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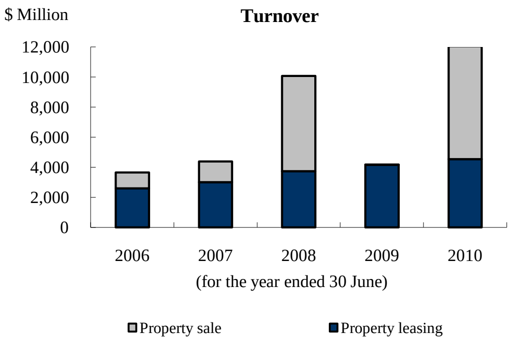
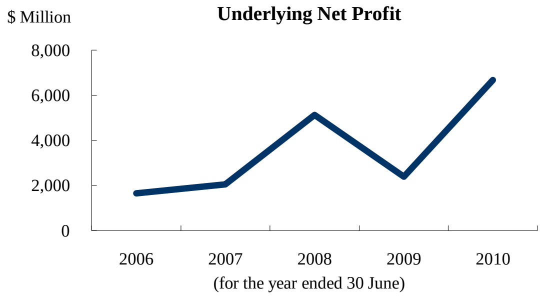
恒隆地產
HANG LUNG PROPERTIES





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 YEAR ENDED 30 JUNE 2010 (AUDITED)

(Expressed in Hong Kong dollars)

	Note	**2010** **$Million**	2009 $Million
Turnover	*3*	**12,057**	4,173
Other income		**35**	157
Direct costs and operating expenses		**(3,075)**	(729)
Administrative expenses		**(456)**	(383)
Operating profit before change in fair value of investment properties		**8,561**	3,218
Increase in fair value of investment properties	*8*	**21,234**	3,523
Operating profit after change in fair value of investment properties		**29,795**	6,741
Finance costs	*4*	**(47)**	(69)
Share of profits of jointly controlled entities		**166**	23
Profit before taxation	*3(a) & 4*	**29,914**	6,695
Taxation	*5(a)*	**(6,262)**	(1,513)
Profit for the year		**23,652**	5,182
Attributable to:			
Shareholders		**22,256**	4,130
Non-controlling interests		**1,396**	1,052
		23,652	5,182
Earnings per share	*7(a)*		
Basic		**$5.37**	$1.00
Diluted		**$5.30**	$0.99

HANG LUNG PROPERTIES LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2010 (AUDITED)

(Expressed in Hong Kong dollars)

	Note	2010 $Million	2009 $Million
Profit for the year		**23,652**	5,182
Other comprehensive income	*5(b)*		
Exchange difference arising from translation of overseas subsidiaries		**237**	137
Total comprehensive income for the year		**23,889**	5,319
Total comprehensive income attributable to:			
Shareholders		**22,463**	4,273
Non-controlling interests		**1,426**	1,046
		23,889	5,319

HANG LUNG PROPERTIES LIMITED

CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2010 (AUDITED)
(Expressed in Hong Kong dollars)

	Note	**2010 $Million**	2009 $Million
Non-current assets			
Fixed assets			
Investment properties	*8*	**80,965**	62,766
Investment properties under development	*8*	**15,326**	7,570
Other fixed assets		**163**	124
		96,454	70,460
Interest in jointly controlled entities		**802**	699
Loans and investments		**3**	4
Deferred tax assets		**25**	45
		97,284	71,208
Current assets			
Cash and deposits with banks		**11,535**	8,931
Trade and other receivables	*9*	**1,494**	686
Properties for sale		**5,855**	7,683
		18,884	17,300
Current liabilities			
Bank loans		**1,480**	-
Trade and other payables	*10*	**3,076**	2,028
Taxation payable		**1,132**	831
Floating rate notes due 2009		**-**	1,500
		5,688	4,359
Net current assets		**13,196**	12,941
Total assets less current liabilities		**110,480**	84,149
Non-current liabilities			
Bank loans		**4,978**	4,661
Finance lease obligations		**168**	287
Deferred tax liabilities		**12,708**	7,871
		17,854	12,819
NET ASSETS		**92,626**	71,330
Capital and reserves			
Share capital		**4,159**	4,146
Reserves		**83,785**	63,892
Shareholders' equity		**87,944**	68,038
Non-controlling interests		**4,682**	3,292
TOTAL EQUITY		**92,626**	71,330

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 ("HKICPA"), 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 2009 except for the changes stated as below.

   The Group has adopted the below new and revised HKFRSs, amendments to HKFRSs and interpretations which have been issued by the HKICPA and are effective in the current year. The following new and revised HKFRSs, amendments and interpretations are relevant to the financial statements of the Group.

   (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.

