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恒基兆業地產有限公司

HENDERSON LAND DEVELOPMENT COMPANY LIMITED

Incorporated in Hong Kong with limited liability
(Stock Code : 12)

2015 INTERIM RESULTS ANNOUNCEMENT

INTERIM RESULTS AND DIVIDEND

The Board of Directors announces that for the six months ended 30 June 2015, the (unaudited) Group's underlying profit attributable to equity shareholders (before the fair value change of investment properties) amounted to HK\$5,291 million, representing an increase of HK\$261 million or 5% over HK\$5,030 million for the same period last year. Underlying earnings per share were HK\$1.60 (2014: HK\$1.54 as adjusted for the bonus issue in 2015).

Including the fair value change (net of non-controlling interests and deferred tax) of investment properties, the Group's reported profit attributable to equity shareholders for the period under review was HK\$9,846 million, representing an increase of HK\$386 million or 4% over HK\$9,460 million for the same period last year. Reported earnings per share were HK\$2.98 (2014: HK\$2.90 as adjusted for the bonus issue in 2015).

The Board has resolved to pay an interim dividend, which is not subject to any withholding tax in Hong Kong, of HK\$0.38 per share (2014: HK\$0.34 per share) to shareholders whose names appear on the Register of Members of the Company on Tuesday, 8 September 2015. The interim dividend will be payable in cash, with an option granted to shareholders to receive new and fully paid shares in lieu of cash under the scrip dividend scheme ("Scrip Dividend Scheme"). The new shares will, on issue, not be entitled to the said interim dividend, but will rank *pari passu* in all other respects with the existing shares. The circular containing details of the Scrip Dividend Scheme and election form will be sent to shareholders.

The Scrip Dividend Scheme is conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the new shares to be issued under the Scrip Dividend Scheme.

Interim dividend and the share certificates to be issued under the Scrip Dividend Scheme are expected to be distributed and sent to shareholders on Thursday, 8 October 2015.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed on Monday, 7 September 2015 and Tuesday, 8 September 2015, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Registrar, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 4 September 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's underlying profit attributable to equity shareholders for the six months ended 30 June 2015 was up by 5% to HK\$5,291 million. Pre-tax profit contribution from property sales (including the attributable contribution from subsidiaries, associates and joint ventures) increased by 27% period-on-period to HK\$1,551 million, whilst pre-tax net rental income (including the attributable contribution from subsidiaries, associates and joint ventures) increased by 10% period-on-period to HK\$3,134 million.

Hong Kong

Property Sale

In February 2015, the Hong Kong Monetary Authority rolled out a new round of mortgage-tightening measures to cool the overheated housing market, targeting small- to medium-size flats. As a result, there was a slowdown in market transactions. However, with strong fundamentals such as rising household income, limited near-term housing supply, as well as the prevailing low mortgage rate supported by ample global liquidity, end-users have gradually regained confidence with the transaction volume starting to pick up since the second quarter of this year.

During the period under review, several boutique apartments in "The H Collection" urban redevelopment series (namely, "Jones Hive" in Causeway Bay, "High Park Grand" in Mong Kok and "AXIS" in Hung Hom) were put up for sale. In order to meet customers' different needs, additional units from an array of previously launched popular residential developments, including "Double Cove (Phases 1-3) in Ma On Shan, "The Reach" in Yuen Long as well as "39 Conduit Road" in Mid-Levels, were also offered for sale. Together with the disposal of certain industrial or commercial properties such as "Global Gateway Tower" in Cheung Sha Wan, the Group sold HK\$5,319 million worth of Hong Kong properties in attributable terms for the six months ended 30 June 2015.

Property Development

In June 2015, a residential site in So Kwun Wat, Tuen Mun located in close proximity to Harrow International School with stunning sea views was acquired through public tender at a consideration of HK\$3,628.9 million. It is planned to be developed into a high-end residential development, providing about 2,000 housing units. Furthermore, the Group's urban redevelopment projects with 80% to 100% of their ownerships acquired increased to 45 in number, representing about 3.6 million square feet in total attributable gross floor area.

The Group has made use of multiple channels to expand its development land bank in Hong Kong. Purely through acquisition of old tenement buildings for urban redevelopment (excluding conversion of New Territories land, as well as public auction and tender), abundant land resources have been made available to the Group for property development. Together with the development projects which are sourced from land-use conversion of New Territories Land and public tenders (with the exception of a few projects earmarked for rental purposes), sizeable areas will be available to the Group for property sales in the coming years (details are shown as follows).

Below is a summary of properties under development and major completed stock:

		No. of projects	Attributable saleable/gross floor area (million sq. ft.) (Note 1)	Note
(A) Area available for sale in the second half of 2015:				
1.	Unsold units from major development projects offered for sale	(Table 1) 22	0.7	
2.	Projects pending sale in the second half of 2015	(Table 2) 6	0.7	
Sub-total:			1.4	Of which floor area of about 670,000 sq. ft. was sourced from urban redevelopment projects
(B) Projects in Urban Areas:				
3.	Existing urban redevelopment projects	(Table 3) 5	1.3	Date of sales launch not yet fixed and two of them are pending finalization of land premium with the Government
4.	Newly-acquired Urban Redevelopment Projects – Ownership Fully Consolidated	(Table 4) 17	1.5	Most of them are expected to be available for sale in 2016-2017
5.	Newly-acquired Urban Redevelopment Projects – with over 80% ownership secured	(Table 5) 28	2.1	Most of them are expected to be available for sale in 2017-2019
6.	Newly-acquired Urban Redevelopment Projects – with over 20% but less than 80% ownership secured	(Table 6) 36	1.1	Redevelopments of these projects are subject to consolidation of their ownerships
7.	15 Middle Road, Tsim Sha Tsui Kowloon (acquired through public tender)	1	0.3	To be held for rental purposes upon completion of development
Sub-total:			6.3	
Total for the above categories (A) and (B) development projects:			7.7	
(C) Major development projects in the New Territories:				
-	Fanling North/Kwu Tung		4.0	(Note 2)
-	Wo Shang Wai		0.9	(Note 2)
-	Lot No. 2640 in DD No. 92, Castle Peak Road-Kwu Tung, Sheung Shui, New Territories		0.5	
-	Newly acquired site at Kwun Chui Road, Area 56, Tuen Mun Town Lot No. 500, New Territories		0.8	
-	Others		0.4	
Sub-total:			6.6	
Total for categories (A) to (C)			14.3	

Note 1: Gross floor area is calculated on the basis of the Government's latest town planning parameters as well as the Company's development plans. For certain projects, it may be subject to change depending on the actual needs in future.

Note 2: Developable area is subject to finalization of land premium.

(Table 1) Unsold units from the major development projects offered for sale

There are 22 development projects available for sale:

Project name and location	Site area (sq. ft.)	Gross floor area (sq. ft.)	Type of development	Group's interest (%)	At 30 June 2015	
					No. of residential units remaining unsold	Saleable area remaining unsold (sq. ft.)
1. Double Cove - Phases 1 – 3 8 Wu Kai Sha Road, Ma On Shan	762,227	2,230,495	Commercial/ Residential	59.00	416	402,017
2. The Reach 11 Shap Pat Heung Road Yuen Long	371,358	1,299,744	Residential	79.03	41	37,835
3. Green Code 1 Ma Sik Road, Fanling	95,800	538,723	Commercial/ Residential	33.33	11	11,177
4. High Park* 51 Boundary Street	5,880	52,919	Commercial/ Residential	100.00	12	9,151
5. High Point* 188 Tai Po Road Cheung Sha Wan	8,324	70,340	Commercial/ Residential	100.00	4	1,836
6. High Place* 33 Carpenter Road	3,582	31,632	Commercial/ Residential	100.00	7	3,328
7. The Hemispheres* 3 Gordon Road, North Point	7,386	61,602	Commercial/ Residential	100.00	18	10,304
8. The Gloucester* 212 Gloucester Road Wanchai	11,545	113,977	Residential	100.00	8	10,530
9. High West* 36 Clarence Terrace Sai Ying Pun	7,310	58,471	Residential	100.00	17	8,113
10. 39 Conduit Road* Mid-Levels	56,748	229,255	Residential	60.00	6 (Note 1)	16,297 (Note 1)
11. Hill Paramount 18 Hin Tai Street Shatin	95,175	358,048	Residential	100.00	6	17,017
12. Green Lodge Tong Yan San Tsuen Yuen Long	78,781	78,781	Residential	100.00	6	12,762

13.	METRO6 121 Bulkeley Street Hung Hom	6,268	55,557	Commercial/ Residential	33.33	24	9,980
14.	High One Grand* 188 Fuk Wing Street Cheung Sha Wan	7,350	62,858	Commercial/ Residential	100.00	10	4,851
15.	High One* 571 Fuk Wa Street Cheung Sha Wan	7,560	63,788	Commercial/ Residential	100.00	21	6,526
16.	H • Bonaire* 68 Main Street, Ap Lei Chau	7,953	65,761	Commercial/ Residential	100.00	73	39,567
17.	Jones Hive* 8 Jones Street, Causeway Bay	6,529	65,267	Residential	79.762	65	32,515
18.	High Park Grand* 68 Boundary Street, Mong Kok	6,750	60,750	Commercial/ Residential	100.00	39	42,373
19.	AXIS* 200 Ma Tau Wai Road Hung Hom	4,905	41,222	Commercial/ Residential	100.00	83	20,194
20.	Global Gateway Tower* 61A-61E and 63 Wing Hong Street, Cheung Sha Wan	28,004	336,052	Industrial	100.00	Not applicable	162,897 (Note 2)
21.	E-Trade Plaza 24 Lee Chung Street Chai Wan	11,590	173,850	Office	100.00	Not applicable	60,359 (Note 2)
22.	Global Trade Square 21 Wong Chuk Hang Road Aberdeen	14,298	214,467	Office	50.00	Not applicable	5,102 (Note 2)

Sub-total:	867	924,731
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Area attributable to the Group: 722,214

Note 1: In addition, there are 16 residential units held for investment purpose.

Note 2: Representing the commercial or industrial construction area.

* Urban redevelopment projects totalling approximately 360,000 square feet of remaining area attributable to the Group.

(Table 2) Projects pending sale in the second half of 2015

In the absence of unforeseen delays, the following projects will be available for sale in the second half of 2015:

Project name and location	Site area (sq. ft.)	Gross floor Area (sq. ft.)	Type of development	Group's interest (%)	No. of Residential Units	Residential gross floor area (sq. ft.)
1. PARKER33* 33 Shing On Street Shau Kei Wan (launched for sale in August 2015)	7,512	80,079	Commercial/ Residential	100.00	234	55,708 (Note 1)
2. Double Cove Grandview Double Cove - Phase 4 8 Wu Kai Sha Road, Ma On Shan	194,532	387,166	Residential	59.00	474	347,941 (Note 1)
3. Double Cove - Phase 5 8 Wu Kai Sha Road, Ma On Shan (Note 2)	85,638	332,953	Residential	59.00	176	332,953
4. 11-33 Li Tak Street, Tai Kok Tsui*	19,600	176,374	Commercial/ Residential	100.00	448	134,115
5. 50-56 and 58-64 Ma Tau Kok Road and 162-168 Pau Chung Street To Kwa Wan*	11,400	102,564	Commercial/ Residential	100.00	300	85,484
6. 23 Robinson Road, Mid-Levels*	31,380	156,900	Residential	25.07	90	156,900
Sub-total:					1,722	1,113,101
Area attributable to the Group:						716,369

Note 1: Representing the residential saleable area.

Note 2: Pending the issue of pre-sale consent.

* Urban redevelopment projects offering a total of 1,072 residential units, of which about 310,000 square feet of residential gross floor area is attributable to the Group.

(Table 3) Existing urban redevelopment projects

The Group has a total of 5 existing projects under planning for redevelopment or land-use conversion and the dates of their sales launch are not yet fixed. As outlined below, they are expected to provide about 1.3 million square feet in attributable gross floor area in the urban areas based on the Government's latest town planning:

Project name and location		Site area (sq. ft.)	Expected gross floor area upon redevelopment (sq. ft.)	Group's Interest (%)	Expected attributable gross floor area upon redevelopment (sq. ft.)
1.	Big Star Centre 8 Wang Kwong Road Kowloon Bay, Kowloon (Note 1)	21,528	173,491	100.00	173,491
2.	45-47 Pottinger Street and Ezra's Lane, Central Hong Kong (Note 2)	9,067	135,995	19.10	25,968
3.	29 Lugard Road The Peak, Hong Kong	23,649	11,824	100.00	11,824
4.	14-30 King Wah Road North Point, Hong Kong (Notes 2 and 3)	52,689	329,755	100.00	329,755
5.	Yau Tong Bay Kowloon (Note 4)	822,380	4,039,687	18.44	744,743
Total:		929,313	4,690,752		1,285,781

Note 1: The existing industrial building was approved to be converted into office use, free of payment of premium for the land-use conversion under the Government's revitalization policy. The reconfiguration works have already commenced.

Note 2: Investment property.

Note 3: With the approval from the Town Planning Board for redevelopment into an office tower, it is now in the process of an appeal to the Government on the amount of assessed land premium.

Note 4: Master layout plan was approved in February 2013 by Metro Planning Committee of the Town Planning Board. In light of the market changes, the Group submitted application to modify it so as to provide more housing units and such application was approved in February 2015. However, it is pending finalization of land premium with the Government.

(Table 4) Newly-acquired Urban Redevelopment Projects – Ownership Fully Consolidated

There are 17 newly-acquired urban redevelopment projects with ownership fully consolidated and in the absence of unforeseen delays, most of these projects are expected to be available for sale in 2016-2017. Their expected attributable gross floor areas, based on the Government's latest town planning, are as follows:

Project name and location		Site area (sq. ft.)	Expected attributable gross floor area upon redevelopment (sq. ft.)	
Hong Kong				
1.	208-212 Johnston Road, Wanchai	3,277	49,155	(Note 1)
2.	307-329 Des Voeux Road West, Western District (20% stake held by the Group)	10,034	21,018	
3.	450-456G Queen's Road West, Western District	28,392	277,349	
4.	852-858 King's Road and 21-39 Mansion Street, Quarry Bay	17,720	168,640	
5.	12-18 Tin Wan Street, Aberdeen	4,148	39,406	
6.	62C Robinson Road and 6 Seymour Terrace, Mid-Levels	3,853	30,824	
Sub-total:		67,424	586,392	
Kowloon				
7.	25-29 Kok Cheung Street, Tai Kok Tsui	22,885	205,965	
8.	8-30A Ka Shin Street, Tai Kok Tsui	19,519	174,573	
9.	38-40A Hillwood Road, Tsim Sha Tsui	4,586	55,030	(Note 1)
10.	1-15 Berwick Street, Shek Kip Mei	9,788	78,304	
11.	202-208 Nam Cheong Street, Shek Kip Mei	4,200	33,600	
12.	214-220 Nam Cheong Street, Shek Kip Mei	4,200	33,600	
13.	456-462A Sai Yeung Choi Street North, Sham Shui Po	12,298	110,682	(Note 2)
14.	342-348 Un Chau Street, Cheung Sha Wan	4,579	38,922	
15.	352-354 Un Chau Street, Cheung Sha Wan	2,289	19,457	
16.	11-19 Wing Lung Street, Cheung Sha Wan	6,510	58,577	(Note 2)
17.	7-7G Victory Avenue, Homantin	9,865	83,287	
Sub-total:		100,719	891,997	
Total:		168,143	1,478,389	

Note 1: To be held for rental purposes upon completion of development.

