios. Property sales turnover was HK$745 million, representing a 17% drop from a year ago. Operating profit of the Group rose 3% to HK$3,523 million.

Underlying net profit attributable to shareholders decreased by 1% to HK$2,448 million. When including a smaller revaluation gain on investment properties compared to the same period last year, net profit attributable to shareholders decreased by 12% to HK$2,841 million. Earnings per share decreased similarly to HK63 cents.

DIVIDEND

The Board of Directors has declared an interim dividend of HK17 cents per share (2014: HK17 cents) to be paid by cash on September 30, 2015 to shareholders. Details of the payment of the interim dividend are set out in "Financial Calendar" on page 55 of this interim report.

PROPERTY LEASING

Property leasing achieved a 9% turnover growth to HK$3,862 million in a challenging business environment in both mainland China and Hong Kong. Operating profit was up 3% year-on-year as profit growth of the Hong Kong portfolio was partly offset by lower profitability of newly opened properties in mainland China. The overall leasing profit margin was 77%.

Mainland China

For the first six months of 2015, rental turnover of our mainland China portfolio reached HK$2,118 million, up 10% when compared to the corresponding period last year. On a like-for-like basis, turnover was up 1% when excluding new properties which commenced business since the second half of 2014, including the Riverside 66 shopping mall in Tianjin, and the office towers at Center 66 in Wuxi and Forum 66 in Shenyang. Operating profit was maintained at a similar level to last year at HK$1,464 million as newly opened properties generated lower profits during the startup period. Overall rental margin retreated seven points to 69%.

Our shopping malls in mainland China collectively recorded an 11% rental income growth to HK$1,684 million. The portfolio comprises seven malls, including two each in Shanghai and Shenyang, and one each in Jinan, Wuxi and Tianjin. The rental growth of the malls was mainly attributable to a 9% rental growth from the two malls in Shanghai, Plaza 66 and Grand Gateway 66, and contribution from the Riverside 66 shopping mall in Tianjin which commenced operation last September. The two Shanghai malls were virtually fully let, accounting for 63% of total turnover of our shopping mall portfolio in mainland China. The newer malls outside Shanghai cumulatively contributed 16% more in rents, year-on-year. These malls were either newly opened, or undergoing different stages of tenant or trade adjustments. Most of them had occupancy rates between 80% to 90% at the balance sheet date.

The office portfolio, including two office towers at Plaza 66 in Shanghai and one each at Center 66 in Wuxi and Forum 66 in Shenyang, posted a 3% growth to HK$434 million during the period. The office tower at Center 66 opened last October, and that at Forum 66 commenced operation in January 2015. With the increase in supply of office space in Shanghai, rental turnover of the office towers at Plaza 66 decreased by 7% compared to the last corresponding period.

Hong Kong

Our diversified Hong Kong investment properties portfolio was resilient in the face of declining overall retail sales in Hong Kong. All the business segments of our portfolio recorded turnover and profit growth. Rental turnover rose 7% to HK$1,744 million while operating profit was also up 7% to HK$1,497 million. The resulting leasing margin was 86%.

The Hong Kong commercial portfolio collected 6% more in rents to HK$1,028 million, largely attributable to positive rental reversions. All the malls, which are situated in prime locations of Hong Kong, were virtually fully let. Benefitted from positive rental reversions, Grand Plaza in Mongkok and Amoy Plaza in Kowloon East both enjoyed a 13% rental growth. Despite the renovation impact during the period, the Causeway Bay commercial portfolio posted a 5% rental income growth. Our commercial portfolio in Central collectively gained 7% in rents year-on-year. The Peak Galleria at the Peak and Kornhill Plaza in Hong Kong East collected 5% and 4% more in rents, respectively.

The entire office portfolio in Hong Kong collected 9% more in rents compared with a year ago to HK$559 million. The occupancy rate of the office portfolio improved two points to 96%. After a series of marketing campaigns, rental turnover of our residential and serviced apartments jumped 14% to HK$157 million. Occupancy rates of residential and serviced apartments increased by 12 and 6 points to 91% and 60%, respectively.

PROPERTY SALES

For the six months ended June 30, 2015, the Group sold a total of 26 apartments (first half of 2014: 88 units) and some car parking spaces. Total property sales turnover amounted to HK$745 million, down 17% year-on-year. Due to a different product mix, operating profit rose 4% to HK$562 million. Overall profit margin realized was 75%.

Relevant information on the 18 semi-detached houses at 23-39 Blue Pool Road was released to the market in April 2015. Those houses will be launched for sale when appropriate.

PROPERTY REVALUATION

Our investment properties portfolio was revalued by Savills, an independent valuer, as at June 30, 2015. Overall, a revaluation gain of HK$427 million was recognized in the first half of 2015, compared to a gain of HK$748 million in the corresponding period last year. Our Hong Kong investment properties recorded a revaluation gain of HK$334 million and the Mainland portfolio had a moderate gain of HK$93 million.

PROPERTY DEVELOPMENT AND CAPITAL COMMITMENT

The total value of investment properties increased by 4% to HK$125 billion. It was largely attributable to the transfer of the Forum 66 office tower in Shenyang from investment properties under development upon commencement of operation in early 2015.

The Group has a number of investment properties under construction. They included projects in Dalian, Kunming, Wuhan and the remaining phases of Shenyang and Wuxi in mainland China. Those projects comprise shopping malls, office towers, serviced apartments and hotels, with total gross floor area of 2.6 million square meters. Upon completion, they will increase the total gross floor area of our portfolio in mainland China to 4.5 million square meters. They represented the majority of the Group's capital commitments amounting to HK$44 billion as at June 30, 2015. The Group has ample financial resources to meet these commitments, as those projects would take many years to build out.

