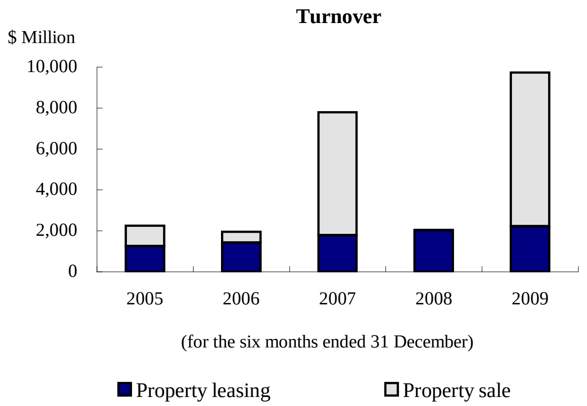
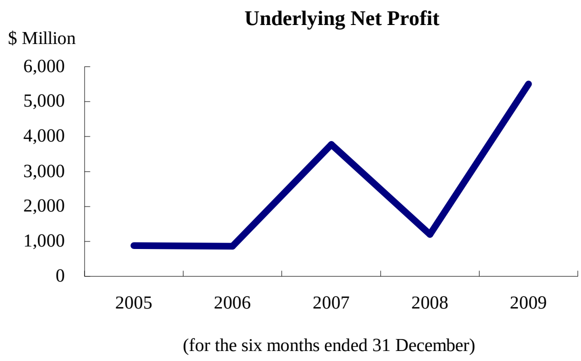
恒 隆 地 產
HANG LUNG PROPERTIES




# 恒隆地產有限公司
# HANG LUNG PROPERTIES LIMITED

**(Incorporated in Hong Kong with limited liability)**

## (Stock code: 101)

**CONSOLIDATED INCOME STATEMENT**
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2009 (UNAUDITED)**
*(Expressed in Hong Kong dollars)*

| | *Note* | **2009 $Million** | 2008 $Million |
|---|---|---|---|
| Turnover | *3* | **9,733** | 2,052 |
| Other income | | **17** | 110 |
| Direct costs and operating expenses | | **(2,561)** | (372) |
| Administrative expenses | | **(280)** | (177) |
| Operating profit before change in fair value of investment properties | | **6,909** | 1,613 |
| Increase in fair value of investment properties | *8* | **16,159** | 950 |
| Operating profit after change in fair value of investment properties | | **23,068** | 2,563 |
| Finance costs | *4* | **(29)** | (52) |
| Share of profits/(losses) of jointly controlled entities | | **100** | (14) |
| Profit before taxation | *3(a) & 4* | **23,139** | 2,497 |
| Taxation | *5* | **(4,896)** | (658) |
| Profit for the period | | **18,243** | 1,839 |
| Attributable to: | | | |
| Shareholders | | **17,351** | 1,222 |
| Minority interests | | **892** | 617 |
| | | **18,243** | 1,839 |
| Earnings per share | *7(a)* | | |
| Basic | | **$ 4.18** | $ 0.29 |
| Diluted | | **$ 4.14** | $ 0.29 |

## HANG LUNG PROPERTIES LIMITED

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 DECEMBER 2009 (UNAUDITED)

*(Expressed in Hong Kong dollars)*

| | **2009** **$Million** | 2008 $Million |
|---|---|---|
| **Profit for the period** | **18,243** | 1,839 |
| **Other comprehensive income** | | |
| Exchange difference arising from translation of overseas subsidiaries | **(12)** | 123 |
| **Total comprehensive income for the period** | **18,231** | 1,962 |
| **Total comprehensive income attributable to:** | | |
| Shareholders | **17,339** | 1,352 |
| Minority interests | **892** | 610 |
| | **18,231** | 1,962 |

