



2013
Interim Report

DIRECTORS

Ronnie C. Chan (*Chairman*)
S.S. Yin (*Vice Chairman*) *
Philip N.L. Chen (*Managing Director*)
Gerald L. Chan #
H.K. Cheng *GBS, OBE, JP* *
Laura L.Y. Chen *
Simon S.O. Ip *CBE, JP* *
H.C. Ho

Non-Executive Director

* *Independent Non-Executive Director*

AUDIT COMMITTEE

Simon S.O. Ip *CBE, JP* (*Chairman*)
H.K. Cheng *GBS, OBE, JP*
Laura L.Y. Chen

NOMINATION AND REMUNERATION COMMITTEE

H.K. Cheng *GBS, OBE, JP* (*Chairman*)
Laura L.Y. Chen
Simon S.O. Ip *CBE, JP*

AUTHORIZED REPRESENTATIVES

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

COMPANY SECRETARY

Bella P.L. Chhoa

REGISTERED OFFICE

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AUDITOR

KPMG
Certified Public Accountants

RESULTS AND DIVIDEND

Compared to the corresponding period a year ago, in Hong Kong we did not sell as many completed apartments and investment properties. Consequently total turnover fell by 21% and operating profit by 15%. Revaluation gain net of deferred tax and minority interests was 9% less, and underlying net profit was 19% lower at HK\$1,159 million. Net profit attributable to shareholders fell by 16% to HK\$1,766 million and earnings per share by the same percentage to HK\$1.31.

The Board has declared an interim dividend of HK19 cents per share payable on September 26, 2013 to shareholders of record on September 12, 2013. The amount is the same as that paid in the six months to June 30, 2012.

OPERATIONS REVIEW

In spite of difficult market conditions, we had performed acceptably. Compared to the corresponding six-month period of 2012, rents received in both Hong Kong and Mainland China rose. Excluding Hong Kong buildings disposed of a year ago, total rental income grew by 12%; nominal increase was 7%. Mainland now accounts for 55% of all leasing revenues of the Group; Hong Kong brought in 45%. In terms of operating profit, the split was 52% versus 48%.

In Hong Kong, when disregarding discontinued assets in order to present a more accurate review of our performance, rents rose by 11% and operating profit by 12%. Even taking the disposed assets into account, leasing turnover still increased by 1% while operating profit by 4%. The ratios of these two sets of numbers clearly indicated that the sold properties were the lower yielding ones.

In terms of product type, Hong Kong retail rents grew by 14% and for office, 11%. Residential and miscellaneous properties brought in 2% less.

On the Mainland, when excluding Shenyang Forum 66 which had less than one full year of operations, turnover was 5% higher than the same period a year ago. Including Forum 66, total rents received saw an increase of 14%. As regards operating profits, the two corresponding figures were 6% and 12%.

In four of the five operating complexes, namely Shanghai Plaza 66, Shenyang Palace 66 and Forum 66, as well as Jinan Parc 66, results were identical to those of our major operating subsidiary Hang Lung Properties. The only exception is Grand Gateway 66 in Shanghai where we solely own the office tower and all residential elements. From this property, we collected 5% more rents — commercial leases brought in 7% more and office 3% more while residential and serviced apartments saw no change. The corresponding figures on operating profit for the three product types were respectively 5% growth, 2% growth and minus 8%.

In February this year, Hang Lung Properties acquired an excellent site in Wuhan, the biggest and arguably the most economically dynamic city in Central China. Located more or less in the population center of the country, the metropolis is at the crossroad between China's longest and most significant waterway the Yangtze River running from west to east, and one of the main arteries of railroads and highways linking the North and the South.

For those reasons, over a century ago Wuhan was the first city in the inland to be opened to trade with the West. That gave the place a rather unique history as evidenced by its architecture. It is known for its heightened commercial activities and is undoubtedly the leading city of the highly populated central part of China. As capital of Hubei Province, Wuhan is also an important political and cultural hub.

The price we paid was quite reasonable. The 8.26 hectare site costing RMB3.3 billion will yield 4.9 million square feet of buildable space excluding car parks. As always, the focus of the project will be a shopping mall with an office skyscraper next to it. We will also erect a few blocks of serviced apartments which can be sold. We are quite excited about the potential return that this development should bring.

In Hong Kong, the residential market has of late fallen silent. In order to curb runaway prices, the government, which for historical reasons could not quickly release sufficient land, has decided to manage demand. Severe measures have thus been introduced which, barring unforeseen circumstances, will unlikely be lifted anytime soon. If removed abruptly, prices may take off again which few, including the government, would like to see. We will have to wait until land supply catches up. Over time, the market may get used to the new policies, and prices will somehow find their level which is likely to be lower than before. It will be unrealistic to expect a very vibrant market in the short run, for transaction volume may remain low for some time.

For us, it means that we will have to wait longer to part with our completed apartments. Fortunately all our inventories are well located and so their value should hold up better than otherwise.

PROSPECTS

In the past decade or more, we tended to perform well during bear markets thus earning us the nickname “bear-hugger.” Only time will tell whether history will repeat itself. However, one thing is for sure: none should waste a down market. This is high time to get ourselves prepared for the bull to return — and return it will.

In the opinion of your management, there exists an excellent investment opportunity in the shares of Hang Lung Properties, and we are already increasing our shareholding. Such an opportunity only comes every few years. As such, we are delighted that most sell-side analysts tend to advise their clients to buy high and sell low. That may help us find enough sellers to satisfy our appetite.

This makes a lot of sense — at prices of late, dividend yield exceeds our borrowing cost, and so collecting their scripts is value accretive from day one. As history has shown, strategically it is also meaningful. Indeed we have started the buying program several months ago. Circumstances allowing, we will do more.

In terms of short-term performance, I expect the second half of the year to be rather similar to that of the first. That applies to both our rental business in Hong Kong as well as that on the Mainland.

