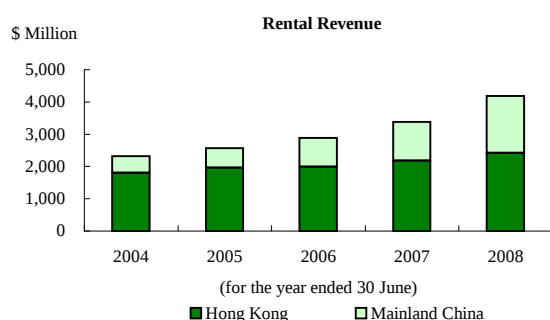


恒隆集團有限公司
HANG LUNG GROUP LIMITED
(Stock Code: 10)

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008 (AUDITED)
(Expressed in Hong Kong dollars)

	Note	2008 \$Million	2007 \$Million
Turnover	3	10,553.1	4,777.8
Other income	4	287.9	321.0
Gain on deemed disposal of interest in a subsidiary	5	-	879.4
Direct costs and operating expenses		(3,780.1)	(1,815.9)
Administrative expenses		(450.1)	(328.5)
Operating profit		6,610.8	3,833.8
Increase in fair value of investment properties	10	11,164.2	6,561.7
		17,775.0	10,395.5
Finance costs	6	(306.6)	(465.7)
Share of profits of jointly controlled entities		222.6	142.2
Profit before taxation	3(a) & 6	17,691.0	10,072.0
Taxation	7	(3,033.7)	(1,479.9)
Profit for the year		14,657.3	8,592.1
Attributable to:			
Shareholders		7,516.3	4,785.9
Minority interests		7,141.0	3,806.2
		14,657.3	8,592.1
Dividends	8(a)	940.5	813.3
Earnings per share	9(a)		
Basic		\$5.64	\$3.59
Diluted		\$5.56	\$3.56
Earnings per share excluding changes in fair value of investment properties net of related deferred tax	9(b)		
Basic		\$1.92	\$1.50
Diluted		\$1.89	\$1.48

CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2008 (AUDITED)
(Expressed in Hong Kong dollars)

	<i>Note</i>	2008 \$Million	2007 \$Million
Non-current assets			
Fixed assets			
Investment properties	10	66,136.3	52,539.2
Other fixed assets		5,763.7	4,060.5
		71,900.0	56,599.7
Interest in jointly controlled entities		1,421.9	1,317.2
Other assets		1,163.5	571.0
Deferred tax assets		33.8	74.5
		74,519.2	58,562.4
Current assets			
Inventories		6,848.4	9,746.3
Trade and other receivables	11	1,383.0	822.1
Cash and deposits with banks		10,738.1	7,091.6
		18,969.5	17,660.0
Current liabilities			
Bank loans		1,000.0	608.4
Trade and other payables	12	2,183.7	1,894.3
Taxation		881.8	227.7
		4,065.5	2,730.4
Net current assets		14,904.0	14,929.6
Total assets less current liabilities		89,423.2	73,492.0
Non-current liabilities			
Bank loans		8,039.6	7,873.4
Floating rate notes due 2009		1,500.0	1,500.0
Finance lease obligations		393.0	487.1
Deferred tax liabilities		7,434.2	5,141.7
		17,366.8	15,002.2
NET ASSETS		72,056.4	58,489.8
Capital and reserves			
Share capital		1,334.0	1,333.6
Reserves		35,447.6	27,761.8
Shareholders' equity		36,781.6	29,095.4
Minority interests		35,274.8	29,394.4
TOTAL EQUITY		72,056.4	58,489.8

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 ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") 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 2007 except for additional disclosures made in adopting HKFRS 7 Financial Instruments: Disclosures and the amendment to HKAS 1, Presentation of financial statements: Capital disclosures for current year which do not have any material impact on the results and financial position of the Group.

3. Turnover and segment information

(a) Business segment

(i) Segment revenue and results

	Segment revenue		Segment results	
	2008 \$ Million	2007 \$ Million	2008 \$ Million	2007 \$ Million
Property leasing	4,185.7	3,379.7	3,346.8	2,648.6
Property sales	6,367.4	1,398.1	3,426.2	313.3
	<u>10,553.1</u>	<u>4,777.8</u>	<u>6,773.0</u>	<u>2,961.9</u>
Other income			287.9	321.0
Gain on deemed disposal of interest in a subsidiary			-	879.4
Administrative expenses (Note)			(450.1)	(328.5)
Operating profit			<u>6,610.8</u>	<u>3,833.8</u>
Increase in fair value of investment properties				
- property leasing			11,164.2	6,561.7
Finance costs			(306.6)	(465.7)
Share of profits of jointly controlled entities				
- property leasing			222.6	142.2
Profit before taxation			<u>17,691.0</u>	<u>10,072.0</u>

Note: Administrative expenses included share-based payments of \$132.5 million (2007: \$62.6 million) recognised during the year. Share-based payments represent the amortisation of the fair value of options granted to employees over the vesting period and do not involve any cash outflow for the Company.