## HANG LUNG PROPERTIES LIMITED

## CONSOLIDATED BALANCE SHEET
## AT 31 DECEMBER 2009 (UNAUDITED)

*(Expressed in Hong Kong dollars)*

| | *Note* | **31/12/2009 $Million** | 30/6/2009 $Million |
|---|---|---|---|
| **Non-current assets** | | | |
| Fixed assets | | | |
| Investment properties | *8* | **71,687** | 62,766 |
| Investment properties under development | *8* | **17,026** | 7,570 |
| Other fixed assets | | **147** | 124 |
| | | **88,860** | 70,460 |
| Interest in jointly controlled entities | | **761** | 699 |
| Loans and investments | | **4** | 4 |
| Deferred tax assets | | **19** | 45 |
| | | **89,644** | 71,208 |
| **Current assets** | | | |
| Cash and deposits with banks | | **10,283** | 8,931 |
| Trade and other receivables | *9* | **4,942** | 686 |
| Properties for sale | | **5,827** | 7,683 |
| | | **21,052** | 17,300 |
| **Current liabilities** | | | |
| Trade and other payables | *10* | **2,262** | 2,028 |
| Taxation payable | | **1,053** | 831 |
| Floating rate notes due 2009 | | **-** | 1,500 |
| | | **3,315** | 4,359 |
| **Net current assets** | | **17,737** | 12,941 |
| **Total assets less current liabilities** | | **107,381** | 84,149 |
| **Non-current liabilities** | | | |
| Bank loans | | **8,076** | 4,661 |
| Finance lease obligations | | **230** | 287 |
| Deferred tax liabilities | | **11,592** | 7,871 |
| | | **19,898** | 12,819 |
| **NET ASSETS** | | **87,483** | 71,330 |
| **Capital and reserves** | | | |
| Share capital | | **4,147** | 4,146 |
| Reserves | | **79,190** | 63,892 |
| Shareholders' equity | | **83,337** | 68,038 |
| Minority interests | | **4,146** | 3,292 |
| **TOTAL EQUITY** | | **87,483** | 71,330 |

# HANG LUNG PROPERTIES LIMITED

*Notes*

1. Review of interim financial report

   The interim financial report for the period ended 31 December 2009 is unaudited, but has 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"), whose review report is included in the interim report to be sent to shareholders. The interim financial report has also been reviewed by the Audit Committee.

2. Basis of preparation

   The unaudited interim financial report has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the HKICPA and the applicable disclosure provisions of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

   The accounting policies and methods of computation used in the interim financial report are consistent with those applied in the financial statements for the year ended 30 June 2009 except for the changes stated as below.

   The Group has adopted the amendments, new standards or interpretations which have been issued by the HKICPA and are effective in the current period. The adoption of the following standards and amendments has impact on the Group's financial statements in the current period.

| | |
|---|---|
| HKAS 1 (Revised) | Presentation of Financial Statements |
| HKFRS 8 | Operating Segments |
| Improvements to HKFRSs (2008) | Amendments to HKAS 40 Investment Property |

   (a) HKAS 1 (Revised) - Presentation of Financial Statements

   HKAS 1 (Revised) has resulted in a number of changes in presentation and disclosure. In particular, the Group presents all items of income and expenses recognized in the period in two statements: (i) the consolidated income statement showing items of income and expense recognized as profit or loss for the period, (ii) the consolidated statement of comprehensive income for items recognized through equity. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on the reported profit or loss, total income and expense or net assets for any period presented.

2. Basis of preparation (Continued)

(b) HKFRS 8 - Operating Segments

HKFRS 8 requires segment disclosure to be based on the format that the Group's chief operating decision makers use to manage the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision makers for assessing segment performance and making decisions on operations. This differs from the presentation of segment information in prior years which was based on division of the Group's operations into segments by related activities and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a format that is more consistent with the internal reporting provided to the Group's top management. Corresponding amounts have been restated on a basis consistent with the revised segment information.

(c) Improvements to HKFRSs (2008) - Amendments to HKAS 40 Investment Property

As a result of the amendments to HKAS 40, investment property which is under construction is to be carried at fair value at the earlier of when the fair value first becomes reliably measurable and the date of completion of the property. Any changes in fair values will be recognized in profit or loss, consistent with the policy adopted for all other investment properties carried at fair value. Prior to this amendment, such property was carried at cost until the construction had been completed, at which time it would be stated at fair value with any gain or loss being recognized in profit or loss. This amendment has been applied prospectively and the corresponding amounts of prior periods have not been restated. As a result of this amendment, the net profit attributable to shareholders of the Company increased by $5,498 million for the period ended 31 December 2009, representing the increase in fair value of $7,331 million for investment properties under development previously carried at cost net of related deferred tax of $1,833 million.

3. Turnover and segment information

The Group manages its businesses according to the nature of services and products provided. Management has determined three reportable operating segments for the measurement of performance and the allocation of resources. The segments are property leasing in Hong Kong and mainland China and property sales in Hong Kong.

Property leasing segment includes property leasing operation. The Group's investment properties portfolio, which mainly consists of retail, office, residential, serviced apartments and carparks are primarily located in Hong Kong and mainland China. Property sales segment includes development and sale of the Group's trading properties in Hong Kong.

Management evaluates performance primarily based on profit before taxation.

Segment assets principally comprise all non-current assets and current assets directly attributable to each segment with the exception of interest in jointly controlled entities, loans and investments, deferred tax assets and cash and deposits with banks.