Ronnie C. Chan

Chairman of the Board of Directors

Hong Kong, July 31, 2013

OVERVIEW

Our property leasing business in Hong Kong and mainland China continued to record solid growth in income and profit during the six months to June 30, 2013. Both rental turnover and operating profit grew 12% to HK\$3,508 million and HK\$2,842 million, respectively, when excluding the effect of investment properties disposed of in 2012. The overall year-on-year increases in rental turnover and operating profit were 7% and 8%, respectively. We sold only seven residential apartments and a few car park spaces during the period, which generated turnover and profit of HK\$97 million and HK\$67 million, respectively. That was much fewer than the property sales turnover and profit of HK\$1,274 million and HK\$799 million, respectively, recorded in the first half of 2012. In addition, a gain of HK\$7 million was booked under Other Income during the current period, which resulted from the disposal of remaining car park spaces in certain investment properties. Again, that was hardly significant compared to a gain of HK\$220 million arising from the disposal of two matured investment properties in the last corresponding period. The revaluation gain for the period amounted to HK\$1,090 million, a decrease of HK\$291 million compared to the first half of 2012.

As a result of much fewer residential apartments being sold and an insignificant gain arising from car park space disposals, turnover decreased 21% to HK\$3,605 million. Net profit attributable to shareholders retreated 16% to HK\$1,766 million compared to the last corresponding period. When excluding all the effects of revaluation gains, underlying net profit slipped by 19% to HK\$1,159 million.

The Board of Directors has declared an interim dividend of HK19 cents per share, to be paid on September 26, 2013, to shareholders registered as at September 12, 2013. The Register of Members will be closed from September 10, 2013, to September 12, 2013, both days inclusive, and no transfer of shares will be effected during that period. To qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, not later than 4:30 p.m. on September 9, 2013.

PROPERTY LEASING

In spite of a challenging business environment, total leasing turnover and profit reached HK\$3,508 million and HK\$2,842 million, respectively. On a comparable basis when excluding the effect of investment properties disposed of in 2012, growth rates of leasing turnover and profit would be both 12%. Otherwise, the overall leasing turnover and profit were up 7% and 8%, respectively.

Hong Kong

Rental turnover and profit of our Hong Kong property portfolio advanced 11% and 12% to HK\$1,580 million and HK\$1,352 million, respectively, when excluding the effect of investment properties disposed of in 2012. The growth was attributable to higher occupancy rates and rental reversions. The occupancy rate of commercial properties improved from 95% to 98% whereas that of office and industrial/office improved from 94% to 95%. The overall year-on-year increases of rental turnover and profit were 1% and 4%, respectively.

Mainland China

Our property leasing business on the Mainland collected 14% more rents to HK\$1,928 million and achieved 12% higher profit to HK\$1,490 million. The Mainland operations accounted for 55% and 52% of the Group's rental turnover and operating profit, respectively, up from 52% and 50% a year ago.

In Shanghai, the rental turnover of Plaza 66 rose 7% to HK\$776 million. Occupancy rate of both the mall and office towers was 96%. Rental turnover of the mall grew 8% to HK\$384 million compared to the last corresponding period. The growth was mainly driven by rental reversions and completion of renovation by certain major tenants. The office towers at Plaza 66 achieved rental turnover growth of almost 7% to HK\$392 million. For Grand Gateway 66, the mall was fully let and its rental turnover advanced 7% to HK\$523 million. The office tower had a moderate rental growth of 3% to HK\$135 million while the leasing income of serviced apartments remained steady at HK\$92 million. Occupancy rate of the office tower and serviced apartments reached 92%.

At Palace 66 in Shenyang, we accelerated the change of tenant profile after the opening of our second and more up-market mall, Forum 66, in the same city last September. During this process of tenant remixing, occupancy rate dropped to 87% and rental turnover decreased 9% to HK\$75 million in the first half of 2013.

Leasing income of our mall in Jinan, Parc 66, advanced 6% to HK\$189 million. The growth was mainly attributable to 10% higher average unit rent, partly offset by a decrease in occupancy rate to 92% as we started the process of changing tenant mix upon expiry of some short-term leases.

Forum 66, our new shopping mall in Shenyang, opened in September 2012, collected HK\$138 million in rents in the first half of 2013 and was fully let.

PROPERTY SALES

During the first half of 2013, we sold a unit of The HarbourSide and four units of AquaMarine residential apartments at average prices of HK\$39,000 and HK\$10,600 per square foot, respectively. The sales of residential units achieved a profit margin of 77% and 64%, respectively. Together with the sales of two other apartments and a few car park spaces, total profit from property sales amounted to HK\$67 million.

PROPERTY DEVELOPMENT

In February 2013, we acquired a prime lot of about 82,650 square meters in Qiaokou District of Wuhan for RMB3.3 billion. We plan to build upon it a world-class shopping mall, an office tower and serviced apartments with a floor area of about 460,000 square meters excluding the car park space and ancillary facilities.

The shopping mall of Center 66 in Wuxi is under final preparation for opening in September this year. Pre-leasing commitments were over 90% of total leasable area.

Structural construction works at the shopping mall at Tianjin Riverside 66 have made good progress. Pre-leasing activities of the mall have already started. Other projects under development on the Mainland are progressing as planned.

The interior fit-out work of the Blue Pool Road residential project in Happy Valley, Hong Kong, is almost completed. Subject to market conditions, this project should be ready for release later this year.

PROPERTY REVALUATION

For the six months ended June 30, 2013, the Hong Kong investment properties portfolio recorded a valuation gain of HK\$704 million against HK\$953 million in the comparable period in 2012.

Total valuation gain of our Mainland investment properties amounted to HK\$386 million compared to HK\$428 million a year ago.

Overall, our investment properties recorded a total valuation gain of HK\$1,090 million compared to HK\$1,381 million stated in the interim results of 2012.

