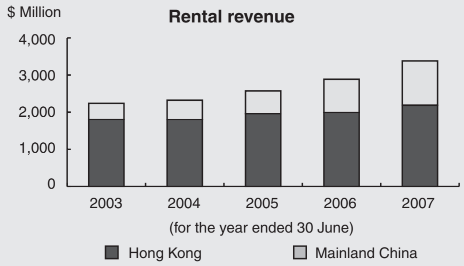
恒隆集團
HANG LUNG GROUP



恒隆集團有限公司
HANG LUNG GROUP LIMITED
(Stock Code: 10)

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007 (AUDITED)
(Expressed in Hong Kong dollars)

	Note	**2007 $Million**	2006 $Million
Turnover	*3*	**4,777.8**	4,200.2
Other income	*4*	**321.0**	285.0
Gain on deemed disposal of interest in a subsidiary	*5*	**879.4**	–
Direct costs and operating expenses		**(1,815.9)**	(1,576.6)
Administrative expenses		**(328.5)**	(252.0)
Operating profit		**3,833.8**	2,656.6
Increase in fair value of investment properties	*10*	**6,561.7**	3,925.3
		10,395.5	6,581.9
Finance costs	*6*	**(465.7)**	(541.5)
Share of profits of jointly controlled entities		**142.2**	112.3
Profit before taxation	*3(a) & 6*	**10,072.0**	6,152.7
Taxation	*7*	**(1,479.9)**	(1,151.1)
Profit for the year		**8,592.1**	5,001.6
Attributable to:			
Shareholders		**4,785.9**	2,832.6
Minority interests		**3,806.2**	2,169.0
		8,592.1	5,001.6
Dividends	*8*	**813.3**	739.4
Earnings per share	*9(a)*		
Basic		**359.1¢**	**212.8¢**
Diluted		**355.8¢**	**211.3¢**
Earnings per share excluding changes in fair value of investment properties net of deferred tax	*9(b)*		
Basic		**149.7¢**	71.3¢
Diluted		**148.4¢**	70.9¢

CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2007 (AUDITED)
(Expressed in Hong Kong dollars)

	Note	2007 $Million	2006 $Million
Non-current assets			
Fixed assets			
Investment properties	10	**52,539.2**	43,753.3
Other fixed assets		**4,060.5**	3,247.2
		56,599.7	47,000.5
Interest in jointly controlled entities		**1,317.2**	1,307.4
Loans and investments		**126.8**	171.6
Deferred tax assets		**74.5**	77.3
		58,118.2	48,556.8
Current assets			
Inventories		**9,746.3**	10,214.5
Trade and other receivables	11	**1,266.3**	1,547.7
Cash and deposits with banks		**7,091.6**	6,189.4
		18,104.2	17,951.6
Current liabilities			
Bank loans		**608.4**	–
Trade and other payables	12	**1,894.3**	1,981.0
Taxation		**227.7**	383.9
		2,730.4	2,364.9
Net current assets		**15,373.8**	15,586.7
Total assets less current liabilities		**73,492.0**	64,143.5
Non-current liabilities			
Bank loans		**7,873.4**	11,787.0
Floating rate notes due 2009		**1,500.0**	1,500.0
Other long term liabilities		**487.1**	570.7
Deferred tax liabilities		**5,141.7**	3,959.5
		15,002.2	17,817.2
NET ASSETS		**58,489.8**	46,326.3
CAPITAL AND RESERVES			
Share capital		**1,333.6**	1,332.4
Reserves		**27,761.8**	23,680.7
Shareholders' equity		**29,095.4**	25,013.1
Minority interests		**29,394.4**	21,313.2
TOTAL EQUITY	13	**58,489.8**	46,326.3

Notes

1. The financial statements have been reviewed by the Audit Committee.

2. Basis of preparation

   These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

   The principal accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2006.

