

News Release

To: Business Editor

26th July 2018
For immediate release

The following announcement was issued today to a Regulatory Information Service approved by the Financial Conduct Authority in the United Kingdom.

HONGKONG LAND HOLDINGS LIMITED HALF-YEARLY RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2018

Highlights

- Underlying profit down 3% due to timing of sales completions in mainland China
- Continued strong performance from investment properties
- Five new projects secured

"The strong performance from the Group's investment properties is expected to continue in the second half of the year, while the contribution from development properties will benefit from higher sales completions in mainland China."

Ben Keswick
Chairman

Results

	(unaudited) Six months ended 30th June		
	2018 US\$m	2017 US\$m restated [†]	Change %
Underlying profit attributable to shareholders [#]	455	470	-3
Profit attributable to shareholders	1,124	3,114	-64
Shareholders' funds	37,286	36,842*	+1
Net debt	3,125	2,549*	+23
	US¢	US¢	%
Underlying earnings per share [#]	19.39	19.96	-3
Earnings per share	47.90	132.36	-64
Interim dividend per share	6.00	6.00	-
	US\$	US\$	%
Net asset value per share	15.93	15.66*	+2
[#] The Group uses 'underlying profit attributable to shareholders' in its internal financial reporting to distinguish between ongoing business performance and non-trading items, as more fully described in note 8 to the condensed financial statements. Management considers this to be a key measure which provides additional information to enhance understanding of the Group's underlying business performance. [*] At 31st December 2017 [†] The accounts have been restated due to changes in accounting policies upon adoption of IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers', as set out in note 1 to the condensed financial statements.			

The interim dividend of US¢6.00 per share will be payable on 10th October 2018 to shareholders on the register of members at the close of business on 17th August 2018.

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Issued by:

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HONGKONG LAND HOLDINGS LIMITED
HALF-YEARLY RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2018

OVERVIEW

Results from the Group's investment properties were higher, due to positive rental reversions in Hong Kong, while profits from development properties were lower, due to the timing of sales completions in mainland China, partially offset by a higher contribution from Singapore.

PERFORMANCE

Underlying profit attributable to shareholders during the first half was US\$455 million, compared with US\$470 million in 2017.

Including the net gains of US\$661 million arising on the revaluation of the Group's investment properties, the profit attributable to shareholders was US\$1,124 million. This compares with a profit of US\$3,114 million in the first half of 2017, which included net gains of US\$2,608 million arising from revaluations.

The net asset value per share at 30th June 2018 was US\$15.93, compared to US\$15.66 at 31st December 2017.

The Directors have declared an unchanged interim dividend of US¢6.00 per share.

GROUP REVIEW

Investment Properties

Hong Kong's Central office leasing market continues to benefit from tight supply. At the end of June, the Group's Central office vacancy was 1.9%, compared with 1.4% at the end of 2017. Rental reversions in the portfolio remained positive. The Group's average office rent rose to HK\$111 per sq. ft, compared to HK\$106 per sq. ft and HK\$109 per sq. ft in the first and second halves of 2017, respectively. The Group's Central retail portfolio effectively remains fully occupied, with mildly positive rental reversions. The average retail rent increased to HK\$231 per sq. ft, compared with HK\$224 per sq. ft and HK\$225 per sq. ft in the first and second halves of 2017, respectively. The value of the Group's investment property portfolio in Hong Kong increased by 2%, due to the impact of higher open market rents.

In Singapore, mildly negative rental reversions continued, although there are signs of a market recovery with reversions expected to become positive later in the year. The average office rent was S\$9.1 per sq. ft, unchanged from both the first and second halves of 2017. Vacancy in the Group's office portfolio remained low at 0.1% at the end of June, compared with 0.3% at the end of 2017.

In mainland China, the retail component of WF CENTRAL, which opened in late 2017, is performing in line with expectations. The hotel component of the development, Mandarin Oriental Wangfujing, is expected to open towards the end of the year.

Planning of the Group's 49%-owned, 440,000 sq. m. prime commercial joint-venture development in the central business district of Bangkok in Thailand, secured in late 2017, continues in line with schedule. This development is expected to complete in 2025.

Development Properties

In mainland China, fewer sales completions in the period resulted in a lower profit contribution, while the Group's attributable interest in contracted sales was lower due to fewer sales launches. The attributable interest in contracted sales in mainland China was US\$650 million in the first half of 2018, compared to US\$701 million and US\$411 million in the first and second halves of 2017, respectively.

The number of sales completions will increase in the second half, particularly in relation to projects in Chongqing. At 30th June 2018, the Group had US\$1,507 million in sold but unrecognised contracted sales, compared with US\$1,032 million at the end of 2017.

During the period, the Group secured a commercial site with a developable area of 235,000 sq. m. in Xijiekou, Nanjing, a mature business and retail district in the heart of the city.

In Singapore, the Group recognised profits on the completion of the 1,327-unit Sol Acres executive condominium development. In addition, it benefited from profit recognised on the percentage of completion of sold units to date at the 710-unit Lake Grande project, which is on schedule for completion in 2019. The 309-unit Margaret Ville project was launched for sale in May 2018. In April 2018, the Group was successful in a conditional joint tender for the en-bloc acquisition of Tulip Garden, a

freehold residential site, for redevelopment. The project will comprise 670 mid-rise apartments with a developable area of 47,000 sq. m.