(a) Revenue and results by segments

| | **Revenue** | | **Profit before taxation** | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **$Million** | $Million | **$Million** | $Million |
| **Segment** | | | | |
| Property leasing | | | | |
| - Hong Kong | **1,269** | 1,212 | **1,022** | 973 |
| - Mainland China | **953** | 829 | **811** | 704 |
| | **2,222** | 2,041 | **1,833** | 1,677 |
| Property sales | | | | |
| - Hong Kong | **7,511** | 11 | **5,339** | 3 |
| Segment total | **9,733** | 2,052 | **7,172** | 1,680 |
| Other income | | | **17** | 110 |
| Administrative expenses | | | **(280)** | (177) |
| Operating profit before change in fair value of investment properties | | | **6,909** | 1,613 |
| Increase/(Decrease) in fair value of investment properties | | | | |
| - property leasing in Hong Kong | | | **4,734** | (1,914) |
| - property leasing in mainland China | | | **11,425** | 2,864 |
| Finance costs | | | **(29)** | (52) |
| Share of profits/(losses) of jointly controlled entities | | | **100** | (14) |
| Profit before taxation | | | **23,139** | 2,497 |

(b) Total assets by segments

| | **Total assets** | |
|---|---|---|
| | **31/12/2009** | 30/6/2009 |
| | **$Million** | $Million |
| **Segment** | | |
| Property leasing | | |
| - Hong Kong | **47,866** | 43,102 |
| - Mainland China | **41,220** | 27,596 |
| | **89,086** | 70,698 |
| Property sales | | |
| - Hong Kong | **10,543** | 8,131 |
| Segment total | **99,629** | 78,829 |
| Interest in jointly controlled entities | **761** | 699 |
| Loans and investments | **4** | 4 |
| Deferred tax assets | **19** | 45 |
| Cash and deposits with banks | **10,283** | 8,931 |
| Total assets | **110,696** | 88,508 |

# HANG LUNG PROPERTIES LIMITED

*Notes*

4. Profit before taxation

| | **2009** **$Million** | 2008 $Million |
|---|---|---|
| Profit before taxation is arrived at after charging: | | |
| Finance costs | | |
| Interest on borrowings | **67** | 113 |
| Other borrowing costs | **27** | 14 |
| Total borrowing costs | **94** | 127 |
| Less: Borrowing costs capitalized | **(65)** | (75) |
| | **29** | 52 |
| Cost of properties sold | **1,865** | 7 |
| Staff costs, including contribution to retirement schemes of $15 million (2008: $13 million) | **296** | 238 |
| Depreciation | **6** | 5 |
| and after crediting: | | |
| Interest income | **17** | 110 |

5. Taxation

Provision for Hong Kong Profits Tax is calculated at 16.5% (2008: 16.5%) of the estimated assessable profits for the period. China Income Tax is calculated at the rates applicable in the mainland China.

| | **2009** **$Million** | 2008 $Million |
|---|---|---|
| Current tax | | |
| Hong Kong Profits Tax | **949** | 100 |
| China Income Tax | **199** | 129 |
| | **1,148** | 229 |
| Deferred tax | | |
| Change in fair value of investment properties | **3,640** | 400 |
| Other origination and reversal of temporary differences | **108** | 29 |
| | **3,748** | 429 |
| | **4,896** | 658 |

6. Dividends

(a) Dividends attributable to the period

| | **2009** **$Million** | 2008 $Million |
|---|---|---|
| Declared after the balance sheet date: | | |
| 17 cents (2008: 15 cents) per share | **705** | 622 |

The above interim dividends were declared after the balance sheet dates and have not been recognized as liabilities at the respective balance sheet dates.

6. Dividends (Continued)

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

| | **2009** | 2008 |
|---|---|---|
| | **$Million** | $Million |
| Final dividend in respect of the previous financial year of 51 cents (2008: 51 cents) per share | **2,115** | 2,114 |

7. Earnings per share

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

| | **2009** | 2008 |
|---|---|---|
| | **$Million** | $Million |
| Earnings for calculation of basic and diluted earnings per share (net profit attributable to shareholders) | **17,351** | 1,222 |

| | **2009** | 2008 |
|---|---|---|
| | **Number of shares** | |
| | **(Million)** | (Million) |
| Weighted average number of shares used in calculating basic earnings per share | **4,146** | 4,145 |
| Effect of dilutive potential shares - share options | **44** | 6 |
| Weighted average number of shares used in calculating diluted earnings per share | **4,190** | 4,151 |

(b) The underlying net profit attributable to shareholders which excluded changes in fair value of investment properties net of related deferred tax and minority interests, is calculated as follows:

| | **2009** | 2008 |
|---|---|---|
| | **$Million** | $Million |
| Net profit attributable to shareholders | **17,351** | 1,222 |
| Effect of changes in fair value of investment properties | **(16,159)** | (950) |
| Effect of corresponding deferred tax | **3,640** | 400 |
| Effect of change in fair value of investment properties net of related deferred tax of jointly controlled entities | **(84)** | 28 |
| | **(12,603)** | (522) |
| Minority interests | **760** | 497 |
| | **(11,843)** | (25) |
| Underlying net profit attributable to shareholders | **5,508** | 1,197 |

