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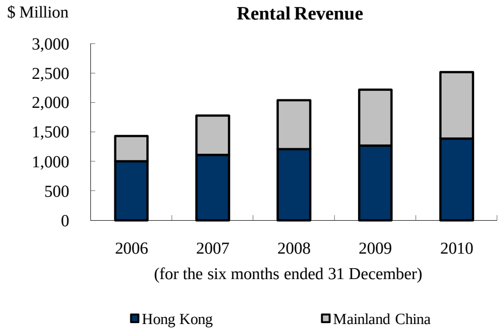
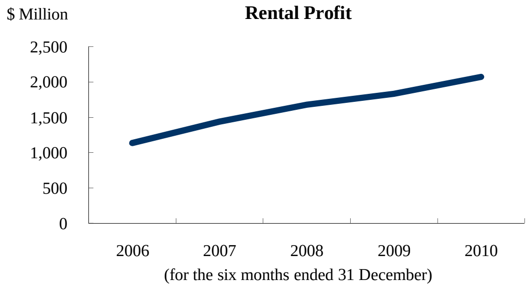
恒隆地產
HANG LUNG PROPERTIES





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 SIX MONTHS ENDED 31 DECEMBER 2010 (UNAUDITED)
(Expressed in Hong Kong dollars)

	Note	**2010 $Million**	2009 $Million (Restated)
Turnover	*4*	**2,521**	9,733
Other income		**89**	17
Direct costs and operating expenses		**(447)**	(2,561)
Administrative expenses		**(327)**	(280)
Operating profit before change in fair value of investment properties		**1,836**	6,909
Increase in fair value of investment properties	*9(b)*	**2,297**	16,159
Operating profit after change in fair value of investment properties		**4,133**	23,068
Finance costs	*5*	**(43)**	(29)
Share of profits of jointly controlled entities		**60**	116
Profit before taxation	*4(a) & 5*	**4,150**	23,155
Taxation	*6(a)*	**(502)**	(4,113)
Profit for the period		**3,648**	19,042
Attributable to:			
Shareholders		**3,418**	18,150
Non-controlling interests		**230**	892
		3,648	19,042
Earnings per share	*8(a)*		
Basic		**$0.80**	$4.38
Diluted		**$0.79**	$4.33

HANG LUNG PROPERTIES LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 DECEMBER 2010 (UNAUDITED)

(Expressed in Hong Kong dollars)

	Note	**2010 $Million**	2009 $Million (Restated)
Profit for the period		**3,648**	19,042
Other comprehensive income	*6(b)*		
Exchange difference arising from translation of overseas subsidiaries		**1,352**	(12)
Total comprehensive income for the period		**5,000**	19,030
Total comprehensive income attributable to:			
Shareholders		**4,652**	18,138
Non-controlling interests		**348**	892
		5,000	19,030

HANG LUNG PROPERTIES LIMITED

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2010 (UNAUDITED)

(Expressed in Hong Kong dollars)

	Note	**31/12/2010 $Million**	30/6/2010 $Million (Restated)
Non-current assets			
Fixed assets			
Investment properties	*9*	**84,036**	80,965
Investment properties under development	*9*	**19,056**	15,326
Other fixed assets		**176**	163
		103,268	96,454
Interest in jointly controlled entities		**968**	934
Other assets		**851**	3
Deferred tax assets		**26**	25
		105,113	97,416
Current assets			
Cash and deposits with banks		**24,565**	11,535
Trade and other receivables	*10*	**348**	1,494
Properties for sale		**5,899**	5,855
		30,812	18,884
Current liabilities			
Bank loans		**5,600**	1,480
Trade and other payables	*11*	**2,926**	3,076
Taxation payable		**1,100**	1,132
		9,626	5,688
Net current assets		**21,186**	13,196
Total assets less current liabilities		**126,299**	110,612
Non-current liabilities			
Bank loans		**6,484**	4,978
Finance lease obligations		**104**	168
Deferred tax liabilities		**8,039**	7,679
		14,627	12,825
NET ASSETS		**111,672**	97,787
Capital and reserves			
Share capital		**4,468**	4,159
Reserves		**102,281**	88,946
Shareholders' equity		**106,749**	93,105
Non-controlling interests		**4,923**	4,682
TOTAL EQUITY		**111,672**	97,787

HANG LUNG PROPERTIES LIMITED

Notes:

1. Review of interim financial report

   The interim financial report for the period ended 31 December 2010 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 2010, except for the changes in accounting policies that are expected to be reflected in the 2010/11 annual financial statements. Details of these changes in accounting policies are set out in note 3.