The Group's joint venture projects in the rest of Southeast Asia are progressing on schedule. During the period, the Group entered into agreements to develop three new projects in Bangkok, Jakarta and Manila.

Financing

The Group's financial position remains strong with net debt of US\$3.1 billion at 30th June 2018, up from US\$2.5 billion at the end of 2017. Net gearing was 8%, compared with 7% at the end of the year. Net debt is expected to continue to move modestly higher as payments are made for already committed land purchases.

PEOPLE

Dr Richard Lee stepped down as a Director on 9th May 2018. We would like to thank him for his significant contribution to the Company over many years. We would also like to welcome Christina Ong, who has joined the Board.

OUTLOOK

The strong performance from the Group's investment properties is expected to continue in the second half of the year, while the contribution from development properties will benefit from higher sales completions in mainland China.

Ben Keswick

Chairman

Hongkong Land Holdings Limited
Consolidated Profit and Loss Account

	(unaudited) Six months ended 30th June			2017			Year ended 31st December 2017		
	2018			2017					
	Underlying business performance US\$m	Non- trading items US\$m	Total US\$m	Underlying business performance US\$m restated	Non- trading items US\$m restated	Total US\$m restated	Underlying business performance US\$m restated	Non- trading items US\$m restated	Total US\$m restated
Revenue (<i>note 2</i>)	1,515.9	-	1,515.9	816.0	-	816.0	1,616.1	-	1,616.1
Net operating costs (<i>note 3</i>)	(997.2)	8.3	(988.9)	(363.6)	36.7	(326.9)	(740.2)	51.4	(688.8)
Change in fair value of investment properties	-	665.4	665.4	-	2,693.6	2,693.6	-	4,677.9	4,677.9
Gain on acquisition of a subsidiary	-	-	-	-	-	-	-	3.0	3.0
Operating profit (<i>note 4</i>)	518.7	673.7	1,192.4	452.4	2,730.3	3,182.7	875.9	4,732.3	5,608.2
Financing charges	(78.2)	-	(78.2)	(57.4)	-	(57.4)	(121.3)	-	(121.3)
Financing income	26.0	-	26.0	21.6	-	21.6	43.1	-	43.1
Net financing charges	(52.2)	-	(52.2)	(35.8)	-	(35.8)	(78.2)	-	(78.2)
Share of results of associates and joint ventures (<i>note 5</i>)	73.6	(1.4)	72.2	135.5	(76.4)	59.1	301.8	(53.1)	248.7
Profit before tax	540.1	672.3	1,212.4	552.1	2,653.9	3,206.0	1,099.5	4,679.2	5,778.7
Tax (<i>note 6</i>)	(85.7)	(2.0)	(87.7)	(81.6)	0.1	(81.5)	(151.3)	(1.8)	(153.1)
Profit after tax	454.4	670.3	1,124.7	470.5	2,654.0	3,124.5	948.2	4,677.4	5,625.6
Attributable to:									
Shareholders of the Company	455.1	669.3	1,124.4	469.6	2,644.6	3,114.2	946.8	4,667.1	5,613.9
Non-controlling interests	(0.7)	1.0	0.3	0.9	9.4	10.3	1.4	10.3	11.7
	454.4	670.3	1,124.7	470.5	2,654.0	3,124.5	948.2	4,677.4	5,625.6
	US¢		US¢	US¢		US¢	US¢		US¢
Earnings per share (<i>note 7</i>)	19.39		47.90	19.96		132.36	40.24		238.61

Hongkong Land Holdings Limited
Consolidated Statement of Comprehensive Income

	2018 US\$m	(unaudited) Six months ended 30th June 2017 US\$m restated	Year ended 31st December 2017 US\$m restated
Profit for the period	1,124.7	3,124.5	5,625.6
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit plans	-	-	2.3
Tax on items that will not be reclassified	-	-	(0.4)
	-	-	1.9
Items that may be reclassified subsequently to profit or loss:			
Net exchange translation differences			
- net (loss)/gain arising during the period	(179.4)	(23.0)	72.2
- transfer to profit and loss	-	-	11.2
	(179.4)	(23.0)	83.4
Cash flow hedges			
- net gain/(loss) arising during the period	4.0	(31.4)	(27.8)
- transfer to profit and loss	(1.5)	(1.6)	(2.8)
	2.5	(33.0)	(30.6)
Tax relating to items that may be reclassified	(0.4)	5.4	5.1
Share of other comprehensive (expense)/ income of associates and joint ventures	(88.4)	126.1	237.2
	(265.7)	75.5	295.1
Other comprehensive (expense)/income for the period, net of tax	<u>(265.7)</u>	<u>75.5</u>	<u>297.0</u>
Total comprehensive income for the period	<u>859.0</u>	<u>3,200.0</u>	<u>5,922.6</u>
Attributable to:			
Shareholders of the Company	859.8	3,187.6	5,905.7
Non-controlling interests	<u>(0.8)</u>	<u>12.4</u>	<u>16.9</u>
	<u>859.0</u>	<u>3,200.0</u>	<u>5,922.6</u>