FINANCIAL POSITION

The Group's balance sheet remained strong with ample liquidity. We had HK\$38,680 million of liquid funds as at June 30, 2013, most of which was held in Renminbi (RMB) bank deposits hedging against the currency fluctuations of our RMB construction commitments on the Mainland. After deducting total borrowings amounted to HK\$42,896 million, the Group had net borrowings of HK\$4,216 million as at June 30, 2013. The gearing ratio calculated on the basis of the Group's net debts to equity plus net debts was 3.1%.

Through the Medium Term Note ("MTN") Program established in 2011, the Group issued HK\$435 million of 7-year fixed rate bonds during the first half of 2013. The MTN Program serves as an alternate source of debt financing to bank borrowings. It would enable the Group to issue debt securities up to an equivalent of US\$3,000 million. By June 30, 2013, the Group had cumulatively issued a total amount equivalent to HK\$6,237 million of fixed rate bonds with remaining maturity of 8.8 years. Those bonds were un-rated and issued with coupon rates ranged from 2.95% to 4.75% per annum. Proceeds from the bond issuances were used to repay some short-term bank borrowings. The bond issuances would enhance the Group's ability in managing future interest rate volatility and re-financing risks.

The Group also had committed undrawn banking facilities amounting to HK\$6,428 million as at June 30, 2013.

OUTLOOK

The market environment remains challenging due to the relatively moderate growth of the Chinese economy compared to recent years. A slowdown in luxury goods spending on the Mainland has an adverse impact on economic sentiment. If this condition persists for a long period, the leasing performance of our Mainland operations may be affected. On the other hand, we may be able to capitalize on our financial strength to make more land acquisitions.

As we will continue to optimize the tenant mix of Shenyang Palace 66, the rental turnover and occupancy rate of this mall are expected to improve in the second half of 2013.

Jinan Parc 66 will reach its second anniversary in August. We will take this opportunity to further optimize the tenant mix upon expiry of some short-term leases. It is expected that Parc 66's rental turnover and profit shall continue to grow as in the first half.

The first anniversary of Shenyang Forum 66 is coming up in September. Leasing performance of Forum 66 in the second half of 2013 may be affected if the slowdown in luxury spending on the Mainland continues.

With the various measures implemented by the Hong Kong government to cool down the local property market, we do not foresee much selling of Hong Kong apartments in the near future. But rental income of our Hong Kong portfolio in the second half of this year should perform similarly as in the first six months.

Final preparations for the opening of Center 66's shopping mall in Wuxi in September this year are progressing well. Pre-leasing commitments are over 90% of leasable area. The addition of this new mall to our Mainland investment property portfolio would benefit us further as a result of the government policy of stimulating domestic consumption as an important source of future economic growth. The development works of our various projects on the Mainland are progressing as planned.

We are committed to maintaining a high standard of corporate governance. During the six-month period ended June 30, 2013, 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 2012 annual report, which is available on our website.

THE BOARD

The Board currently consists of eight members, comprising three Executive Directors, one Non-Executive Director and four 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 on a regular basis to review human resources issues, including 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 and composition, and make recommendations to the Board on the appointment, re-appointment and succession planning of Directors, etc. 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, currently consists of three Independent Non-Executive Directors. 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 our 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, 2013, 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 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 17 to 18 of this interim report.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the six-month period ended June 30, 2013, 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, 2013.

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

There are no changes in the information of Directors since the date of the 2012 annual report of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six-month period ended June 30, 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities.

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

As at June 30, 2013, 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:

Name of Directors	Capacity	<i>The Company</i> <i>(Long Position)</i>			<i>Hang Lung Properties Limited</i> <i>(Long Position)</i>		
		Number of Shares	% of Issued Capital	Number of Shares under Option <i>(Note 1)</i>	Number of Shares	% of Issued Capital	Number of Shares under Option <i>(Note 2)</i>
Ronnie C. Chan	Personal	–	–	11,790,000	–	–	41,070,000
S.S. Yin	–	–	–	–	–	–	–
Philip N.L. Chen	Personal	–	–	–	–	–	19,000,000
Gerald L. Chan	–	–	–	–	–	–	–
H.K. Cheng	–	–	–	–	–	–	–
Laura L.Y. Chen	–	–	–	–	–	–	–
Simon S.O. Ip	–	–	–	–	–	–	–
H.C. Ho	Personal	–	–	–	–	–	8,600,000

Notes

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

Date Granted (mm/dd/yyyy)	Name	Number of Shares under Option			Exercise Price per Share (HK\$)	Vested Dates (mm/dd/yyyy)	Expiry Date (mm/dd/yyyy)	
		As at Jan 1, 2013	Granted during the Period	Exercised during the Period				As at Jun 30, 2013
05/20/2004	Ronnie C. Chan	5,090,000	—	—	5,090,000	\$9.45	05/20/2005 : 25% 05/20/2006 : 25% 05/20/2007 : 25% 05/20/2008 : 25%	05/19/2014
11/20/2006	Ronnie C. Chan	6,700,000	—	—	6,700,000	\$20.52	11/20/2007 : 10% 11/20/2008 : 20% 11/20/2009 : 30% 11/20/2010 : 40%	11/19/2016

2. Movements of Options under the Share Option Schemes of Hang Lung Properties Limited

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

Date Granted (mm/dd/yyyy)	Name	Number of Shares under Option			Exercise Price per Share (HK\$)	Vested Dates (mm/dd/yyyy)	Expiry Date (mm/dd/yyyy)	
		As at Jan 1, 2013	Granted during the Period	Exercised during the Period				As at Jun 30, 2013
05/20/2004	Ronnie C. Chan	5,090,000	—	—	5,090,000	\$9.20	05/20/2005 : 25% 05/20/2006 : 25% 05/20/2007 : 25% 05/20/2008 : 25%	05/19/2014
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
08/21/2007	Ronnie C. Chan	3,640,000	—	—	3,640,000	\$25.00	08/21/2008 : 10% 08/21/2009 : 20% 08/21/2010 : 30% 08/21/2011 : 40%	08/20/2017
08/21/2007	Ronnie C. Chan	5,600,000	—	—	5,600,000	\$25.00	08/21/2009 : 10% 08/21/2010 : 20% 08/21/2011 : 30% 08/21/2012 : 40%	08/20/2017

