



For Immediate Release

Hang Lung Reports Solid Financial Results Amidst a Challenging Economic Environment

(Hong Kong, July 28, 2016) Hang Lung Properties Limited (HKSE Stock Code: 00101) and Hang Lung Group Limited (HKSE Stock Code: 00010) today announced solid financial results for the six months ended June 30, 2016.

First Half of 2016 Performance at a Glance:

In HK\$ Million	Hang Lung Properties		Hang Lung Group	
Total Revenue	+37%	to 6,311	+35%	to 6,610
Rental Revenue	+1%	to 3,907	+1%	to 4,206
- Mainland China	-4%	to 2,038	-3%	to 2,259
- Hong Kong	+7%	to 1,869	+7%	to 1,947
Property Sales Revenue	+223%	to 2,404	+223%	to 2,404
Total Operating Profit	+23%	to 4,320	+22%	to 4,531
- Property Leasing	-1%	to 2,931	-1%	to 3,142
- Property Sales	+147%	to 1,389	+147%	to 1,389
Underlying Net Profit Attributable to Shareholders	+29%	to 3,167	+24%	to 1,864
Interim Dividend Per Share (HK\$)	-	to 0.17	-	to 0.19

The Group reported solid results in both revenue and operating profit despite the challenging environment.

Commenting on the performance, Mr. Ronnie C. Chan, Chairman of Hang Lung Group and Hang Lung Properties, said, "Mainland China's economy remained weak. The impact of Renminbi ("RMB") depreciation effect started to materialize and retail sales of high-end

goods continued to be sluggish. Our rental performance was satisfactory amidst a difficult economic environment thanks to steadfast management efforts. By closely monitoring market trends and the business environment, coupled with progressive tenant remixing, asset enhancement initiatives as well as creative promotion campaigns, we have built an outstanding portfolio of properties providing us with strong momentum for future growth.”

Amidst a challenging environment, for the first half of 2016, total rental revenue of our leasing portfolio of Hang Lung Properties and Hang Lung Group both recorded a moderate growth to HK\$3,907 million and HK\$4,206 million, respectively. Benefitting from asset enhancement initiatives and tenant mix optimization, revenue of our Hong Kong leasing portfolio of Hang Lung Properties and Hang Lung Group both advanced 7%.

Against the backdrop of the 6% period-on-period RMB depreciation and short-term disruption of revenue due to the asset enhancement initiatives at our two flagship malls in Shanghai, revenue of our Mainland portfolio of Hang Lung Properties and Hang Lung Group decreased 4% and 3% to HK\$2,038 million and HK\$2,259 million, respectively. When excluding the RMB depreciation effect, rental revenue of our Mainland portfolio of Hang Lung Properties and Hang Lung Group grew 2% and 3%, respectively.

In the first half of 2016, we sold a total of 226 residential units of The Long Beach and the last two apartments of Carmel-on-the-Hill. The 18 semi-detached houses on 23-39 Blue Pool Road, 446 units of The Long Beach and two duplex units of The HarbourSide are ready for sale when the market environment is favorable. The Group will closely monitor market trends.

A prudent and sound financial management strategy remains in place to best support Hang Lung’s long-term growth. With a healthy balance sheet and a strong capability to generate cash flow, ample financial resources are available not only to fund current development projects, but also to capitalize on future investment opportunities that may arise.

The Boards of Directors of Hang Lung Properties and Hang Lung Group have proposed an interim dividend of HK17 cents per share and HK19 cents per share, respectively, to be paid on September 29, 2016, to shareholders registered as at September 15, 2016.

Financial Highlights

For the Six Months Ended June 30, 2016 (Unaudited)

Results

In HK\$ Million	Hang Lung Properties Ltd			Hang Lung Group Ltd		
	Jan - Jun		Change	Jan - Jun		Change
	2016	2015		2016	2015	
Revenue	6,311	4,607	37%	6,610	4,893	35%
Property Leasing	3,907	3,862	1%	4,206	4,148	1%
Property Sales	2,404	745	223%	2,404	745	223%
Operating Profit	4,320	3,523	23%	4,531	3,725	22%
Property Leasing	2,931	2,961	-1%	3,142	3,163	-1%
Property Sales	1,389	562	147%	1,389	562	147%
Net Profit Attributable to Shareholders	2,935	2,841	3%	1,790	1,779	1%
Earnings per Share (HK\$)	0.65	0.63	3%	1.32	1.31	1%
Interim Dividend per Share (HK\$)	0.17	0.17	-	0.19	0.19	-

Underlying Results

In HK\$ Million	Hang Lung Properties Ltd			Hang Lung Group Ltd		
	Jan - Jun		Change	Jan - Jun		Change
	2016	2015		2016	2015	
Underlying Net Profit Attributable to Shareholders ^(Note)	3,167	2,448	29%	1,864	1,509	24%
Underlying Earnings per Share (HK\$)	0.70	0.55	27%	1.37	1.11	23%

Note: This is presented by net profit attributable to shareholders excluded changes in fair value of investment properties net of related deferred tax and non-controlling interests.