Hongkong Land Holdings Limited
Consolidated Balance Sheet

	2018 US\$m	(unaudited) At 30th June 2017 US\$m restated	At 31st December 2017 US\$m restated
Net operating assets			
Tangible fixed assets	119.9	50.0	106.9
Investment properties (<i>note 10</i>)	33,068.7	30,360.0	32,481.0
Associates and joint ventures	5,810.0	4,684.7	5,578.8
Other investments	110.8	88.4	103.0
Non-current debtors	25.6	36.8	28.5
Deferred tax assets	17.2	11.0	15.5
Pension assets	0.1	-	0.1
Non-current assets	39,152.3	35,230.9	38,313.8
Properties for sale	2,508.1	1,859.1	2,398.4
Current debtors	568.6	563.3	495.1
Current tax assets	15.8	19.0	10.6
Bank balances	1,769.3	1,902.0	1,622.1
Current assets	4,861.8	4,343.4	4,526.2
Current creditors	(1,486.0)	(1,219.3)	(1,507.1)
Current borrowings (<i>note 11</i>)	(354.6)	(364.4)	(190.6)
Current tax liabilities	(128.3)	(116.9)	(113.5)
Current liabilities	(1,968.9)	(1,700.6)	(1,811.2)
Net current assets	2,892.9	2,642.8	2,715.0
Long-term borrowings (<i>note 11</i>)	(4,539.5)	(3,419.4)	(3,980.3)
Deferred tax liabilities	(158.2)	(126.5)	(135.1)
Pension liabilities	(0.5)	(2.4)	-
Non-current creditors	(29.3)	(29.1)	(36.9)
	37,317.7	34,296.3	36,876.5
Total equity			
Share capital	234.0	235.3	235.3
Share premium	301.6	386.9	386.9
Revenue and other reserves	36,750.0	33,642.2	36,219.6
Shareholders' funds	37,285.6	34,264.4	36,841.8
Non-controlling interests	32.1	31.9	34.7
	37,317.7	34,296.3	36,876.5

Hongkong Land Holdings Limited
Consolidated Statement of Changes in Equity

	Share capital US\$m	Share premium US\$m	Revenue reserves US\$m	Hedging reserves US\$m	Exchange reserves US\$m	Attributable to shareholders of the Company US\$m	Attributable to non- controlling interests US\$m	Total equity US\$m
Six months ended 30th June 2018 (unaudited)								
At 1st January 2018								
- as previously reported	235.3	386.9	36,285.8	(7.7)	(126.6)	36,773.7	34.7	36,808.4
- change in accounting policies (<i>note 1</i>)	-	-	81.2	-	(13.1)	68.1	-	68.1
- as restated	235.3	386.9	36,367.0	(7.7)	(139.7)	36,841.8	34.7	36,876.5
Total comprehensive income	-	-	1,124.4	4.9	(269.5)	859.8	(0.8)	859.0
Dividends paid by the Company (<i>note 9</i>)	-	-	(329.4)	-	-	(329.4)	-	(329.4)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	(1.8)	(1.8)
Share repurchase	(1.3)	(85.3)	-	-	-	(86.6)	-	(86.6)
At 30th June 2018	<u>234.0</u>	<u>301.6</u>	<u>37,162.0</u>	<u>(2.8)</u>	<u>(409.2)</u>	<u>37,285.6</u>	<u>32.1</u>	<u>37,317.7</u>
Six months ended 30th June 2017 (unaudited)								
At 1st January 2017								
- as previously reported	235.3	386.9	31,093.6	18.6	(440.0)	31,294.4	20.0	31,314.4
- change in accounting policies (<i>note 1</i>)	-	-	104.1	-	(15.9)	88.2	-	88.2
- as restated	235.3	386.9	31,197.7	18.6	(455.9)	31,382.6	20.0	31,402.6
Total comprehensive income	-	-	3,114.2	(30.0)	103.4	3,187.6	12.4	3,200.0
Dividends paid by the Company (<i>note 9</i>)	-	-	(305.8)	-	-	(305.8)	-	(305.8)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	(0.5)	(0.5)
At 30th June 2017	<u>235.3</u>	<u>386.9</u>	<u>34,006.1</u>	<u>(11.4)</u>	<u>(352.5)</u>	<u>34,264.4</u>	<u>31.9</u>	<u>34,296.3</u>

Total comprehensive income for the six months ended 30th June 2018 included in revenue reserves mainly comprises profit attributable to shareholders of the Company of US\$1,124.4 million (2017: US\$3,114.2 million).

(Consolidated Statement of Changes in Equity continued on page 9)

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Hongkong Land Holdings Limited
Consolidated Statement of Changes in Equity *(continued)*

	Share capital US\$m	Share premium US\$m	Revenue reserves US\$m	Hedging reserves US\$m	Exchange reserves US\$m	Attributable to shareholders of the Company US\$m	Attributable to non- controlling interests US\$m	Total equity US\$m
Year ended 31st December 2017								
At 1st January 2017								
- as previously reported	235.3	386.9	31,093.6	18.6	(440.0)	31,294.4	20.0	31,314.4
- change in accounting policies <i>(note 1)</i>	-	-	104.1	-	(15.9)	88.2	-	88.2
- as restated	235.3	386.9	31,197.7	18.6	(455.9)	31,382.6	20.0	31,402.6
Total comprehensive income	-	-	5,615.8	(26.3)	316.2	5,905.7	16.9	5,922.6
Dividends paid by the Company	-	-	(447.0)	-	-	(447.0)	-	(447.0)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	(2.2)	(2.2)
Unclaimed dividends forfeited	-	-	0.5	-	-	0.5	-	0.5
At 31st December 2017	<u>235.3</u>	<u>386.9</u>	<u>36,367.0</u>	<u>(7.7)</u>	<u>(139.7)</u>	<u>36,841.8</u>	<u>34.7</u>	<u>36,876.5</u>

The comprehensive income for the year ended 31st December 2017 included in revenue reserves comprises profit attributable to shareholders of the Company of US\$5,613.9 million.