2. Movements of Options under the Share Option Schemes of Hang Lung Properties Limited (*continued*)

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

Date Granted (mm/dd/yyyy)	Name	Number of Shares under Option			As at Jun 30, 2013	Exercise Price per Share (HK\$)	Vested Dates (mm/dd/yyyy)	Expiry Date (mm/dd/yyyy)
		As at Jan 1, 2013	Granted during the Period	Exercised during the Period				
09/01/2008	H.C. Ho	300,000	—	—	300,000	\$24.20	09/01/2010 : 10% 09/01/2011 : 20% 09/01/2012 : 30% 09/01/2013 : 40%	08/31/2018
12/31/2008	Ronnie C. Chan	9,240,000	—	—	9,240,000	\$17.36	12/31/2010 : 10%	12/30/2018
	H.C. Ho	300,000	—	—	300,000		12/31/2011 : 20% 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% 02/08/2013 : 20% 02/08/2014 : 30% 02/08/2015 : 40%	02/07/2020
07/29/2010	Philip N.L. Chen	10,000,000	—	—	10,000,000	\$33.05	07/29/2012 : 10% 07/29/2013 : 20% 07/29/2014 : 30% 07/29/2015 : 40%	07/28/2020
09/29/2010	H.C. Ho	2,000,000	—	—	2,000,000	\$36.90	09/29/2012 : 10% 09/29/2013 : 20% 09/29/2014 : 30% 09/29/2015 : 40%	09/28/2020
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%	

2. Movements of Options under the Share Option Schemes of Hang Lung Properties Limited (continued)

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

Date Granted (mm/dd/yyyy)	Name	Number of Shares under Option			Exercise Price per Share (HK\$)	Vested Dates (mm/dd/yyyy)	Expiry Date (mm/dd/yyyy)
		As at Jan 1, 2013	Granted during the Period	Exercised during the Period			
06/04/2013	Ronnie C. Chan	—	4,500,000	—	4,500,000	\$28.20	06/04/2015 : 10%
	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%

Save as disclosed above, none of the Directors of the Company or any of their associates had, as at June 30, 2013, 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, 2013 was the Company or any of its 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, 2013, 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:

Name	Note	Number of Shares or Underlying Shares Held		% of Issued Capital	
		Long Position	Short Position	Long Position	Short Position
Chan Tan Ching Fen	1	498,428,580	—	36.93	—
Cole Enterprises Holdings Limited	1	498,428,580	—	36.93	—
Merssion Limited	1	498,428,580	—	36.93	—
Kingswick Investment Limited	2	97,965,000	—	7.26	—
Aberdeen Asset Management Plc and its Associates	3	204,272,454	—	15.14	—

Notes

- 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 Limited was the trustee of the trust.

Merssion Limited held 498,428,580 shares, of which 97,965,000 shares were held by its subsidiary, Kingswick Investment Limited.
- The 97,965,000 shares held by Kingswick Investment Limited were included in the above-mentioned number of 498,428,580 shares held by Ms Chan Tan Ching Fen/Cole Enterprises Holdings Limited/Merssion Limited.
- These shares were held in the capacity of investment manager.

Save as disclosed above, as at June 30, 2013, no other interest required to be recorded in the register kept under section 336 of the SFO has been notified to the Company.



REVIEW REPORT TO THE BOARD OF DIRECTORS OF HANG LUNG GROUP LIMITED

(Incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 19 to 42 which comprises the consolidated statement of financial position of Hang Lung Group Limited (the “Company”) as of June 30, 2013 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, 2013 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 31, 2013

CONSOLIDATED INCOME STATEMENT

For the six months ended June 30, 2013

(Expressed in Hong Kong dollars)

	Note	(Unaudited) 2013 \$ Million	(Audited) 2012 \$ Million
Turnover	2	3,605	4,539
Other income	3	493	522
Direct costs and operating expenses		(696)	(1,107)
Administrative expenses		(330)	(336)
Operating profit before change in fair value of investment properties		3,072	3,618
Increase in fair value of investment properties		1,090	1,381
Operating profit after change in fair value of investment properties		4,162	4,999
Finance costs	4	(282)	(184)
Share of profits of joint ventures		178	111
Profit before taxation	2(a) & 4	4,058	4,926
Taxation	5(a)	(662)	(757)
Profit for the period		3,396	4,169
Attributable to:			
Shareholders		1,766	2,101
Non-controlling interests		1,630	2,068
		3,396	4,169
Earnings per share	7(a)		
Basic		\$1.31	\$1.56
Diluted		\$1.30	\$1.55

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 6.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2013

(Expressed in Hong Kong dollars)

	Note	(Unaudited) 2013 \$ Million	(Audited) 2012 \$ Million
Profit for the period		3,396	4,169
Other comprehensive income	5(b)		
Item that will not be reclassified to profit or loss:			
Increase in share of capital reserves of joint ventures		—	1
Items that may be reclassified subsequently to profit or loss:			
Net movement in investment revaluation reserve		(4)	1
Exchange difference arising from translation of overseas subsidiaries		1,637	(552)
Other comprehensive income for the period		1,633	(550)
Total comprehensive income for the period		5,029	3,619
Total comprehensive income attributable to:			
Shareholders		2,698	1,814
Non-controlling interests		2,331	1,805
		5,029	3,619

The accompanying notes form part of the interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2013

(Expressed in Hong Kong dollars)