Final preparations are underway for the opening of Olympia 66 in Dalian towards the end of the year. The stunning development comprises almost 222,000 square meters of retail area and 1,200 car parking spaces.

LIQUIDITY AND FINANCIAL RESOURCES

The Group implements sound and prudent financial management strategies. It continues to maintain a strong balance sheet with a high degree of agility to meet all commitments and obligations.

As at June 30, 2015, the Group had liquid funds of HK$36,069 million (December 31, 2014: HK$39,946 million). The majority of the liquid funds were held as RMB bank deposits to meet future construction payments in mainland China while earning much higher interest income than HKD deposits. The Group also had approximately HK$12,800 million of committed undrawn banking facilities and a bond issuance platform under the Medium Term Note Program established in 2012.

Total borrowings as at the balance sheet date amounted to HK$35,134 million (December 31, 2014: HK$35,098 million). Average tenor of the entire loan portfolio was 4.0 years. The maturity profile of the Group's total borrowings as at June 30, 2015 was as follows: HK$6,286 million was repayable within one year, HK$2,345 million was repayable in more than one year but not exceeding two years, HK$10,728 million was repayable in more than two years but not exceeding five years, and HK$15,775 million was repayable beyond five years.

The loan portfolio comprised 36% fixed rates bonds, 33% HKD floating rates bank borrowings and 31% RMB bank loans raised in mainland China. The proportion of fixed rate bonds has been increased when compared to a year ago so that the risk of any future increases in interest rates is further mitigated. The coupon rates of the fixed rates bonds range from 2.95% to 4.75% per annum and the average remaining tenor of the bonds was 6.6 years.

Out of the total fixed rate bonds issued, HK$7,753 million (US$1,000 million) was denominated in USD. With the Group's strict policy on management of foreign currency risk, the related USD foreign exchange exposure was fully covered by cross currency swap contracts entered into during the current period. The swap contracts were entered into in order to fix the exchange rate between USD and HKD for future interest payments and principal repayments. The Group also benefits from interest savings compared to the coupon rates throughout the remaining tenure of the bonds, but this was only incidental to the currency hedging objective. However, accounting rules stipulate that the swap contracts be marked to market value at each balance sheet date. Any differences in the marked to market valuation between the reporting dates shall be recognized as other gain or loss for the period. For the six months ended June 30, 2015, the Group's swap contracts had unrealized fair value losses amounting to HK$65 million. Any related valuation gains and losses will be self-correcting at the end of the swap contracts.

At the reporting date, the Group had a net cash balance of HK$935 million. Together with strong recurring cash flows generated from its operations as well as multiple channels to raise debt finance if and when needed, the Group is well positioned to meet the funding needs of all capital commitments and to seize new investment opportunities as they arise.

Assets of the Group were not charged to any third parties as at June 30, 2015. Except for guarantees given to banks to secure the borrowings drawn by the Company's subsidiaries, as disclosed in note 18 of the Notes to the Interim Financial Report, there were no other contingent liabilities of the Group or Company as at June 30, 2015.

OUTLOOK

Barring unforeseen circumstances, the trend of rental growth is likely to continue in the second half of the year. Positive rental reversions of the Hong Kong portfolio are expected to continue upon progressive completion of asset enhancement initiatives in the Causeway Bay and Mongkok portfolios. In mainland China, newly opened investment properties will contribute additional leasing income to the Group.

The Group will continue to closely monitor the residential property market in Hong Kong. It will sell some of the residential units on hand when market conditions are favorable.

Final preparations are taking place for the opening of the Group's shopping mall in Dalian, Olympia 66, in the fourth quarter of 2015.

CORPORATE GOVERNANCE

We are committed to maintaining highest standards of corporate governance. During the six-month period ended June 30, 2015, we adopted corporate governance principles that emphasize a qualified Board of Directors (the "Board"), sound internal controls and effective risk management to enhance transparency and accountability towards our stakeholders. The general framework of our corporate governance practices is set out in our corporate governance report in the 2014 annual report, which is available on our website.

The Board

The Board currently consists of ten members: comprising three Executive Directors; one Non-Executive Director; and six Independent Non-Executive Directors. There is a clear division of responsibilities between the Chairman and the Managing Director. The Board continues to review its practices from time to time, constantly seeking to improve the Group's corporate governance procedures in accordance with international best practices. An updated list of Board members identifying their roles and functions and whether they are Independent Non-Executive Directors is maintained on our website and the website of Hong Kong Exchanges and Clearing Limited ("HKEx"). The biographical details of Board members are also maintained on our website.

Nomination and Remuneration Committee

Our Nomination and Remuneration Committee, which is chaired by an Independent Non-Executive Director, currently consists of three Independent Non-Executive Directors. The Committee members meet not less than once a year. Its duties include reviewing significant changes in the salary structure of the Group and terms and conditions affecting Executive Directors and senior management. The Committee members also conduct regular reviews of the Board's structure, size and diversity, and make recommendations to the Board on the appointment, re-appointment and succession planning of Directors and suchlike. The terms of reference of the Committee can be accessed on both our website and the website of HKEx.

Audit Committee

Our Audit Committee, which is chaired by an Independent Non-Executive Director, consists of two Independent Non-Executive Directors and one Non-Executive Director*. The Committee members meet not less than four times a year. Meetings are normally attended by external and internal auditors, the chief financial officer and the company secretary for the purposes of, inter alia, discussing the nature and scope of internal audit work and assessing the Group's internal controls. The terms of reference of the Committee, which include duties regarding corporate governance functions, are available on both our website and the website of HKEx. The Audit Committee has reviewed this interim report, including the unaudited interim financial report for the six-month period ended June 30, 2015, and has recommended their adoption by the Board.

This interim financial report is unaudited but has been reviewed by KPMG, our auditor, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants. KPMG's Review Report to the Board of the Company is set out on pages 31 to 32 of this interim report.