Hongkong Land Holdings Limited
Consolidated Cash Flow Statement

	(unaudited) Six months ended 30th June 2018 US\$m	2017 US\$m restated	Year ended 31st December 2017 US\$m restated
Operating activities			
Operating profit	1,192.4	3,182.7	5,608.2
Depreciation	2.0	1.4	3.0
Change in fair value of investment properties	(665.4)	(2,693.6)	(4,677.9)
Change in fair value of other investments	(8.3)	(36.7)	(51.4)
Gain on acquisition of a subsidiary	-	-	(3.0)
(Increase)/decrease in properties for sale	(157.5)	79.0	(292.4)
(Increase)/decrease in debtors	(61.8)	(43.2)	24.2
(Decrease)/increase in creditors	(45.1)	154.8	308.2
Interest received	20.8	18.2	41.9
Interest and other financing charges paid	(85.7)	(58.0)	(117.8)
Tax paid	(55.3)	(61.2)	(137.2)
Dividends from associates and joint ventures	36.5	29.3	94.4
Cash flows from operating activities	172.6	572.7	800.2
Investing activities			
Major renovations expenditure	(42.8)	(47.3)	(108.2)
Developments capital expenditure	(38.1)	(52.5)	(105.5)
Acquisition of a subsidiary	-	-	(42.6)
Investments in and advances to associates and joint ventures	(296.6)	(31.5)	(670.5)
Payment of deposit for a joint venture	-	(43.5)	(20.1)
Cash flows from investing activities	(377.5)	(174.8)	(946.9)
Financing activities			
Drawdown of borrowings	1,131.8	74.1	825.1
Repayment of borrowings	(333.8)	(219.9)	(586.1)
Dividends paid by the Company	(326.4)	(302.0)	(443.4)
Dividends paid to non-controlling shareholders	(1.4)	(0.5)	(3.8)
Change in interests in subsidiaries	-	15.0	15.0
Share repurchase	(86.6)	-	-
Cash flows from financing activities	383.6	(433.3)	(193.2)
Net cash inflow/(outflow)	178.7	(35.4)	(339.9)
Cash and cash equivalents at beginning of period	1,616.6	1,898.4	1,898.4
Effect of exchange rate changes	(27.6)	28.5	58.1
Cash and cash equivalents at end of period	1,767.7	1,891.5	1,616.6

Hongkong Land Holdings Limited
Notes to Condensed Financial Statements

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' and on a going concern basis. The condensed financial statements have not been audited or reviewed by the Group's auditors pursuant to the UK Auditing Practices Board guidance on the review of interim financial information.

There are no changes to the accounting policies as described in the 2017 annual financial statements except for the adoption of IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' from 1st January 2018 as set out below.

The other amendments, which are effective in 2018 and relevant to the Group's operations, do not have a significant effect on the Group's accounting policies.

The Group has not early adopted any standard, interpretation or amendment that have been issued but not yet effective.

IFRS 9 'Financial Instruments'

Under IFRS 9, the gains and losses arising from changes in fair value of the Group's investments in equity securities, previously classified as available-for-sale, will be recognised in profit and loss, instead of through other comprehensive income. Such fair value gains or losses on revaluation of these investments are classified as non-trading items, and do not have any impact on the Group's underlying profit attributable to shareholders and shareholders' funds. The new hedge accounting rules, which align the accounting for hedging instruments closely with the Group's risk management practices, has no significant impact to the Group.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 establishes a comprehensive framework for the recognition of revenue. It replaces IAS 11 'Construction Contracts' and IAS 18 'Revenue' which covers contracts for goods and services. The core principle in the framework is that revenue is recognised when control of a good or service transfers to a customer. The new standard mainly changes the Group's revenue recognition on certain property sales, from completion method to percentage of completion method. This will lead to earlier recognition of revenue when compared to the current completion method.

Changes to accounting policies on adoption of IFRS 9 and IFRS 15 have been applied retrospectively and the comparative financial statements have been restated.