	Note	(Unaudited) 30/6/2013 \$ Million	(Audited) 31/12/2012 \$ Million
Non-current assets			
Fixed assets			
Investment properties	8	108,317	106,102
Investment properties under development	8	31,349	24,482
Other fixed assets		254	255
		139,920	130,839
Interest in joint ventures		2,795	2,247
Other assets		1,256	1,258
Deferred tax assets		14	19
		143,985	134,363
Current assets			
Cash and deposits with banks	9	38,680	40,183
Trade and other receivables	10	962	860
Other assets	11	459	452
Properties for sale		6,335	6,139
Assets held for sale		—	906
		46,436	48,540
Current liabilities			
Bank loans and other borrowings	12	285	1,113
Trade and other payables	13	5,598	5,240
Taxation payable		456	446
Liabilities held for sale		—	13
		6,339	6,812
Net current assets		40,097	41,728
Total assets less current liabilities		184,082	176,091

		(Unaudited) 30/6/2013 \$ Million	(Audited) 31/12/2012 \$ Million
	Note		
Non-current liabilities			
Bank loans and other borrowings	12	42,611	36,532
Deferred tax liabilities		10,305	9,944
		52,916	46,476
NET ASSETS		131,166	129,615
Capital and reserves			
Share capital		1,350	1,350
Reserves		65,786	63,874
Shareholders' equity		67,136	65,224
Non-controlling interests		64,030	64,391
TOTAL EQUITY		131,166	129,615

The accompanying notes form part of the interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2013

(Expressed in Hong Kong dollars)

	(Unaudited)					
	Shareholders' equity				Non-controlling interests	Total equity
	Share capital	Other reserves	Retained profits	Total		
\$ Million	\$ Million	\$ Million	\$ Million	\$ Million	\$ Million	
At January 1, 2013	1,350	8,286	55,588	65,224	64,391	129,615
Profit for the period	—	—	1,766	1,766	1,630	3,396
Net movement in investment revaluation reserve	—	(4)	—	(4)	—	(4)
Exchange difference arising from translation of overseas subsidiaries	—	936	—	936	701	1,637
Total comprehensive income for the period	—	932	1,766	2,698	2,331	5,029
Final dividends in respect of previous financial year	—	—	(810)	(810)	—	(810)
Issue of shares	—	2	—	2	—	2
Employee share-based payments	—	25	11	36	29	65
Change in non-controlling interests arising from increase of the Group's shareholding in a subsidiary	—	(14)	—	(14)	(1,410)	(1,424)
Dividends paid to non-controlling interests	—	—	—	—	(1,296)	(1,296)
Repayment to non-controlling interests	—	—	—	—	(15)	(15)
At June 30, 2013	1,350	9,231	56,555	67,136	64,030	131,166

(Audited)

	Shareholders' equity			Total	Non-controlling interests	Total equity
	Share capital	Other reserves	Retained profits			
	\$ Million	\$ Million	\$ Million	\$ Million	\$ Million	\$ Million
		(Note 15)	(Note 15)			
At January 1, 2012	1,348	8,180	50,982	60,510	60,658	121,168
Profit for the period	—	—	2,101	2,101	2,068	4,169
Increase in share of capital reserves of joint ventures	—	1	—	1	—	1
Net movement in investment revaluation reserve	—	1	—	1	—	1
Exchange difference arising from translation of overseas subsidiaries	—	(289)	—	(289)	(263)	(552)
Total comprehensive income for the period	—	(287)	2,101	1,814	1,805	3,619
Final dividends in respect of previous financial year	—	—	(513)	(513)	—	(513)
Issue of shares	2	15	—	17	—	17
Employee share-based payments	—	40	5	45	50	95
Change in non-controlling interests arising from decrease of the Group's shareholding in a subsidiary	—	(3)	—	(3)	19	16
Dividends paid to non-controlling interests	—	—	—	—	(794)	(794)
Repayment to non-controlling interests	—	—	—	—	(31)	(31)
At June 30, 2012	1,350	7,945	52,575	61,870	61,707	123,577

The accompanying notes form part of the interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended June 30, 2013

(Expressed in Hong Kong dollars)

	(Unaudited) 2013 \$ Million	(Audited) 2012 \$ Million
Net cash generated from operating activities	2,007	2,211
Net cash used in investing activities	(8,105)	(6,460)
Net cash generated from financing activities	1,433	5,202
(Decrease)/Increase in cash and cash equivalents	(4,665)	953
Effect of foreign exchange rate change	475	(294)
Cash and cash equivalents at January 1	32,072	21,303
Cash and cash equivalents at June 30	27,882	21,962
Analysis of the balance of cash and cash equivalents:		
Cash and deposits with banks	38,680	31,916
Less: Bank deposits with maturity greater than three months	(10,798)	(9,954)
Cash and cash equivalents	27,882	21,962

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 17-18.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013 annual financial statements. Details of these changes in accounting policies are set out below.

The HKICPA has issued a number of new Hong Kong Financial Reporting Standards (“HKFRSs”) and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group’s financial statements:

- Amendments to HKAS 1, Presentation of financial statements – Presentation of items of other comprehensive income
- HKFRS 10, Consolidated financial statements
- HKFRS 11, Joint arrangements
- HKFRS 12, Disclosure of interests in other entities
- HKFRS 13, Fair value measurement
- Annual Improvements to HKFRSs 2009-2011 Cycle
- Amendments to HKFRS 7 – Disclosures – Offsetting financial assets and financial liabilities

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

1. BASIS OF PREPARATION (continued)

- (a) Amendments to HKAS 1, Presentation of financial statements – Presentation of items of other comprehensive income

The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in the interim financial report has been modified accordingly.

- (b) HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27 "Consolidated and separate financial statements" relating to the preparation of consolidated financial statements and HK(SIC) - Int 12 "Consolidation – Special purpose entities". It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at January 1, 2013.

- (c) HKFRS 11, Joint arrangements

HKFRS 11, which replaces HKAS 31 "Interests in joint ventures" divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognized on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

As a result of the adoption of HKFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements and re-evaluated its involvement in its joint arrangements. The adoption of HKFRS 11 does not have any material impact on the financial position and the financial result of the Group.

