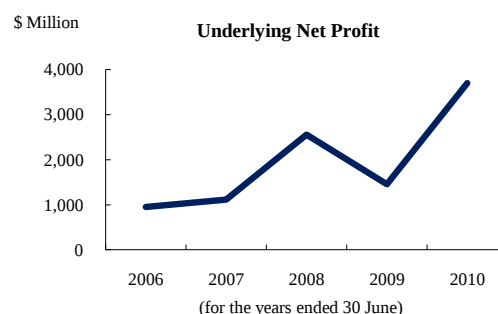
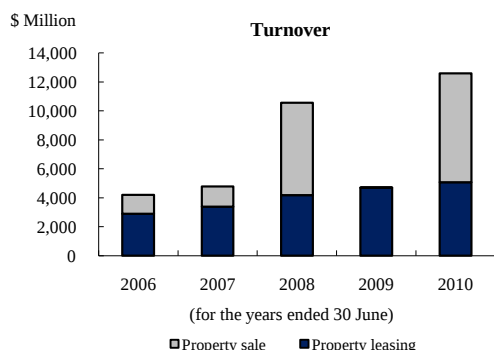


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恒隆集團有限公司
HANG LUNG GROUP LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 10)

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2010 (AUDITED)
(Expressed in Hong Kong dollars)

	Note	2010 \$Million	2009 \$Million
Turnover	3	12,580	4,696
Other income	4	43	164
Direct costs and operating expenses		(3,228)	(880)
Administrative expenses		(526)	(449)
Operating profit before change in fair value of investment properties		8,869	3,531
Increase in fair value of investment properties	9	21,626	3,644
Operating profit after change in fair value of investment properties		30,495	7,175
Finance costs	5	(120)	(172)
Share of profits of jointly controlled entities		262	181
Profit before taxation	3(a) & 5	30,637	7,184
Taxation	6(a)	(6,438)	(1,615)
Profit for the year		24,199	5,569
Attributable to:			
Shareholders		12,404	2,638
Non-controlling interests		11,795	2,931
		24,199	5,569
Earnings per share	8(a)		
Basic		\$9.28	\$1.98
Diluted		\$9.17	\$1.96

HANG LUNG GROUP 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		24,199	5,569
Other comprehensive income	6(b)		
Increase in fair value of listed investments		7	3
Exchange difference arising from translation of overseas subsidiaries		268	121
		<u>275</u>	<u>124</u>
Total comprehensive income for the year		<u>24,474</u>	<u>5,693</u>
Total comprehensive income attributable to:			
Shareholders		12,512	2,709
Non-controlling interests		11,962	2,984
		<u>24,474</u>	<u>5,693</u>

HANG LUNG GROUP 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	9	88,633	69,958
Investment properties under development	9	15,326	7,570
Other fixed assets		170	125
		104,129	77,653
Interest in jointly controlled entities		1,627	1,500
Other assets		1,269	1,274
Deferred tax assets		40	61
		107,065	80,488
Current assets			
Cash and deposits with banks		11,852	9,632
Trade and other receivables	10	1,532	699
Properties for sale		5,886	7,714
		19,270	18,045
Current liabilities			
Bank loans		3,180	800
Trade and other payables	11	3,483	2,387
Taxation payable		1,191	889
Floating rate notes due 2009		-	1,500
		7,854	5,576
Net current assets		11,416	12,469
Total assets less current liabilities		118,481	92,957
Non-current liabilities			
Bank loans		7,610	9,166
Finance lease obligations		168	287
Deferred tax liabilities		13,538	8,562
		21,316	18,015
NET ASSETS		97,165	74,942
Capital and reserves			
Share capital		1,339	1,334
Reserves		48,891	37,298
Shareholders' equity		50,230	38,632
Non-controlling interests		46,935	36,310
TOTAL EQUITY		97,165	74,942

HANG LUNG GROUP LIMITED

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 transaction 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.

HANG LUNG GROUP LIMITED

Notes:

2. Basis of preparation (Continued)

(c) HKFRS 3 (Revised) - Business Combinations

As a result of the adoption of HKFRS 3 (Revised), where a business combination is achieved in stages (other than that for existing subsidiary), the existing interest in the acquiree should be re-measured at fair value at each acquisition date and any resulting gain or loss is recognized in profit or loss. Previously, such gain or loss would be offset against goodwill. HKFRS 3 (Revised) has been applied prospectively for the transactions after 1 July 2009 and the adoption of HKFRS 3 (Revised) had no significant impact on the financial statements of the Group for the year ended 30 June 2010.

(d) Amendments to HKFRS 7 - Financial Instruments: Disclosures

As a result of the adoption of the amendments to HKFRS 7, the financial statements include expanded disclosures about the fair value measurement of the Group's financial instruments, categorizing these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The comparative information for the expanded disclosures has not been provided in accordance with the transitional provisions set out in the amendments to HKFRS 7.

(e) 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.

(f) 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 \$2,903 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 and related non-controlling interests of \$2,621 million.