3. Changes in accounting policies

   The HKICPA issued a number of new and revised HKFRSs and Interpretations that are first effective for the current accounting period of the Group. Of these, the issuance of HK(Int) 5, Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause, is relevant to the Group's financial statements. However, the issuance of HK(Int) 5 has had no material impact on the Group's financial statements as the Interpretation's conclusions were consistent with policies already adopted by the Group.

   Up to the date of issue of the financial report, the HKICPA has issued a number of amendments and Interpretations which are not yet effective for current period. These include the following which may be relevant to the Group:

		Effective for accounting periods beginning on or after
HKFRSs (Amendments)	Improvements to HKFRSs 2010	1 January 2011
HKAS 24 (Revised)	Related Party Disclosures	1 January 2011
HKAS 12 (Amendments)	Income Taxes	1 January 2012
HKFRS 9	Financial Instruments	1 January 2013

   The Group has decided to early adopt the amendments to HKAS 12, Income taxes ("HKAS 12 (amended)"), in respect of the recognition of deferred tax on investment properties carried at fair value under HKAS 40, Investment property.

Notes:

3. Changes in accounting policies (Continued)

Early adoption of HKAS 12 (amended)

The change in policy arising from HKAS 12 (amended) is the only change which has had a material impact on the current or comparative periods. As a result of this change in policy, the Group now measures any deferred tax liability in respect of its investment properties with reference to the tax liability that would arise if the properties were disposed of at their carrying amounts at the reporting date, unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. Previously, where these properties were held under leasehold interests, deferred tax was generally measured using the tax rate that would apply as a result of recovery of the asset's value through use.

This change in policy has been applied retrospectively by increasing the retained profits at 1 July 2010 by $5,161 million (2009: $3,856 million) as a result of reduction in provision for deferred tax in respect of certain investment properties of the Group and its jointly controlled entities, with a consequential increase in the profit after tax attributable to shareholders and basic earnings per share of the Group of $310 million (2009: $799 million) and $0.07 (2009: $0.19) respectively for the period ended 31 December 2010.

4. 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, 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.

Notes:

4. Turnover and segment information (Continued)

(a) Turnover and results by segments

	Turnover		Profit before taxation	
	2010	2009	**2010**	2009
	$ Million	$ Million	**$ Million**	$ Million (Restated)
Segment				
Property leasing				
- Hong Kong	**1,387**	1,269	**1,143**	1,022
- Mainland China	**1,131**	953	**929**	811
	2,518	2,222	**2,072**	1,833
Property sales				
- Hong Kong	**3**	7,511	**2**	5,339
Segment total	**2,521**	9,733	**2,074**	7,172
Other income			**89**	17
Administrative expenses			**(327)**	(280)
Operating profit before change in fair value of investment properties			**1,836**	6,909
Increase in fair value of investment properties			**2,297**	16,159
- property leasing in Hong Kong			**1,839**	4,734
- property leasing in Mainland China			**458**	11,425
Finance costs			**(43)**	(29)
Share of profits of jointly controlled entities			**60**	116
Profit before taxation			**4,150**	23,155

(b) Total assets by segments

	Total assets	
	31/12/2010	30/6/2010
	$ Million	$ Million (Restated)
Segment		
Property leasing		
- Hong Kong	**52,849**	50,927
- Mainland China	**50,748**	45,781
	103,597	96,708
Property sales		
- Hong Kong	**5,918**	7,095
Segment total	**109,515**	103,803
Interest in jointly controlled entities	**968**	934
Other assets	**851**	3
Deferred tax assets	**26**	25
Cash and deposits with banks	**24,565**	11,535
Total assets	**135,925**	116,300

Notes:

5. Profit before taxation

	2010 $ Million	2009 $ Million
Profit before taxation is arrived at after charging:		
Finance costs		
Interest on borrowings	**85**	67
Other borrowing costs	**14**	27
Total borrowing costs	**99**	94
Less: Borrowing costs capitalized	**(56)**	(65)
	43	29
Cost of properties sold	**-**	1,865
Staff costs, including employee share-based payments of $19 million (2009: $15 million)	**430**	296
Depreciation	**9**	6
and after crediting:		
Interest income	**79**	17

6. Taxation

(a) Provision for Hong Kong Profits Tax is calculated at 16.5% (2009: 16.5%) of the estimated assessable profits for the period. 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 (Restated)
Current tax		
Hong Kong Profits Tax	**111**	949
China Income Tax	**230**	199
	341	1,148
Deferred tax		
Change in fair value of investment properties	**115**	2,857
Other origination and reversal of temporary differences	**46**	108
	161	2,965
Total income tax expense	**502**	4,113

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

7. Dividends

(a) Dividends attributable to the period

	2010 $ Million	2009 $ Million
Declared after the balance sheet date:		
17 cents (2009: 17 cents) per share	**760**	705

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

Notes:

7. Dividends (Continued)

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

	2010 $Million	2009 $Million
Final dividend in respect of the previous financial year of 54 cents (2009: 51 cents) per share	**2,252**	2,115

8. Earnings per share

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

	2010 $ Million	2009 $ Million (Restated)
Earnings for calculation of basic and diluted earnings per share (net profit attributable to shareholders)	**3,418**	18,150

	2010 Number of shares (Million)	2009 Number of shares (Million)
Weighted average number of shares used in calculating basic earnings per share	**4,252**	4,146
Effect of dilutive potential shares - share options	**61**	44
Weighted average number of shares used in calculating diluted earnings per share	**4,313**	4,190

(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 $ Million	2009 $ Million (Restated)
Net profit attributable to shareholders	**3,418**	18,150
Effect of changes in fair value of investment properties	**(2,297)**	(16,159)
Effect of corresponding deferred tax	**115**	2,857
Effect of change in fair value of investment properties of jointly controlled entities	**(40)**	(100)
	(2,222)	(13,402)
Non-controlling interests	**79**	760
	(2,143)	(12,642)
Underlying net profit attributable to shareholders	**1,275**	5,508

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

	2010	2009
Basic	**$0.30**	$1.33
Diluted	**$0.30**	$1.31

Notes:

9. Investment properties and investment properties under development

(a) Additions

During the period, additions in investment properties and investment properties under development amounted to $3,355 million (2009: $2,225 million).

(b) Valuation

The investment properties and investment properties under development of the Group were revalued as at 31 December 2010 by Mr. Charles C.K. Chan, Registered Professional Surveyor (General Practice), of Savills Valuation and Professional Services Limited, on a market value basis.

During the period, an increase in fair value of investment properties and those under development of $2,297 million (2009: $16,159 million), including $35 million (2009: $7,331 million) contributed by properties under development in mainland China, is recorded.

10. Trade and other receivables

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

	31/12/2010 $ Million	30/6/2010 $ Million
Current and within 1 month	**37**	1,255
1 - 3 months	**5**	4
Over 3 months	**1**	1
	43	1,260

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 2010 and 30 June 2010 is insignificant.

11. Trade and other payables

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

	31/12/2010 $ Million	30/6/2010 $ Million
Due within 1 month	**1,233**	1,451
Due after 3 months	**557**	190
	1,790	1,641

HANG LUNG PROPERTIES LIMITED

Highlights

- Net profit attributable to shareholders of Hang Lung Properties fell 81% to HK$3,418 million. While our leasing operations in both Hong Kong and mainland China achieved strong growth, the decrease in profit was due to negligible property sales in the prevailing market condition and a lower valuation gain on our investment properties compared with the corresponding period of previous year.

  Excluding the gain on revaluation of investment properties, related deferred tax and non-controlling interests, underlying net profit decreased by 77% to HK$1,275 million.

- Property leasing achieved strong results with rental turnover and profits both increased by 13% to HK$2,518 million and HK$2,072 million, respectively.

- Rental turnover and profit generated from our Hong Kong investment properties grew 9% and 12% to HK$1,387 million and HK$1,143 million, respectively.

- Our mainland China properties continued to record double-digit growth as rental turnover and profits increased by 19% and 15% to HK$1,131 million and HK$929 million, respectively. The shopping malls at Plaza 66 and Grand Gateway in Shanghai continued to enjoy favorable rental reversion. Palace 66 at Shenyang which opened in June 2010 was fully let.

- Increase in fair value of investment properties amounted HK$2,297 million compared to HK$16,159 million in the corresponding period last year. The reduction was primarily due to recognition of a one-off cumulative revaluation gain of HK$7,331 million from properties under development last year pursuant to a new accounting standard.

- In November 2010, we expanded our capital base by placement of 293.9 million new shares at HK$37.48 per share to institutional investors. Net proceeds of HK$10,896 million were raised for future expansions in mainland China.

- As of December 31, 2010, we maintained a strong balance sheet with net cash of HK$12,481 million.

- Parc 66 in Jinan has reached the final completion stage. Pre-leasing work is well underway for its opening in 2011. The ground breaking ceremony for Olympia 66 in Dalian was held on September 27, 2010. Other existing projects on the Mainland have been progressing well.

HANG LUNG PROPERTIES LIMITED

Purchase, Sale or Redemption of Listed Securities

During the six months period ended 31 December 2010, neither the Company nor any of its subsidiaries 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 2010, 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)	14 to 16 February 2011
Latest time to lodge transfers	4:30 pm on 11 February 2011
Record date for interim dividend	16 February 2011
Interim dividend payment date	24 February 2011

On Behalf of the Board
Ronnie C. Chan
Chairman

Hong Kong, 26 January 2011

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, Mr. Henry T.Y. YIU and Mr. H.C. HO
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