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION *(continued)**The effects of adopting IFRS 9 and IFRS 15*

(a) On the consolidated profit and loss account for the six months ended 30th June 2017:

	Increase/(decrease) in profit upon adopting	
	IFRS 9 US\$m	IFRS 15 US\$m
Revenue	-	(480.7)
Net operating costs	36.7	422.8
Share of results of associates and joint ventures	-	0.2
Tax	-	9.9
Profit attributable to shareholders of the Company*	<u>36.7</u>	<u>(47.8)</u>
*Further analysed as:		
Underlying profit attributable to shareholders	-	(47.8)
Non-trading items	<u>36.7</u>	<u>-</u>
Profit attributable to shareholders	<u>36.7</u>	<u>(47.8)</u>
Underlying earnings per share (US¢)	<u>-</u>	<u>(2.03)</u>
Earnings per share (US¢)	<u>1.56</u>	<u>(2.03)</u>

(b) On the consolidated statement of comprehensive income for the six months ended 30th June 2017:

	Increase/(decrease) in total comprehensive income upon adopting	
	IFRS 9 US\$m	IFRS 15 US\$m
Profit for the period	36.7	(47.8)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Net exchange translation differences		
- net gain arising during the period	-	2.1
Revaluation of other investments at fair value through other comprehensive income	(36.7)	-
Share of other comprehensive income of associates and joint ventures	-	0.4
Other comprehensive income for the period, net of tax	<u>(36.7)</u>	<u>2.5</u>
Total comprehensive income for the period attributable to shareholders of the Company	<u>-</u>	<u>(45.3)</u>

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION *(continued)*

(c) On the consolidated balance sheet at 1st January

	Increase/(decrease) upon adopting					
	IFRS 9		IFRS 15		Total	
	2018 US\$m	2017 US\$m	2018 US\$m	2017 US\$m	2018 US\$m	2017 US\$m
Assets						
Associates and joint ventures	-	-	28.0	24.7	28.0	24.7
Properties for sale	-	-	(136.2)	(328.2)	(136.2)	(328.2)
Current debtors	-	-	(3.3)	(21.1)	(3.3)	(21.1)
Equity and liabilities						
Revenue and other reserves	-	-	68.1	88.2	68.1	88.2
Deferred tax liabilities	-	-	8.2	13.1	8.2	13.1
Current creditors	-	-	(187.8)	(425.9)	(187.8)	(425.9)

(d) Changes in principal accounting policies on adoption of IFRS 9 and IFRS 15

Investments

The Group's equity investments are measured at fair value through profit and loss, unless management has elected to recognise the fair value gains and losses through other comprehensive income. For equity investments fair value through other comprehensive income, there is no subsequent reclassification of the fair value gains and losses to profit and loss upon its derecognition.

All purchases and sales of investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the investments.

Debtors

Debtors, excluding derivative financial instruments, are measured at amortised cost except where the effect of discounting would be immaterial. For trade debtors, the Group applied the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the debtors. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in arriving at operating profit. When a debtor is uncollectible, it is written off against the allowance account. Subsequent recoveries of amount previously written off are credited to profit and loss.

Debtors with maturities greater than 12 months after the balance sheet date are classified under non-current assets.

Non-trading items

Non-trading items are separately identified to provide greater understanding of the Group's underlying business performance. Items classified as non-trading items include fair value gains or losses on revaluation of investment properties and on equity investments which are fair value through profit and loss; gains and losses arising from the sale of businesses, investments and investment properties; impairment of non-depreciable intangible assets and other investments; provisions for the closure of businesses; acquisition-related costs in business combinations; and other credits and charges of a non-recurring nature that require inclusion in order to provide additional insight into underlying business performance.

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION (*continued*)

(d) Changes in principal accounting policies on adoption of IFRS 9 and IFRS 15 (*continued*)

Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

(i) Revenue from properties for sale is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer; or
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

For property development and sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

- (ii) Receipts under operating leases are accounted for an accrual basis over the lease terms.
- (iii) Revenue from rendering of services is recognised when services are performed, provided that the amount can be measured reliably.
- (iv) Interest income from a financial asset is recognised on a time-proportion basis using the effective interest method.
- (v) Dividend income is recognised when the right to receive payment is established.

2. REVENUE

	Six months ended 30th June	
	2018	2017
	US\$m	US\$m
Rental income	484.1	445.5
Service income	76.4	67.3
Sales of properties	955.4	303.2
	<u>1,515.9</u>	<u>816.0</u>

Service income includes service and management charges and hospitality service income.

3. NET OPERATING COSTS

	Six months ended 30th June	
	2018	2017
	US\$m	US\$m
Cost of sales	(926.2)	(306.9)
Other income	16.6	42.8
Administrative expenses	(79.3)	(62.8)
	<u>(988.9)</u>	<u>(326.9)</u>

4. OPERATING PROFIT

	Six months ended 30th June	
	2018	2017
	US\$m	US\$m
<i>By business</i>		
Investment Properties	456.6	433.5
Development Properties	96.0	52.5
Corporate	(33.9)	(33.6)
Underlying business performance	518.7	452.4
Change in fair value of investment properties	665.4	2,693.6
Change in fair value of other investments	8.3	36.7
	<u>1,192.4</u>	<u>3,182.7</u>

5. SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

	Six months ended 30th June	
	2018	2017
	US\$m	US\$m
<i>By business</i>		
Investment Properties		
- operating profit	72.9	69.9
- net financing income	(21.4)	(17.8)
- tax	(8.6)	(8.5)
- net profit	42.9	43.6
Development Properties		
- operating profit	52.2	197.8
- net financing income	5.6	3.7
- tax	(24.7)	(106.5)
- non-controlling interests	(2.4)	(3.1)
- net profit	30.7	91.9
Underlying business performance	73.6	135.5
Change in fair value of investment properties (net of deferred tax)	(1.4)	(76.4)
	<u>72.2</u>	<u>59.1</u>

6. TAX

	Six months ended 30th June	
	2018	2017
	US\$m	US\$m
Tax charged to profit and loss is analysed as follows:		
Current tax	(65.4)	(87.7)
Deferred tax		
- changes in fair value of investment properties	(2.0)	0.1
- other temporary differences	(20.3)	6.1
	<u>(87.7)</u>	<u>(81.5)</u>
Tax relating to components of other comprehensive income is analysed as follows:		
Cash flow hedges	<u>(0.4)</u>	<u>5.4</u>

Tax on profits has been calculated at the rates of taxation prevailing in the territories in which the Group operates.