* Subsequently, Ms Anita Y.M. Fung, Independent Non-Executive Director, was appointed a member of the Audit Committee on August 4, 2015.

Compliance with Corporate Governance Code

During the six-month period ended June 30, 2015, we have 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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Compliance with Model Code contained in Appendix 10 to Listing Rules

We have adopted a code of conduct with regard to securities transactions by Directors (the "Code of Conduct") on terms that are no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Model Code"). The Company has made specific enquiries to all Directors and confirmed that they have complied with the required standard set out in the Model Code and the Code of Conduct throughout the six-month period ended June 30, 2015.

CHANGES IN INFORMATION OF DIRECTORS PURSUANT TO LISTING RULE 13.51B(1)

The changes in information of the Directors are set out below:

Mr Ronald J. Arculli

– appointed as the chairman of our Nomination and Remuneration Committee*.

Professor P.W. Liu

– ceased to be a member of the Working Group on Long-Term Fiscal Planning of the HKSAR;
– appointed as the chairman of the Advisory Committee on Post-office Employment for Former Chief Executives and Politically Appointed Officials;
– appointed as an independent director of China Zheshang Bank Co. Ltd. (a non-listed company incorporated in the People's Republic of China);
– appointed as an independent non-executive director of Hang Lung Group Limited; and
– ceased to be a member of our Audit Committee and the chairman of our Nomination and Remuneration Committee*.

Mr Dominic C.F. Ho

– appointed as the chairman of our Audit Committee*.

Dr Andrew K.C. Chan

– appointed as a member of our Audit Committee *.

Professor H.K. Chang

– resigned as an independent non-executive director of Hon Kwok Land Investment Company, Limited; and
– appointed as a member of our Audit Committee and of our Nomination and Remuneration Committee*.

Ms Anita Y.M. Fung

– appointed as Justice of the Peace.

* The directors' fees which are subject to review by the Board from time to time pursuant to the power given to it by the shareholders of the Company would be adjusted accordingly.

Save as disclosed above, there is no other information to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at June 30, 2015, the interests or short positions of each of the Directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code or which were recorded in the register required to be kept by the Company under section 352 of the SFO are as follows:

		The Company (Long Position)			*Hang Lung Group Limited (Long Position)*		
Name of Directors	Capacity	Number of Shares	% of Number of Issued Shares	Number of Shares under Option *(Note 1)*	Number of Shares	% of Number of Issued Shares	Number of Shares under Option *(Note 2)*
Ronnie C. Chan	Personal	5,090,000	0.11	38,730,000	5,090,000	0.38	6,700,000
Philip N.L. Chen	Personal	–	–	21,500,000	–	–	–
Ronald J. Arculli	Personal & Corporate	724,346	0.02	–	1,089,975	0.08	–
P.W. Liu	Personal & Family	100,000	–	–	–	–	–
Dominic C.F. Ho	–	–	–	–	–	–	–
Nelson W.L. Yuen	Personal	–	–	24,320,000	–	–	–
Andrew K.C. Chan	–	–	–	–	–	–	–
H.K. Chang	–	–	–	–	–	–	–
Anita Y.M. Fung	–	–	–	–	–	–	–
H.C. Ho	Personal	–	–	10,450,000	–	–	–

Notes

1. Movement of Options under the Share Option Schemes of the Company

(i) Share Option Scheme adopted on November 22, 2002

		Number of Shares under Option					
Date Granted (mm/dd/yyyy)	Name	As at Jan 1, 2015	Exercised during the Period	As at Jun 30, 2015	Exercise Price per Share (HK$)	Vested Dates (mm/dd/yyyy)	Expiry Date (mm/dd/yyyy)
11/20/2006	Ronnie C. Chan	2,000,000	–	2,000,000	$17.14	11/20/2007 : 10% 11/20/2008 : 20% 11/20/2009 : 30% 11/20/2010 : 40%	11/19/2016

1. Movement of Options under the Share Option Schemes of the Company *(continued)*

(i) Share Option Scheme adopted on November 22, 2002 *(continued)*

Date Granted (mm/dd/yyyy)	Name	Number of Shares under Option: As at Jan 1, 2015	Exercised during the Period	As at Jun 30, 2015	Exercise Price per Share (HK$)	Vested Dates (mm/dd/yyyy)	Expiry Date (mm/dd/yyyy)
08/21/2007	Ronnie C. Chan	3,640,000	–	3,640,000	$25.00	08/21/2008 : 10%	08/20/2017
	Nelson W.L. Yuen	3,510,000	–	3,510,000		08/21/2009 : 20%	
						08/21/2010 : 30%	
						08/21/2011 : 40%	
08/21/2007	Ronnie C. Chan	5,600,000	–	5,600,000	$25.00	08/21/2009 : 10%	08/20/2017
	Nelson W.L. Yuen	5,400,000	–	5,400,000		08/21/2010 : 20%	
						08/21/2011 : 30%	
						08/21/2012 : 40%	
09/01/2008	H.C. Ho	300,000	–	300,000	$24.20	09/01/2010 : 10%	08/31/2018
						09/01/2011 : 20%	
						09/01/2012 : 30%	
						09/01/2013 : 40%	
12/31/2008	Ronnie C. Chan	9,240,000	–	9,240,000	$17.36	12/31/2010 : 10%	12/30/2018
	Nelson W.L. Yuen	8,910,000	–	8,910,000		12/31/2011 : 20%	
	H.C. Ho	300,000	–	300,000		12/31/2012 : 30%	
						12/31/2013 : 40%	
02/08/2010	Ronnie C. Chan	6,500,000	–	6,500,000	$26.46	02/08/2012 : 10%	02/07/2020
	Nelson W.L. Yuen	6,500,000	–	6,500,000		02/08/2013 : 20%	
						02/08/2014 : 30%	
						02/08/2015 : 40%	
07/29/2010	Philip N.L. Chen	10,000,000	–	10,000,000	$33.05	07/29/2012 : 10%	07/28/2020
						07/29/2013 : 20%	
						07/29/2014 : 30%	
						07/29/2015 : 40%	
09/29/2010	H.C. Ho	2,000,000	–	2,000,000	$36.90	09/29/2012 : 10%	09/28/2020
						09/29/2013 : 20%	
						09/29/2014 : 30%	
						09/29/2015 : 40%	
06/13/2011	Ronnie C. Chan	4,500,000	–	4,500,000	$30.79	06/13/2013 : 10%	06/12/2021
	Philip N.L. Chen	4,500,000	–	4,500,000		06/13/2014 : 20%	
	H.C. Ho	3,000,000	–	3,000,000		06/13/2015 : 30%	
						06/13/2016 : 40%	