(ii) Segment assets and liabilities

	Assets		Liabilities	
	2008 \$ Million	2007 \$ Million	2008 \$ Million	2007 \$ Million
Property leasing	72,243.5	56,756.0	1,595.6	1,964.6
Property sales	7,906.7	10,556.4	504.2	394.8
	<u>80,150.2</u>	<u>67,312.4</u>	<u>2,099.8</u>	<u>2,359.4</u>
Interest in jointly controlled entities				
Property leasing	1,174.3	996.4	-	-
Property sales	247.6	320.8	-	-
Unallocated (Note)	11,916.6	7,592.8	19,332.5	15,373.2
	<u>93,488.7</u>	<u>76,222.4</u>	<u>21,432.3</u>	<u>17,732.6</u>

Note: Unallocated items mainly comprise financial and corporate assets including cash and deposits with banks of \$10,738.1 million (2007: \$7,091.6 million), other assets of \$1,143.0 million (2007: \$460.8 million), interest-bearing borrowings including bank loans of \$9,039.6 million (2007: \$7,873.4 million), other liabilities of \$1,893.0 million (2007: \$1,987.1 million), and taxation of \$8,282.2 million (2007: \$5,294.9 million).

Notes:

3. Turnover and segment information (Continued)

(a) Business segment (Continued)

(iii) Capital expenditure and depreciation

	Capital expenditure		Depreciation	
	2008	2007	2008	2007
	\$ Million	\$ Million	\$ Million	\$ Million
Property leasing	1,647.3	3,073.0	14.3	11.0

(b) Geographical segment

(i) Segment revenue and results

	Segment revenue		Segment results	
	2008	2007	2008	2007
	\$ Million	\$ Million	\$ Million	\$ Million
Hong Kong	8,765.3	3,582.9	5,364.6	2,039.0
Mainland China	1,787.8	1,194.9	1,408.4	922.9
	10,553.1	4,777.8	6,773.0	2,961.9

Jointly controlled entities
Hong Kong

	222.6	142.2
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(ii) Segment assets

	2008	2007
	\$ Million	\$ Million
Hong Kong	57,319.3	50,038.3
Mainland China	25,395.8	18,685.5
	82,715.1	68,723.8

(iii) Capital expenditure

	2008	2007
	\$ Million	\$ Million
Hong Kong	183.5	113.1
Mainland China	1,463.8	2,959.9
	1,647.3	3,073.0

4. Other income

	2008	2007
	\$ Million	\$ Million
Interest income	284.4	302.4
Dividend income from listed investments	2.7	0.4
Dividend income from unlisted investments	0.8	0.9
Profit on disposal of listed investments	-	17.3
	287.9	321.0

5. The gain last year arose from the placement of 410 million 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%.

Notes:

6. Profit before taxation is arrived at after charging:

	2008 \$ Million	2007 \$ Million
Finance costs		
Interest on borrowings	445.5	568.8
Other ancillary borrowing costs	40.8	36.3
Total borrowing costs	486.3	605.1
Less: Borrowing costs capitalised	(179.7)	(139.4)
	306.6	465.7
Cost of properties sold	2,404.1	1,020.0
Staff costs, including employee share-based payment expenses of \$132.5 million (2007: \$62.6 million)	528.5	334.3
Depreciation	14.3	11.0
and after crediting:		
Profit on disposal of investment properties	162.8	5.3

7. Provision for Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profits for the year. PRC Income Tax is calculated at the rates applicable in mainland China.

	2008 \$ Million	2007 \$ Million
Current tax		
Hong Kong Profits Tax	725.4	182.3
Over-provision in prior years	(23.5)	(2.4)
	701.9	179.9
PRC Income Tax	225.3	115.0
	927.2	294.9
Deferred tax		
Change in fair value of investment properties	2,108.8	1,447.6
Other origination and reversal of temporary differences	173.1	96.3
Effect of change in Hong Kong tax rate on deferred tax balances at 1 July	(175.4)	-
Effect of change in PRC tax rate on deferred tax balances at 1 July	-	(358.9)
	2,106.5	1,185.0
	3,033.7	1,479.9

The Hong Kong SAR Government enacted a reduction in the Profits Tax rate from 17.5% to 16.5% with effect from the year of assessment 2008/2009. Accordingly, the relevant profits tax and deferred tax liabilities have been calculated using the new rate of 16.5%.