1. BASIS OF PREPARATION (continued)

(d) HKFRS 12, Disclosure of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in this interim financial report as a result of adopting HKFRS 12.

(e) HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial reports. The adoption of HKFRS 13 does not have any material impact on the interim financial report of the Group except for additional disclosures in note 16.

(f) Annual Improvements to HKFRSs 2009-2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker ("CODM") and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. The amendment does not have any impact on the segment disclosure of the Group.

1. BASIS OF PREPARATION (continued)

(g) Amendments to HKFRS 7 – Disclosures – Offsetting financial assets and financial liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognized financial instruments that are set off in accordance with HKAS 32 “Financial instruments: Presentation” and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on the Group’s interim financial report because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7.

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.

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

Management evaluates performance primarily based on profit before taxation.

Segment assets principally comprise all non-current assets and current assets directly attributable to each segment with the exception of interest in joint ventures, other assets, deferred tax assets, assets held for sale 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	
	2013 \$ Million	2012 \$ Million	2013 \$ Million	2012 \$ Million
Segment				
Property leasing				
– Hong Kong	1,580	1,567	1,352	1,306
– Mainland China	1,928	1,698	1,490	1,327
	3,508	3,265	2,842	2,633
Property sales				
– Hong Kong	97	1,274	67	799
Segment total	3,605	4,539	2,909	3,432
Other income			493	522
Administrative expenses			(330)	(336)
Operating profit before change				
in fair value of investment properties			3,072	3,618
Increase in fair value of investment properties			1,090	1,381
– property leasing in Hong Kong			704	953
– property leasing in mainland China			386	428
Finance costs			(282)	(184)
Share of profits of joint ventures			178	111
Profit before taxation			4,058	4,926

2. TURNOVER AND SEGMENT INFORMATION (continued)

(b) Total assets by segments

	Total assets	
	30/6/2013 \$ Million	31/12/2012 \$ Million
Segment		
Property leasing		
– Hong Kong	56,050	55,282
– Mainland China	84,777	76,394
	140,827	131,676
Property sales		
– Hong Kong	6,390	6,162
Segment total	147,217	137,838
Interest in joint ventures	2,795	2,247
Other assets	1,715	1,710
Deferred tax assets	14	19
Assets held for sale	–	906
Cash and deposits with banks	38,680	40,183
Total assets	190,421	182,903

3. OTHER INCOME

	2013 \$ Million	2012 \$ Million
Gain on disposal of investment properties	7	220
Bank interest income	462	290
Interest income from unlisted held-to-maturity investments	6	10
Dividend income from listed investments	4	3
Dividend income from unlisted investments	1	2
Net exchange gain/(loss)	13	(3)
	493	522

4. PROFIT BEFORE TAXATION

	2013 \$ Million	2012 \$ Million
Profit before taxation is arrived at after charging:		
Finance costs		
Interest on borrowings	557	303
Other borrowing costs	41	29
	598	332
Total borrowing costs	598	332
Less: Borrowing costs capitalized	(316)	(148)
	282	184
Cost of properties sold	21	355
Staff costs, including employee share-based payments of \$65 million (2012: \$95 million)	424	441
Depreciation	20	18

5. TAXATION

- (a) Provision for Hong Kong Profits Tax is calculated at 16.5% (2012: 16.5%) of the estimated assessable profits for the period. China Income Tax mainly represents China Corporate Income Tax calculated at 25% (2012: 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.

	2013 \$ Million	2012 \$ Million
Current tax		
Hong Kong Profits Tax	182	258
China Income Tax	282	265
	464	523
Deferred tax		
Change in fair value of investment properties	97	108
Other origination and reversal of temporary differences	101	126
	198	234
Total income tax expense	662	757

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

6. DIVIDENDS

- (a) Dividends attributable to the period

	2013 \$ Million	2012 \$ Million
Proposed after the end of the reporting period: 19 cents (2012: 19 cents) per share	256	256

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) Dividends attributable to the previous financial year, approved and paid during the period

	2013 \$ Million	2012 \$ Million
Final dividend in respect of the previous financial year of 60 cents (2012: 38 cents) per share	810	513

7. EARNINGS PER SHARE

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

	2013 \$ Million	2012 \$ Million
Earnings for calculation of basic and diluted earnings per share (net profit attributable to shareholders)	1,766	2,101

	Number of shares	
	2013 (Million)	2012 (Million)
Weighted average number of shares used in calculating basic earnings per share	1,350	1,349
Effect of dilutive potential shares – share options	8	9
Weighted average number of shares used in calculating diluted earnings per share	1,358	1,358

7. EARNINGS PER SHARE (continued)

- (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:

	2013 \$ Million	2012 \$ Million
Net profit attributable to shareholders	1,766	2,101
Effect of changes in fair value of investment properties	(1,090)	(1,381)
Effect of corresponding deferred tax	97	108
Effect of change in fair value of investment properties of joint ventures	(102)	(45)
	(1,095)	(1,318)
Non-controlling interests	488	652
	(607)	(666)
Underlying net profit attributable to shareholders	1,159	1,435

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

	2013	2012
Basic	\$0.86	\$1.06
Diluted	\$0.85	\$1.06

8. INVESTMENT PROPERTIES AND INVESTMENT PROPERTIES UNDER DEVELOPMENT

- (a) Additions

During the period, additions to investment properties and investment properties under development amounted to \$6,640 million (2012: \$2,496 million).

- (b) Valuation

The investment properties and investment properties under development of the Group were revalued as at June 30, 2013 by Mr. Charles C.K. Chan, Registered Professional Surveyor (General Practice), of Savills Valuation and Professional Services Limited, on a market value basis.