1. Movement of Options under the Share Option Schemes of the Company *(continued)*

(ii) Share Option Scheme adopted on April 18, 2012

Date Granted (mm/dd/yyyy)	Name	Number of Shares under Option: As at Jan 1, 2015	Exercised during the Period	As at Jun 30, 2015	Exercise Price per Share (HK$)	Vested Dates (mm/dd/yyyy)	Expiry Date (mm/dd/yyyy)
#06/04/2013	Ronnie C. Chan	4,500,000	–	4,500,000	$28.20	06/04/2015 : 10%	06/03/2023
	Philip N.L. Chen	4,500,000	–	4,500,000		06/04/2016 : 20%	
	H.C. Ho	3,000,000	–	3,000,000		06/04/2017 : 30%	
						06/04/2018 : 40%	
#12/05/2014	Ronnie C. Chan	2,750,000	–	2,750,000	$22.60	12/05/2016 : 10%	12/04/2024
	Philip N.L. Chen	2,500,000	–	2,500,000		12/05/2017 : 20%	
	H.C. Ho	1,850,000	–	1,850,000		12/05/2018 : 30%	
						12/05/2019 : 40%	

Mr Adriel Wenbwo Chan (a full time employee of the Company and an associate of a director of the Company) was granted and held share options to subscribe for 200,000 shares and 150,000 shares in the Company at respective exercise prices per share of HK$28.20 and HK$22.60.

2. Movement of Options under the Share Option Scheme of Hang Lung Group Limited

Date Granted (mm/dd/yyyy)	Name	Number of Shares under Option: As at Jan 1, 2015	Exercised during the Period	As at Jun 30, 2015	Exercise Price per Share (HK$)	Vested Dates (mm/dd/yyyy)	Expiry Date (mm/dd/yyyy)
11/20/2006	Ronnie C. Chan	6,700,000	–	6,700,000	$20.52	11/20/2007 : 10%	11/19/2016
						11/20/2008 : 20%	
						11/20/2009 : 30%	
						11/20/2010 : 40%	

Save as disclosed above, none of the Directors of the Company or any of their associates had, as at June 30, 2015, any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations.

Other than as stated above, at no time during the six-month period ended June 30, 2015 was the Company, its holding company or any of their subsidiaries a party to any arrangement to enable the Directors of the Company (including their spouses and children under 18 years of age) to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at June 30, 2015, details of substantial shareholders' and other persons' (who are required to disclose their interests pursuant to Part XV of the SFO) interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO are as follows:

		Number of Shares or Underlying Shares Held		% of Number of Issued Shares	
Name	*Note*	Long Position	Short Position	Long Position	Short Position
Chan Tan Ching Fen	*1*	2,424,363,340	–	54.05	–
Cole Enterprises Holdings (PTC) Limited (formerly known as Cole Enterprises Holdings Limited)	*1*	2,424,363,340	–	54.05	–
Merssion Limited	*1*	2,424,363,340	–	54.05	–
Hang Lung Group Limited	*2*	2,396,030,240	–	53.42	–
Prosperland Housing Limited	*3*	1,267,608,690	–	30.60	–
Purotat Limited	*3*	354,227,500	–	8.55	–
Aberdeen Asset Management Plc and its associates	*4*	269,099,608	–	5.99	–

Notes

1. These shares were the same parcel of shares held by a trust of which Ms Chan Tan Ching Fen was the founder. Cole Enterprises Holdings (PTC) Limited was the trustee of the trust. Cole Enterprises Holdings (PTC) Limited and Merssion Limited held 36.79% interests in Hang Lung Group Limited ("HLGL"). The shares held by HLGL and its subsidiaries were included in the above-mentioned number of 2,424,363,340.

2. These shares were held by the wholly-owned subsidiaries of HLGL and as such HLGL was deemed to be interested in these shareholdings.

3. These companies are wholly-owned subsidiaries of HLGL. Their interests were included in the above-mentioned number of 2,396,030,240 shares held by HLGL.

4. These shares were held in the capacity of investment manager. The shareholding of 5.9995% was rounded up to 6.00% as shown on the website of HKEx.

Save as disclosed above, as at June 30, 2015, no other interest required to be recorded in the register kept under section 336 of the SFO has been notified to the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six-month period ended June 30, 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities.

EMPLOYEES

As at June 30, 2015, the number of employees in the Group was 4,737 (including 1,225 Hong Kong employees and 3,512 mainland China staff). The total employees' costs for the six-month period ended June 30, 2015 amounted to HK$632 million. The Group provides competitive remuneration packages for all employees including discretionary bonuses which are payable to the employees based on individual performance. The Group regularly reviews the remuneration packages to ensure that they comply with relevant regulatory requirements and market conditions. The Group has share option scheme for the executives and provides professional and high-quality training for all employees.

