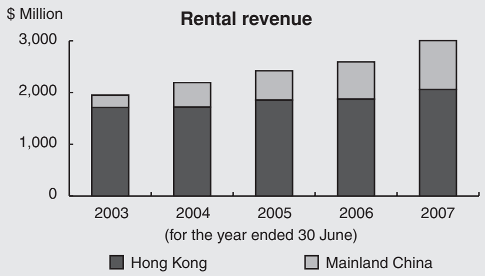
恒隆地產
HANG LUNG PROPERTIES



恒隆地產有限公司
HANG LUNG PROPERTIES LIMITED
(Stock Code: 101)

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

	Note	**2007 $Million**	2006 $Million
Turnover	*3*	**4,389.4**	3,657.1
Other income		**302.6**	317.2
Direct costs and operating expenses		**(1,686.0)**	(1,304.9)
Administrative expenses		**(243.3)**	(205.5)
Operating profit		**2,762.7**	2,463.9
Increase in fair value of investment properties	*8*	**5,962.1**	3,438.2
		8,724.8	5,902.1
Finance costs	*4*	**(297.1)**	(415.8)
Share of profits of jointly controlled entities		**78.3**	90.3
Profit before taxation	*3(a) & 4*	**8,506.0**	5,576.6
Taxation	*5*	**(1,403.0)**	(1,003.0)
Profit for the year		**7,103.0**	4,573.6
Attributable to:			
Shareholders		**6,370.6**	4,402.6
Minority interests		**732.4**	171.0
		7,103.0	4,573.6
Dividends	*6(a)*	**2,320.0**	1,899.8
Earnings per share	*7(a)*		
Basic		**159.5¢**	**119.2¢**
Diluted		**158.0¢**	**118.2¢**
Earnings per share excluding changes in fair value of investment properties net of deferred tax	*7(b)*		
Basic		**51.3¢**	44.1¢
Diluted		**50.8¢**	44.0¢

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	8	**47,152.9**	39,590.0
Other fixed assets		**4,051.2**	2,911.1
		51,204.1	42,501.1
Interest in jointly controlled entities		**596.9**	551.0
Loans and investments		**6.9**	7.9
Deferred tax assets		**63.9**	66.7
		51,871.8	43,126.7
Current assets			
Inventories		**9,541.6**	10,159.3
Trade and other receivables	9	**836.9**	1,096.6
Cash and deposits with banks		**6,993.7**	5,983.6
		17,372.2	17,239.5
Current liabilities			
Trade and other payables	10	**1,635.0**	1,529.5
Taxation		**189.5**	332.1
		1,824.5	1,861.6
Net current assets		**15,547.7**	15,377.9
Total assets less current liabilities		**67,419.5**	58,504.6
Non-current liabilities			
Bank loans		**4,781.8**	8,454.0
Floating rate notes due 2009		**1,500.0**	1,500.0
Other long term liabilities		**487.1**	570.7
Deferred tax liabilities		**4,813.1**	3,690.8
		11,582.0	14,215.5
NET ASSETS		**55,837.5**	44,289.1
CAPITAL AND RESERVES			
Share capital	11	**4,142.9**	3,731.7
Reserves		**50,133.8**	39,514.5
Shareholders' equity		**54,276.7**	43,246.2
Minority interests		**1,560.8**	1,042.9
TOTAL EQUITY	12	**55,837.5**	44,289.1

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	**3,003.8**	2,594.7	**2,402.2**	2,058.7
Property sales	**1,385.6**	1,062.4	**301.2**	293.5
	4,389.4	3,657.1	**2,703.4**	2,352.2
Other income			**302.6**	317.2
Administrative expenses			**(243.3)**	(205.5)
Operating profit			**2,762.7**	2,463.9
Increase in fair value of investment properties – property leasing			**5,962.1**	3,438.2
Finance costs			**(297.1)**	(415.8)
Share of profits of jointly controlled entities – property leasing			**78.3**	90.3
Profit before taxation			**8,506.0**	5,576.6

(ii) Segment assets and liabilities

	Assets		**Liabilities**	
	2007	2006	**2007**	2006
	$Million	$Million	**$Million**	$Million
Property leasing				
The Company and its subsidiaries	**51,298.2**	42,927.3	**1,187.4**	980.5
Jointly controlled entities	**596.9**	551.0	**–**	–
Property sales	**10,284.4**	10,829.7	**238.9**	320.4
Unallocated *(Note)*	**7,064.5**	6,058.2	**11,980.2**	14,776.2
	69,244.0	60,366.2	**13,406.5**	16,077.1

Note: Unallocated items mainly comprise financial and corporate assets including cash and deposits of $6,993.7 million (2006: $5,983.6 million), interest-bearing borrowings including bank loans of $4,781.8 million (2006: $8,454.0 million) and other liabilities of $1,987.1 million (2006: $2,070.7 million), and taxation of $4,938.7 million (2006: $3,956.2 million).