3. Turnover and segment information

   (a) Business segment

   (i) Segment revenue and results

	Segment revenue		**Segment results**	
	2007	2006	**2007**	2006
	$Million	$Million	**$Million**	$Million
Property leasing	**3,379.7**	2,886.3	**2,648.6**	2,240.5
Property sales	**1,398.1**	1,313.9	**313.3**	383.1
	4,777.8	4,200.2	**2,961.9**	2,623.6
Other income			**321.0**	285.0
Gain on deemed disposal of interest in a subsidiary			**879.4**	–
Administrative expenses			**(328.5)**	(252.0)
Operating profit			**3,833.8**	2,656.6
Increase in fair value of investment properties – property leasing			**6,561.7**	3,925.3
Finance costs			**(465.7)**	(541.5)
Share of profits of jointly controlled entities – property leasing			**142.2**	112.3
Profit before taxation			**10,072.0**	6,152.7

   (ii) Segment assets and liabilities

	Assets		**Liabilities**	
	2007	2006	**2007**	2006
	$Million	$Million	**$Million**	$Million
Property leasing	**56,756.0**	47,508.1	**1,964.6**	1,829.3
Property sales	**10,556.4**	10,954.7	**394.8**	320.4
	67,312.4	58,462.8	**2,359.4**	2,149.7
Interest in jointly controlled entities				
Property leasing	**996.4**	921.9	**–**	–
Property sales	**320.8**	385.5	**–**	–
Unallocated *(Note)*	**7,592.8**	6,738.2	**15,373.2**	18,032.4
	76,222.4	66,508.4	**17,732.6**	20,182.1

   Note: Unallocated items mainly comprise financial and corporate assets including cash and deposits with banks of $7,091.6 million (2006: $6,189.4 million), investments of $94.2 million (2006: $119.6 million), interest-bearing borrowings including bank loans of $7,873.4 million (2006: $11,787.0 million), other liabilities of $1,987.1 million (2006: $2,070.7 million), and taxation of $5,294.9 million (2006: $4,266.1 million).

(iii) Capital expenditure and depreciation

	Capital expenditure 2007 $Million	Capital expenditure 2006 $Million	Depreciation 2007 $Million	Depreciation 2006 $Million
Property leasing	**3,073.0**	1,508.6	**11.0**	10.8

(b) Geographical segment

(i) Segment revenue and results

	Segment revenue 2007 $Million	Segment revenue 2006 $Million	Segment results 2007 $Million	Segment results 2006 $Million
Hong Kong	**3,582.9**	3,066.9	**2,039.0**	1,877.7
Mainland China	**1,194.9**	1,133.3	**922.9**	745.9
	4,777.8	4,200.2	**2,961.9**	2,623.6
Jointly controlled entities				
Hong Kong			**142.2**	112.3

(ii) Segment assets

	2007 $Million	2006 $Million
Hong Kong	**50,038.3**	47,625.2
Mainland China	**18,685.5**	12,264.6
	68,723.8	59,889.8

(iii) Capital expenditure

	2007 $Million	2006 $Million
Hong Kong	**113.1**	116.0
Mainland China	**2,959.9**	1,392.6
	3,073.0	1,508.6

4. Other income

	2007 $Million	2006 $Million
Interest income	**302.4**	263.9
Profit on disposal of listed investments	**17.3**	18.5
Dividend income from listed investments	**0.4**	2.6
Dividend income from unlisted investments	**0.9**	–
	321.0	285.0

5. Gain on deemed disposal of interest in a subsidiary

The gain on deemed disposal arose from the placement of 410 million new shares by a subsidiary, Hang Lung Properties Limited ("HLP") in November 2006 which resulted in the dilution of Hang Lung Group Limited's effective equity interest in HLP from 56.2% to 50.7%.

6. Profit before taxation is arrived at after charging:

	2007 $Million	2006 $Million
Finance costs		
Interest on borrowings	**568.8**	525.2
Dividend on convertible cumulative preference shares of a subsidiary	**–**	17.2
Other ancillary borrowing costs	**36.3**	59.7
Total borrowing costs	**605.1**	602.1
Less: Borrowing costs capitalised	**(139.4)**	(60.6)
	465.7	541.5
Cost of properties sold:		
Development properties	**995.5**	737.5
Investment properties	**24.5**	152.6
Staff costs, including employee share-based payment expenses of $62.6 million (2006: $29.9 million)	**334.3**	282.6
Depreciation	**11.0**	10.8
and after crediting:		
Profit on disposal of investment properties	**5.3**	85.9

7. Provision for Hong Kong Profits Tax and PRC Income Tax is calculated at 17.5% and 33% respectively of the estimated assessable profits for the year.