Review Report to the Board of Directors of Hang Lung Properties Limited

(Incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 33 to 54 which comprises the consolidated statement of financial position of Hang Lung Properties Limited ("the Company") as of June 30, 2015 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at June 30, 2015 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim financial reporting”.

KPMG
Certified Public Accountants
8th Floor, Prince’s Building
10 Chater Road
Central, Hong Kong

July 30, 2015

Consolidated Income Statement

For the six months ended June 30, 2015 (Unaudited)

	Note	2015 HK$ Million	2014 HK$ Million
Turnover	2(a)	4,607	4,457
Direct costs and operating expenses		(1,084)	(1,049)
Gross profit		3,523	3,408
Other net income/(loss)	3	8	(2)
Administrative expenses		(330)	(313)
Operating profit before change in fair value of investment properties		3,201	3,093
Increase in fair value of investment properties		427	748
Operating profit after change in fair value of investment properties		3,628	3,841
Interest income		614	428
Finance costs		(528)	(218)
Net interest income	4	86	210
Share of profits of joint ventures		37	24
Profit before taxation	2(a) & 5	3,751	4,075
Taxation	6(a)	(665)	(634)
Profit for the period		3,086	3,441
Attributable to:			
Shareholders		2,841	3,217
Non-controlling interests		245	224
		3,086	3,441
Earnings per share	8(a)		
Basic		HK$0.63	HK$0.72
Diluted		HK$0.63	HK$0.72

The accompanying notes form part of the interim financial report. Details of dividends payable to equity shareholders of the Company attributable to the period are set out in note 7.

Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2015 (Unaudited)

	Note	2015 HK$ Million	2014 HK$ Million
Profit for the period		3,086	3,441
Other comprehensive income	6(b)		
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising from translation of overseas subsidiaries		12	(1,248)
Total comprehensive income for the period		3,098	2,193
Total comprehensive income attributable to:			
Shareholders		2,858	2,027
Non-controlling interests		240	166
		3,098	2,193

The accompanying notes form part of the interim financial report.

Consolidated Statement of Financial Position

At June 30, 2015

	Note	(Unaudited) June 30, 2015 HK$ Million	(Audited) December 31, 2014 HK$ Million
Non-current assets			
Fixed assets			
Investment properties	9	125,307	120,137
Investment properties under development	9	23,932	25,611
Other fixed assets		292	300
		149,531	146,048
Interest in joint ventures		1,229	1,205
Other assets		5	6
Deferred tax assets		24	12
		150,789	147,271
Current assets			
Cash and deposits with banks	10	36,069	39,946
Trade and other receivables	11	1,297	1,916
Properties for sale		3,933	4,046
		41,299	45,908
Current liabilities			
Bank loans and other borrowings	12	6,286	5,657
Trade and other payables	13	6,740	7,906
Taxation payable		1,564	1,581
		14,590	15,144
Net current assets		26,709	30,764
Total assets less current liabilities		177,498	178,035

	Note	(Unaudited) June 30, 2015 HK$ Million	(Audited) December 31, 2014 HK$ Million
Non-current liabilities			
Bank loans and other borrowings	12	28,848	29,441
Deferred tax liabilities		9,675	9,591
		38,523	39,032
NET ASSETS		138,975	139,003
Capital and reserves			
Share capital	14	39,667	39,663
Reserves		92,950	92,664
Shareholders' equity		132,617	132,327
Non-controlling interests		6,358	6,676
TOTAL EQUITY		138,975	139,003

The accompanying notes form part of the interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended June 30, 2015 (Unaudited)

	Shareholders' equity					
	Share capital HK$ Million (Note 14)	Other reserves HK$ Million (Note 16)	Retained profits HK$ Million (Note 16)	Total HK$ Million	Non-controlling interests HK$ Million	Total equity HK$ Million
At January 1, 2015	39,663	8,151	84,513	132,327	6,676	139,003
Profit for the period	–	–	2,841	2,841	245	3,086
Exchange difference arising from translation of overseas subsidiaries	–	17	–	17	(5)	12
Total comprehensive income for the period	–	17	2,841	2,858	240	3,098
Final dividends in respect of previous financial year	–	–	(2,646)	(2,646)	–	(2,646)
Issue of shares	4	(1)	–	3	–	3
Employee share-based payments	–	64	11	75	–	75
Dividends paid to non-controlling interests	–	–	–	–	(558)	(558)
At June 30, 2015	39,667	8,231	84,719	132,617	6,358	138,975

The accompanying notes form part of the interim financial report.

	Shareholders' equity					
	Share capital HK$ Million (Note 14)	Other reserves HK$ Million (Note 16)	Retained profits HK$ Million (Note 16)	Total HK$ Million	Non-controlling interests HK$ Million	Total equity HK$ Million
At January 1, 2014	4,479	43,944	76,111	124,534	6,633	131,167
Transition to no-par value regime on March 3, 2014	35,100	(35,100)	–	–	–	–
Profit for the period	–	–	3,217	3,217	224	3,441
Exchange difference arising from translation of overseas subsidiaries	–	(1,190)	–	(1,190)	(58)	(1,248)
Total comprehensive income for the period	–	(1,190)	3,217	2,027	166	2,193
Final dividends in respect of previous financial year	–	–	(2,601)	(2,601)	–	(2,601)
Issue of shares	82	(13)	–	69	–	69
Employee share-based payments	–	37	40	77	–	77
At June 30, 2014	39,661	7,678	76,767	124,106	6,799	130,905

The accompanying notes form part of the interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended June 30, 2015 (Unaudited)