Note 2: Developable area may be subject to payment of land premium.

(Table 5) Newly-acquired Urban Redevelopment Projects - with over 80% ownership secured

There are 28 newly-acquired urban redevelopment projects with over 80% ownership secured and their ownership will be consolidated by proceeding to the court for compulsory sale under the “Land (Compulsory Sale for Redevelopment) Ordinance”. In the event that no court order is granted, the Group may not be able to complete the consolidation of the ownership for development. If legal procedures go smoothly and in the absence of unforeseen delays, most of the projects set out below are expected to be available for sale in 2017-2019. On the basis of the Government’s latest town planning, the expected gross floor areas are shown as follows:

Project name and location		Site area (sq. ft.)	Expected attributable gross floor area upon redevelopment (sq. ft.)
Hong Kong			
1.	85-95 Shek Pai Wan Road, Aberdeen	4,950	42,075
2.	4-6 Tin Wan Street, Aberdeen	1,740	14,790
3.	9-13 Sun Chun Street, Tai Hang	2,019	18,171
4.	4A-4P Seymour Road, Mid-Levels (65% stake held by the Group)	52,466	306,920
5.	73-73E Caine Road, Mid-Levels	6,781	60,659
6.	13-15 Wood Road, Wanchai	3,993	33,941
7.	2 Tai Cheong Street, Sai Wan Ho	13,713	123,417
Sub-total:		85,662	599,973
Kowloon			
8.	57-69 Ma Tau Wai Road, 2-20 Bailey Street and 18A-30 Sung Chi Street, To Kwa Wan	23,031	207,277
9.	2A-2F Tak Shing Street, Jordan	10,614	84,912
10.	464-466 Sai Yeung Choi Street North and 50-56 Wong Chuk Street, Sham Shui Po	10,667	96,003
11.	1-19 Nam Cheong Street and 198 Tung Chau Street, Sham Shui Po	8,625	77,625
12.	79-83 Fuk Lo Tsun Road, Kowloon City	3,630	30,855
13.	35-47 Li Tak Street, 2-16 Kok Cheung Street and 32-44 Fuk Chak Street, Tai Kok Tsui	20,114	180,973
14.	74-74C Waterloo Road and 15-25 Yau Moon Street, Ho Man Tin (49% stake held by the Group)	10,677	39,240
15.	21-27 Berwick Street, Shek Kip Mei	5,288	42,304
16.	210-212 Nam Cheong Street, Shek Kip Mei	2,100	16,800
17.	3-8 Yiu Tung Street, Shek Kip Mei	6,825	54,600
18.	10-20 Gillies Avenue South, Hunghom	10,200	86,700
19.	24-28 Gillies Avenue South and 76-78 Baker Street, Hunghom	4,675	42,075
20.	1-21C Whampoa Street and 80-86 Baker Street, Hunghom	19,725	177,525
21.	6-16A Whampoa Street, Hunghom	10,200	86,700
22.	30-44 Gillies Avenue South and 75-77 Baker Street, Hunghom	13,175	118,575
23.	18-22 Bulkeley Street, Hunghom	3,150	26,775
24.	23-25 Whampoa Street and 79-81 Baker Street, Hunghom	2,625	23,625
25.	31-33 Whampoa Street, Hunghom	3,000	25,500
26.	26-36A Whampoa Street and 83-85 Baker Street, Hunghom	9,775	87,975
27.	39-41 Whampoa Street and 12A-12B Bulkeley Street, Hunghom	2,800	25,200
28.	46-50 Gillies Avenue South, Hunghom	2,800	25,200
Sub-total:		183,696	1,556,439
Total:		269,358	2,156,412

(Table 6) Newly-acquired Urban Redevelopment Projects - with over 20% but less than 80% ownership secured

The Group has other acquisitions in progress, involving 36 projects located in prime urban areas in Hong Kong and Kowloon. Currently, ownership of each project ranging from between 20% and 80% has been achieved. The attributable land areas of these projects total about 270,000 square feet. If and when their ownerships are successfully consolidated, based on the Government's latest town planning, the total estimated attributable gross floor area would be about 2,400,000 square feet upon completion of redevelopment. Based on the respective ownership currently secured by the Group for each project, the total pro-rata attributable gross floor area is about 1,070,000 square feet.

Successful acquisitions of the above projects bear uncertainty. The Group may not be able to consolidate ownerships of all projects. Redevelopments can only be implemented upon acquisition of the full ownership of the relevant projects.

Land Bank

In the first half of 2015, the Group won the bid for a residential site in So Kwun Wat, Tuen Mun, with the particulars as follows:

Location	Site area (sq. ft.)	Land-use purpose	Group's interest (%)	Estimated attributable gross floor area (sq. ft.)
Kwun Chui Road, Area 56, Tuen Mun Town Lot No. 500, New Territories	261,953	Residential	100.00	785,341

Meanwhile, the Group continues to replenish its land bank by acquiring old tenement buildings for redevelopment and applying for land-use conversion for its portfolio of New Territories land. The Group currently has a land bank in Hong Kong comprising a total attributable gross floor area of approximately 24.3 million square feet, made up as follows:

	Attributable gross floor area (million sq.ft.)
Properties under development (Note)	13.6
Unsold units from major launched projects	0.7
Sub-total:	14.3
Completed properties (including hotels) for rental	10.0
Total :	24.3

Note: Including the total developable area of about 4.9 million square feet from the projects in Fanling North/Kwu Tung and Wo Shang Wai, which are subject to finalization of land premium.

Land in Urban Areas

As aforesaid, there are currently 45 urban redevelopment projects of old tenement buildings with entire or over 80% ownership acquired, representing a total attributable gross floor area of about 3.6 million square feet, which are expected to be ready for sale or leasing in 2016 or beyond. The total land cost of such projects is estimated to be about HK\$23,000 million (in spite of the inclusion of pricey street shops and the project at the prestigious Seymour Road in Mid-Levels), translating into a land cost of approximately HK\$6,400 per square foot of gross floor area.

For the industrial site at King Wah Road, North Point, it is planned to be redeveloped into an office building pending an appeal to the Government on the amount of assessed land premium. Meanwhile, the residential-cum-commercial project at Yau Tong Bay is also in the process of application for land exchange.

New Territories land

At the end of June 2015, the Group held New Territories land reserves amounting to approximately 44.5 million square feet in land area, which was the largest holding among all property developers in Hong Kong.

In July 2013, the Government announced the result of the “North East New Territories New Development Areas Planning and Engineering Study”, of which Kwu Tung North and Fanling North would be treated as the extension of Fanling/Sheung Shui New Town. The Government has also decided to adopt an enhanced Conventional New Town Approach and, subject to specified criteria, private land owners are allowed to apply for in-situ land exchange for private developments. Outline Zoning Plans for both Kwu Tung North and Fanling North were already approved by the Chief Executive-in-Council during the period under review. Of the Group’s land holding of 2.8 million square feet in these areas, a total land area of roughly over 800,000 square feet is assessed to be eligible for in-situ land exchange and the Government may resume the other parts of its lands for public use by payment of cash compensation. The Group has previously applied for in-situ land exchange for two land lots in Fanling North and Kwu Tung, which have just been accepted by the Government for further review. The two sites are expected to provide total developable gross floor areas of approximately 610,000 square feet and 340,000 square feet respectively, against their respective site areas of 174,000 square feet and 57,000 square feet. Developable areas for both sites are subject to finalization of land premium.

According to the aforementioned “North East New Territories New Development Areas Planning and Engineering Study”, the region at Ping Che/Ta Kwu Ling will be re-planned, in response to the “2013 Policy Address” which proposed an initiative to review the development potential of New Territories North, including new opportunities brought about by the new railway infrastructure. In January 2014, the Government commenced its “Preliminary Feasibility Study on Developing the New Territories North” on a study area of about 5,300 hectares. In order to increase the land supply for housing, during the period the Government formulated the Preliminary Outline Development Plan for “Planning and Engineering Study for Housing Sites in Yuen Long South - Investigation” and launched its Stage 2 Community Engagement. It also released the “Land Use Review for Kam Tin South and Pat Heung”. The Group holds certain pieces of land in these Study Areas.

As for “Hung Shui Kiu New Development Area Planning and Engineering Study”, the Group holds a total site area of 5.5 million square feet in this location, which covers an area of approximately 826 hectares. Under the Preliminary Outline Development Plan, it was proposed to accommodate a new town of a population comprising about 218,000 and about 60,000 additional flats, of which about 50% are private developments. Impacts to the Group arising from these proposals are yet to be seen. The Group will continue to work in line with the Government’s development policies and follow up closely on its development plans.

Investment Properties

For the six months ended 30 June 2015, the Group's attributable gross rental income in Hong Kong, including the attributable contribution from subsidiaries, associates and joint ventures, increased by 8% period-on-period to HK\$3,169 million. The attributable pre-tax net rental income, including the attributable contribution from subsidiaries, associates and joint ventures, was HK\$2,478 million, representing a growth of 8% over the corresponding period of the previous year. Included therein is attributable gross rental income of HK\$918 million (2014: HK\$893 million) contributed from the Group's attributable interest of 40.76% in The International Finance Centre ("ifc") project. At the end of June 2015, the leasing rate for the Group's core rental properties was 98%. Besides, the Group held more than 10,000 car parking bays, providing additional rental income.

With the completion of its 50%-owned office development at 8 Observatory Road, Tsim Sha Tsui, which offers 160,000 square feet of gross floor area, the Group's completed investment property portfolio in Hong Kong as at 30 June 2015 was enlarged to 9.0 million square feet in attributable terms with the breakdown as follows:

	Attributable gross floor area (million sq. ft.)	Percentage (%)
By type:		
Shopping arcade or retail	4.6	51.2
Office	3.6	40.0
Industrial/Office	0.4	4.4
Residential and hotel apartment	0.4	4.4
Total:	9.0	100.0

	Attributable gross floor area (million sq. ft.)	Percentage (%)
By geographical area:		
Hong Kong Island	2.3	25.6
Kowloon	2.9	32.2
New Territories	3.8	42.2
Total:	9.0	100.0

During the period under review, the impact from the slowdown in tourist spending remained notable and the value of total retail sales in Hong Kong dropped by 1.6% compared with the corresponding period in 2014. However, the Group's retail portfolio, which comprises many large-scale shopping malls in the populous new towns catering to local consumption, continued to perform well. All of the Group's major shopping malls, except those under renovation or re-alignment of tenant mix, recorded nearly full occupancy at the end of June 2015 with higher rents for most of the new leases. In order to differentiate its malls from other competing shopping centres in the neighborhood, various initiatives have been made to attract shoppers. For instance, iBeacon technology has recently been introduced in "Metro City Phase 2" in Tseung Kwan O, enhancing the interaction between customers and tenants. Meanwhile, "KOLOUR" is a new series of cosy and chic shopping malls under the Group's retail portfolio. Colour is an expression of feelings, and KOLOUR with a "K", a common abbreviation of the thousandth unit, is the Group's aspiration to fill its customers' lives with vitality and the richness of infinite possibilities. During the period under review, "Citimall" in Yuen Long and "City Landmark I and II" in Tsuen Wan were re-branded as "KOLOUR • Yuen Long" and "KOLOUR • Tsuen Wan I and II" respectively. "KOLOUR • Yuen Long", after refining its tenant mix and upgrading its position, recorded considerable growth in rents and shopper traffic. "KOLOUR • Tsuen Wan I" is also undergoing a series of renovation works which are set to give visitors a fresh shopping experience after the revamp.

The Mainland-Hong Kong Mutual Recognition of Funds and Stock Connect schemes lent support to office demand in Hong Kong. The Group's quality office developments in the core areas, such as "ifc" in Central, "AIA Tower" in North Point, as well as "Golden Centre" and "FWD Financial Centre" in Sheung Wan, all performed well. Meanwhile, the Group's portfolio of office and industrial/office premises in Kowloon East, including "Manulife Financial Centre", "AIA Financial Centre", "78 Hung To Road" and "Bamboos Centre", also recorded satisfactory rental growth in new leases and renewals. In order to further improve rental values and appeal to discerning tenants, phased renovations for "AIA Tower" and "Golden Centre" are now underway.

Hotel Operations

According to the information from the Hong Kong Tourism Board, overnight visitor arrivals to Hong Kong decreased by 3.8% period-on-period to about 12.7 million for the first half of 2015, with mainland tourists contributing most to this fall. Four Seasons Hotel Hong Kong maintained its leading role in Hong Kong's hospitality sector with occupancy and room rate sustaining high levels. Its Lung King Heen restaurant also continued to receive the top three-star rating from the Michelin Guide to Hong Kong and Macau 2015. Newton Hotel Hong Kong, Newton Inn North Point and Newton Place Hotel recorded a drop in average room rates with lower occupancy amid increasing competition in the market. The Group's pre-tax profit from hotel operations, including the attributable contribution from its subsidiaries, associates and joint ventures, decreased by 31% to HK\$112 million during the period under review. In order to improve the yield of the Group's assets, Newton Hotel Hong Kong will cease operating by the end of August 2015 to make way for its redevelopment into an office building.

Construction

The International Property Awards, which is highly regarded in the industry around the globe, recently announced the Group's high-rise apartments of "Double Cove", the urban renewal mixed-use project in Tai Kok Tsui, as well as the office development at King Wah Road as the top five-star winners in the Asia Pacific region for 2015. These awards are testimony to the Group's commitment to building excellence in all its property developments.

Teamwork, as well as meticulous planning throughout the construction process, contribute to the Group's success. For instance, advanced eco-friendly features recommended by the Leadership in Energy and Environmental Design (LEED) and Building Environmental Assessment Method (BEAM) Plus rating systems are adopted in the Group's projects. In addition to the use of self-developed pre-fabricated building components, the Group also self-contracted for the foundation piling works of its development projects so as to expedite the construction process and minimize disruption to neighbourhoods. Against the prevailing backdrop of soaring material costs and a shortage of construction workers, all the above measures help improve quality and cost efficiency by reducing construction waste and manpower. Furthermore, with a large number of projects under development, the Group has implemented a series of measures, such as bulk purchases of building materials and outsourcing to more well-qualified sub-contractors, to further reduce construction costs by economies of scale.