	2007 $Million	2006 $Million
Current tax		
Hong Kong Profits Tax	**182.3**	150.7
(Over)/Under-provision in prior years	**(2.4)**	0.7
	179.9	151.4
PRC Income Tax	**115.0**	87.4
	294.9	238.8
Deferred tax		
Change in fair value of investment properties	**1,447.6**	797.7
Other origination and reversal of temporary differences	**96.3**	114.6
Effect of change in PRC tax rate on deferred tax balances at 1 July	**(358.9)**	–
	1,185.0	912.3
	1,479.9	1,151.1

On 16 March 2007, the Standing Committee of the Tenth National People's Congress of PRC passed the income tax law where tax rate will be changed from 33% to 25% with effect from 1 January 2008. Accordingly, the relevant deferred tax liabilities have been calculated using the new rate of 25%.

8. (a) Dividends attributable to the year

	2007 $Million	2006 $Million
Interim dividend declared and paid of 14.5 cents (2006: 14.5 cents) per share	**193.2**	193.1
Final dividend of 46.5 cents (2006: 41 cents) per share proposed after the balance sheet date	**620.1**	546.3
	813.3	739.4

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

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

	2007 $Million	2006 $Million
Final dividend in respect of the previous financial year of 41 cents (2006: 40 cents) per share	**546.4**	532.7

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

	2007 $Million	2006 $Million
Earnings used in calculating basic and diluted earnings per share (profit for the year attributable to shareholders of the Company)	**4,785.9**	2,832.6

	Number of shares ('000)	
	2007	2006
Weighted average number of shares used in calculating basic earnings per share	**1,332,676**	1,331,296
Effect of dilutive potential shares – share options	**12,415**	9,152
Weighted average number of shares used in calculating diluted earnings per share	**1,345,091**	1,340,448

(b) The calculation of basic and diluted earnings per share excluding changes in fair value of investment properties net of deferred tax and minority interests is based on the profit adjusted as follows:

	2007 $Million	2006 $Million
Net profit attributable to shareholders	**4,785.9**	2,832.6
Effect of changes in fair value of investment properties	**(3,409.2)**	(2,356.9)
Effect of corresponding deferred tax	**618.8**	474.1
Adjusted earnings for calculation of basic/diluted earnings per share	**1,995.5**	949.8

10. Investment properties of the Group carried at fair value were revalued as at 30 June 2007 by Mr. Charles C.K. Chan, Registered Professional Surveyor (General Practice), of Savills Valuation and Professional Services Limited, on an open market value basis with reference to the total rental income after taking into account reversionary income potential.

11. Included in trade and other receivables are trade debtors with the following ageing analysis:

	2007 $Million	2006 $Million
Within 1 month	**450.4**	376.4
1 – 3 months	**4.3**	3.0
Over 3 months	**0.9**	0.6
	455.6	380.0

The Group maintains a defined credit policy. An ageing analysis of trade debtors is prepared on a regular basis and is closely monitored to minimise any credit risk associated with receivables.

12. Included in trade and other payables are trade creditors with the following ageing analysis:

	2007 $Million	2006 $Million
Due within 1 month	**689.3**	692.5
Due over 3 months	**78.9**	83.3
	768.2	775.8