	2015 HK$ Million	2014 HK$ Million
Operating activities		
Cash generated from operations	3,037	4,806
Income tax paid	(613)	(508)
Net cash generated from operating activities	2,424	4,298
Investing activities		
Payment for fixed assets	(3,018)	(2,335)
(Increase)/Decrease in bank deposits with maturity greater than three months	(8,621)	243
Other cash flows arising from investing activities	649	529
Net cash used in investing activities	(10,990)	(1,563)
Financing activities		
Proceeds from new bank loans and other borrowings	2,917	7,331
Repayments of bank loans	(2,918)	(4,206)
Interest and other borrowing costs paid	(748)	(623)
Dividends paid	(2,646)	(2,601)
Dividends paid to non-controlling interests	(558)	—
Other cash flows arising from financing activities	3	69
Net cash used in financing activities	(3,950)	(30)
(Decrease)/Increase in cash and cash equivalents	(12,516)	2,705
Effect of foreign exchange rate change	18	(660)
Cash and cash equivalents at January 1	39,887	33,761
Cash and cash equivalents at June 30	27,389	35,806
Analysis of the balance of cash and cash equivalents:		
Cash and deposits with banks	36,069	36,119
Less: Bank deposits with maturity greater than three months	(8,680)	(313)
Cash and cash equivalents	27,389	35,806

The accompanying notes form part of the interim financial report.

Notes

1. BASIS OF PREPARATION

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 Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The preparation of 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 is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on pages 31 to 32.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2014 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 revised HKFRSs does not have significant impact on the Group's interim financial report.

2. TURNOVER 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.

The property leasing segment relates to the leasing of the Group's investment properties portfolio in Hong Kong and mainland China, which consists of commecial/mall, office, residential, serviced apartments and carparks. The property sales segment relates to the 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 change in fair value of investment properties is not included in segment profits.

2. TURNOVER AND SEGMENT INFORMATION (continued)

(a) Turnover and results by segments

	Turnover		Profit before taxation	
	2015	2014	2015	2014
	HK$ Million	HK$ Million	HK$ Million	HK$ Million
Segment				
Property leasing				
– Mainland China	2,118	1,933	1,464	1,470
– Hong Kong	1,744	1,623	1,497	1,398
	3,862	3,556	2,961	2,868
Property sales				
– Hong Kong	745	901	562	540
Segment total	4,607	4,457	3,523	3,408
Other net income/(loss)			8	(2)
Administrative expenses			(330)	(313)
Operating profit before change in fair value of investment properties			3,201	3,093
Increase in fair value of investment properties			427	748
– property leasing in Hong Kong			334	712
– property leasing in mainland China			93	36
Interest income			614	428
Finance costs			(528)	(218)
Net interest income			86	210
Share of profits of joint ventures			37	24
Profit before taxation			3,751	4,075

2. TURNOVER AND SEGMENT INFORMATION (continued)

(b) Total assets by segments

	Total assets	
	June 30, 2015 HK$ Million	December 31, 2014 HK$ Million
Segment		
Property leasing		
– Mainland China	93,223	90,161
– Hong Kong	57,384	56,818
	150,607	146,979
Property sales		
– Hong Kong	4,154	5,031
Segment total	154,761	152,010
Interest in joint ventures	1,229	1,205
Other assets	5	6
Deferred tax assets	24	12
Cash and deposits with banks	36,069	39,946
Total assets	192,088	193,179

3. OTHER NET INCOME/(LOSS)

	2015 HK$ Million	2014 HK$ Million
Gain on disposal of investment properties	67	3
Loss on remeasurement of derivative financial instruments (note)	(65)	–
Net exchange gain/(loss)	6	(5)
	8	(2)

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

4 NET INTEREST INCOME

	2015 HK$ Million	2014 HK$ Million
Interest income on bank deposits	614	428
Interest expenses on borrowings	716	623
Other borrowing costs	48	40
Total borrowing costs	764	663
Less: Borrowing costs capitalized	(236)	(445)
Finance costs	528	218
Net interest income	86	210

5. PROFIT BEFORE TAXATION

	2015 HK$ Million	2014 HK$ Million
Profit before taxation is arrived at after charging:		
Cost of properties sold	113	267
Staff costs, including employee share-based payments of HK$75 million (2014: HK$77 million)	632	538
Depreciation	24	23

6. TAXATION

(a) Provision for Hong Kong Profits Tax is calculated at 16.5% (2014: 16.5%) of the estimated assessable profits for the period. China Income Tax mainly represents China Corporate Income Tax calculated at 25% (2014: 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.

	2015 HK$ Million	2014 HK$ Million
Current tax		
Hong Kong Profits Tax	265	250
China Income Tax	331	344
	596	594
Deferred tax		
Change in fair value of investment properties	24	9
Other origination and reversal of temporary differences	45	31
	69	40
Total income tax expense	665	634

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

7. DIVIDENDS

(a) Interim dividend

	2015 HK$ Million	2014 HK$ Million
Proposed after the end of the reporting period:		
HK17 cents (2014: HK17 cents) per share	763	762

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

	2015 HK$ Million	2014 HK$ Million
2014 Final dividend of HK59 cents (2013: HK58 cents) per share	2,646	2,601

8. EARNINGS PER SHARE

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

	2015 HK$ Million	2014 HK$ Million
Earnings for calculation of basic and diluted earnings per share net profit attributable to shareholders	2,841	3,217

	Number of shares 2015 Million	 2014 Million
Weighted average number of shares used in calculating basic earnings per share	4,485	4,481
Effect of dilutive potential shares - share options	–	2
Weighted average number of shares used in calculating diluted earnings per share	4,485	4,483

(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:

	2015 HK$ Million	2014 HK$ Million
Net profit attributable to shareholders	2,841	3,217
Effect of changes in fair value of investment properties	(427)	(748)
Effect of corresponding deferred tax	24	9
Effect of change in fair value of investment properties of joint ventures	(8)	(1)
	(411)	(740)
Non-controlling interests	18	7
	(393)	(733)
Underlying net profit attributable to shareholders	2,448	2,484

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

	2015	2014
Basic	HK$0.55	HK$0.55
Diluted	HK$0.55	HK$0.55

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$3,061 million (2014: HK$2,650 million).