(iii) Capital expenditure and depreciation

	Capital expenditure		Depreciation	
	2007	2006	**2007**	2006
	$Million	$Million	**$Million**	$Million
Property leasing	**2,769.8**	1,216.9	**4.4**	4.2

(b) Geographical segment

(i) Segment revenue and results

	Segment revenue		Segment results	
	2007	2006	**2007**	2006
	$Million	$Million	**$Million**	$Million
Group				
Hong Kong	**3,444.1**	2,935.2	**1,971.1**	1,797.1
Mainland China	**945.3**	721.9	**732.3**	555.1
	4,389.4	3,657.1	**2,703.4**	2,352.2
Jointly controlled entities				
Hong Kong			**78.3**	90.3

(ii) Segment assets

	2007	2006
	$Million	$Million
Hong Kong	**46,677.4**	44,461.8
Mainland China	**14,905.2**	9,295.2
	61,582.6	53,757.0

(iii) Capital expenditure

	2007	2006
	$Million	$Million
Hong Kong	**109.2**	111.9
Mainland China	**2,660.6**	1,105.0
	2,769.8	1,216.9

4. Profit before taxation is arrived at after charging:

	2007 $Million	2006 $Million
Finance costs		
Interest on borrowings	**408.4**	404.7
Dividend on convertible cumulative preference shares	**–**	17.2
Other ancillary borrowing costs	**28.1**	54.5
Total borrowing costs	**436.5**	476.4
Less: Borrowing costs capitalised	**(139.4)**	(60.6)
	297.1	415.8
Cost of properties sold	**1,019.4**	728.8
Staff costs, including employee share-based payment expenses of $41.0 million (2006: $20.8 million)	**301.3**	276.2
Depreciation	**4.4**	4.2
and after crediting:		
Interest income	**294.8**	253.1

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

	2007 $Million	2006 $Million
Current tax		
Hong Kong Profits Tax	**182.1**	150.5
(Over)/Under-provision in prior years	**(1.4)**	0.8
	180.7	151.3
PRC Income Tax	**97.2**	51.9
	277.9	203.2
Deferred tax		
Change in fair value of investment properties	**1,306.3**	675.5
Other origination and reversal of temporary differences	**84.2**	124.3
Effect of change in PRC tax rate on deferred tax balances at 1 July	**(265.4)**	–
	1,125.1	799.8
	1,403.0	1,003.0

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%.

6. (a) Dividends attributable to the year

	2007 $Million	2006 $Million
Interim dividend declared and paid of 13 cents (2006: 13 cents) per share	**538.5**	481.7
Final dividend of 43 cents (2006: 38 cents) per share proposed after the balance sheet date	**1,781.5**	1,418.1
	2,320.0	1,899.8

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 38 cents (2006: 37 cents) per share	**1,418.2**	1,363.8

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

	2007 $Million	2006 $Million
Earnings for calculation of basic earnings per share (net profit attributable to shareholders)	**6,370.6**	4,402.6
Effect of dilutive potential shares		
Dividend on convertible cumulative preference shares	**–**	17.2
Earnings for calculation of diluted earnings per share	**6,370.6**	4,419.8

	Number of shares	
	2007	2006
Weighted average number of shares used in calculating basic earnings per share	**3,995,206,701**	3,693,251,337
Effect of dilutive potential shares		
Share options	**35,696,920**	8,001,122
Convertible cumulative preference shares	**–**	37,061,818
Weighted average number of shares used in calculating diluted earnings per share	**4,030,903,621**	3,738,314,277

(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	**6,370.6**	4,402.6
Effect of changes in fair value of investment properties	**(5,286.0)**	(3,415.5)
Effect of corresponding deferred tax	**963.3**	639.9
Adjusted earnings for calculation of basic earnings per share	**2,047.9**	1,627.0
Effect of dilutive potential shares		
Dividend on convertible cumulative preference shares	**–**	17.2
Adjusted earnings for calculation of diluted earnings per share	**2,047.9**	1,644.2

8. 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.

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

	2007 $Million	2006 $Million
Within 1 month	**449.1**	370.6
1 – 3 months	**4.0**	2.3
Over 3 months	**0.9**	0.6
	454.0	373.5

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.