Share of tax charge of associates and joint ventures of US\$36.7 million (2017: US\$91.3 million) is included in share of results of associates and joint ventures.

7. EARNINGS PER SHARE

Earnings per share are calculated on profit attributable to shareholders of US\$1,124.4 million (2017: US\$3,114.2 million) and on the weighted average number of 2,347.2 million (2017: 2,352.8 million) shares in issue during the period.

Earnings per share are additionally calculated based on underlying profit attributable to shareholders. A reconciliation of earnings is set out below:

	Six months ended 30th June 2018		2017	
	US\$m	Earnings per share	US\$m	Earnings per share
		US¢		US¢
Underlying profit attributable to shareholders	455.1	19.39	469.6	19.96
Non-trading items (note 8)	669.3		2,644.6	
Profit attributable to shareholders	<u>1,124.4</u>	<u>47.90</u>	<u>3,114.2</u>	132.36

8. NON-TRADING ITEMS

Non-trading items are separately identified to provide greater understanding of the Group's underlying business performance. Items classified as non-trading items include fair value gains or losses on revaluation of investment properties and on equity investments which are fair value through profit and loss; gains and losses arising from the sale of businesses, investments and investment properties; impairment of non-depreciable intangible assets and other investments; provisions for the closure of businesses; acquisition-related costs in business combinations; and other credits and charges of a non-recurring nature that require inclusion in order to provide additional insight into underlying business performance.

An analysis of non-trading items is set out below:

	Six months ended 30th June	
	2018 US\$m	2017 US\$m
Change in fair value of investment properties	665.4	2,693.6
Deferred tax on change in fair value of investment properties	(2.0)	0.1
Share of change in fair value of investment properties of associates and joint ventures (net of deferred tax)	(1.4)	(76.4)
Change in fair value of other investments	8.3	36.7
Non-controlling interests	<u>(1.0)</u>	<u>(9.4)</u>
	<u>669.3</u>	<u>2,644.6</u>

9. DIVIDENDS

	Six months ended 30th June	
	2018	2017
	US\$m	US\$m
Final dividend in respect of 2017 of US¢14.00 (2016: US¢13.00) per share	<u>329.4</u>	<u>305.8</u>

An interim dividend in respect of 2018 of US¢6.00 (2017: US¢6.00) per share amounting to a total of US\$140.4 million (2017: US\$141.2 million) is declared by the Board and will be accounted for as an appropriation of revenue reserves in the year ending 31st December 2018.

10. INVESTMENT PROPERTIES

	Six months ended 30th June		Year ended 31st December
	2018	2017	2017
	US\$m	US\$m	US\$m
Net book value at beginning of period	32,481.0	27,712.3	27,712.3
Exchange differences	(145.2)	(127.1)	(123.1)
Additions	67.5	81.2	213.9
Increase in fair value	<u>665.4</u>	<u>2,693.6</u>	<u>4,677.9</u>
Net book value at end of period	<u>33,068.7</u>	<u>30,360.0</u>	<u>32,481.0</u>

11. BORROWINGS

	2018 US\$m	At 30th June 2017 US\$m	At 31st December 2017 US\$m
<i>Current</i>			
Bank overdrafts	1.6	10.5	5.5
Short-term borrowings	235.2	-	-
Current portion of long-term borrowings			
- bank loans	117.8	317.3	5.0
- medium term notes	-	36.6	180.1
	354.6	364.4	190.6
<i>Long-term</i>			
Bank loans	1,708.2	557.9	1,127.0
Medium term notes			
- due 2019	101.9	102.4	102.3
- due 2020	301.6	304.1	306.0
- due 2021	64.6	68.0	66.4
- due 2022	599.6	608.5	605.2
- due 2023	177.5	178.3	178.2
- due 2024	396.3	406.2	402.7
- due 2025	649.3	650.9	650.2
- due 2026	38.2	38.4	38.3
- due 2027	184.2	185.0	184.9
- due 2028	78.9	79.2	79.2
- due 2029	50.3	50.6	50.5
- due 2030	102.0	102.5	102.3
- due 2031	25.2	25.3	25.2
- due 2032	30.0	30.2	30.1
- due 2040	31.7	31.9	31.8
	2,831.3	2,861.5	2,853.3
	<u>4,539.5</u>	<u>3,419.4</u>	<u>3,980.3</u>
	<u>4,894.1</u>	<u>3,783.8</u>	<u>4,170.9</u>

12. FINANCIAL INSTRUMENTS

Financial instruments by category

The fair values of financial assets and financial liabilities, together with carrying amounts at 30th June 2018 and 31st December 2017 are as follows:

	Fair value of hedging instruments US\$m	Fair value through profit and loss US\$m	Financial assets at amortised cost US\$m	Other financial liabilities US\$m	Total carrying amount US\$m	Fair value US\$m
30th June 2018						
Financial assets measured at fair value						
Other investments						
- equity investments	-	110.8	-	-	110.8	110.8
Derivative financial instruments	10.6	-	-	-	10.6	10.6
	<u>10.6</u>	<u>110.8</u>	<u>-</u>	<u>-</u>	<u>121.4</u>	<u>121.4</u>
Financial assets not measured at fair value						
Debtors	-	-	335.3	-	335.3	335.3
Bank balances	-	-	1,769.3	-	1,769.3	1,769.3
	<u>-</u>	<u>-</u>	<u>2,104.6</u>	<u>-</u>	<u>2,104.6</u>	<u>2,104.6</u>
Financial liabilities measured at fair value						
Derivative financial instruments	(18.4)	-	-	-	(18.4)	(18.4)
Financial liabilities not measured at fair value						
Borrowings	-	-	-	(4,894.1)	(4,894.1)	(4,942.4)
Trade and other payable excluding non-financial liabilities	-	-	-	(671.0)	(671.0)	(671.0)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,565.1)</u>	<u>(5,565.1)</u>	<u>(5,613.4)</u>

12. FINANCIAL INSTRUMENTS *(continued)*

Financial instruments by category

	Fair value of hedging instruments US\$m	Fair value through profit and loss US\$m	Financial assets at amortised cost US\$m	Other financial liabilities US\$m	Total carrying amount US\$m	Fair value US\$m
31st December 2017						
Financial assets measured at fair value						
Other investments						
- equity investments	-	103.0	-	-	103.0	103.0
Derivative financial instruments	14.5	-	-	-	14.5	14.5
	<u>14.5</u>	<u>103.0</u>	<u>-</u>	<u>-</u>	<u>117.5</u>	<u>117.5</u>
Financial assets not measured at fair value						
Debtors	-	-	217.9	-	217.9	217.9
Bank balances	-	-	1,622.1	-	1,622.1	1,622.1
	<u>-</u>	<u>-</u>	<u>1,840.0</u>	<u>-</u>	<u>1,840.0</u>	<u>1,840.0</u>
Financial liabilities measured at fair value						
Derivative financial instruments	(16.3)	-	-	-	(16.3)	(16.3)
Financial liabilities not measured at fair value				(4,170.9)	(4,170.9)	(4,292.7)
Trade and other payable excluding non-financial liabilities	-	-	-	(667.9)	(667.9)	(667.9)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,838.8)</u>	<u>(4,838.8)</u>	<u>(4,960.6)</u>

Fair value estimation

(a) Financial instruments that are measured at fair value

For financial instruments that are measured at fair value in the balance sheet, the corresponding fair value measurements are disclosed by level of the following fair value measurement hierarchy:

(i) *Quoted prices (unadjusted) in active markets for identical assets or liabilities ('quoted prices in active markets')*

The fair values of listed investments are based on quoted prices in active markets at the balance sheet date. The quoted market price used for listed investments held by the Group is the current bid price.

(ii) *Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly ('observable current market transactions')*

The fair values of derivative financial instruments are determined using rates quoted by the Group's bankers at the balance sheet date. The rates for interest rate swaps and forward foreign exchange contracts are calculated by reference to market interest rates and foreign exchange rates.

12. FINANCIAL INSTRUMENTS *(continued)*

There were no changes in valuation techniques during the six months ended 30th June 2018 and the year ended 31st December 2017.

The table below analyses financial instruments carried at fair value at 30th June 2018 and 31st December 2017, by the levels in the fair value measurement hierarchy:

	Quoted prices in active markets US\$m	Observable current market transactions US\$m	Total US\$m
30th June 2018			
Assets			
Other investments			
- equity investments	110.8	-	110.8
Derivative financial instruments at fair value			
- through other comprehensive income	-	8.3	8.3
- through profit and loss	-	2.3	2.3
	<u>110.8</u>	<u>10.6</u>	<u>121.4</u>
Liabilities			
Derivative financial instruments at fair value			
- through other comprehensive income	-	(4.2)	(4.2)
- through profit and loss	-	(14.2)	(14.2)
	<u>-</u>	<u>(18.4)</u>	<u>(18.4)</u>
31st December 2017			
Assets			
Other investments			
- equity investments	103.0	-	103.0
Derivative financial instruments at fair value			
- through other comprehensive income	-	4.8	4.8
- through profit and loss	-	9.7	9.7
	<u>103.0</u>	<u>14.5</u>	<u>117.5</u>
Liabilities			
Derivative financial instruments at fair value			
- through other comprehensive income	-	(7.7)	(7.7)
- through profit and loss	-	(8.6)	(8.6)
	<u>-</u>	<u>(16.3)</u>	<u>(16.3)</u>

There were no transfers among the two categories during the six months ended 30th June 2018 and the year ended 31st December 2017.

(b) Financial instruments that are not measured at fair value

The fair values of current debtors, bank balances, current creditors and current borrowings are assumed to approximate their carrying amounts due to the short-term maturities of these assets and liabilities.

The fair values of long-term borrowings are based on market prices or are estimated using the expected future payments discounted at market interest rates.

13. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Total capital commitments at 30th June 2018 and 31st December 2017 amounted to US\$1,350.1 million and US\$1,365.6 million, respectively.

Various Group companies are involved in litigation arising in the ordinary course of their respective businesses. Having reviewed outstanding claims and taking into account legal advice received, the Directors are of the opinion that adequate provisions have been made in the condensed financial statements.

14. RELATED PARTY TRANSACTIONS

The parent company of the Group is Jardine Strategic Holdings Limited and the ultimate holding company is Jardine Matheson Holdings Limited ('JMH'). Both companies are incorporated in Bermuda.

In the normal course of business, the Group has entered into a variety of transactions with the subsidiaries, associates and joint ventures of JMH ('Jardine Matheson group members'). The more significant of these transactions are described below:

Management fee

The management fee payable by the Group, under an agreement entered into in 1995, to Jardine Matheson Limited ('JML') in 2018 was US\$2.3 million (2017: US\$2.6 million), being 0.5% per annum of the Group's underlying profit in consideration for management consultancy services provided by JML, a wholly-owned subsidiary of JMH.

Property and other services

The Group rented properties to Jardine Matheson group members. Gross rents on such properties in 2018 amounted to US\$11.5 million (2017: US\$10.3 million).

Jardine Matheson group members provided property maintenance and other services to the Group in 2018 in aggregate amounting to US\$25.6 million (2017: US\$22.2 million).

Hotel management services

Jardine Matheson group members provided hotel management services to the Group in 2018 amounting to US\$1.9 million (2017: US\$1.2 million).

Outstanding balances with associates and joint ventures

Amounts of outstanding balances with associates and joint ventures are included in debtors and creditors as appropriate. The amounts are not material.

Hongkong Land Holdings Limited

Principal Risks and Uncertainties

The Board has overall responsibility for risk management and internal control. The following have been identified previously as the areas of principal risk and uncertainty facing the Company, and they remain unchanged:

- Economic Risk and Financial Risk
- Commercial Risk
- Regulatory and Political Risk
- Terrorism, Pandemic and Natural Disasters

For greater detail, please refer to page 78 of the Company's Annual Report for 2017, a copy of which is available on the Company's website www.hkland.com.

Responsibility Statement

The Directors of the Company confirm to the best of their knowledge that:

- (a) the condensed financial statements have been prepared in accordance with IAS 34; and
- (b) the interim management report includes a fair review of all information required to be disclosed by the Disclosure Guidance and Transparency Rules 4.2.7 and 4.2.8 issued by the Financial Conduct Authority in the United Kingdom.

For and on behalf of the Board

Robert Wong
Simon Dixon

Directors

The interim dividend of US\$6.00 per share will be payable on 10th October 2018 to shareholders on the register of members at the close of business on 17th August 2018. The shares will be quoted ex-dividend on the Singapore Exchange and the London Stock Exchange on 15th and 16th August 2018, respectively. The share registers will be closed from 20th to 24th August 2018, inclusive.

Shareholders will receive their cash dividends in United States Dollars, unless they are registered on the Jersey branch register, in which case they will have the option to elect for their dividends to be paid in Sterling. These shareholders may make new currency elections for the 2018 interim dividend by notifying the United Kingdom transfer agent in writing by 21st September 2018. The Sterling equivalent of dividends declared in United States Dollars will be calculated by reference to a rate prevailing on 26th September 2018.

Shareholders holding their shares through CREST in the United Kingdom will receive their cash dividends in Sterling only as calculated above. Shareholders holding their shares through The Central Depository (Pte) Limited ('CDP') in Singapore will receive their cash dividends in United States Dollars unless they elect, through CDP, to receive Singapore Dollars.

Shareholders on the Singapore branch register who wish to deposit their shares into the CDP system by the dividend record date, being 17th August 2018, must submit the relevant documents to M & C Services Private Limited, the Singapore branch registrar, by no later than 5.00 p.m. (local time) on 16th August 2018.

Hongkong Land Group

Hongkong Land is a leading property investment, management and development group. Founded in 1889, Hongkong Land's business is built on excellence, integrity and partnership.

The Group owns and manages more than 850,000 sq. m. of prime office and luxury retail property in key Asian cities, principally in Hong Kong, Singapore and Beijing. Its properties attract the world's foremost companies and luxury brands.

The Group's Central Hong Kong portfolio represents some 450,000 sq. m. of prime property. It has a further 165,000 sq. m. of prestigious office space in Singapore mainly held through joint ventures, a luxury retail centre at Wangfujing in Beijing, and a 50% interest in a leading office complex in Central Jakarta. The Group also has a number of high quality residential, commercial and mixed-use projects under development in cities across Greater China and Southeast Asia. In Singapore, its subsidiary, MCL Land, is a well-established residential developer.

Hongkong Land Holdings Limited is incorporated in Bermuda and has a standard listing on the London Stock Exchange, with secondary listings in Bermuda and Singapore. The Group's assets and investments are managed from Hong Kong by Hongkong Land Limited. Hongkong Land is a member of the Jardine Matheson Group.

- end -

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As permitted by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority in the United Kingdom, the Company will not be posting a printed version of the Half-Yearly Results announcement to shareholders. The Half-Yearly Results announcement will remain available on the Company's website, www.hkland.com, together with other Group announcements.