   (b) HKAS 27 (Revised) - Consolidated and Separate Financial Statements

   HKAS 27 (Revised) requires that the acquisition of an additional non-controlling interest (previously known as minority interest) in an existing subsidiary is accounted for as an equity transaction with any difference between the cost of the additional investment and the carrying amount of the net assets acquired at the date of exchange recognized directly in equity. In addition, a gain or loss on disposal will be recognized in the income statement only if the disposal results in a loss of control. Previously, such difference was either accounted for as goodwill or recognized immediately in profit or loss.

   In addition, HKAS 27 (Revised) requires profit or loss and each component of comprehensive income should be attributed to the owners of the parent and the non-controlling interest, according to their respective interests, even if the losses applicable to the non-controlling interest exceed the non-controlling shareholders' interest in the equity of a subsidiary. In prior years, such loss was only allocated to the non-controlling interest if there was a binding obligation for the non-controlling shareholders to make additional investment to cover the losses.

   HKAS 27 (Revised) has been applied prospectively for the transactions after 1 July 2009 and the adoption of HKAS 27 (Revised) had no significant impact on the financial statements of the Group for the year ended 30 June 2010.

Notes:

2. Basis of preparation (Continued)

(c) HKFRS 8 - Operating Segments

HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision makers regard and 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. 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. 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.

(d) 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 $5,524 million for the year ended 30 June 2010, representing the increase in fair value of $7,365 million for investment properties under development previously carried at cost net of related deferred tax of $1,841 million.

Notes:

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. The investment properties of the Group are included in segment assets at their fair values whilst the change in fair value of investment properties is not included in segment profits. No segment liabilities analysis is presented as the Group monitors and manages its liabilities on a group basis.

(a) Turnover and results by segments

	Turnover		Profit before taxation	
	2010	2009	**2010**	2009
	$ Million	$ Million	**$ Million**	$ Million
Segment				
Property leasing				
- Hong Kong	**2,615**	2,474	**2,097**	2,017
- Mainland China	**1,931**	1,688	**1,629**	1,424
	4,546	4,162	**3,726**	3,441
Property sales				
- Hong Kong	**7,511**	11	**5,256**	3
Segment total	**12,057**	4,173	**8,982**	3,444
Other income			**35**	157
Administrative expenses (Note)			**(456)**	(383)
Operating profit before change in fair value of investment properties			**8,561**	3,218
Increase/(Decrease) in fair value of investment properties			**21,234**	3,523
- property leasing in Hong Kong			**7,720**	(921)
- property leasing in Mainland China			**13,514**	4,444
Finance costs			**(47)**	(69)
Share of profits of jointly controlled entities			**166**	23
Profit before taxation			**29,914**	6,695

Note: Administrative expenses included share-based payments of $126 million (2009: $118 million) representing the amortization of the fair value of options granted to employees over the vesting period and which do not involve any cash outflow for the Company.

(b) Total assets by segments

	Total assets	
	2010	2009
	$ Million	$ Million
Segment		
Property leasing		
- Hong Kong	**50,927**	43,102
- Mainland China	**45,781**	27,596
	96,708	70,698
Property sales		
- Hong Kong	**7,095**	8,131
Segment total	**103,803**	78,829
Interest in jointly controlled entities	**802**	699
Loans and investments	**3**	4
Deferred tax assets	**25**	45
Cash and deposits with banks	**11,535**	8,931
Total assets	**116,168**	88,508

Notes:

4. Profit before taxation

	2010 $ Million	2009 $ Million
Profit before taxation is arrived at after charging:		
Finance costs		
Interest on borrowings	**139**	191
Other borrowing costs	**95**	31
Total borrowing costs	**234**	222
Less: Borrowing costs capitalized	**(187)**	(153)
	47	69
Cost of properties sold	**1,865**	8
Staff costs, including employee share-based payments of $126 million (2009: $118 million)	**577**	512
Depreciation	**23**	13
and after crediting:		
Interest income	**35**	157

5. Taxation

(a) Provision for Hong Kong Profits Tax is calculated at 16.5% (2009: 16.5%) of the estimated assessable profits for the year. China Income Tax mainly represents China Corporate Income Tax calculated at 25% (2009: 25%) and China withholding income tax at the applicable rates. A withholding tax of 5% is levied on the Hong Kong companies in respect of dividend distributions arising from profits of foreign investment enterprises in Mainland China earned after 1 January 2008.

	2010 $ Million	2009 $ Million
Current tax		
Hong Kong Profits Tax	**1,024**	200
Underprovision in prior years	**29**	13
	1,053	213
China Income Tax	**379**	263
	1,432	476
Deferred tax		
Change in fair value of investment properties	**4,657**	967
Other origination and reversal of temporary differences	**173**	70
	4,830	1,037
Total income tax expense	**6,262**	1,513

(b) There is no tax effect relating to the component of the other comprehensive income for the year.