The following development projects in Hong Kong were completed during the period under review:

	Project name and location	Site area (sq. ft.)	Gross floor area (sq. ft.)	Type of development	Group's interest (%)	Attributable gross floor area (sq. ft.)
1.	METRO6 121 Bulkeley Street Hung Hom	6,268	55,557	Commercial/ Residential	33.33	18,519
2.	The Hemispheres 3 Gordon Road North Point	7,386	61,602	Commercial/ Residential	100.00	61,602
3.	High Park 51 Boundary Street	5,880	52,919	Commercial/ Residential	100.00	52,919
4.	8 Observatory Road Tsim Sha Tsui	13,765	165,170	Office/ Commercial	50.00	82,585
Total:						215,625

In mainland China, the Group's Construction Department monitors all the key areas throughout the construction process, such as tender evaluation, contract execution, development progress and product quality, and gauges them closely against a set of pre-determined standards. It also provides timely feedback, aiming at achieving building quality excellence and consistency for all of the Group's products.

Property Management

The Group's property management companies, namely, Hang Yick Properties Management Limited, Well Born Real Estate Management Limited and Goodwill Management Limited, in total manage over 80,000 apartments and industrial/commercial units, 8 million square feet of shopping and office space, as well as 20,000 car parking spaces in Hong Kong and mainland China.

For the Group's urban boutique residences under "The H Collection", these property management subsidiaries offer unparalleled one-stop home services enabling discerning residents to enjoy hassle-free urban living. Meanwhile, their commitment to service excellence has also been extended to the Group's property developments in mainland China. "Hengbao Huating" in Guangzhou and "The Arch of Triumph" in Changsha received the designations as "The 2013 Leading Enterprise for Property Management Services in Liwan District" and "The 2013 1st runner-up in the Property Services Excellence for Housing Community" respectively.

Aligning with the Group's corporate culture, these property management subsidiaries also offer care to the public at large. Following the success of the preceding "Year of Senior", the Property Management Team recently launched "The Year of Youth" so as to raise public awareness of the all-round development of the young people. In addition to receiving the Gold Award in "The 4th Hong Kong Outstanding Corporate Awards - Category of Volunteer Team", their volunteer team also won the "Highest Service Hour Award" championship, setting a new record by receiving such a top honour for the ninth year.

Mainland China

In the first half of 2015, the Central Government continued its relaxation policies towards the property sector implemented in the second half of the previous year. Starting from the second quarter of this year, the property market has generally stabilized and signified growth momentum, particularly in first-tier cities. In order to resolve the basic issue of excess supply over demand in many cities, the Central and local governments pursued adjustment measures to address both supply and demand. Land supply and land usage were optimized. Smaller down payments for the purchase of second homes, as well as tax concessions, were also in place so as to stimulate end-users' demands for upgrading. Coupled with the lowering of the interest rate and required reserve ratio which served to facilitate a stable economic development, the property industry stood to benefit as a whole.

Most of the Group's residential projects currently available for sales were targeted at end-users. During the first half of this year, the transaction volume of quality residential units offering lifestyle upgrades rose due to the supportive policies carried out by the Central Government, such as relaxation of the restrictions on home purchases and mortgages, as well as subsidies from provident funds. Capitalizing on these easing and incentivising policies, the Group in this year will mirror the market trend to offer quality products.

The following development projects were completed during the period under review:

Project name	Type of development	Group's interest (%)	Attributable gross floor area (million sq. ft.)
1. Part of Phase 2A, Grand Waterfront, Chongqing	Residential	100	0.9
2. Towers 8-11, Sirius, Chengdu ICC	Residential	30	0.1
3. Phase 2B, Palatial Crest, Xian	Residential	100	0.8
Total:			1.8

The Group collaborated with CIFI Holdings (Group) Co. Ltd. ("CIFI", a property developer listed in Hong Kong) in April 2015 and formed a 50/50 joint venture to develop a residential site in Gaoxin District, Suzhou. The land lot, which was acquired previously at a consideration of RMB1,400 million, will provide a total gross floor area of over 4.2 million square feet on the site area of about 1.8 million square feet.

In the same month of April 2015, the Group entered into an agreement with CIFI and Longfor Properties Co. Ltd. ("Longfor", a property developer listed in Hong Kong) to jointly develop, on a 35:35:30 ownership basis, a residential site in Songjiang District, Shanghai. This 860,000-square-foot site was earlier purchased at a consideration of RMB629 million. Upon completion of the development, it will provide a planned total gross floor area of over 1.1 million square feet.

At 30 June 2015, the Group had approximately 2.1 million square feet in attributable gross floor area of completed property stock. The Group also held a sizeable development land bank in 16 major cities with a total attributable gross floor area of about 122.1 million square feet. Around 79% of this total were planned for residential development.

Land bank under development or held for future development

	Group's share of developable gross floor area* (million sq. ft.)
Prime cities	
Shanghai	1.3
Guangzhou	14.5
Sub-Total:	15.8
Second-tier cities	
Anshan	17.8
Changsha	11.9
Chengdu	3.6
Chongqing	1.0
Dalian	9.5
Fuzhou	1.2
Hangzhou	1.2
Nanjing	1.4
Shenyang	10.6
Suzhou	16.0
Tieling	8.7
Xian	13.4
Xuzhou	2.8
Yixing	7.2
Sub-Total:	106.3
Total:	122.1

* Excluding basement areas and car parks

Usage of development land bank

	Estimated developable gross floor area (million sq. ft.)	Percentage
Residential	96.2	79%
Commercial	12.8	11%
Office	9.1	7%
Others (including clubhouses, schools and community facilities)	4.0	3%
Total:	122.1	100%

Subsequent to the period end, the Group in July 2015 won a bid for a prime office/commercial site of approximately 200,000 square feet in Binjiang area, Xuhui, Shanghai at a consideration of RMB3,872 million. Being an upcoming commercial hub, Binjiang area enjoys well-established transport support from Longyao Road subway station and is characterized by abundant green surroundings. The site is planned to be developed into a 2,000,000-square-foot composite development, further expanding the Group's rental portfolio in the mainland.

Property Sales

During the period under review, the Group achieved attributable contracted sales of approximately HK\$3,452 million in value and 3.55 million square feet in attributable gross floor area, representing period-on-period increases of 88% and 69% respectively. Most of the attributable contracted sales were contributed by major projects including “Riverside Park” in Suzhou, “Henderson CIFI Centre” in Shanghai, “Emerald Valley” in Nanjing, “Grand Lakeview” in Yixing, “The Arch of Triumph” in Changsha, as well as “Palatial Crest” and “La Bontanica” in Xian.

Investment Properties

At 30 June 2015, the Group had 7.3 million square feet of completed investment properties in mainland China, comprising mainly offices and shopping malls in the centres of major cities like Beijing, Shanghai and Guangzhou. Driven by positive rental reversions, higher rents on new leases and additional contributions from the newly completed ‘Henderson 688’, the Group’s attributable gross rental income increased by 21% period-on-period to HK\$858 million, whilst its attributable pre-tax net rental income also increased by 20% period-on-period to HK\$656 million during the period under review.

In Shanghai, the commercial podium at the 710,000-square-foot “Henderson 688”, which was completed in May 2014, has been fully let and the gourmet corridor known as “My Avenue 688” has developed into the latest trendy meeting hub in the city. The leasing rate for its office portion, which housed an array of leading companies such as New Balance and Publicis Groupe, was 88% by the end of June 2015. With the flagship store of Apple, “Henderson Metropolitan Mall” on the bustling Nanjing Road East pedestrian avenue was another popular shopping destination. Promotions were held on a regular basis to boost business turnover for retail tenants. Its office spaces were occupied by many multinational corporations such as Lufthansa Airlines, Oracle and Mitsubishi Electric. “Grand Gateway II” atop the Xujiahui subway station was 98% let at the end of June 2015. “Greentech Tower” & “Centro”, which are both located in the Zhabei district, also performed well with leasing rates at 97% and 98% respectively.

In Beijing, “World Financial Centre” is tenanted by many world-renowned financial institutions and multinational corporations. This international Grade-A office complex was almost fully let, with gross rental income increased by 25% period-on-period during the period under review. The leasing rate for the shopping mall at “Henderson Centre” was 90% at 30 June 2015.

In Guangzhou, ‘Hengbao Plaza’ atop the Changshou Road subway station is under realignment of its tenant mix. Interior and façade renovation is also in the pipeline. Its leasing rate was about 90% at the end of June 2015.

Henderson Investment Limited (“HIL”)

For the six months ended 30 June 2015, HIL recorded an unaudited profit attributable to equity shareholders of HK\$410 million, as compared with a loss attributable to equity shareholders of HK\$9 million for the corresponding period last year. It is mainly due to a one-off income recognised by HIL attributable to equity shareholders of approximately HK\$355 million arising from the final arbitral award in relation to the toll fee collection right of Hangzhou Qianjiang Third Bridge, as well as the post-tax profit contribution of approximately HK\$56 million from Citistore during the period under review.

Commencing from 20 March 2012, payment of the toll fee in respect of Hangzhou Qianjiang Third Bridge to Hangzhou Henderson Qianjiang Third Bridge Company, Limited (“Joint Venture Company”) was provisionally suspended. An arbitration application (the “Arbitration”) was thus filed on 17 September 2012 with China International Economic and Trade Arbitration Commission (“CIETAC”). On 30 April 2015, the arbitral tribunal of CIETAC issued the final arbitral award, which had legal binding effect on all parties to the Arbitration. Hangzhou Municipal People’s Government shall pay to HIL an amount of RMB376 million (“Compensation Payment”) within 90 days following the issue of the arbitral award. All tax payable in respect of the above payments (“PRC Tax”) in mainland China shall be borne and paid by Hangzhou Municipal People’s Government, which shall arrange for the PRC Tax clearance formality. As a result of the above arbitral award, HIL recognised a profit in the amount of HK\$215 million, which is equal to the Compensation Payment of RMB376 million as converted to Hong Kong dollars (net of HIL’s share of expenses relating to the Arbitration) of HK\$471 million and after (i) deducting HIL’s impairment loss on toll bridge operating right and related net assets of the Joint Venture Company of HK\$379 million (the “Joint Venture Company Impairment”); (ii) recognising the reversal of the exchange reserve attributable to the Joint Venture Company of HK\$138 million; and (iii) deducting the operating loss of the infrastructure business in the aggregate amount of HK\$15 million during the period from 1 January 2015 to 30 April 2015. Adding back HIL’s non-controlling interests’ attributable share of Joint Venture Company Impairment and operating loss in the aggregate amount of HK\$140 million, a one-off income recognised by HIL attributable to equity shareholders amounted to HK\$355 million. As the entire Compensation Payment was duly settled by Hangzhou Municipal People’s Government on 29 July 2015, the collection agreement and joint venture contract were discharged and HIL has no further obligations, responsibilities and payment obligations for expenses whether as a shareholder of the Joint Venture Company or in relation to the Joint Venture Company or Hangzhou Qianjiang Third Bridge, and is no longer entitled to any income sharing and distribution rights as a shareholder of the Joint Venture Company.

Retailing operation has thus become the sole business of HIL and its turnover and profit after tax for the six months ended 30 June 2015 were as follows:

	For the six months ended 30 June 2015		For the six months ended 30 June 2014 (Note)	
	Turnover (HK\$ million)	Profit after tax (HK\$ million)	Turnover (HK\$ million)	Profit after tax (HK\$ million)
Sale of goods	226	14	208	13
Rental income from consignment and concessionaire counters, and promotion income	223	42	211	49
Total:	449	56	419	62

Note: The comparative figures for the corresponding six months ended 30 June 2014 were for reference only as the acquisition of “Citistore” was completed on 1 December 2014.

Given the recent slack tourist spending and local consumption, as well as the swelling operating costs and intensifying competition, Hong Kong’s retail environment is expected to be challenging in the second half of this year. In order to uplift its business performance of “Citistore”, HIL will launch various marketing activities and exercise stringent cost controls.

Associated Companies

The Hong Kong and China Gas Company Limited (“Hong Kong and China Gas”)

The unaudited profit after taxation attributable to shareholders of Hong Kong and China Gas for the six months ended 30 June 2015 amounted to HK\$4,197 million, an increase of HK\$470 million or approximately 13% compared to the same period last year.

GAS BUSINESS IN HONG KONG

Total volume of gas sales in Hong Kong during the first half of 2015 was approximately 15,491 million MJ, a decrease of 1.7%, in contrast to appliance sales which increased by 9.9%, both compared to the same period last year. At 30 June 2015, the number of customers was 1,828,333, an increase of 8,398 since the end of December 2014. Hong Kong and China Gas raised its standard gas tariff by HK1 cent per MJ on 1 August 2015. The actual increase in the gas tariff (including standard tariff and fuel cost adjustment) is equivalent to 3.5%. Hong Kong and China Gas promises to keep this standard gas tariff frozen for the next two years.

UTILITY BUSINESSES IN MAINLAND CHINA

Towngas China Company Limited (“Towngas China”; stock code: 1083), a subsidiary of this group, recorded profit after taxation attributable to its shareholders of HK\$639 million during the first half of 2015, an increase of 37% compared to the same period last year. As at the end of June 2015, Hong Kong and China Gas held approximately 62.15% of Towngas China’s total issued shares.

During the first half of 2015, Towngas China acquired a new piped-gas project in Wulian county, Rizhao city, Shandong province, and two midstream pipeline projects, namely Xuancheng-Huangshan natural gas sub-stream and downstream city-gas project in Anhui province, and Taigang Gas midstream long-haul pipeline project in Taian city, Shandong province. In June 2015, Standard & Poor’s Ratings Services raised its long-term corporate credit rating on Towngas China to “BBB+” from “BBB”, and maintained its “cnA+” long-term Greater China regional scale credit rating with a “stable” outlook. In July 2015, Moody’s Investors Service also raised its issuer rating on Towngas China to “Baa1” from “Baa2” with a “stable” outlook.

This group’s city-gas businesses are progressing well. Inclusive of Towngas China, this group currently has a total of 128 city-gas projects in mainland cities spread across 23 provinces, autonomous regions and municipalities, of which one is a new project established by Towngas China this year. The total volume of gas sales for these projects for the first half of 2015 was approximately 7,940 million cubic metres, an increase of 3% over the same period last year. As at the end of June 2015, this group’s mainland gas customers stood at approximately 19.91 million, an increase of 9% over the same period last year.