9. CASH AND DEPOSITS WITH BANKS

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

	30/6/2013 \$ Million	31/12/2012 \$ Million
Hong Kong Dollars equivalent of:		
Renminbi	35,392	36,913
Hong Kong Dollars	2,362	2,223
United States Dollars	926	1,047
	38,680	40,183

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

10. TRADE AND OTHER RECEIVABLES

(a) Included in trade and other receivables are trade receivables with the following terms:

	30/6/2013 \$ Million	31/12/2012 \$ Million
Current and within 1 month	93	47
1 - 3 months	13	4
Over 3 months	9	4
	115	55

The balance of bad and doubtful debts is insignificant.

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

(b) Included in other receivables of the Group is deposit of land acquisition in mainland China of \$314 million (December 31, 2012: \$308 million).

11. OTHER ASSETS

At the end of the reporting period, the Group held investments in unlisted bonds which will mature from September 2013 to December 2013. The effective yield of the bonds ranged from 1.6% to 2.9% (December 31, 2012: 1.6% to 2.9%) per annum, payable quarterly or semi-annually.

12. BANK LOANS AND OTHER BORROWINGS

At the end of the reporting period, the Group had \$6,428 million (December 31, 2012: \$8,597 million) committed undrawn banking facilities.

In addition, a wholly-owned subsidiary of Hang Lung Properties Limited ("HLP") has a US\$3 billion (December 31, 2012: US\$3 billion) Medium Term Note Program (the "Program"). At the end of the reporting period, the Group issued in total an equivalent of \$6,237 million (December 31, 2012: \$5,799 million) bonds with coupon rates ranged from 2.95% to 4.75% (December 31, 2012: 3.55% 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:

	30/6/2013 \$ Million	31/12/2012 \$ Million
Due within 1 month	2,364	2,509
Due after 3 months	448	367
	2,812	2,876

14. SHARE OPTION SCHEME

The Company

The Company adopted a share option scheme on November 24, 2000. The share options granted under the share option scheme 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:

Date granted	Number of share options				Outstanding on June 30, 2013	Period during which options are exercisable	Exercise price (HK\$)
	Outstanding on January 1, 2013	Granted	Exercised	Forfeited/ Lapsed			
May 20, 2004	5,325,000	–	(235,000)	–	5,090,000	May 20, 2005 to May 19, 2014	9.45
November 20, 2006	6,700,000	–	–	–	6,700,000	November 20, 2007 to November 19, 2016	20.52
Total	12,025,000	–	(235,000)	–	11,790,000		

All the above options may vest after one 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 \$46.02.

The weighted average share price at the dates of exercise for share options during the period was \$46.27.

14. SHARE OPTION SCHEME (continued)

Hang Lung Properties Limited ("HLP")

HLP, the Company's subsidiary, adopted two share option schemes on November 22, 2002 ("2002 Share Option Scheme") and April 18, 2012 ("2012 Share Option Scheme") respectively. The share options granted under the above two share option schemes to the directors and employees of HLP are at nominal consideration and each share option gives the holder the right to subscribe for one share. The movements of share options of HLP during the period are as follows:

(a) 2002 Share Option Scheme

Date granted	Number of share options				Outstanding on June 30, 2013	Period during which options are exercisable	Exercise price (HK\$)
	Outstanding on January 1, 2013	Granted	Exercised	Forfeited/ Lapsed			
May 20, 2004	5,430,625	–	(140,625)	–	5,290,000	May 20, 2005 to May 19, 2014	9.20
November 14, 2006 to March 19, 2007	4,770,000	–	(225,000)	–	4,545,000	November 14, 2007 to March 18, 2017	16.75 - 22.55
August 21, 2007 to December 31, 2008	44,296,000	–	(1,571,000)	(588,000)	42,137,000	August 21, 2008 to December 30, 2018	17.36 - 27.90
February 8, 2010 to June 1, 2010	13,780,000	–	–	–	13,780,000	February 8, 2012 to May 31, 2020	26.46 - 27.27
July 29, 2010 to June 13, 2011	38,390,000	–	–	(1,670,000)	36,720,000	July 29, 2012 to June 12, 2021	30.79 - 36.90
December 7, 2011	1,350,000	–	–	(350,000)	1,000,000	December 7, 2013 to December 6, 2021	24.10
Total	108,016,625	–	(1,936,625)	(2,608,000)	103,472,000		

All the above options may vest after one 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 of HLP were exercised by the directors during the period. The weighted average closing price of the shares of HLP immediately before the dates of exercise by the employees during the period was \$29.64.

The weighted average share price of HLP at the dates of exercise for share options during the period was \$29.67.

14. SHARE OPTION SCHEME (continued)

(b) 2012 Share Option Scheme

Date granted	Number of share options				Outstanding on June 30, 2013	Period during which options are exercisable	Exercise price (HK\$)
	Outstanding on January 1, 2013	Granted	Exercised	Forfeited/ Lapsed			
June 4, 2013	–	40,000,000	–	(810,000)	39,190,000	June 4, 2015 to June 3, 2023	28.20
Total	–	40,000,000	–	(810,000)	39,190,000		

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 cancelled during the period.

The closing price of the shares of HLP immediately before the date of grant during the period was \$27.75.

The weighted average value per share option granted during the period estimated at the date of grant using a Black-Scholes pricing model taking into account the terms and conditions upon which the options were granted was \$8.01. The weighted average assumptions used are as follows:

Share price at grant date	\$27.50
Exercise price	\$28.20
Risk-free interest rate	0.49%
Expected life (in years)	6
Volatility	0.41
Expected dividend per share	\$0.74

The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the one year immediately preceding the grant date. Expected dividend per share is based on historical dividend. Changes in the input assumptions could materially affect the fair value estimate.