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

	2007 $Million	2006 $Million
Due within 1 month	**514.7**	472.5
Due over 3 months	**78.9**	81.4
	593.6	553.9

11. Share capital

	Number of shares ('000)	$Million
Shares issued and fully paid		
At 1 July 2006	**3,731,708**	3,731.7
Issue of shares		
– from placement *(Note)*	**410,000**	410.0
– from exercise of options	**1,237**	1.2
At 30 June 2007	**4,142,945**	4,142.9

Note: In November 2006, 410 million shares of $1 each were issued at $16.3 per share which were fully paid in cash.

12. Total equity

	Share capital $Million	Share premium $Million	Capital redemption reserve $Million	Exchange fluctuation reserve $Million	Employee share-based compensation reserve $Million	Retained profits $Million	Total $Million	Minority interests $Million	Total equity $Million
	Shareholders' equity								
At 1 July 2006	3,731.7	15,541.5	2,065.5	21.1	48.1	21,838.3	43,246.2	1,042.9	44,289.1
Issue of shares	411.2	6,142.9	–	–	–	–	6,554.1	–	6,554.1
Employee share-based payment	–	3.0	–	–	38.0	–	41.0	–	41.0
Net profit for the year	–	–	–	–	–	6,370.6	6,370.6	732.4	7,103.0
Exchange difference on translation of overseas subsidiaries	–	–	–	21.5	–	–	21.5	–	21.5
Dividend paid	–	–	–	–	–	(1,956.7)	(1,956.7)	–	(1,956.7)
Repayment to minority interests	–	–	–	–	–	–	–	(214.5)	(214.5)
At 30 June 2007	4,142.9	21,687.4	2,065.5	42.6	86.1	26,252.2	54,276.7	1,560.8	55,837.5

13. 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 Properties was HK$6,370.6 million, representing a 45% year-on-year increase. When excluding the effect of investment properties revaluation, underlying net profit increased by 26% to HK$2,047.9 million, fuelled by strong rental performance in Hong Kong and Shanghai.

- Our leasing business had a stellar year. Rental turnover and profits rose by 16% to HK$3,003.8 million and 17% to HK$2,402.2 million, respectively.

- Our Shanghai investment properties, Plaza 66 and The Grand Gateway, continued to enjoy strong rental growth. Rental turnover and profits increased by 31% to HK$945.3 million and 32% to HK$732.3 million, respectively. Higher rents on renewals, optimization of tenant mix and rental income from the new office tower of Plaza 66 starting January this year contributed to the pleasing performance.

- Strong economic conditions in Hong Kong buoyed our Hong Kong leasing operation. Rental turnover and profits from our Hong Kong properties were HK$2,058.5 million and HK$1,669.9 million, representing an increase of 10% and 11%, respectively.

- Property sales revenue and profits for the year were HK$1,385.6 million and HK$301.2 million, an increase of 30% and 3% respectively. We sold about 410 residential units, mainly from AquaMarine at an average price of approximately HK$4,600 per square foot. Our remaining properties for sale, comprise mainly of The HarbourSide and The Long Beach, will be released into the market at the best possible time to capture the best sales prices.

- Due to the inclusion of our new office tower at Plaza 66 in this year's investment property valuation, the increase in fair value of investment properties for the year amounted to HK$5,962.1 million, a 73% increase compared to previous year. While the magnitude of the increase is sizeable, the estimates used by the independent property valuer are considered to be still conservative.

- We have the financial resources to capture opportunities and pursue with our mainland China strategy. As of 30 June 2007, the Group is in a net cash position. We placed 410 million new shares at HK$16.3 per share to institutional investors in November 2006, which raised approximately HK$6.7 billion and further strengthened the balance sheet.

- During the year, we continued to expand our presence in major cities in mainland China. We increased our presence in Shenyang and acquired a 92,000-square metre prime lot in Shenhe District of Shenyang City in August 2006. We will develop a grand scale multi-complex development with gross floor area of about 800,000 square metres. Total investment is expected to be about RMB8 billion.

  In December 2006, we acquired a prime lot of about 37,300 square metres in Chongan District, Wuxi, for the development of a large-scale multi-complex project with gross floor area of about 255,000 square metres. Total investment is expected to be about RMB3.5 billion.

  We bought a 52,600-square metre prime lot in Lixia District, Jinan in February 2007 for the development of a grand-scale shopping mall with gross floor area of about 150,000 square metres. Total investment is expected to be 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, Mr. Terry S. Ng, Mr. William P.Y. Ko and Ms. Estella Y.K. Ng
Independent Non-Executive Directors: Mr. S.S. Yin, Mr. Ronald J. Arculli, Dr. H.K. Cheng, Ms. Laura L.Y. Chen and Prof. P.W. Liu