This group’s midstream natural gas projects include natural gas pipeline projects in Anhui and Hebei provinces; natural gas extension projects in Jilin and Henan provinces; and the Guangdong LNG Receiving Terminal project. In addition, Towngas China added two midstream natural gas projects to its portfolio this year. Construction of gas storage facility in underground salt caverns in Jintan city, Jiangsu province is in progress. Upon completion, this facility will be the first of its kind developed by any city-gas enterprise on the mainland. Phase one of this project, with a total storage capacity of 110 million standard cubic metres, is expected to be commissioned in mid-2016.

This group has so far invested in, and operates, six water projects, including water supply joint venture projects in Wujiang district, Suzhou city, Jiangsu province and in Wuhu city, Anhui province; wholly-owned water supply projects in Zhengpugang Xin Qu, Maanshan city and in Jiangbei Xin Qu, Wuhu city, both in Anhui province; and an integrated water supply and wastewater treatment joint venture project, together with an integrated wastewater treatment project for a special industry, both in Suzhou Industrial Park, Suzhou city, Jiangsu province.

Overall, inclusive of projects of Towngas China, this group currently has 212 projects on the mainland, ten more than at the end of 2014, spread across 25 provinces, autonomous regions and municipalities. These projects encompass upstream, midstream and downstream natural gas sectors, water sectors, environmentally-friendly energy applications, energy resources' exploration and utilisation, as well as telecommunications.

EMERGING ENVIRONMENTALLY-FRIENDLY ENERGY BUSINESSES

This group's development of emerging environmentally-friendly energy businesses and related research and development of new technologies, through its wholly-owned subsidiary ECO Environmental Investments Limited and the latter's subsidiaries (collectively known as "ECO"), are progressing well.

ECO's major businesses in Hong Kong – an aviation fuel facility, dedicated liquefied petroleum gas ("LPG") vehicular refilling stations and landfill gas utilisation projects – are all operating smoothly. Total turnover for ECO's aviation fuel facility for the first half of 2015 was 2.88 million tonnes. The LPG refilling station business is progressing steadily. ECO's landfill gas project in the North East New Territories, after operating for several years, is generating noticeable environmental benefits. On this basis, ECO has commenced the development of a South East New Territories landfill gas utilisation project recently, with commissioning expected in mid-2016. ECO's oilfield project in Thailand recorded an output of 1.04 million barrels of oil during the first half of 2015, a significant increase of 94% compared to the same period last year.

ECO's coalbed methane liquefaction facility, located in Jincheng city, Shanxi province, is operating smoothly. Construction of a project in Xuzhou city, Jiangsu province to produce LNG by using coke oven gas is in progress; commissioning is expected by the end of 2015. ECO has successfully developed new technologies to convert agricultural and forestry waste into natural gas through thermal gasification and methanation. Meanwhile, a network of ECO natural gas refilling stations is gradually taking shape in, amongst others, Shaanxi, Shandong, Shanxi, Henan and Liaoning provinces. All in all, ECO currently has 52 refilling stations in operation, under construction or at the planning stage. ECO's coal-based methanol production plant in Inner Mongolia Autonomous Region operated smoothly during the first half of 2015. Construction of an additional facility to upgrade methanol into natural gasoline (a gasoline substitute chemical product) using self-developed technology, was completed at the end of 2014 and is now at the pilot production stage.

FINANCING PROGRAMMES

Medium term notes totaling HK\$972 million with maturity ranging from 10 to 15 years were issued during the first half of 2015. This group established a medium term note programme in 2009 and had issued, as at 30 June 2015, medium term notes of an aggregate amount equivalent to HK\$11,300 million with tenors ranging from 5 to 40 years under this programme.

Hong Kong Ferry (Holdings) Company Limited (“Hong Kong Ferry”)

During the six months ended 30 June 2015, Hong Kong Ferry’s revenue amounted to HK\$803 million, representing a decrease of 76% as compared with that recorded in the same period last year. This was mainly attributable to the decrease in the sale of the residential units of Green Code. The unaudited consolidated net profit after taxation amounted to HK\$180 million, representing a decrease of 83% as compared with a profit of HK\$1,048 million for the same period last year. During the period under review, its major source of profits was mainly derived from the sale of residential units of METRO6 and Green Code. The occupation permit of METRO6 was issued in February 2015 and it is expected that units of METRO6 can be delivered to buyers for use in September or October of this year.

The response of the sale of METRO6 and Green Code is satisfactory. For the six months ended 30 June 2015, Hong Kong Ferry sold a total of 71 residential units of METRO6 and 18 residential units of Green Code. The remaining numbers of unsold units of the two properties were 16 and 10 respectively as at 19 August 2015. During the period, the profit of Hong Kong Ferry from the sale of METRO6 and Green Code amounted to HK\$135 million. The gross rental and other income from the commercial arcades amounted to HK\$37 million. The two floors of the commercial podium of Green Code have a gross floor area of approximately 136,000 square feet and as of 19 August 2015, the committed tenancy was around 71%. The relevant shops would be delivered to the tenants for use in the fourth quarter. The commercial podium of METRO6 has a gross floor area of approximately 10,000 square feet and is now under leasing. The occupancy rate of the commercial arcades of Metro Harbour Plaza was 98% during the period. The commercial arcades of Shining Heights and The Spectacle were fully let. As regards the development of Tung Chau Street Project, Hong Kong Ferry has received the approval from the relevant government departments and the superstructure works will resume. The project will provide a total gross floor area of approximately 55,000 square feet and is expected to be completed in 2017.

During the period, the Ferry, Shipyard and Related Operations recorded a profit of HK\$8.8 million, an increase of 107% as compared with the same period last year.

The operating results of the Travel Operation showed a deficit of HK\$4.8 million in this period, representing an increase of 12% as compared with the same period last year as a result of severe market competition, continuous reduction in the number of Chinese visitors and the Middle East Respiratory Syndrome outbreak in South Korea.

A profit of HK\$29 million was recorded in the securities investment in the period.

The sales proceeds from the residential units of METRO6 and Green Code will continue to be the major source of income of Hong Kong Ferry this year.

Miramar Hotel and Investment Company, Limited (“Miramar”)

For the six months ended 30 June 2015, Miramar’s unaudited revenue grew to HK\$1,575 million, representing an increase of 5% compared to the six months ended 30 June 2014. Unaudited profit attributable to shareholders, at HK\$874 million, increased by 23% compared to the last corresponding period. Excluding the increase in fair value of investment properties, unaudited underlying profit attributable to shareholders rose to HK\$453 million (after including a one-off net gain of HK\$122 million from the sale of 6 Knutsford Terrace).

All business lines recorded growth in revenue and profit except for Hotels and Serviced Apartments.

The Property Rental Business recorded healthy returns during the period. Rental reversion rates remained positive, recording an increase of 8% to HK\$420 million in revenue. The multi-year phased Mall Repositioning Program is progressing well and is expected to significantly reinvigorate the visual landscape of Kimberley Road and Nathan Road into a Ginza-style shopping district, drawing an enriched profile of retailers and shoppers to Miramar Shopping Centre and Mira Mall. Miramar Tower continued to enjoy high occupancy rate with quality and stable tenants. Rental reversion rates were stable. The integration of the malls, Miramar Tower and the mall attached to The Mira Hong Kong into a more wholesome multi-use commercial complex enhanced the total appeal, and property value propositions to both shoppers and tenants.

Miramar’s two hotels, The Mira Hong Kong and Mira Moon, responded to market challenges with resilience. They further sharpened sales and pricing strategies and continued to make inroads into MICE, leisure travel sectors and corporate clients. Online hotel marketing and channels were enhanced to attract free individual travellers and direct bookings to its own website. New propositions and packages were offered to diners in its hotels; and events and banqueting offerings were carefully designed exclusively with flair to meet both corporate and individual preferences.

The Food and Beverage Business continued to perform well, having turned profitable last year. Revenue grew by a healthy 32%. Two new School Food outlets were opened in high-traffic malls during the period, increasing the brand’s total presence to six. The revamp of its Chinese flagship Cuisine Cuisine at ifc mall was well received by its customers and recorded growth in revenue. Banquet business continued to grow at outlets such as Tsui Hang Village, French Window Brasserie and Bar and Assaggio Trattoria Italiana.

During the period, the Travel Business experienced increased demand from Hong Kong and Mainland China for overseas vacations and luxury cruise holidays. As a result, the business recorded a growth of 56% over the last corresponding period.

CORPORATE FINANCE

The Group has always adhered to prudent financial management principles. At 30 June 2015, net debt (including the shareholder loans totalling HK\$1,473 million (31 December 2014: HK\$5,021 million)) amounted to HK\$33,064 million (31 December 2014: HK\$37,420 million) giving rise to a financial gearing ratio of 13.5% (31 December 2014: 15.7%).

In March 2015, the Group concluded a HK\$18,000 million 5-year term loan / revolving credit facility with a consortium of 22 leading international banks and local financial institutions. It is the largest syndicated credit facility that has ever been concluded by the Group, reflecting the continuing support and trust of the banking community in the Group.

In light of the low interest rate levels resulting from quantitative easing measures adopted by major economies around the world over the past years, the Group has concluded Hong Kong dollar interest rate swap contracts for certain medium and long-term periods. Such contracts were entered into for the purpose of converting part of the Group's Hong Kong dollar borrowings from floating interest rates into fixed interest rates. It is considered that such a treasury management strategy will be of benefit to the Group in the long run.

PROSPECTS

Notwithstanding the anticipation of an impending interest rate increase in the United States, Hong Kong's economic fundamentals remain in good shape. The mutual recognition of funds between Mainland and Hong Kong put forward in May 2015 is another milestone development after the establishment of mutual stock market access between Shanghai and Hong Kong. This should facilitate Hong Kong's development as a full service asset management hub, reinforcing Hong Kong's status as an international financial centre.

The Group continues to expand its development land bank through multiple channels in Hong Kong. Encouraging progress was achieved during the period under review. Following the acquisition of a commercial site in Tsim Sha Tsui through public tender last year, the Group won another tender again for a residential site in So Kwun Wat, Tuen Mun, at HK\$3,628.9 million in June 2015. Besides, there are 45 urban redevelopment projects with 80% to 100% of their ownerships acquired, representing about 3.6 million square feet in total attributable gross floor area. These projects are expected to be available for sale or leasing in 2016 or beyond. The Group's efforts in urban redevelopment have started to bear fruit and significant returns are expected for the years to come. It is by such diversified means of land acquisitions that the Group manages to secure a stable supply of land, as well as handsome returns, for property development in the long run. As the property developer holding the largest area (44.5 million square feet) of New Territories land, the Group is well-positioned to plan for the development of such land in line with the Government's development policies for the New Territories. By closely monitoring the progress of the Government's development planning, the Group will continue to seek to secure more land supply for development in tandem.

As regards **"property sales"**, an array of residential developments will be put up for sale in this financial year. Together with the completed stock, a total of about 2,600 residential units in Hong Kong will be offered for sale in the second half of this year. Besides, up to the end of June 2015, revenue from the presales of "Double Cove Starview Prime" in Ma On Shan, as well as "High One Grand" and "Global Gateway Tower" in Cheung Sha Wan amounted to approximately HK\$5,275 million in attributable terms. As their constructions are expected to be completed in the second half of this year, the corresponding profits may be accounted for in this year.

In mainland China, easing credit environment is expected to continue. For the second half of this year, the property market is expected to remain buoyant, lending support to the Group's sales activities.

As regards **"rental business"**, the Group holds a sizeable portfolio of quality investment properties in both Hong Kong and mainland China, providing a total gross rental income (including the attributable contribution from subsidiaries, associates and joint ventures) of HK\$4,027 million in the first half of this year. The Group's portfolio of investment properties comprised an attributable gross floor area of 9.0 million square feet in Hong Kong and 7.3 million square feet in mainland China. In mainland China, a prime office/commercial site of approximately 200,000 square feet in Binjiang area, Xuhui, Shanghai was acquired recently at a consideration of RMB3,872 million. Together with many commercial development projects in the pipeline, the Group's rental income is poised to increase further against a continually expanding rental portfolio.

The “**associates**”, namely, Hong Kong and China Gas, Miramar and Hong Kong Ferry, serve as another steady recurrent income stream to the Group. Hong Kong and China Gas, in particular, is Hong Kong’s first public utility company. It has 212 projects spread across 25 provinces, autonomous regions and municipalities on the mainland, with businesses encompassing city-gas, city-water, wastewater treatment, natural gas pipelines, new energy, telecommunications and the production of gas-related materials and devices. Given its sizeable base of over 21.7 million customers in Hong Kong and mainland China, as well as rapidly growing business coverage, its returns to the Group are promising.

The above three major income pillars (namely, “**property sales**”, “**rental business**” and “**associates**”) enable the Group to maintain sustainable business growth in the years ahead. In the absence of unforeseen circumstances, the Group is expected to achieve satisfactory results in the current financial year.

BUSINESS RESULTS

Consolidated Statement of Profit or Loss for the six months ended 30 June 2015 - unaudited

		For the six months ended 30 June	
	Note	2015 HK\$ million	2014 HK\$ million
Revenue	4	11,019	8,569
Direct costs		(5,860)	(4,829)
		5,159	3,740
Other revenue	5	204	365
Other net income	6	388	672
Selling and marketing expenses		(613)	(518)
Administrative expenses		(902)	(901)
Profit from operations before changes in fair value of investment properties and investment properties under development		4,236	3,358
Increase in fair value of investment properties and investment properties under development	7	3,730	3,225
Profit from operations after changes in fair value of investment properties and investment properties under development		7,966	6,583
Finance costs	8(a)	(447)	(437)
Share of profits less losses of associates		2,286	2,397
Share of profits less losses of joint ventures		1,156	1,512
Profit before taxation	8	10,961	10,055
Income tax	9	(832)	(538)
Profit for the period		10,129	9,517

Consolidated Statement of Profit or Loss
for the six months ended 30 June 2015 – unaudited (continued)

		For the six months ended 30 June	
		2015	2014
	Note	HK\$ million	HK\$ million
Attributable to:			
Equity shareholders of the Company		9,846	9,460
Non-controlling interests		283	57
Profit for the period		10,129	9,517
Earnings per share based on profit attributable to equity shareholders of the Company (reported earnings per share)			
<i>Basic and diluted</i>	10(a)	HK\$2.98	HK\$2.90*
Earnings per share excluding the effects of changes in fair value of investment properties and investment properties under development (net of deferred tax) (underlying earnings per share)			
<i>Basic and diluted</i>	10(b)	HK\$1.60	HK\$1.54*

* Adjusted for the bonus issue effected in 2015.