(b) Valuation

The investment properties and investment properties under development of the Group were revalued as at June 30, 2015 by Mr. Charles C.K. Chan, Registered Professional Surveyor (General Practice), of Savills Valuation and Professional Services Limited, on a market value basis.

10. CASH AND DEPOSITS WITH BANKS

At the end of the reporting period, the Group had cash and deposits with banks with currency denominated in:

	June 30, 2015 HK$ Million	December 31, 2014 HK$ Million
Hong Kong Dollars equivalent of:		
Renminbi	32,747	35,515
Hong Kong Dollars	3,317	4,425
United States Dollars	5	6
	36,069	39,946

The Group holds Renminbi bank deposits to meet its ongoing payment obligations in relation to its development projects in mainland China.

After deducting bank loans and other borrowings from cash and deposits, the net cash position of the Group at the end of the reporting period was as follows:

	June 30, 2015 HK$ Million	December 31, 2014 HK$ Million
Cash and deposits	36,069	39,946
Less: Bank loans and other borrowings	(35,134)	(35,098)
Net cash	935	4,848

11. 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, 2015 HK$ Million	December 31, 2014 HK$ Million
Current and within 1 month	256	1,007
1 - 3 months	17	7
Over 3 months	11	8
	284	1,022

The balance of bad and doubtful debts is insignificant. The Group maintains a defined credit policy including stringent credit evaluation 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.

(b) Included in other receivables of the Group is deposit of land acquisition in mainland China of HK$317 million (December 31, 2014: HK$317 million).

12. BANK LOANS AND OTHER BORROWINGS

At the end of the reporting period, the Group had HK$12,803 million (December 31, 2014: $18,139 million) of committed undrawn banking facilities.

In addition, a wholly-owned subsidiary of the Company has a US$3 billion (December 31, 2014: US$3 billion) Medium Term Note Program (the "Program"). At the end of the reporting period, the Group issued in total an equivalent of HK$12,741 million (December 31, 2014: $12,743 million) of bonds with coupon rates which ranged from 2.95% to 4.75% (December 31, 2014: 2.95% to 4.75%) per annum under the Program.

13. TRADE AND OTHER PAYABLES

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

	June 30, 2015 HK$ Million	December 31, 2014 HK$ Million
Due within 1 month	3,339	4,297
Due after 3 months	629	565
	3,968	4,862

14. SHARE CAPITAL

Under the new Hong Kong Companies Ordinance (Cap. 622), which commenced operation on March 3, 2014, the concepts of "authorized share capital" and "par value" no longer exist. As part of the transition to the no-par value regime, the amounts standing to the credit of the share premium account and the capital redemption reserve on March 3, 2014 have become part of the Company's share capital, under the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622). These changes do not have an impact on the number of shares in issue or the relative entitlement of any of the members.

Movements of the Company's ordinary shares are set out below:

	June 30, 2015		December 31, 2014	
	Number of shares Million	Amount of share capital HK$ Million	Number of shares Million	Amount of share capital HK$ Million
Ordinary shares, issued and fully paid:				
At January 1	4,485	39,663	4,479	4,479
Shares issued under share option scheme	–	4	6	84
Transition to no-par value regime on March 3, 2014	–	–	–	35,100
At June 30/December 31	4,485	39,667	4,485	39,663

15. SHARE OPTION SCHEMES

The share option scheme adopted by the Company on November 22, 2002 (the "2002 Share Option Scheme") was terminated upon the adoption of a new share option scheme on April 18, 2012 (the "2012 Share Option Scheme"). No further options shall be offered under the 2002 Share Option Scheme, but all options granted prior to such termination and not exercised at the date of termination shall remain valid. The share options granted under the above two share option schemes to the directors and employees are at nominal consideration and each share option gives the holder the right to subscribe for one share.

The movements of share options of the Company during the period are as follows:

(a) 2002 Share Option Scheme

	Number of share options					
Date granted	Outstanding on January 1, 2015	Exercised	Forfeited/ Lapsed	Outstanding on June 30, 2015	Period during which options are exercisable	Exercise price (HK$)
November 14, 2006 to March 19, 2007	4,125,000	(20,000)	–	**4,105,000**	November 14, 2007 to March 18, 2017	16.75 - 22.55
August 21, 2007 to December 31, 2008	40,268,000	(146,000)	–	**40,122,000**	August 21, 2008 to December 30, 2018	17.36 - 27.90
February 8, 2010 to June 1, 2010	13,380,000	–	–	**13,380,000**	February 8, 2012 to May 31, 2020	26.46 - 27.27
July 29, 2010 to June 13, 2011	33,840,000	–	(278,000)	**33,562,000**	July 29, 2012 to June 12, 2021	30.79 - 36.90
Total	91,613,000	(166,000)	(278,000)	**91,169,000**		

All the above options may vest after one/two to five years of the grant date and are exercisable up to the tenth anniversary of the date of grant, after which they will lapse. No options were cancelled during the period.

No share options were exercised by the directors during the period. The weighted average closing price of the shares immediately before the dates of exercise by the employees during the period was HK$24.87.

The weighted average share price at the dates of exercise for share options during the period was HK$25.10.