The earnings per share based on underlying net profit attributable to shareholders are:

| | **2009** | 2008 |
|---|---|---|
| Basic | **$ 1.33** | $ 0.29 |
| Diluted | **$ 1.31** | $ 0.29 |

8. Investment properties and investment properties under development

The investment properties and investment properties under development of the Group were revalued as at 31 December 2009 by Mr. Charles C.K. Chan, Registered Professional Surveyor (General Practice), of Savills Valuation and Professional Services Limited ("Savills"), on a market value basis. For the completed investment properties, Savills has valued such properties with reference to market evidence taking into account the rental income of the properties. For the investment properties under development, Savills has valued such properties by reference to the comparable market sale and purchase transactions and valuing the properties as if they were completed in accordance with the plan allowing for any future construction costs required for completion of the development. During the period, an increase in fair value of investment properties and those under development of $16,159 million, including $7,331 million contributed by properties under development in mainland China, is recorded.

9. Trade and other receivables

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

| | **31/12/2009 $Million** | 30/6/2009 $Million |
|---|---|---|
| Current and within 1 month | **4,717** | 410 |
| 1 - 3 months | **3** | 2 |
| Over 3 months | **1** | 54 |
| | **4,721** | 466 |

The majority of the increase in receivables related to the proceeds from the sale of The HarbourSide units during the period which were not due for settlement at 31 December 2009.

Proceeds from property sales are receivable pursuant to the terms of the sale and purchase agreements. In addition to the payment of rental deposits, tenants are required to pay monthly rents in respect of leased properties in advance. Receivables are regularly monitored and closely followed up to minimize any credit risk. Except for sale of properties developed by the Group, it does not hold any collateral over these balances. The balance of bad and doubtful debts as at 31 December 2009 and 30 June 2009 is insignificant.

10. Trade and other payables

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

| | **31/12/2009 $Million** | 30/6/2009 $Million |
|---|---|---|
| Due within 1 month | **693** | 594 |
| Due after 3 months | **161** | 109 |
| | **854** | 703 |

# HANG LUNG PROPERTIES LIMITED

**Highlights**

- For the six months to 31 December 2009, net profit attributable to shareholders of Hang Lung Properties increased by more than 13 times to HK$17,351 million. When excluding the gain on revaluation of investment properties and related tax, underlying net profit rose nearly 4 times to HK$5,508 million fuelled by the timely disposal of our residential properties in Hong Kong.

- Property sales achieved excellent results. During the period, we sold 425 garden-view units at The HarbourSide. The average sale price stood at over HK$14,000 per square foot and the property development profit margin was 71%.

- Benefiting from growing consumption in mainland China, property leasing in Shanghai generated pleasing rental growth. Rental turnover and profits from our Shanghai investment properties both increased by 15% to HK$953 million and HK$811 million respectively.

- Despite the soft economic conditions in Hong Kong, rental turnover and operating profit generated from our Hong Kong investment properties both grew by 5% to HK$1,269 million and HK$1,022 million respectively.

- Overall rental turnover and profits both increased by 9% to HK$2,222 million and HK$1,833 million respectively.

- The increase in fair value of our investment properties was HK$16,159 million. This included a gain from the first time valuation of our projects under development in mainland China of HK$7,331 million to comply with the new requirements under HKAS 40.

- As at 31 December 2009, we maintained a strong balance sheet with net cash of HK$2,207 million while our committed undrawn banking facilities totalled HK$15.8 billion.

- Construction of Palace 66 in Shenyang has entered its final stages and completion is expected to be mid year of 2010. Pre-leasing activities for the new space have been encouraging with about 80% committed tenancies.

**Purchase, Sale or Redemption of Listed Securities**

During the six months period ended 31 December 2009, 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 six months period ended 31 December 2009, 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) | 17 to 19 February 2010 |
| Latest time to lodge transfers | 4:30 pm on 12 February 2010 |
| Record date for interim dividend | 19 February 2010 |
| Interim dividend payment date | 4 March 2010 |

On Behalf of the Board
**Ronnie C. Chan**
*Chairman*

Hong Kong, 27 January 2010

*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 and Mr. William P.Y. Ko*
*Independent Non-Executive Directors: Mr. S.S. Yin, Mr. Ronald J. Arculli, Dr. H.K. Cheng, Ms. Laura L.Y. Chen, Prof. P.W. Liu and Mr. Dominic C.F. Ho*