Hang Lung Properties Limited (Stock Code: 00101)

Key Highlights of 2016 Interim Results

Total Revenue & Operating Profit

1. Total revenue increased 37% to HK\$6,311 million attributable to higher property sales. Correspondingly, total operating profit advanced 23% to HK\$4,320 million.

Property Leasing

2. Property leasing recorded a moderate rental growth of 1% to HK\$3,907 million. Revenue of the Hong Kong portfolio grew 7%. While revenue of the mainland China portfolio decreased 4%, but was up 2% when excluding the 6% RMB depreciation effect. Total leasing operating profit decreased 1% to HK\$2,931 million and the resulting profit margin was 75%.

Mainland China Portfolio

- a. Rental income of the mainland China portfolio decreased 4% to HK\$2,038 million, but was up 2% in RMB terms driven by higher contribution from offices.

Our eight shopping malls in mainland China collectively generated HK\$1,559 million in rents, down 7% period-on-period. Revenue of our two flagship malls in Shanghai decreased 8% to HK\$971 million due to short-term disruption of revenue as a result of asset enhancement programs. The basement of the mall at Plaza 66 in Shanghai has been closed for renovation since March 2016. The asset enhancement works of the mall at Grand Gateway 66 in Shanghai will start in the first quarter of 2017. Although some leases were renewed on a short-term basis during this period, a small amount was not renewed pending imminent commencement of work in those spaces.

The performance of the six malls outside Shanghai was mixed. In RMB terms, revenue of Palace 66 in Shenyang and Parc 66 in Jinan increased by 5% and 1%, respectively, and that of Riverside 66 in Tianjin was stable. Total revenue of Forum 66 in Shenyang and Center 66 in Wuxi decreased 25% as they were affected by the weakened high-end market and therefore had to make some downward adjustment to rent and work with non-renewals. Occupancy of our newest mall Olympia 66 in Dalian, which had its soft opening on December 18, 2015, increased to 62% by the end of June 2016.

- b. Revenue of our office portfolio in mainland China increased 10% to HK\$479 million attributable to higher contributions from the office towers at Center 66 in Wuxi and Forum 66 in Shenyang which commenced operation in October 2014 and January 2015, respectively.

Hang Lung Properties Limited (Stock Code: 00101) Key Highlights of 2016 Interim Results (Continued)

Hong Kong Portfolio

- a. Rental revenue of the Hong Kong portfolio was up 7% to HK\$1,869 million. The commercial portfolio collected 13% more in rents to HK\$1,084 million, driven by significant rental reversions as a result of asset enhancement programs.
- b. Rental revenue of our entire office portfolio in Hong Kong increased 4% to HK\$581 million driven by positive rental reversions of the Central portfolio, Hang Lung Centre in Causeway Bay and the Mongkok portfolio.

Property Sales

3. Property sales revenue increased 223% to HK\$2,404 million. Overall profit margin realized was 58%. In the first half of 2016, 226 residential units of The Long Beach and the last two apartments of Carmel-on-the-Hill were sold, compared to nine units of The HarbourSide and 17 apartments of AquaMarine being sold in the first six months of 2015.

Property Revaluation

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

Profit Attributable to Shareholders

5. Underlying net profit attributable to shareholders increased 29% to HK\$3,167million. After including a revaluation loss on investment properties, net profit attributable to shareholders increased 3% to HK\$2,935 million.

Projects under Development

6. All projects under development in mainland China are progressing as planned. The mall at Spring City 66 in Kunming is scheduled to open in late 2018 and Heartland 66 in Wuhan is scheduled for completion, in stages, from late 2019.

Financial Position

7. As at June 30, 2016, Hang Lung Properties had cash and bank balances of HK\$28,733 million and total borrowings of HK\$31,567 million, resulting in a net debt position of HK\$2,834 million (December 31, 2015: HK\$1,482 million). Net debt to equity ratio was 2.1% (December 31, 2015: 1.1%). Debt to equity ratio was 23.6% (December 31, 2015: 24.3%).