15. SHARE OPTION SCHEMES (continued)

(b) 2012 Share Option Scheme

Date granted	Number of share options: Outstanding on January 1, 2015	Exercised	Forfeited/ Lapsed	Outstanding on June 30, 2015	Period during which options are exercisable	Exercise price (HK$)
June 4, 2013	33,550,000	–	(860,000)	**32,690,000**	June 4, 2015 to June 3, 2023	28.20
December 5, 2014	32,470,000	–	(640,000)	**31,830,000**	December 5, 2016 to December 4, 2024	22.60
Total	66,020,000	–	(1,500,000)	**64,520,000**		

All the above options may vest after two to five years of the grant date and are exercisable up to the tenth anniversary of the date of grant, after which they will lapse. No options were granted nor cancelled during the period.

16. RESERVES

	Other reserves				
	Exchange reserve HK$ Million	Employee share-based compensation reserve HK$ Million	Total HK$ Million	Retained profits HK$ Million	Total reserves HK$ Million
At January 1, 2015	7,490	661	8,151	84,513	92,664
Profit for the period	–	–	–	2,841	2,841
Exchange difference arising from translation of overseas subsidiaries	17	–	17	–	17
Total comprehensive income for the period	17	–	17	2,841	2,858
Final dividends in respect of previous financial year	–	–	–	(2,646)	(2,646)
Issue of shares	–	(1)	(1)	–	(1)
Employee share-based payments	–	64	64	11	75
At June 30, 2015	7,507	724	8,231	84,719	92,950

16. RESERVES (continued)

	Other reserves						
	Share premium HK$ Million (Note)	Capital redemption reserve HK$ Million (Note)	Exchange reserve HK$ Million	Employee share-based compensation reserve HK$ Million	Total HK$ Million	Retained profits HK$ Million	Total reserves HK$ Million
At January 1, 2014	33,031	2,066	8,265	582	43,944	76,111	120,055
Transition to no-par value regime on March 3, 2014	(33,034)	(2,066)	–	–	(35,100)	–	(35,100)
Profit for the period	–	–	–	–	–	3,217	3,217
Exchange difference arising from translation of overseas subsidiaries	–	–	(1,190)	–	(1,190)	–	(1,190)
Total comprehensive income for the period	–	–	(1,190)	–	(1,190)	3,217	2,027
Final dividends in respect of previous financial year	–	–	–	–	–	(2,601)	(2,601)
Issue of shares	3	–	–	(16)	(13)	–	(13)
Employee share-based payments	–	–	–	37	37	40	77
At June 30, 2014	–	–	7,075	603	7,678	76,767	84,445

Note:

Prior to March 3, 2014, the application of the share premium account and the capital redemption reserve was governed by sections 48B and 49H respectively of the predecessor Hong Kong Companies Ordinance (Cap. 32). In accordance with the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), on March 3, 2014 any amount standing to the credit of the share premium account and the capital redemption reserve has become part of the Company's share capital. The use of share capital as from March 3, 2014 is governed by the new Hong Kong Companies Ordinance (Cap. 622).

17. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The fair value of the Group's financial instruments is measured at the end of the reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in HKFRS 13 "Fair value measurement". The level into which a fair value measurement is classified and determined with reference to the observability and significance of the inputs used in the valuation technique is as follows:

- Level 1 valuations: Fair value measured using only level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using level 2 inputs i.e. observable inputs which fail to meet level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

(a) Financial assets and liabilities carried at fair value

Derivative financial instruments are recognized initially at fair value. At the end of each reporting period, the fair value is remeasured. The gain or loss on remeasurement of fair value is recognized immediately in the consolidated income statement.

The fair value of cross currency swaps as at June 30, 2015 of HK$65 million (December 31, 2014: Nil) in Level 2 is determined based on the amount that the Group would receive or pay to terminate the swaps at the end of the reporting period taking into account current interest rates and current market conditions.

During the six months ended 30 June 2015, there were no transfers of instruments between Level 1 and Level 2, or transfers into or out of Level 3.

(b) Financial assets and liabilities carried at other than fair value

The fair value of trade and other receivables, trade and other payables, cash and deposits with banks, bank loans and other borrowings are considered approximate to their carrying amounts at the end of the reporting period.

18. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities of the Company were as follows:

	June 30, 2015 HK$ Million	December 31, 2014 HK$ Million
Guarantees given to banks to secure borrowings drawn by subsidiaries	35,417	35,418

19. COMMITMENTS

At the end of the reporting period, capital commitments not provided for in the interim financial report were as follows:

	June 30, 2015 HK$ Million	December 31, 2014 HK$ Million
Contracted for	1,839	3,445
Authorized but not contracted for	41,831	43,132
	43,670	46,577

The above commitments mainly represent the land costs and construction related costs to be incurred in respect of the Group's development of its investment properties in various cities in mainland China.

20. REVIEW AND APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report is unaudited, but has been reviewed by the Audit Committee. It was authorized for issue by the Board of Directors on July 30, 2015.

FINANCIAL CALENDAR

Financial period	January 1, 2015 to June 30, 2015
Announcement of interim results	July 30, 2015
Latest time for lodging transfers	4:30 p.m. on September 14, 2015
Closure of share register	September 15 to 16, 2015 (both days inclusive)
Record date for interim dividend	September 16, 2015
Payment date for interim dividend	September 30, 2015

SHARE LISTING

As at June 30, 2015, 4,485,475,670 shares are listed on The Stock Exchange of Hong Kong Limited. It has a sponsored American Depositary Receipt (ADR) Program in the New York market.

STOCK CODE

Hong Kong Stock Exchange	00101
Reuters	0101.HK
Bloomberg	101HK
CUSIP Number/Ticker Symbol for ADR Code	41043M104/HLPPY

SHARE INFORMATION

Share price as at June 30, 2015: HK$23.05
Market capitalization as at June 30, 2015: HK$103.39 billion

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East, Wan Chai, Hong Kong
Tel: 2862 8555
Fax: 2865 0990

INVESTOR RELATIONS CONTACT

C.F. Kwan
Email address: ir@hanglung.com

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