6. Dividends

(a) Dividends attributable to the year

	2010 $ Million	2009 $ Million
Interim dividend declared and paid of 17 cents (2009: 15 cents) per share	**705**	622
Final dividend of 54 cents (2009: 51 cents) per share proposed after the balance sheet date	**2,246**	2,114
	2,951	2,736

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

(b) The final dividend of $2,115 million for financial year 2009 was approved and paid in financial year 2010 (2009: $2,114 million).

Notes:

7. Earnings per share

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

	2010	2009
	$ Million	$ Million
Earnings for calculation of basic and diluted earnings per share (net profit attributable to shareholders)	**22,256**	4,130

	2010	2009
	Number of shares	
	(Million)	(Million)
Weighted average number of shares used in calculating basic earnings per share	**4,148**	4,145
Effect of dilutive potential shares - share options	**54**	9
Weighted average number of shares used in calculating diluted earnings per share	**4,202**	4,154

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

	2010	2009
	$ Million	$ Million
Net profit attributable to shareholders	**22,256**	4,130
Effect of changes in fair value of investment properties	**(21,234)**	(3,523)
Effect of corresponding deferred tax	**4,657**	967
Effect of change in fair value of investment properties net of related deferred tax of jointly controlled entities	**(131)**	7
	(16,708)	(2,549)
Non-controlling interests	**1,126**	807
	(15,582)	(1,742)
Underlying net profit attributable to shareholders	**6,674**	2,388

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

	2010	2009
Basic	**$1.61**	$0.58
Diluted	**$1.59**	$0.57

8. Investment properties and investment properties under development

The investment properties and investment properties under development of the Group were revalued as at 30 June 2010 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 as if they were completed in accordance with the relevant development plan allowing for any future construction and other relevant costs required for completion of the development, and where appropriate, by reference to the comparable market sale and purchase transactions. During the year, an increase in fair value of investment properties and those under development of $21,234 million, including $7,365 million contributed by properties under development in Mainland China, is recorded.

Notes:

9. Trade and other receivables

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

	2010 **$ Million**	2009 $ Million
Current and within 1 month	**1,255**	410
1 - 3 months	**4**	2
Over 3 months	**1**	54
	1,260	466

The majority of the increase in receivables related to the proceeds from the sale of The HarbourSide units during the year which are due for settlement in July and August 2010 in accordance with the respective sale and purchase agreements.

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 30 June 2010 and 2009 is insignificant.

10. Trade and other payables

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

	2010 **$ Million**	2009 $ Million
Due within 1 month	**1,451**	594
Due after 3 months	**190**	109
	1,641	703

Highlights

- For the year ended 30 June 2010, net profit attributable to shareholders of Hang Lung Properties increased over 4 times to HK$22,256 million. Excluding the gain on revaluation of investment properties, related tax and non-controlling interests, underlying net profit rose nearly 2 times to HK$6,674 million, fueled by the timely disposal of our residential properties in Hong Kong.

- Property sales achieved excellent results. During the year, we sold 425 garden-view units at The HarbourSide. The average sale price stood at more than HK$14,000 per square foot. The property development profit margin was 70%.

- Benefiting from growing consumption in mainland China, property leasing in the Mainland generated pleasing rental growth. Rental turnover and profit from our Mainland investment properties both increased by 14% to HK$1,931 million and HK$1,629 million respectively.

- Despite the soft economic conditions in Hong Kong, rental turnover and operating profit generated from our Hong Kong investment properties grew by 6% and 4% to HK$2,615 million and HK$2,097 million respectively.

- Overall rental turnover and profit increased by 9% and 8% to HK$4,546 million and HK$3,726 million respectively.

- The increase in the fair value of our investment properties was HK$21,234 million. This included a gain from valuation of our properties under development in mainland China of HK$7,365 million to comply with the new accounting standards. Net revaluation gains after deferred tax and non-controlling interests amounted to HK$15,582 million of which HK$5,524 million related to properties under development in mainland China.

- As at 30 June 2010, we maintained a strong balance sheet with net cash of HK$5,077 million while our committed undrawn banking facilities totaled over HK$13.2 billion.

- Palace 66 in Shenyang, opened on 26 June 2010, is fully leased. Other development projects in mainland China are progressing well. With our mainland China expansion strategy, we will continue searching for opportunities to acquire more prime sites, adding to our existing land bank.

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)	18 to 20 October 2010
Latest time to lodge transfers	4:30 pm on 15 October 2010
Annual general meeting	20 October 2010
Record date for final dividend	20 October 2010
Final dividend payment date	1 November 2010

On Behalf of the Board
Ronnie C. Chan
Chairman

Hong Kong, 28 July 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. Philip N.L. Chen, Mr. William P.Y. Ko and Mr. Henry T.Y. Yiu
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