Hang Lung Group Limited (Stock Code: 00010)

Key Highlights of 2016 Interim Results

Total Revenue & Operating Profit

1. Total revenue of Hang Lung Group was up 35% to HK\$6,610 million attributable to more residential units were sold in the first half of 2016. Correspondingly, total operating profit increased 22% to HK\$4,531 million.

Property Leasing

2. Property leasing recorded a moderate rental growth of 1% to HK\$4,206 million. Revenue of the Hong Kong portfolio grew 7%. While revenue of the mainland China portfolio decreased 3%, but was up 3% when excluding the 6% RMB depreciation effect. Total leasing operating profit decreased 1% to HK\$3,142 million. The resulting profit margin was 75%.

Mainland China Portfolio

- a. Rental income of the mainland China portfolio decreased 3% to HK\$2,259 million, but was up 3% in RMB terms driven by higher contribution from offices.

Revenue of our eight shopping malls in mainland China retreated by 7% to HK\$1,559 million. The rental contribution from our two flagship malls in Shanghai was lower by 8% to HK\$971 million due to short-term disruption of revenue as a result of asset enhancement programs. The basement of the mall at Plaza 66 in Shanghai has been closed for renovation since March 2016. Similar upgrade works of the mall at Grand Gateway 66 in Shanghai will start in the first quarter of 2017. Although some leases were renewed on a short-term basis during this period, a small amount was not renewed pending imminent commencement of work in those spaces.

The performance of the six malls outside Shanghai was mixed. In RMB terms, revenue of Palace 66 in Shenyang and Parc 66 in Jinan was up 5% and 1%, respectively, and that of Riverside 66 in Tianjin was stable. Total revenue of Forum 66 in Shenyang and Center 66 in Wuxi decreased 25% as they were affected by the weakened high-end market and therefore had to make some downward adjustment to rent and work with non-renewals. Occupancy of our newest mall Olympia 66 in Dalian, which had its soft opening on December 18, 2015, increased to 62% by the end of June 2016.

- b. Revenue of our office portfolio in mainland China increased 6% to HK\$620 million attributable to higher contributions from the office towers at Center 66 in Wuxi and Forum 66 in Shenyang which commenced operation in October 2014 and January 2015, respectively.

Hang Lung Group Limited (Stock Code: 00010)

Key Highlights of 2016 Interim Results (Continued)

Hong Kong Portfolio

- a. Benefitting from various asset enhancement initiatives and ensuing rent increases, rental revenue of our Hong Kong portfolio advanced 7% to HK\$1,947 million. The commercial portfolio collected 13% more in rents to HK\$1,089 million.
- b. Revenue of our entire office portfolio in Hong Kong increased 4% to HK\$646 million driven by positive rental reversions of the Central portfolio, Hang Lung Centre in Causeway Bay and the Mongkok portfolio.

Property Sales

3. A total of 226 residential units of The Long Beach and the last two apartments of Carmel-on-the-Hill were sold in the first six months of 2016, compared to nine units of The HarbourSide and 17 apartments of AquaMarine being sold in the first half of 2015. Consequently, total property sales revenue increased 223% to HK\$2,404million. Overall profit margin realized was 58%.

Property Revaluation

4. In the first half of 2016, an overall revaluation loss of investment properties was HK\$314 million, compared to a gain of HK\$445 million in the previous corresponding period. The mainland China properties had a revaluation loss of HK\$411 million mainly due to lower valuation of the malls at Forum 66 in Shenyang and Center 66 in Wuxi. The Hong Kong portfolio had a revaluation gain of HK\$97 million driven by significant positive rental reversions of offices in Central.

Profit Attributable to Shareholders

5. Underlying net profit attributable to shareholders increased 24% to HK\$1,864 million. After including a revaluation loss on investment properties, net profit attributable to shareholders increased 1% to HK\$1,790 million.

Projects under Development

6. All projects under development in mainland China are progressing as planned. The mall at Spring City 66 in Kunming is scheduled to open in late 2018 and Heartland 66 in Wuhan is scheduled for completion, in stages, from late 2019.

Hang Lung Group Limited (Stock Code: 00010) Key Highlights of 2016 Interim Results (Continued)

Financial Position

7. As at June 30, 2016, the Group had cash and bank balances of HK\$29,006 million and total borrowings of HK\$35,967 million, resulting in a net debt position of HK\$6,961 million (December 31, 2015: HK\$5,848 million). Net debt to equity ratio was 5.0% (December 31, 2015: 4.2%). Debt to equity ratio was 25.8% (December 31, 2015: 26.6%).

The press release is available for downloading from the Hang Lung Website at www.hanglung.com

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