Details of dividends payable to equity shareholders of the Company are set out in note 11.

**Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the six months ended 30 June 2015 - unaudited**

	For the six months ended 30 June	
	2015	2014
	HK\$ million	HK\$ million
Profit for the period	10,129	9,517
Other comprehensive income for the period (after tax and reclassification adjustments):		
Items that may be reclassified subsequently to profit or loss:		
- Exchange differences: net movement in the exchange reserve	(199)	(549)
- Cash flow hedges: net movement in the hedging reserve	(138)	(218)
- Available-for-sale equity securities: net movement in the fair value reserve	438	(128)
- Share of other comprehensive income of associates and joint ventures	(94)	(298)
Other comprehensive income for the period	7	(1,193)
Total comprehensive income for the period	10,136	8,324
Attributable to:		
Equity shareholders of the Company	9,895	8,273
Non-controlling interests	241	51
Total comprehensive income for the period	10,136	8,324

**Consolidated Statement of Financial Position
at 30 June 2015**

		At 30 June 2015 (unaudited) HK\$ million	At 31 December 2014 (audited) HK\$ million
	Note		
Non-current assets			
Investment properties		122,103	117,836
Other property, plant and equipment		1,700	1,869
Intangible operating right	13	-	361
Interest in associates		51,157	50,146
Interest in joint ventures		34,458	32,365
Derivative financial instruments		279	318
Other financial assets		8,024	7,423
Deferred tax assets		437	556
		218,158	210,874
Current assets			
Deposits for acquisition of properties		5,352	5,463
Inventories	14	79,416	80,101
Trade and other receivables	15	9,908	8,520
Cash held by stakeholders		2,401	1,719
Cash and bank balances		10,022	10,303
		107,099	106,106
Current liabilities			
Trade and other payables	16	22,400	17,304
Bank loans and overdrafts		6,585	13,590
Guaranteed notes		1,152	-
Amount due to a fellow subsidiary		32	409
Tax payable		713	937
		30,882	32,240
Net current assets		76,217	73,866
Total assets less current liabilities		294,375	284,740

**Consolidated Statement of Financial Position
at 30 June 2015 (continued)**

	Note	At 30 June 2015 (unaudited) HK\$ million	At 31 December 2014 (audited) HK\$ million
Non-current liabilities			
Bank loans		18,937	12,968
Guaranteed notes		14,939	16,144
Amount due to a fellow subsidiary		1,441	4,612
Derivative financial instruments		1,608	1,473
Deferred tax liabilities		6,464	6,326
		<u>43,389</u>	<u>41,523</u>
NET ASSETS		<u>250,986</u>	<u>243,217</u>
CAPITAL AND RESERVES			
Share capital		52,010	52,010
Other reserves		193,761	186,140
		<u>245,771</u>	<u>238,150</u>
Total equity attributable to equity shareholders of the Company		245,771	238,150
Non-controlling interests		5,215	5,067
TOTAL EQUITY		<u>250,986</u>	<u>243,217</u>

Notes:

1 Review of results

The condensed interim financial statements are unaudited, but have 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 Hong Kong Institute of Certified Public Accountants (“HKICPA”). KPMG’s independent review report to the Board of Directors is included in the interim report to be sent to shareholders. In addition, the condensed interim financial statements have been reviewed by the Company’s Audit Committee with no disagreement.

2 Basis of preparation

The condensed interim financial statements comprise Henderson Land Development Company Limited (“the Company”) and its subsidiaries (collectively referred to as “the Group”) and the Group’s interests in associates and joint ventures.

The condensed interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the HKICPA.

The condensed interim financial statements have been prepared in accordance with the same accounting policies adopted in the Company’s consolidated financial statements for the year ended 31 December 2014, except for the accounting policy changes that are expected to be reflected in the Company’s consolidated financial statements for the year ending 31 December 2015. Details of these changes in accounting policies are set out in note 3.

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

3 Changes in accounting policies

The HKICPA has issued the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) that are first effective for the current accounting period of the Group and the Company, which are relevant to the Group’s condensed interim financial statements for the current accounting period:

- Annual Improvements to HKFRSs 2010-2012 Cycle
- Annual Improvements to HKFRSs 2011-2013 Cycle

None of these developments have had a material effect on the preparation or presentation of the Group’s results and financial position for the current or prior periods. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 Revenue

Revenue of the Group represents those generated from the sale of properties, rental income, hotel operation and management, department store operation and management, and others mainly including income from construction, infrastructure, provision of finance, investment holding, project management, property management, agency services, cleaning and security guard services, as well as the trading of building materials and disposal of leasehold land.

The major items are analysed as follows:

	For the six months ended 30 June	
	2015 HK\$ million	2014 HK\$ million
Sale of properties	7,176	4,432
Rental income	2,764	2,425
Hotel operation	50	94
Department store operation	449	419
Others	580	1,199
Total (note 12(b))	<u>11,019</u>	<u>8,569</u>

5 Other revenue

	For the six months ended 30 June	
	2015 HK\$ million	2014 HK\$ million
Bank interest income	111	251
Other interest income (note)	12	25
Others	81	89
	<u>204</u>	<u>365</u>

Note: Other interest income for the six months ended 30 June 2015 and 2014 included overdue interest income (before tax) of HK\$8 million and HK\$13 million received by the Group during the respective period in relation to refunds of land deposits to the Group.

6 Other net income

	For the six months ended 30 June	
	2015	2014
	HK\$ million	HK\$ million
Other net income recognised by HIL arising from the Compensation Payment (net of expenses in relation to the Arbitration) and after deducting the Joint Venture Company Impairment (<i>note(i)</i>)	230	-
Net gain on disposal of available-for-sale equity securities	164	-
Net gain/(loss) on disposal of:		
- Investment properties	28	598
- Other property, plant and equipment	(3)	-
Other property, plant and equipment written off	(21)	(20)
Reversal of provision on inventories, net	-	45
Net fair value gain on derivative financial instruments	21	-
Impairment loss on held-to-maturity debt securities	(17)	-
Impairment loss on trade debtors (<i>note 12(c)</i>)	(11)	(4)
Bad debt written off	-	(6)
Net foreign exchange gain/(loss)	18	(25)
Others (<i>note (ii)</i>)	(21)	84
	388	672

Note (i): The capitalised terms of “HIL”, “Compensation Payment”, “Arbitration” and “Joint Venture Company Impairment” are defined and referred to in note 13 to this interim results announcement.

Note (ii): The figure of HK\$84 million for the corresponding six months ended 30 June 2014 included a gain of HK\$113 million arising from the reversal of the accrued site settlement cost of a terminated development project in mainland China, which did not recur for the six months ended 30 June 2015.

7 Increase in fair value of investment properties and investment properties under development

The Group's investment properties and investment properties under development were revalued at 30 June 2015 by DTZ Debenham Tie Leung Limited, an independent firm of professional surveyors who have among their staff Members of The Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued, on a market value basis.

The Group's management has reviewed the valuation results performed by the independent surveyors for financial reporting purposes by verifying all major inputs and assumptions, and assessing the reasonableness of property valuation. Such valuation is performed at each interim and annual reporting date and is reviewed and approved by senior management.

The valuations of completed investment properties in Hong Kong and mainland China were based on income capitalisation approach which capitalised the net income of the properties and taking into account the reversionary potential of the properties after expiry of the current lease.

For certain investment properties in Hong Kong and mainland China which are still under development, the valuations were determined on redevelopment basis and by taking into account the fair value of the completed investment property and then deducting from that amount the estimated costs to complete the construction, financing costs and a reasonable profit margin.

As a result, a net fair value gain of HK\$3,730 million (2014: HK\$3,225 million) and deferred tax charge in respect of the fair value change on investment properties in mainland China of HK\$12 million (2014: deferred tax credit of HK\$3 million) have been recognised in the consolidated statement of profit or loss for the period.

8 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2015	2014
	HK\$ million	HK\$ million
(a) Finance costs:		
Bank loans interest	347	378
Interest on loans wholly repayable within five years	425	423
Interest on loans repayable after five years	36	176
Other borrowing costs	95	89
	903	1,066
Less: Amount capitalised (<i>note</i>)	(456)	(629)
	447	437

Note: The borrowing costs have been capitalised at weighted average interest rates (based on the principal amounts of the Group's bank loans and overdrafts, guaranteed notes and amount due to a fellow subsidiary during the period under which interest capitalisation is applicable) ranging from 3.7% to 6.2% (2014: 3.66% to 6.52%) per annum.

	For the six months ended 30 June	
	2015	2014
	HK\$ million	HK\$ million
(b) Staff costs:		
Salaries, wages and other benefits	964	886
Contributions to defined contribution retirement plans	46	40
	1,010	926

	For the six months ended 30 June	
	2015	2014
	HK\$ million	HK\$ million
(c) Other items:		
Depreciation	63	74
Less: Amount capitalised	-	(4)
	63	70
Amortisation of intangible operating right	10	16
Cost of sales		
– completed properties for sale	4,581	3,204
– trading stocks	158	146
Dividend income from investments in available-for-sale equity securities		
– listed	(44)	(42)
– unlisted	(3)	(132)

9 Income tax

	For the six months ended 30 June	
	2015	2014
	HK\$ million	HK\$ million
Current tax		
Provision for Hong Kong Profits Tax	294	237
Provision for taxation outside Hong Kong	218	116
Provision for Land Appreciation Tax	34	32
	546	385
Deferred tax		
Origination and reversal of temporary differences	286	153
	832	538

Provision for Hong Kong Profits Tax has been made at 16.5% (2014: 16.5%) on the estimated assessable profits for the period.

Provision for taxation outside Hong Kong is provided for at the applicable rates of taxation for the period on the estimated assessable profits arising in the relevant tax jurisdictions during the period.

Land Appreciation Tax is levied on properties in mainland China developed by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the revenue from sale of properties less deductible expenditure including lease charges of land use rights, borrowing costs and all property development expenditure.

10 Earnings per share

(a) *Reported earnings per share*

The calculation of basic earnings per share is based on the consolidated profit attributable to equity shareholders of the Company of HK\$9,846 million (2014: HK\$9,460 million) and the weighted average number of 3,300 million ordinary shares in issue during the period (2014: 3,266 million ordinary shares*), calculated as follows:

	For the six months ended 30 June	
	2015	2014
	million	million
Number of issued ordinary shares at 1 January	3,000	2,699
Weighted average number of ordinary shares issued in respect of the bonus issue in 2014	-	270
Weighted average number of ordinary shares issued in respect of the bonus issue in 2015	300	297
Weighted average number of ordinary shares for the period (2014: as adjusted)	3,300	3,266

Diluted earnings per share were the same as the basic earnings per share for the period and the corresponding six months ended 30 June 2014 as there were no dilutive potential ordinary shares in existence during both periods.

* Adjusted for the bonus issue effected in 2015.

(b) *Underlying earnings per share*

For the purpose of assessing the underlying performance of the Group, basic and diluted earnings per share are additionally calculated based on the underlying profit attributable to equity shareholders of the Company of HK\$5,291 million (2014: HK\$5,030 million), excluding the effects of changes in fair value of investment properties and investment properties under development (net of deferred tax) during the period. A reconciliation of profit is as follows:

10 Earnings per share (continued)

(b) Underlying earnings per share (continued)

	For the six months ended 30 June	
	2015	2014
	HK\$ million	HK\$ million
Profit attributable to equity shareholders of the Company	9,846	9,460
Effect of changes in fair value of investment properties and investment properties under development (note 7)	(3,730)	(3,225)
Effect of deferred tax on changes in fair value of investment properties and investment properties under development (note 7)	12	(3)
Effect of share of changes in fair value of investment properties (net of deferred tax) of:		
– associates	(317)	(515)
– joint ventures	(535)	(703)
Effect of share of non-controlling interests	15	16
Underlying profit attributable to equity shareholders of the Company	5,291	5,030
Underlying earnings per share	HK\$1.60	HK\$1.54*

* Adjusted for the bonus issue effected in 2015.

11 Dividends

(a) Dividends payable to equity shareholders of the Company attributable to the interim period

	For the six months ended 30 June	
	2015	2014
	HK\$ million	HK\$ million
Interim dividend declared after the interim period of HK\$0.38 (2014: HK\$0.34) per share	1,256	1,020

The interim dividend declared after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

11 Dividends (continued)

(b) *Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and payable during the interim period*

	For the six months ended 30 June	
	2015	2014
	HK\$ million	HK\$ million
Final dividend in respect of the previous financial year, approved and payable during the following interim period, of HK\$0.76 (2014: HK\$0.74) per share	2,280	1,997

12 Segment reporting

The Group manages its businesses by a mixture of business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following reportable segments. No operating segments have been aggregated to form the following reportable segments.

Property development	: Development and sale of properties
Property leasing	: Leasing of properties
Hotel operation	: Hotel operation and management
Department store operation	: Department store operation and management
Others	: Construction, infrastructure, provision of finance, investment holding, project management, property management, agency services, cleaning and security guard services, as well as the trading of building materials and disposal of leasehold land
Utility and energy	: Production, distribution and marketing of gas, water supply and emerging environmentally-friendly energy businesses

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases.

Revenue and expenses are allocated to the reportable segments with reference to revenues generated by those segments and the expenses incurred by those segments. Segment results form the basis of measurement used for assessing segment performance and represent profit or loss before bank interest income, (provision)/reversal of provision on inventories, fair value adjustment of investment properties and investment properties under development, finance costs, income tax and items not specifically attributed to individual segments, such as unallocated head office and corporate income/(expenses).