On 16 March 2007, the Standing Committee of the Tenth National People's Congress of PRC passed the income tax law whereby the tax rate would be changed from 33% to 25% with effect from 1 January 2008. Accordingly, the relevant PRC Income Tax from 1 January 2008 and the deferred tax liabilities from the financial year 2006/07 have been calculated at the new rate of 25%.

Notes:

8. (a) Dividends attributable to the year

	2008 \$ Million	2007 \$ Million
Interim dividend declared and paid of 16.5 cents (2007: 14.5 cents) per share	220.1	193.2
Final dividend of 54.0 cents (2007: 46.5 cents) per share proposed after the balance sheet date	720.4	620.1
	<u>940.5</u>	<u>813.3</u>

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

- (b) The final dividend of \$620.2 million for financial year 2007 was approved and paid in financial year 2008 (2007: \$546.4 million).

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

	2008 \$ Million	2007 \$ Million
Earnings for calculation of basic and diluted earnings per share (net profit attributable to shareholders)	7,516.3	4,785.9
	<u>7,516.3</u>	<u>4,785.9</u>
	Number of shares	
	2008 Million	2007 Million
Weighted average number of shares used in calculating basic earnings per share	1,333.8	1,332.7
Effect of dilutive potential shares - share options	18.5	12.4
Weighted average number of shares used in calculating diluted earnings per share	1,352.3	1,345.1
	<u>1,352.3</u>	<u>1,345.1</u>

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

	2008 \$ Million	2007 \$ Million
Net profit attributable to shareholders	7,516.3	4,785.9
Effect of changes in fair value of investment properties net of related deferred tax and minority interests	(4,961.6)	(2,790.4)
Adjusted earnings for calculation of basic and diluted earnings per share	2,554.7	1,995.5
	<u>2,554.7</u>	<u>1,995.5</u>

10. The investment properties of the Group were revalued at 30 June 2008 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 net rental income after taking into account reversionary income potential.

Notes:

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

	2008 \$ Million	2007 \$ Million
Within 1 month	1,071.8	450.4
1 - 3 months	3.0	4.3
Over 3 months	5.6	0.9
	<u>1,080.4</u>	<u>455.6</u>

Proceeds from property sales are receivable pursuant to the terms of the sale and purchase agreements. Monthly rents in respect of leased properties are payable in advance by the tenants. 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:

	2008 \$ Million	2007 \$ Million
Due within 1 month	682.2	689.3
Due over 3 months	56.6	78.9
	<u>738.8</u>	<u>768.2</u>

Highlights

- Net profit of Hang Lung Group was HK\$7,516.3 million, 57% higher than last year. Excluding the gain on revaluation of investment properties and related tax, underlying net profit rose by 28% to HK\$2,554.7 million. Underlying net profit for the year was higher by 129% excluding the non-cash item of profit on deemed disposal of HK\$879.4 million on the placement of Hang Lung Properties' shares in November 2006.
- Rental income from our Hong Kong properties grew 11% to HK\$2,421.4 million. Rental profits also rose by 11% to HK\$1,938.4 million.
- Property leasing in Shanghai enjoyed spectacular growth due to the booming economy of mainland China. Rental turnover and profits increased by 48% to HK\$1,764.3 million and 57% to HK\$1,408.4 million respectively.
- Overall rental turnover and profits increased by 24% to HK\$4,185.7 million and 26% to HK\$3,346.8 million respectively.
- We took advantage of buoyant property market conditions and sold nearly 800 residential units during the year. Property sales turnover surged from HK\$1,398.1 million to HK\$6,367.4 million. We will continue with our strategy of releasing our properties at the best possible time to capture the best sales price.
- Gearing ratio at 30 June 2008 was as low as 0.4%.

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 complied with the code provisions set out in the Code on Corporate Governance Practices as stated 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)	29 October 2008 to 31 October 2008
Latest time to lodge transfers	4:00 pm on 28 October 2008
Annual general meeting	3 November 2008
Final dividend payment date	18 November 2008

On Behalf of the Board

Ronnie C. Chan

Chairman

Hong Kong, 13 August 2008

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