HANG LUNG GROUP LIMITED

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 car parks 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, other assets, 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 \$ Million	2009 \$ Million	2010 \$ Million	2009 \$ Million
Segment				
Property leasing				
- Hong Kong	2,746	2,603	2,191	2,109
- Mainland China	2,323	2,082	1,905	1,704
	<u>5,069</u>	<u>4,685</u>	<u>4,096</u>	<u>3,813</u>
Property sales				
- Hong Kong	7,511	11	5,256	3
Segment total	<u>12,580</u>	<u>4,696</u>	<u>9,352</u>	<u>3,816</u>
Other income			43	164
Administrative expenses (Note)			(526)	(449)
Operating profit before change in fair value of investment properties			8,869	3,531
Increase/(Decrease) in fair value of investment properties			21,626	3,644
- property leasing in Hong Kong			7,971	(1,054)
- property leasing in Mainland China			13,655	4,698
Finance costs			(120)	(172)
Share of profits of jointly controlled entities			262	181
Profit before taxation			<u>30,637</u>	<u>7,184</u>

Note: Administrative expenses included share-based payments of \$134 million (2009: \$134 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.

HANG LUNG GROUP LIMITED

Notes:

3. Turnover and segment information (Continued)

(b) Total assets by segments

	Total assets	
	2010	2009
	\$ Million	\$ Million
<u>Segment</u>		
Property leasing		
- Hong Kong	53,331	45,204
- Mainland China	51,090	32,703
	104,421	77,907
Property sales		
- Hong Kong	7,126	8,162
Segment total	111,547	86,069
Interest in jointly controlled entities	1,627	1,500
Other assets	1,269	1,271
Deferred tax assets	40	61
Cash and deposits with banks	11,852	9,632
Total assets	126,335	98,533

4. Other income

	2010	2009
	\$ Million	\$ Million
Interest income	40	162
Dividend income from listed investments	3	2
	43	164

5. Profit before taxation

	2010	2009
	\$ Million	\$ Million
Profit before taxation is arrived at after charging:		
Finance costs		
Interest on borrowings	171	286
Other borrowing costs	136	39
Total borrowing costs	307	325
Less: Borrowing costs capitalized	(187)	(153)
	120	172
Cost of properties sold	1,865	8
Staff costs, including employee share-based payments of \$134 million (2009: \$134 million)	609	544
Depreciation	24	15

HANG LUNG GROUP LIMITED

Notes:

6. 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	1,034	201
Underprovision in prior years	28	13
	<u>1,062</u>	<u>214</u>
China Income Tax	416	301
	<u>1,478</u>	<u>515</u>
Deferred tax		
Change in fair value of investment properties	4,733	1,008
Other origination and reversal of temporary differences	227	92
	<u>4,960</u>	<u>1,100</u>
Total income tax expense	<u>6,438</u>	<u>1,615</u>

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

7. Dividends

- (a) Dividends attributable to the year

	2010 \$ Million	2009 \$ Million
Interim dividend declared and paid of 19 cents (2009: 16.5 cents) per share	254	220
Final dividend of 57 cents (2009: 54 cents) per share proposed after the balance sheet date	763	721
	<u>1,017</u>	<u>941</u>

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 \$722 million for financial year 2009 was approved and paid in financial year 2010 (2009: \$721 million).

8. Earnings per share

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

	2010 \$ Million	2009 \$ Million
Earnings for calculation of basic and diluted earnings per share (net profit attributable to shareholders)	<u>12,404</u>	<u>2,638</u>
	2010	2009
	Number of shares	
	(Million)	(Million)
Weighted average number of shares used in calculating basic earnings per share	1,337	1,334
Effect of dilutive potential shares - share options	16	14
Weighted average number of shares used in calculating diluted earnings per share	<u>1,353</u>	<u>1,348</u>

HANG LUNG GROUP LIMITED

Notes:

8. Earnings per share (Continued)

- (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	12,404	2,638
Effect of changes in fair value of investment properties	(21,626)	(3,644)
Effect of corresponding deferred tax	4,733	1,008
Effect of change in fair value of investment properties net of related deferred tax of jointly controlled entities	(173)	(93)
	(17,066)	(2,729)
Non-controlling interests	8,357	1,545
	(8,709)	(1,184)
Underlying net profit attributable to shareholders	3,695	1,454
The earnings per share based on underlying net profit attributable to shareholders are:		
	2010	2009
Basic	\$2.76	\$1.09
Diluted	\$2.73	\$1.08

9. 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 \$21,626 million, including \$7,365 million contributed by properties under development in Mainland China, is recorded.

HANG LUNG GROUP LIMITED

Notes:

10. 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	1,258	412
1 - 3 months	5	3
Over 3 months	1	54
	1,264	469

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.

11. 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	1,461	734
Due after 3 months	191	109
	1,652	843

Highlights

- For the year ended 30 June 2010, net profit attributable to shareholders of Hang Lung Group grew almost 4 times to HK\$12,404 million. Excluding the revaluation gain of investment properties, related tax and non-controlling interests, underlying net profit advanced 1.5 times to HK\$3,695 million.
- During the year, we sold 425 garden-view units at The HarbourSide and achieved excellent results.
- Property leasing in mainland China reported a pleasing growth of 12% in both rental turnover and profit to HK\$2,323 million and HK\$1,905 million respectively.
- Rental turnover from our Hong Kong investment properties steadily increased by 5% to HK\$2,746 million while profit was up by 4% to HK\$2,191 million.
- Overall rental turnover and profit escalated by 8% and 7% to HK\$5,069 million and HK\$4,096 million respectively.
- The increase in the fair value of our investment properties was HK\$21,626 million. This included the 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\$8,709 million of which HK\$2,903 million related to properties under development in mainland China.
- As at 30 June 2010, we maintained net cash of HK\$1,062 million.
- 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.

HANG LUNG GROUP LIMITED

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 and Mr. William P.Y. Ko

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