15. RESERVES

	Share premium \$ Million	Share of capital reserves of joint ventures \$ Million	Capital redemption reserve \$ Million	Investment revaluation reserve \$ Million	Exchange reserve \$ Million	Employee share-based compensation reserve \$ Million	General reserve \$ Million	Other capital reserve \$ Million	Total profits \$ Million	Total reserves \$ Million
At January 1, 2013	2,464	-	26	9	3,601	286	275	1,635	8,286	63,874
Profit for the period	-	-	-	-	-	-	-	-	1,766	1,766
Net movement in investment revaluation reserve	-	-	-	(4)	-	-	-	-	(4)	(4)
Exchange difference arising from transition of overseas subsidiaries	-	-	-	-	936	-	-	-	936	936
Total comprehensive income for the period	-	-	-	(4)	936	-	-	-	932	2,698
Final dividends in respect of previous financial year	-	-	-	-	-	-	-	-	(810)	(810)
Issue of shares	2	-	-	-	-	-	-	-	2	2
Employee share-based payments	1	-	-	-	-	24	-	-	25	36
Change in non-controlling interests arising from increase of the Group's shareholding in a subsidiary	-	-	-	-	-	-	-	(14)	(14)	(14)
At June 30, 2013	2,467	-	26	5	4,537	310	275	1,621	9,231	65,786

15. RESERVES (continued)

	Share premium \$ Million	Share of capital reserves of joint ventures \$ Million	Capital redemption reserve \$ Million	Investment revaluation reserve \$ Million	Exchange reserve \$ Million	Employee share-based compensation reserve \$ Million	General reserve \$ Million	Other capital reserve \$ Million	Total reserves \$ Million	Retained profits \$ Million	Total reserves \$ Million
At January 1, 2012	2,435	—	26	(2)	3,503	294	275	1,649	8,180	50,982	59,162
Profit for the period	—	—	—	—	—	—	—	—	—	2,101	2,101
Increase in share of capital reserves of joint ventures	—	1	—	—	—	—	—	—	1	—	1
Net movement in investment revaluation reserve	—	—	—	1	—	—	—	—	1	—	1
Exchange difference arising from translation of overseas subsidiaries	—	—	—	—	(289)	—	—	—	(289)	—	(289)
Total comprehensive income for the period	—	1	—	1	(289)	—	—	—	(287)	2,101	1,814
Final dividends in respect of previous financial year	—	—	—	—	—	—	—	—	—	(513)	(513)
Issue of shares	15	—	—	—	—	—	—	—	15	—	15
Employee share-based payments	4	—	—	—	—	36	—	—	40	5	45
Change in non-controlling interests arising from decrease of the Group's shareholding in a subsidiary	—	—	—	—	—	—	—	(6)	(3)	—	(3)
At June 30, 2012	2,454	1	26	(1)	3,214	330	275	1,646	7,945	52,575	60,520

16. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets measured at fair value

Financial assets under recurring fair value measurement comprises listed investments classified as available-for-sale equity securities, which are measured using quoted prices in active market for identical assets (level 1). During the period, there were no transfers between levels of fair value hierarchy.

(b) Fair values of financial assets carried at other than fair value

The fair value of unlisted equity and bond investments, 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.

17. CONTINGENT LIABILITIES

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

	30/6/2013 \$ Million	31/12/2012 \$ Million
Guarantees given to banks to secure credit facilities drawn by subsidiaries	9,055	7,960

18. COMMITMENTS

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

	30/6/2013 \$ Million	31/12/2012 \$ Million
Contracted for	5,025	5,527
Authorized but not contracted for	40,845	29,344
	45,870	34,871

The above commitments include mainly 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.

19. RELATED PARTY TRANSACTIONS

The Group has a 20% interest in a joint venture which participated in the development of Package One of the MTRC Tung Chung Station Development Project and a new commercial project in Tung Chung. At June 30, 2013, the Group advanced to this joint venture a total of \$945 million (December 31, 2012: \$525 million). All advances are unsecured, non-interest bearing and have no fixed terms of repayment.

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 31, 2013.

FINANCIAL BRIEFS

Financial Briefs as at June 30, 2013	HK\$ Million (unless otherwise stated)
Turnover	3,605
Property leasing	3,508
Property sales	97
Net profit attributable to shareholders	1,766
Total assets	190,421
Shareholders' equity	67,136
Per share data	
Earnings – Basic	\$1.31
– Diluted	\$1.30
Interim dividend	\$0.19
Net assets (including non-controlling interests)	\$97.2
Shareholders' equity	\$49.7
Gearing ratio (note 1)	3.1%
Pay-out ratio	15%
Number of shares issued (in million)	1,350

Underlying Results as at June 30, 2013	HK\$ Million (unless otherwise stated)
Underlying net profit attributable to shareholders (note 2)	1,159
Per share data	
Underlying earnings (note 3) – Basic	\$0.86
– Diluted	\$0.85

Notes:

1. Gearing ratio represents net debt over equity plus net debt. Net debt represents bank loans and other borrowings, less cash and deposits with banks. Equity comprises shareholders' equity and non-controlling interests.
2. To facilitate better understanding of the Group's operational results, the 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.
3. The calculation of underlying earnings per share is based on the underlying net profit attributable to shareholders.

INFORMATION FOR INVESTORS

FINANCIAL CALENDAR

Financial period	January 1, 2013 to June 30, 2013
Announcement of interim results	July 31, 2013
Latest time for lodging transfers	4:30 p.m. on September 9, 2013
Closure of share register	September 10 to 12, 2013 (both days inclusive)
Record date for interim dividend	September 12, 2013
Payment date for interim dividend	September 26, 2013

SHARE LISTING

As at June 30, 2013, 1,349,828,242 shares of HK\$1.00 each 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

The Stock Exchange of Hong Kong Limited	00010
Reuters	0010.HK
Bloomberg	10HK
CUSIP Number/Ticker Symbol for ADR Code	41043E102/HNLGY

SHARE INFORMATION

Share price as at June 30, 2013: HK\$41.70
Market capitalization as at June 30, 2013: HK\$56.29 billion

SHARE REGISTRARS

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