(a) **Results of reportable segments**

Information regarding the Group's and its share of associates and joint ventures on reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2015 and 2014 is set out below:

12 Segment reporting (continued)

(a) Results of reportable segments (continued)

	Company and its subsidiaries (before deducting non-controlling interests)		Associates and joint ventures		Consolidated		Attributable to non-controlling interests		Attributable to equity shareholders of the Company	
	Revenue	Segment results	Share of revenue	Share of segment results	Combine revenue	segment results	Revenue	Segment results	Combined revenue	Consolidated segment results
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
	(note (i))									
For the six months ended 30 June 2015										
Property development										
Hong Kong	4,372	1,466	282	81	4,654	1,547	(605)	(335)	4,049	1,212
Mainland China	2,804	358	233	(14)	3,037	344	(3)	(5)	3,034	339
	<u>7,176</u>	<u>1,824</u>	<u>515</u>	<u>67</u>	<u>7,691</u>	<u>1,891</u>	<u>(608)</u>	<u>(340)</u>	<u>7,083</u>	<u>1,551</u>
Property leasing										
Hong Kong	1,912	1,404	1,268	1,081	3,180	2,485	(11)	(7)	3,169	2,478
Mainland China	852	651	6	5	858	656	-	-	858	656
	<u>(note (ii)) 2,764</u>	<u>2,055</u>	<u>1,274</u>	<u>1,086</u>	<u>4,038</u>	<u>3,141</u>	<u>(11)</u>	<u>(7)</u>	<u>4,027</u>	<u>3,134</u>
Hotel operation	50	(15)		127		112		-		112
Department store operation	449	155		-		155		(20)		135
Others	580	586		146		732		38		770
	<u>11,019</u>	<u>4,605</u>		<u>1,426</u>		<u>6,031</u>		<u>(329)</u>		<u>5,702</u>
Utility and energy	-	-		1,976		1,976		-		1,976
	<u>11,019</u>	<u>4,605</u>		<u>3,402</u>		<u>8,007</u>		<u>(329)</u>		<u>7,678</u>
Bank interest income		111		82		193		(3)		190
Provision on inventories, net		-		(1)		(1)		-		(1)
Unallocated head office and corporate expenses, net	<u>(note (iii))</u>	<u>(480)</u>		<u>(75)</u>		<u>(555)</u>		<u>(4)</u>		<u>(559)</u>
Profit from operations		4,236		3,408		7,644		(336)		7,308
Increase in fair value of investment properties and investment properties under development		3,730		854		4,584		(15)		4,569
Finance costs		<u>(447)</u>		<u>(261)</u>		<u>(708)</u>		<u>2</u>		<u>(706)</u>
Profit before taxation		7,519		4,001		11,520		(349)		11,171
Income tax		<u>(832)</u>		<u>(559)</u>		<u>(1,391)</u>		<u>66</u>		<u>(1,325)</u>
Profit for the period		<u>6,687</u>		<u>3,442</u>		<u>10,129</u>		<u>(283)</u>		<u>9,846</u>

12 Segment reporting (continued)

(a) Results of reportable segments (continued)

In relation to the share of profits less losses of associates and joint ventures:

	Property development HK\$ million	Property leasing HK\$ million	Hotel operation HK\$ million	Department store operation HK\$ million	Others HK\$ million	Subtotal HK\$ million	Utility and energy HK\$ million	Total HK\$ million
For the six months ended 30 June 2015								
Share of profits less losses of associates (note (iv))								
- Listed associates								
The Hong Kong and China Gas Company Limited	-	174	11	-	26	211	1,531	1,742
Miramar Hotel and Investment Company, Limited	-	328	23	-	43	394	-	394
Hong Kong Ferry (Holdings) Company Limited	37	11	-	-	12	60	-	60
- Unlisted associates	-	86	-	-	4	90	-	90
	37	599	34	-	85	755	1,531	2,286
Share of profits less losses of joint ventures (note (v))	13	1,082	63	-	(2)	1,156	-	1,156
	50	1,681	97	-	83	1,911	1,531	3,442

12 Segment reporting (continued)

(a) Results of reportable segments (continued)

	Company and its subsidiaries (before deducting non-controlling interests)		Associates and joint ventures		Consolidated		Attributable to non-controlling interests		Attributable to equity shareholders of the Company	
	Revenue	Segment results	Share of revenue	Share of segment results	Combine revenue	segment results	Revenue	Segment results	Combined revenue	segment results
	HK\$ million (note (i))	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
For the six months ended 30 June 2014										
Property development										
Hong Kong	3,465	772	1,272	427	4,737	1,199	(474)	(45)	4,263	1,154
Mainland China	967	(127)	883	194	1,850	67	(5)	4	1,845	71
	<u>4,432</u>	<u>645</u>	<u>2,155</u>	<u>621</u>	<u>6,587</u>	<u>1,266</u>	<u>(479)</u>	<u>(41)</u>	<u>6,108</u>	<u>1,225</u>
Property leasing										
Hong Kong	1,723	1,267	1,220	1,033	2,943	2,300	(9)	(5)	2,934	2,295
Mainland China	702	542	6	5	708	547	-	-	708	547
	(note (ii)) <u>2,425</u>	<u>1,809</u>	<u>1,226</u>	<u>1,038</u>	<u>3,651</u>	<u>2,847</u>	<u>(9)</u>	<u>(5)</u>	<u>3,642</u>	<u>2,842</u>
Hotel operation	94	27		135		162		-		162
Department store operation	419	153		-		153		-		153
Others	1,199	424		(99)		325		2		327
	<u>8,569</u>	<u>3,058</u>		<u>1,695</u>		<u>4,753</u>		<u>(44)</u>		<u>4,709</u>
Utility and energy	-	-		2,016		2,016		-		2,016
	<u>8,569</u>	<u>3,058</u>		<u>3,711</u>		<u>6,769</u>		<u>(44)</u>		<u>6,725</u>
Bank interest income		251		72		323		(13)		310
Reversal of provision/(provision) on inventories, net		45		(1)		44		-		44
Unallocated head office and corporate income /(expenses), net	(note (iii))	4		(154)		(150)		3		(147)
Profit from operations		<u>3,358</u>		<u>3,628</u>		<u>6,986</u>		<u>(54)</u>		<u>6,932</u>
Increase in fair value of investment properties and investment properties under development		3,225		1,218		4,443		(16)		4,427
Finance costs		<u>(437)</u>		<u>(278)</u>		<u>(715)</u>		<u>3</u>		<u>(712)</u>
Profit before taxation		<u>6,146</u>		<u>4,568</u>		<u>10,714</u>		<u>(67)</u>		<u>10,647</u>
Income tax		<u>(538)</u>		<u>(659)</u>		<u>(1,197)</u>		<u>10</u>		<u>(1,187)</u>
Profit for the period		<u><u>5,608</u></u>		<u><u>3,909</u></u>		<u><u>9,517</u></u>		<u><u>(57)</u></u>		<u><u>9,460</u></u>

12 Segment reporting (continued)

(a) Results of reportable segments (continued)

In relation to the share of profits less losses of associates and joint ventures:

	Property development HK\$ million	Property leasing HK\$ million	Hotel operation HK\$ million	Department store operation HK\$ million	Others HK\$ million	Subtotal HK\$ million	Utility and energy HK\$ million	Total HK\$ million
For the six months ended 30 June 2014								
Share of profits less losses of associates (note (iv))								
- Listed associates								
The Hong Kong and China Gas Company Limited	-	202	11	-	(137)	76	1,471	1,547
Miramar Hotel and Investment Company, Limited	-	332	26	-	(40)	318	-	318
Hong Kong Ferry (Holdings) Company Limited	285	50	-	-	2	337	-	337
- Unlisted associates	-	189	-	-	6	195	-	195
	285	773	37	-	(169)	926	1,471	2,397
Share of profits less losses of joint ventures (note (v))	208	1,233	64	-	7	1,512	-	1,512
	493	2,006	101	-	(162)	2,438	1,471	3,909

12 Segment reporting (continued)

(a) Results of reportable segments (continued)

Notes:

- (i) The revenue figures above are arrived at after the elimination of inter-segment revenues, in the amounts of HK\$129 million (2014: HK\$119 million) and HK\$723 million (2014: HK\$1,043 million) in relation to the reportable segments under property leasing and others, respectively.
- (ii) Revenue for the property leasing segment comprises rental income of HK\$2,446 million (2014: HK\$2,139 million) and rental-related income of HK\$318 million (2014: HK\$286 million), which in aggregate amounted to HK\$2,764 million for the six months ended 30 June 2015 (2014: HK\$2,425 million).
- (iii) Unallocated head office and corporate expenses, net for the period is stated after netting off the net gain on disposal of investment properties of HK\$28 million (2014: HK\$598 million) (see note 6). Excluding the aforementioned gain, the Group's unallocated head office and corporate expenses for the period amounted to HK\$508 million (2014: HK\$594 million).
- (iv) The Group's share of profits less losses of associates contributed from the property leasing segment during the period of HK\$599 million (2014: HK\$773 million) includes the increase in fair value of investment properties (net of deferred tax) during the period of HK\$317 million (2014: HK\$515 million).
- (v) The Group's share of profits less losses of joint ventures contributed from the property leasing segment during the period of HK\$1,082 million (2014: HK\$1,233 million) includes the increase in fair value of investment properties (net of deferred tax) during the period of HK\$535 million (2014: HK\$703 million).

(b) Geographical information

The following table sets out information about the geographical segment location of (i) the Group's revenue from external customers; and (ii) the Group's investment properties, other property, plant and equipment, intangible operating right, interests in associates and joint ventures (together, the "Specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the Specified non-current assets is based on the physical location of the asset in the case of investment properties and other property, plant and equipment, the location of the operation to which they are allocated in the case of the intangible operating right, and the location of operations in the case of interests in associates and joint ventures.

	Revenue from external customers		Specified non-current assets	
	For the six months ended 30 June		At 30 June	At 31 December
	2015	2014	2015	2014
	(unaudited)	(unaudited)	(unaudited)	(audited)
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Hong Kong	7,353	6,885	170,159	164,148
Mainland China	3,666	1,684	39,259	38,429
	11,019	8,569	209,418	202,577
	(note 4)	(note 4)		

12 Segment reporting (continued)

(c) Other segment information

	Amortisation and depreciation		Impairment loss on trade debtors	
	For the six months ended 30 June		For the six months ended 30 June	
	2015	2014	2015	2014
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Property development	7	8	-	-
Property leasing	4	4	-	-
Hotel operation	20	21	-	-
Department store operation	13	9	-	-
Others	29	44	11	4
	73	86	11	4

13 Intangible operating right

The intangible operating right in relation to Hangzhou Qianjiang Third Bridge (the “Bridge”) was fully impaired during the six months ended 30 June 2015, as a result of the following:

In relation to the provisional suspension in the payment of toll fee by 杭州市市區公共停車場(庫)建設發展中心 (Hangzhou City Urban Public Carpark Construction & Development Centre, formerly known as 杭州市城市“四自”工程道路綜合收費管理處 or Hangzhou City “Sizi” Engineering & Highway General Toll Fee Administration Office) (the “Hangzhou Toll Office”) to the Group in respect of the Bridge commencing from 20 March 2012, on 17 September 2012, an arbitration application (“Arbitration”) was filed by Hangzhou Henderson Qianjiang Third Bridge Company, Limited (the “Joint Venture Company”), a subsidiary of Henderson Investment Limited (“HIL”) (being a subsidiary of the Company) with China International Economic and Trade Arbitration Commission (“CIETAC”, 中國國際經濟貿易仲裁委員會) against the Hangzhou Toll Office as the first respondent and Hangzhou Municipal People’s Government (杭州市人民政府) as the second respondent for an arbitration award that, inter alia, the first respondent and the second respondent should continue to perform their obligations under an agreement dated 5 February 2004 entered into between the Group and Hangzhou Toll Office (the “Collection Agreement”) by paying toll fees of the Bridge to the Joint Venture Company and be liable for the relevant outstanding toll fees together with the legal and arbitration costs incurred.

13 Intangible operating right (continued)

On 30 April 2015, the arbitral tribunal of CIETAC made, inter alia, the following final arbitral award which have legal binding effect on all parties to the Arbitration:

- (i) Hangzhou Municipal People's Government shall pay to HIL an amount of RMB376 million (equivalent to HK\$477 million) (the "Compensation Payment") within 90 days following the issue of the arbitral award;
- (ii) upon the receipt by HIL of the Compensation Payment, the Collection Agreement and the 中外合資經營杭州恒基錢江三橋有限公司合同 dated 8 January 1997 made between, amongst others, HIL (which, through its wholly-owned subsidiary, holds a 60% interest in the Joint Venture Company) and 杭州錢江三橋綜合經營公司 (which holds the remaining 40% interest in the Joint Venture Company) (the "Joint Venture Contract") shall be discharged;
- (iii) upon the discharge of the Joint Venture Contract, HIL shall have no obligations, responsibilities and payment obligations for expenses whether as a shareholder of the Joint Venture Company or in relation to the Joint Venture Company or the Bridge, and HIL shall not be entitled to any income sharing and distribution rights as a shareholder of the Joint Venture Company; and
- (iv) HIL shall be responsible for 50% of the Arbitration fees and certain other mediation expenses of the arbitral tribunal, the fees and expenses of the relevant arbitrator as well as the legal expenses incurred by the Joint Venture Company (subject to adjustment as to the final sum incurred by the Joint Venture Company) in relation to the Arbitration, which in aggregate amounted to approximately RMB5 million (or equivalent to HK\$6 million).

The entire Compensation Payment was settled by Hangzhou Municipal People's Government on 29 July 2015. Based on the Compensation Payment (net of expenses incurred in relation to the Arbitration) of HK\$471 million and after (i) deducting HIL's the impairment loss on toll bridge operating right and related net assets of the Joint Venture Company of HK\$379 million (the "Joint Venture Company Impairment"); (ii) recognising the reversal of the exchange reserve attributable to the Joint Venture Company of HK\$138 million to other comprehensive income for the six months ended 30 June 2015; and (iii) deducting the operating loss of the infrastructure business in the aggregate amount of HK\$15 million during the period from 1 January 2015 to 30 April 2015, a profit of HK\$215 million was recognised by the infrastructure business during the six months ended 30 June 2015. Adding back HIL's non-controlling interests' attributable share of the Joint Venture Company Impairment and operating loss in the aggregate amount of HK\$140 million, an one-off income of HK\$355 million was generated to HIL and in relation to which the Group's 69.27% attributable share amounted to HK\$246 million.

14 Inventories

	At 30 June 2015 (unaudited) HK\$ million	At 31 December 2014 (audited) HK\$ million
Property development		
Leasehold land held for development for sale	9,988	9,888
Properties held for/under development for sale	62,064	60,615
Completed properties for sale	7,289	9,518
	79,341	80,021
Other operations		
Trading stocks	75	80
	79,416	80,101

15 Trade and other receivables

	At 30 June 2015 (unaudited) HK\$ million	At 31 December 2014 (audited) HK\$ million
Instalments receivable	2,274	1,281
Loans receivable	101	50
Debtors, prepayments and deposits	6,904	6,968
Gross amount due from customers for contract work	16	31
Amounts due from associates	299	138
Amounts due from joint ventures	314	52
	9,908	8,520

Loans receivable under trade and other receivables are secured, interest-bearing at Hong Kong Interbank Offered Rate plus 5.65% (31 December 2014: Hong Kong Interbank Offered Rate plus 5.65%) per annum. The balance is expected to be recovered within one year from the end of the reporting period and is neither past due nor impaired.