13. Total equity

	Shareholders' equity											
	Share capital $Million	Share premium $Million	Share of capital reserve of jointly controlled entities $Million	Capital redemption reserve $Million	Investment revaluation reserve $Million	Other capital reserve $Million	General reserve $Million	Employee share-based compensation reserve $Million	Retained profits $Million	Total $Million	Minority interests $Million	Total equity $Million
At 1 July 2006	1,332.4	2,228.8	16.5	26.1	26.1	4.4	275.0	50.2	21,053.6	25,013.1	21,313.2	46,326.3
Issue of shares	1.2	9.4	–	–	–	–	–	–	–	10.6	–	10.6
Reduction of capital reserves of jointly controlled entities	–	–	(15.8)	–	–	–	–	–	–	(15.8)	–	(15.8)
Increase in fair value of listed investments	–	–	–	–	6.0	–	–	–	–	6.0	–	6.0
Realised on disposal of listed investments	–	–	–	–	(14.2)	–	–	–	–	(14.2)	–	(14.2)
Employee share-based payments	–	2.2	–	–	–	–	–	36.3	–	38.5	24.1	62.6
Exchange gains on translation of overseas subsidiaries	–	–	–	–	–	10.9	–	–	–	10.9	–	10.9
Change in minority interests arising from placement of a subsidiary's shares	–	–	–	–	–	–	–	–	–	–	5,662.6	5,662.6
Decrease in minority interests in a subsidiary	–	–	–	–	–	–	–	–	–	–	(307.5)	(307.5)
Net profit for the year	–	–	–	–	–	–	–	–	4,785.9	4,785.9	3,806.2	8,592.1
Dividend paid	–	–	–	–	–	–	–	–	(739.6)	(739.6)	(885.3)	(1,624.9)
Repayment to minority shareholders	–	–	–	–	–	–	–	–	–	–	(218.9)	(218.9)
At 30 June 2007	1,333.6	2,240.4	0.7	26.1	17.9	15.3	275.0	86.5	25,099.9	29,095.4	29,394.4	58,489.8

14. Comparative figures

In order to enhance the understandability of the financial statements, certain comparative figures on the consolidated income statement have been reclassified.

Highlights

- Net profit of Hang Lung Group was HK$4,785.9 million, 69% higher than previous year. When excluding the effect of investment properties revaluation, underlying net profit increased by 110% to HK$1,995.5 million. The increase in underlying net profit was attributable to strong rental growth and a non-cash item of deemed disposal profit of HK$879.4 million from the placement of Hang Lung Properties' shares.

- Overall rental turnover and profits increased by 17% to HK$3,379.7 million and 18% to HK$2,648.6 million, respectively.

- Our leasing business in Shanghai continued to bring pleasing results, with rental turnover and profits growing by 34% to HK$1,194.9 million and 36% to HK$894.5 million, respectively. Apart from strong growth in underlying rentals, the increase was boosted by rental contribution from new office tower of Plaza 66 and the second residential tower of The Grand Gateway as leasing activities commenced in January 2007 and November 2006 respectively.

- Turnover and profits from Hong Kong property leasing performed well, increasing by 10% to HK$2,184.8 million and 11% to HK$1,754.1 million, respectively.

- During the year, 410 residential units of AquaMarine were sold at an average price of approximately HK$4,600 per square foot. We will continue to maximize property development profit margins by releasing our properties into the market at the best possible time.

- As of 30 June 2007, our cash position remained very strong with a low gearing ratio of 6%.

- Following our acquisition of prime sites in Tianjin and Shenyang in 2005 for the development of commercial complexes, we acquired in August 2006 another prime lot of about 92,000 square metres in Shenhe District of Shenyang City for the development of a grand scale multi-complex project with gross floor area of about 800,000 square metres. Expected total investment is approximately RMB8 billion.

  In December 2006, we acquired a prime lot in Chongan District, Wuxi to develop a large-scale multi-complex project with gross floor area of about 255,000 square metres. Expected total investment is about RMB3.5 billion.

  In February 2007, we acquired a prime lot of about 52,600 square metres in Lixia District, Jinan for the development of a grand-scale shopping mall with gross floor area of about 150,000 square metres. Expected total investment is about RMB2.5 billion.

Purchase, Sale or Redemption of Listed Securities

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Compliance with the Code on Corporate Governance Practices

During the year, the Company has met the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Book Close Dates

Book close dates (both days inclusive)	31 October 2007 to 2 November 2007
Latest time to lodge transfers	4:00 p.m. on 30 October 2007
Annual general meeting	5 November 2007
Final dividend payment date	23 November 2007

On Behalf of the Board
Ronnie C. Chan
Chairman

Hong Kong, 15 August 2007

As at the date of this announcement, the board of directors of the Company comprises the following directors:

Executive Directors: Mr. Ronnie C. Chan, Mr. Nelson W.L. Yuen and Mr. Terry S. Ng
Non-Executive Director: Mr. Gerald L. Chan
Independent Non-Executive Directors: Mr. S.S. Yin, Dr. H.K. Cheng, Ms. Laura L.Y. Chen, Mr. Simon S.O. Ip and Dr. York Liao