15 Trade and other receivables (continued)

At the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables) net of allowance for doubtful debts is as follows:

	At 30 June 2015 (unaudited) HK\$ million	At 31 December 2014 (audited) HK\$ million
Current or under 1 month overdue	2,689	1,885
More than 1 month overdue and up to 3 months overdue	71	31
More than 3 months overdue and up to 6 months overdue	41	78
More than 6 months overdue	82	66
	2,883	2,060

Regular review and follow-up actions are carried out on overdue amounts of instalments receivable from sale of properties which enable management to assess their recoverability and to minimise exposure to credit risk. In respect of rental income from leasing properties, monthly rents are received in advance and sufficient rental deposits are held to cover potential exposure to credit risk.

For other trade receivables, credit terms given to customers are generally based on the financial strength and repayment history of each customer. As such, the Group does not obtain collateral from its customers. An ageing analysis of the receivables is prepared on a regular basis and is closely monitored to minimise any credit risk associated with the receivables. Adequate allowances for impairment losses are made for estimated irrecoverable amounts.

16 Trade and other payables

	At 30 June 2015 (unaudited) HK\$ million	At 31 December 2014 (audited) HK\$ million
Creditors and accrued expenses	9,532	8,505
Gross amount due to customers for contract work	51	54
Rental and other deposits	1,414	1,320
Forward sales deposits received	9,962	6,404
Derivative financial instruments	3	-
Amounts due to associates	156	140
Amounts due to joint ventures	1,282	881
	22,400	17,304

At the end of the reporting period, the ageing analysis of trade creditors which are included in trade and other payables is as follows:

	At 30 June 2015 (unaudited) HK\$ million	At 31 December 2014 (audited) HK\$ million
Due within 1 month or on demand	830	1,298
Due after 1 month but within 3 months	1,617	1,635
Due after 3 months but within 6 months	1,119	1,273
Due after 6 months	2,219	2,486
	5,785	6,692

FINANCIAL REVIEW

Results of operations

The following discussions should be read in conjunction with the Company's unaudited condensed consolidated interim accounts for the six months ended 30 June 2015.

Revenue and profit

	<i>Revenue</i>			<i>Contribution / (loss) from operations</i>		
	<i>Six months ended 30 June</i>	<i>Increase/</i>	<i>Six months ended 30 June</i>	<i>Increase/</i>	<i>Six months ended 30 June</i>	<i>Increase/</i>
	2015	2014	(Decrease)	2015	2014	(Decrease)
	HK\$ million	HK\$ million	%	HK\$ million	HK\$ million	%
Reportable segments						
- Property development	7,176	4,432	+62%	1,824	645	+183%
- Property leasing	2,764	2,425	+14%	2,055	1,809	+14%
- Hotel operation	50	94	-47%	(15)	27	-156%
- Department store operation	449	419	+7%	155	153	+1%
- Other businesses	580	1,199	-52%	586	424	+38%
	11,019	8,569	+29%	4,605	3,058	+51%

	<i>Six months ended 30 June</i>		
	2015	2014	Increase
	HK\$ million	HK\$ million	%
Profit attributable to equity shareholders of the Company			
- including the Group's attributable share of changes in fair value of investment properties and investment properties under development (net of deferred taxation) held by the Group's subsidiaries, associates and joint ventures	9,846	9,460	+4%
- excluding the Group's attributable share of changes in fair value of investment properties and investment properties under development (net of deferred taxation) held by the Group's subsidiaries, associates and joint ventures	5,291	5,030	+5%

Excluding the effects of certain one-off income items from the underlying profit attributable to shareholders for the six months ended 30 June 2015 and 2014, the adjusted underlying profit attributable to shareholders for the two periods is as follows :-

	Six months ended 30 June		<i>Increase/(Decrease)</i>	
	2015 HK\$ million	2014 HK\$ million	<i>HK\$ million</i>	<i>%</i>
Underlying profit attributable to shareholders	5,291	5,030	261	+5%
Less :				
One-off income items –				
The Group’s attributable share of an one-off income item arising from the Compensation Payment and the Joint Venture Company Impairment (as referred to in the paragraph “Other businesses” below)	(246)	-	(246)	
Aggregate net gain after tax on en-bloc disposals of a commercial investment property in Hong Kong and the Group’s 50% interest in a commercial investment property in Shenzhen, mainland China	-	(557)	557	
Reversal of the accrued site settlement cost of a terminated development project in mainland China	-	(113)	113	
Overdue interest income in relation to the refund of land deposits regarding land sites in mainland China (net of tax)	(6)	(10)	4	
Adjusted underlying profit attributable to shareholders	<u>5,039</u>	<u>4,350</u>	<u>689</u>	+16%

Discussions on the major reportable segments are set out below.

Property development

Gross revenue - subsidiaries

The gross revenue from property sales during the six months ended 30 June 2015 and 2014 generated by the Group's subsidiaries, and by geographical contribution, is as follows :-

	Six months ended 30 June		Increase	
	2015 HK\$ million	2014 HK\$ million	HK\$ million	%
<i>By geographical contribution :</i>				
Hong Kong	4,372	3,465	907	+26%
Mainland China	2,804	967	1,837	+190%
	<u>7,176</u>	<u>4,432</u>	<u>2,744</u>	+62%

The gross revenue from property sales in Hong Kong during the six months ended 30 June 2015 is mainly contributed from “High Park” and “The Hemispheres” (being property development projects completed during the period) in the aggregate amount of HK\$1,228 million, as well as from the other major completed projects such as 39 Conduit Road, The Reach, High Point and Legende Royale in the aggregate amount of HK\$2,876 million. By comparison, the gross revenue from property sales in Hong Kong during the corresponding six months ended 30 June 2014 was mainly contributed as to HK\$1,079 million from property development projects which were completed during the corresponding period, and HK\$2,206 million from the other major completed projects.

The gross revenue from property sales in mainland China during the six months ended 30 June 2015 is mainly contributed from those property development projects which were completed and the sold units of which were delivered to the buyers during the period, namely “Grand Waterfront” Phase 2A in Chongqing and “Palatial Crest” Phase 2B in Xian, as well as from the delivery of the sold units to the buyers of “The Arch of Triumph” Phase 2B in Changsha, in the aggregate amount of HK\$2,379 million. By comparison, the gross revenue from property sales in mainland China during the corresponding six months ended 30 June 2014 was mainly contributed as to HK\$755 million from property development projects which were completed during the corresponding period.

Pre-tax profits – subsidiaries, associates and joint ventures

The Group's attributable share of pre-tax profits from property sales, by geographical contribution and from subsidiaries (after deducting non-controlling interests), associates and joint ventures during the six months ended 30 June 2015 and 2014, is as follows : -

	Six months ended 30 June			
	2015	2014	Increase	
	HK\$ million	HK\$ million	HK\$ million	%
<i>By geographical contribution :</i>				
Hong Kong	1,212	1,154	58	+5%
Mainland China	339	71	268	+377%
	1,551	1,225	326	+27%

The increase in the Group's share of pre-tax profits from property sales in Hong Kong during the six months ended 30 June 2015 of HK\$58 million, or 5%, is mainly attributable to the increase in pre-tax profit contribution from the Group's subsidiaries of HK\$408 million as a result of the increase in gross revenue as referred to above, which is being partially offset by the period-on-period decrease in the share of pre-tax profit contribution of HK\$327 million from the property sales of Hong Kong Ferry (Holdings) Company Limited ("HK Ferry", a listed associate of the Group) as mentioned below.

The increase in the Group's share of pre-tax profits from property sales in mainland China during the six months ended 30 June 2015 of HK\$268 million, or 377%, is mainly attributable to the increase in pre-tax profit contribution from the Group's subsidiaries of HK\$476 million as a result of the increase in gross revenue as referred to above, which is being partially offset by the decrease in pre-tax profit contribution of HK\$225 million from the property sales of "La Botanica" in Xian and "International Commercial Centre", Chengdu (both being projects held by joint ventures of the Group) as mentioned below.

	Six months ended 30 June			
	2015	2014	Increase/(Decrease)	
	HK\$ million	HK\$ million	HK\$ million	%
<i>By contribution from subsidiaries (after deducting non-controlling interests), associates and joint ventures :</i>				
Subsidiaries	1,484	604	880	+146%
Associates	45	341	(296)	-87%
Joint ventures	22	280	(258)	-92%
	1,551	1,225	326	+27%

The increase in the Group's share of pre-tax profit contribution from the property sales of subsidiaries during the six months ended 30 June 2015 is mainly attributable to the increase in gross revenue as referred to above.

The decrease in the Group's share of pre-tax profit contribution from the property sales of associates during the six months ended 30 June 2015 is mainly attributable to the fact that "Metro 6", a project of HK Ferry, contributed pre-tax profit of HK\$17 million to the Group but which amount was substantially less than the pre-tax profit contribution of HK\$344 million from "Green Code", a project of HK Ferry, in the corresponding period last year.

The decrease in the Group's share of pre-tax profit contribution from the property sales of joint ventures during the six months ended 30 June 2015 is mainly attributable to the decrease in the Group's attributable share of pre-tax profit contribution from the property sales of "Mount Parker Residences" in Hong Kong as well as "La Botanica", Xian and "International Commercial Centre", Chengdu in mainland China, in the aggregate amount of HK\$279 million.

Property leasing

Gross revenue - subsidiaries

The gross revenue from property leasing during the six months ended 30 June 2015 and 2014 generated by the Group's subsidiaries, and by geographical contribution, is as follows :-

	Six months ended 30 June		Increase	
	2015 HK\$ million	2014 HK\$ million	HK\$ million	%
<i>By geographical contribution :</i>				
Hong Kong	1,912	1,723	189	+11%
Mainland China	852	702	150	+21%
	<u>2,764</u>	<u>2,425</u>	<u>339</u>	<u>+14%</u>

Pre-tax net rental income – subsidiaries, associates and joint ventures

The Group's share of pre-tax net rental income, by geographical contribution and from subsidiaries (after deducting non-controlling interests), associates and joint ventures during the six months ended 30 June 2015 and 2014, is as follows :-

	Six months ended 30 June		Increase	
	2015 HK\$ million	2014 HK\$ million	HK\$ million	%
<i>By geographical contribution :</i>				
Hong Kong	2,478	2,295	183	+8%
Mainland China	656	547	109	+20%
	<u>3,134</u>	<u>2,842</u>	<u>292</u>	<u>+10%</u>

Six months ended 30 June

	2015	2014	Increase	
	HK\$ million	HK\$ million	HK\$ million	%
<i>By contribution from subsidiaries (after deducting non-controlling interests), associates and joint ventures :</i>				
Subsidiaries	2,048	1,804	244	+14%
Associates	363	338	25	+7%
Joint ventures	723	700	23	+3%
	3,134	2,842	292	+10%

The increase in gross revenue and pre-tax net rental income in Hong Kong is mainly attributable to the period-on-period increase in average rentals in relation to the portfolio of investment properties in Hong Kong during the six months ended 30 June 2015.

The increase in gross revenue and pre-tax net rental income in mainland China is mainly attributable to the new contributions from “Henderson 688” in Shanghai (which project was completed in May 2014), as well as from “World Financial Centre” in Beijing and “Centro” in Shanghai, in respect of which (i) the strong demand for and the limited supply of Grade A office properties in Beijing’s central business district have enabled “World Financial Centre” to reap the benefits of increased occupancy and to secure higher rentals for new tenancy leases and upon tenancy lease renewals ; and (ii) “Centro” in Shanghai has secured new office tenancy leases as well as higher rentals when compared with other office properties of comparable conditions in similar locations in Zhabei district, Shanghai over the last twelve months.

Hotel operation

Revenue for the six months ended 30 June 2015 decreased by HK\$44 million (or 47%) to HK\$50 million, and recorded an operating loss of HK\$15 million for the six months ended 30 June 2015 (2014 : operating profit of HK\$27 million).

During the six months ended 30 June 2015, the Group’s three Newton hotels recorded (i) an average occupancy rate of 44.9%, which represents a remarkable period-on-period decrease when compared with 74.8% for the corresponding six months ended 30 June 2014; and (ii) a period-on-period decrease of 8% in the average daily room rate when compared with that for the corresponding six months ended 30 June 2014. Such decreases are mainly due to the difficult market conditions for the hotel industry in Hong Kong during the six months ended 30 June 2015 as a result of the decrease in tourist arrivals from mainland China to Hong Kong when compared with the corresponding six months ended 30 June 2014.

Department store operation

Department store operation is carried out by Citistore (Hong Kong) Limited (“Citistore HK”) which became a wholly-owned subsidiary of Henderson Investment Limited (“HIL”, a subsidiary of the Company) following the completion of HIL’s acquisition of Citistore HK from the Group on 1 December 2014.

For the six months ended 30 June 2015, revenue increased by HK\$30 million (or 7%) to HK\$449 million which is mainly attributable to (i) the increase in revenue of HK\$15 million from the Yuen Long store which completed its renovation in June 2014; (ii) the increase in the aggregate shopping floor area in the Ma On Shan store and Tseung Kwan O store of 8,558 square feet featuring fixed-price merchandise items, which resulted in the increase in revenue of HK\$6 million; and (iii) the increase in rental income from consignment counters and concessionaire counters of other stores in the aggregate amount of HK\$4 million. Profit contribution also increased by HK\$2 million (or 1%) to HK\$155 million.

Other businesses

Other businesses mainly comprise construction, infrastructure, provision of finance, investment holding, project management, property management, agency services, cleaning and security guard services, as well as the trading of building materials and disposal of leasehold land.

In relation to the infrastructure business, reference is made to the paragraph headed “Henderson Investment Limited (“HIL”)” under the section “Business Review” of the Company’s 2015 interim results announcement of which this Financial Review forms a part. The entire Compensation Payment was settled by Hangzhou Municipal People’s Government on 29 July 2015. Based on the Compensation Payment (net of expenses incurred in relation to the Arbitration) of HK\$471 million and after (i) deducting HIL’s impairment loss on toll bridge operating right and related net assets of the Joint Venture Company of HK\$379 million (the “Joint Venture Company Impairment”); (ii) recognising the reversal of the exchange reserve attributable to the Joint Venture Company of HK\$138 million; and (iii) deducting the operating loss of the infrastructure business in the aggregate amount of HK\$15 million during the period from 1 January 2015 to 30 April 2015, a profit of HK\$215 million was recognised by the infrastructure business during the six months ended 30 June 2015, representing a period-on-period increase in profit contribution of HK\$241 million from the operating loss of HK\$26 million during the corresponding six months ended 30 June 2014. Adding back HIL’s non-controlling interests’ attributable share of the Joint Venture Company Impairment and operating loss in the aggregate amount of HK\$140 million, an one-off income of HK\$355 million was generated to HIL and in relation to which the Group’s 69.27% attributable share amounted to HK\$246 million.

Revenue of other businesses for the six months ended 30 June 2015 decreased by HK\$619 million, or 52%, from that for the corresponding six months ended 30 June 2014. This is mainly attributable to (i) the decrease in construction revenue of HK\$523 million which is mainly attributable to the non-recurrence of the revenue contribution from the construction contract of “Green Code” project following its project completion in 2014; (ii) the decrease in project management income of HK\$79 million mainly in relation to two property development projects, namely “Green Code” and “Global Trade Square” as these projects were completed last year; and (iii) the decrease in dividend income of HK\$89 million mainly in relation to the non-recurrence of a dividend income of HK\$132 million received from the Group’s investment in a property development in Hong Kong during the corresponding six months ended 30 June 2014, which in aggregate are being partially offset by (iv) the increase in revenue contribution from property management of HK\$49 million ; and (v) the increase in interest income from the provision of financing services of HK\$10 million during the six months ended 30 June 2015.

The profit contribution of other businesses for the six months ended 30 June 2015 increased by HK\$162 million, or 38%, over that for the corresponding six months ended 30 June 2014. This is mainly attributable to (i) the increase in profit contribution from the infrastructure business of HK\$241 million as referred to above; (ii) a gain on disposal of certain available-for-sale equity securities in the amount of HK\$164 million during the six months ended 30 June 2015; and (iii) the fair value gain of HK\$21 million recognised by the Group from its entitlement to the bonus warrants of Miramar Hotel and Investment Company, Limited (“Miramar”, a listed associate of the Group) on the record date of 30 June 2015, which in aggregate are being partially offset by (iv) the decrease in profit contribution from construction activities of HK\$27 million for the reason as referred to above; (v) the decrease in profit contribution from project management of HK\$45 million for the reason as referred to above; (vi) the decrease in dividend income of HK\$89 million as referred to above; and (vii) the non-recurrence of an one-off income item of HK\$113 million arising from the reversal during the corresponding six months ended 30 June 2014 of the accrued site settlement cost of a terminated development project in mainland China.

Associates

The Group’s attributable share of post-tax profits less losses of associates during the six months ended 30 June 2015 amounted to HK\$2,286 million (2014 : HK\$2,397 million), representing a decrease of HK\$111 million, or 5%, from that for the corresponding six months ended 30 June 2014. Excluding the Group’s attributable share of changes in fair value of investment properties held by the associates (net of deferred taxation) of HK\$317 million during the six months ended 30 June 2015 (2014 : HK\$515 million), the Group’s attributable share of the underlying post-tax profits less losses of associates for the six months ended 30 June 2015 amounted to HK\$1,969 million (2014: HK\$1,882 million), representing an increase of HK\$87 million, or 5%, over that for the corresponding six months ended 30 June 2014. Such period-on-period increase in the underlying post-tax profits was mainly due to the following :-

- (i) the Group’s attributable share of increase in the underlying post-tax profit contribution from The Hong Kong and China Gas Company Limited of HK\$228 million, as the performance of the gas operation and related businesses maintained stable growth during the six months ended 30 June 2015;
- (ii) the Group’s attributable share of decrease in the underlying post-tax profit contribution from HK Ferry of HK\$237 million, mainly due to the non-recurrence of the sizeable profit contribution of HK\$264 million from the property sales of “Green Code”; and
- (iii) the Group’s attributable share of increase in the underlying post-tax profit contribution from Miramar of HK\$95 million, mainly due to the share of increase in profit contribution from the property leasing business of HK\$15 million, the savings in the share of losses contributed from the food and beverage operation and the discontinued operations in the aggregate amount of HK\$23 million, as well as the share of gain on disposal of an investment property of HK\$55 million.

Joint ventures

The Group's attributable share of post-tax profits less losses of joint ventures during the six months ended 30 June 2015 amounted to HK\$1,156 million (2014: HK\$1,512 million), representing a decrease of HK\$356 million, or 24%, from that for the corresponding six months ended 30 June 2014. Excluding the Group's attributable share of changes in fair value of investment properties held by the joint ventures (net of deferred taxation) of HK\$535 million during the six months ended 30 June 2015 (2014: HK\$703 million), the Group's attributable share of the underlying post-tax profits less losses of joint ventures for the six months ended 30 June 2015 amounted to HK\$621 million (2014: HK\$809 million), representing a decrease of HK\$188 million, or 23%, from that for the corresponding six months ended 30 June 2014. Such period-on-period decrease was mainly attributable to the decrease in the Group's attributable share of post-tax profit contribution from property sales of the joint venture property development projects of "Mount Parker Residences" in Hong Kong as well as "La Botanica", Xian and "International Commercial Centre", Chengdu in mainland China, in the aggregate amount of HK\$222 million.

Finance costs

Finance costs (comprising interest expense and other borrowing costs) recognised as expenses for the six months ended 30 June 2015 were HK\$447 million (2014: HK\$437 million). Finance costs before interest capitalisation for the six months ended 30 June 2015 were HK\$903 million (2014: HK\$1,066 million). During the six months ended 30 June 2015, the Group's effective borrowing rate was approximately 3.91% per annum (2014: approximately 3.98% per annum).

Revaluation of investment properties and investment properties under development

The Group recognised an increase in fair value on its investment properties and investment properties under development (before deferred taxation and non-controlling interests) of HK\$3,730 million in the consolidated statement of profit or loss for the six months ended 30 June 2015 (2014: HK\$3,225 million).

Financial resources and liquidity

Medium Term Note Programme

At 30 June 2015, the aggregate carrying amount of notes guaranteed by the Company and issued under the Group's Medium Term Note Programme established on 30 August 2011 and which remained outstanding was HK\$10,362 million (31 December 2014: HK\$10,420 million), with tenures of between four years and twenty years (31 December 2014: between four years and twenty years). These notes are included in the Group's bank and other borrowings at 30 June 2015 as referred to in the paragraph "Maturity profile and interest cover" below.

Maturity profile and interest cover

The maturity profile of the total debt, the cash and bank balances and the gearing ratio of the Group were as follows:

	At 30 June 2015 HK\$ million	At 31 December 2014 HK\$ million
Bank and other borrowings repayable:		
- Within 1 year	7,737	13,590
- After 1 year but within 2 years	8,158	6,940
- After 2 years but within 5 years	24,058	20,512
- After 5 years	1,660	1,660
Amount due to a fellow subsidiary	1,473	5,021
Total debt	43,086	47,723
Less:		
Cash and bank balances	(10,022)	(10,303)
Net debt	33,064	37,420
Shareholders' funds	245,771	238,150
Gearing ratio (%)	13.5%	15.7%

Gearing ratio is calculated based on the net debt and shareholders' funds of the Group at the balance sheet date.

The interest cover of the Group is calculated as follows:

	Six months ended 30 June 2015 HK\$ million	2014 HK\$ million
Profit from operations (before changes in fair value of investment properties and investment properties under development) plus the Group's share of the underlying profits less losses of associates and joint ventures	6,826	6,049
Interest expense (before interest capitalisation)	808	977
Interest cover (times)	8	6

With abundant banking facilities in place and the recurrent income generation from its operations, the Group has adequate financial resources in meeting the funding requirements for its ongoing operations as well as its future expansion.

Treasury and financial management

The Group is exposed to interest rate and foreign exchange risks. To efficiently and effectively manage these risks, the Group's financing and treasury activities are centrally co-ordinated at the corporate level. As a matter of policy, all transactions in derivative financial instruments are undertaken solely for risk management purposes and no derivative financial instruments were held by the Group at the balance sheet date for speculative purposes.

The Group conducts its business primarily in Hong Kong with the related cash flows, assets and liabilities being denominated mainly in Hong Kong dollars. The Group's primary foreign exchange exposure arises from its property developments and investments in mainland China which are denominated in Renminbi ("RMB"), the guaranteed notes ("Notes") which are denominated in United States dollars ("US\$"), Sterling ("£") and Singapore dollars ("S\$"), certain bank borrowings which are denominated in Japanese Yen ("¥") ("Yen borrowings"), as well as the fixed coupon rate bond ("Bond") which is denominated in United States dollars.

In respect of the Group's operations in mainland China, apart from its capital contributions and, in some cases, loan contributions to projects which are denominated in RMB and are not hedged, the Group endeavours to establish a natural hedge by maintaining an appropriate level of external borrowings in RMB. In respect of the Notes, the Bond and the Yen borrowings in the aggregate principal amounts of US\$672,000,000, £50,000,000, S\$200,000,000 and ¥10,000,000,000 at 30 June 2015 (31 December 2014: US\$672,000,000, £50,000,000, S\$200,000,000 and ¥10,000,000,000), interest rate swap contracts and cross currency interest rate swap contracts were entered into between the Group and certain counterparty banks for the purpose of hedging against interest rate risk and foreign currency risk during their tenure. Furthermore, in respect of certain of the Group's bank loans denominated in Hong Kong dollars which bear floating interest rates in the aggregate principal amount of HK\$10,700,000,000 at 30 June 2015 (31 December 2014: HK\$12,000,000,000), interest rate swap contracts were entered into between the Group and certain counterparty banks for the purpose of hedging against interest rate risk during their tenure.

Material acquisitions and disposals

On 17 June 2015, a wholly-owned subsidiary of the Company acquired a land site situated in Kwun Chui Road, Area 56, Tuen Mun, New Territories, through public tender for a land premium of HK\$3,628.9 million. The land site will be held for development of residential properties for sale. Save for the aforementioned, the Group did not undertake any other significant acquisitions or any disposals of subsidiaries or assets during the six months ended 30 June 2015.

Charge on assets

Assets of the Group's subsidiaries were not charged to any third parties at both 30 June 2015 and 31 December 2014, except for certain available-for-sale securities and held-to-maturity debt securities in the aggregate carrying amount of HK\$685 million at 30 June 2015 (31 December 2014 : HK\$646 million) which were pledged in favour of certain financial institutions for credit facilities granted to a wholly-owned subsidiary of the Group.

Capital commitments

At 30 June 2015, capital commitments of the Group amounted to HK\$29,127 million (31 December 2014: HK\$26,303 million). In addition, the Group's attributable share of capital commitments in relation to its joint ventures at 30 June 2015 amounted to HK\$2,847 million (31 December 2014: HK\$3,104 million).

Contingent liabilities

At 30 June 2015, the Group's contingent liabilities amounted to HK\$1,383 million (31 December 2014: HK\$2,019 million), of which :-

- (i) an amount of HK\$33 million (31 December 2014: HK\$536 million) relates to performance bonds to guarantee for the due and proper performance of the obligations undertaken by the Group's subsidiaries and projects, the decrease of which is mainly attributable to the release of the bank guarantee on the construction activities of "Double Cove Starview Prime" (being the Group's property development project in Hong Kong) for the reason that during the six months ended 30 June 2015, pre-sale proceeds were stakeheld which adequately covered the construction costs ;
- (ii) an amount of HK\$Nil (31 December 2014: HK\$232 million) relates to guarantees given by the Company in respect of certain bank loans and borrowings entered into by an entity whose shares were held by the Company as available-for-sale equity securities at 30 June 2015, for the reason that such bank loans and borrowings were fully repaid by the abovementioned entity at 30 June 2015 ; and
- (iii) an amount of HK\$1,333 million (31 December 2014: HK\$1,234 million) relates to guarantees given by the Group to financial institutions on behalf of purchasers of property units in mainland China in relation to which the related Building Ownership Certificate (房產證) had not yet been issued at 30 June 2015 (and such guarantees will be released upon the issuance of the Building Ownership Certificate).

Employees and remuneration policy

At 30 June 2015, the Group had approximately 8,040 full-time employees (31 December 2014: 8,560), which saw a decrease in headcount by 520 as compared to 2014. Among the reduced headcount, 432 employees were from the Group's operation in mainland China. It was mainly due to adjustments in the business process in some of the Group's development projects in mainland China where contractual partners were engaged to manage the projects from project management, construction, through to sales. As a result, certain positions were duplicated and redundancy was made to streamline the operation.

The remuneration of the employees is in line with the market and commensurate with the level of pay in the industry. Discretionary year-end bonuses are payable to the employees based on individual performance. Other benefits to the employees include medical insurance, retirement scheme, training programmes and education subsidies.

Total staff costs for the six months ended 30 June 2015 amounted to HK\$1,010 million (2014: HK\$926 million).

OTHER INFORMATION

Review of Interim Results

The unaudited interim results for the six months ended 30 June 2015 have been reviewed by the auditor of the Company, 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 Hong Kong Institute of Certified Public Accountants.

Issue of Shares

On 9 July 2015, the Company issued 4,801,477 shares in lieu of the 2014 final cash dividend at a market value of HK\$54.41 per share and 300,033,920 bonus shares on the basis of one share for every ten shares held.

Purchase, Sale or Redemption of the Company’s Listed Securities

Except for the issue of shares regarding the scrip dividend scheme and bonus shares issue on 9 July 2015, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the period under review.

Audit Committee

The Audit Committee met in August 2015 and reviewed the systems of internal control and compliance and the interim report for the six months ended 30 June 2015.

Corporate Governance

During the six months ended 30 June 2015, the Company has complied with the applicable code provisions as set out in the Corporate Governance Code (the “CG Code”) as stated in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), with the exception that the roles of the chairman and the chief executive officer of the Company have not been segregated as required by code provision A.2.1 of the CG Code. The Company is of the view that it is in the best interest of the Company that Dr Lee Shau Kee, with his profound expertise in the property business, shall continue in his dual capacity as the Chairman and Managing Director.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code of the Listing Rules as the code for dealing in securities of the Company by the Directors (the “Model Code”). Having made specific enquiry, the Company confirmed that all Directors have complied with the required standard as set out in the Model Code.

Forward-Looking Statements

This announcement contains certain statements that are forward-looking or which use certain forward-looking terminologies. These forward-looking statements are based on the current beliefs, assumptions and expectations of the Board of Directors of the Company regarding the industry and markets in which it operates. These forward-looking statements are subject to risks, uncertainties and other factors beyond the Company's control which may cause actual results or performance to differ materially from those expressed or implied in such forward-looking statements.

By Order of the Board
Timon LIU Cheung Yuen
Company Secretary

Hong Kong, 20 August 2015

As at the date of this announcement, the Board comprises: (1) executive directors: Lee Shau Kee (Chairman), Lee Ka Kit, Lam Ko Yin, Colin, Lee Ka Shing, Yip Ying Chee, John, Suen Kwok Lam, Lee King Yue, Fung Lee Woon King, Lau Yum Chuen, Eddie, Kwok Ping Ho, and Wong Ho Ming, Augustine; (2) non-executive directors: Lee Pui Ling, Angelina and Lee Tat Man; and (3) independent non-executive directors: Kwong Che Keung, Gordon, Ko Ping Keung, Wu King Cheong, Woo Ka Biu, Jackson, Leung Hay Man, Poon Chung Kwong and Chung Shui Ming, Timpson.