



恒隆集團有限公司

HANG LUNG GROUP LIMITED

Interim Report 2004-2005

CORPORATE INFORMATION

DIRECTORS

Ronnie C. Chan (*Chairman*)
S.S. Yin (*Vice Chairman*)*
Nelson W.L. Yuen (*Managing Director*)
Gerald L. Chan#
Laura L.Y. Chen*
H.K. Cheng, *GBS, OBE, JP* *
Wilfred S.L. Ho (*Executive Director*)
Simon S.O. Ip, *JP**
York Liao, *JP**
Terry S.Y. Ng (*Executive Director*)

Non-Executive Director

* *Independent Non-Executive Director*

AUDIT COMMITTEE

Simon S.O. Ip, *JP* (*Chairman*)
Laura L.Y. Chen
H.K. Cheng, *GBS, OBE, JP*
York Liao, *JP*

NOMINATION AND REMUNERATION COMMITTEE

H.K. Cheng, *GBS, OBE, JP* (*Chairman*)
Laura L.Y. Chen
Simon S.O. Ip, *JP*
York Liao, *JP*

AUTHORISED REPRESENTATIVES

Terry S.Y. Ng
Robin S.W. Ching

COMPANY SECRETARY

Robin S.W. Ching

REGISTERED OFFICE

28th Floor
Standard Chartered Bank Building
4 Des Voeux Road Central, Hong Kong
Tel : 2879 0111
Fax : 2868 6086

INTERNET ADDRESS

Website : <http://www.hanglung.com>
Email address : HLGroup@hanglung.com

SHARE REGISTRARS

Computershare Hong Kong Investor
Services Limited
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong
Tel : 2862 8628
Fax : 2529 6087

RESULTS AND DIVIDEND

In the six months ended 31 December 2004, turnover increased 212.4% to \$5,351.0 million from the year before. Net profit attributable to shareholders rose 363.3% to \$1,352.9 million. Earnings per share was 101.9 cents, 363.2% more than the previous corresponding period. Your Board has declared an interim dividend of 14.5 cents per share payable on 22 April 2005 to shareholders of record on 31 March 2005. This is an increase of 20.8%.

OPERATIONS REVIEW

Continuing the strong recovery of the residential market in the first half of 2004, the six months under review did not disappoint and helped make the calendar year the best performing one since 1997. The overall market increased both in number of transactions and in total dollar consideration. Growth in secondary market activities is in particular encouraging.

In terms of market segments, luxury units saw the greatest rise in prices. That is the exact area in which your Group is particularly strong. Through our major subsidiary Hang Lung Properties (HLP), apartments sold at The HarbourSide in the period under review fetched an average selling price that was 34% higher than comparable units sold in early 2004. Prices obviously cannot keep going up, but we take comfort in the fact that as long as they remain steady which is plausible, the almost 900 unsold units or almost 80% of the total will bring even greater profit.

The ninety some percent of the apartments sold at Carmel-on-the-Hill yielded prices much higher than originally planned. Even the mass-market AquaMarine had profit margins which were very lucrative.

Rental in Hong Kong has continued to improve. In some cases, year-on-year increase in rents was as much as 20% to 40%. As projected last fall, Shanghai's income growth slowed somewhat but was still rather satisfactory.

HLP scored a major victory in the mainland — it won a huge piece of land in Tianjin which will be developed into a world-class shopping mall of over 140,000 square meters. It will transform that part of the city which is traditionally the best shopping district. The new landmark Tianjin Hang Lung Plaza should be ready by 2008/2009.

PROSPECT

The coming few years should be exciting ones for the Group. In Hong Kong, as long as the local real estate market holds up, selling the 3,500 plus units in our portfolio will bring satisfactory profits to HLP. They will of course flow through to us as the parent Company. Rents are expected to improve further in the coming year.

In Shanghai, rental income should resume its steeper climb next year. Almost 200,000 square meters of new offices and residential buildings will soon be completed. Their impact on the bottom line will begin to be felt in 2006/2007 and will build up over the ensuing three years. In addition, 62,000 square meters in the form of one office tower have been sold. Once completed this June, the remaining sales proceeds will come due which will be booked in 2005/2006.

For the past two years, Management has been combing some 12 metropolises all over mainland China looking for projects. Twenty or so more cities are on our target list. Our success in Tianjin is particularly important — it is our first outside of Shanghai. It is my hope that in each of the coming three years, we will be able to announce additional projects. These will catapult your Group to a new phase of growth.

Ronnie C. Chan

Chairman

Hong Kong, 3 March 2005

OVERVIEW

The Group performed strongly in the first half of the financial year, with turnover increased by 212.4% to HK\$5,351.0 million for the six months ended 31 December 2004. Most of this increased turnover was from sales of the Group's residential developments, namely The HarbourSide, AquaMarine and Carmel-on-the-Hill. Strong property sales together with satisfactory rental activities boosted the Group's net profit attributable to shareholders by 363.3% to HK\$1,352.9 million for the six months ended 31 December 2004. This included a non-cash item of deemed profit of HK\$421.0 million arising from placement of the Company's listed subsidiary Hang Lung Properties Limited's shares during November 2004.

Finance costs decreased 52.1% to HK\$108.7 million due mainly to savings on interest expenses paid upon the conversion of convertible bonds issued by the Group.

The Board of Directors has declared an interim dividend of 14.5 cents per share to be paid on 22 April 2005 to shareholders registered as of 31 March 2005. This interim payout increased by 20.8% as compared to that paid last year. The Register of Members will be closed from 29 March 2005 to 31 March 2005, both days inclusive, and no transfer of shares will be effected during that period. In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, not later than 4:00 p.m. on 24 March 2005.

PROPERTY DEVELOPMENT AND SALES

Hong Kong

Through Hang Lung Properties Limited, the Group's major subsidiary, residential developments were sold at attractive profit margins during the period under review. Given the particular strength of the high-end market, the Group sold a total of 47 units of The HarbourSide at an average price of HK\$12,900 p.s.f. The Group took advantage of strong markets to sell 780 units of AquaMarine at an average price of HK\$4,600 p.s.f.; and 172 units of Carmel-on-the-Hill at an average price of HK\$5,100 p.s.f. Occupation permit for The Long Beach, situated in West Kowloon, was issued during the period under review and the development is expected to be launched in the market in 2006.

Shanghai

The construction of Office Tower 2 at Plaza 66 on Nan Jing Xi Lu has been progressing well and is expected to be completed in 2006. Completion of the twin office towers at The Grand Gateway will take place this June. Construction of the remaining one block each of residential and serviced apartments is on schedule. The remaining sales proceeds from the one office tower which has been sold will be booked in the next fiscal year.

PROPERTY LEASING

Pre-tax profit on property leasing during the first half of the financial year increased by 13.9% to HK\$928.4 million. Improvement in market sentiment in Hong Kong led to a considerable increase in rental income and profits from the Group's Hong Kong properties. Combined with steady growth in the leasing activities of the two Shanghai projects, Plaza 66 and The Grand Gateway, the Group's leasing activities have been performing well during the period under review.

Hong Kong

The increase in rental income and profits from our Hong Kong properties came mainly from the commercial, retail and office sectors, where activity has been increasing at a steady pace. Our serviced apartments have also experienced growth, principally as a result of an increase in tourists from the mainland.

Shanghai

Plaza 66 and The Grand Gateway maintained an almost full occupancy rate during the first half of the financial year, with a steady increase in average rent upon the renewal of tenancies.

FINANCE

At 31 December 2004, the Group's consolidated net bank borrowings (after deducting cash and bank deposits) totaled HK\$3,898.8 million compared to HK\$9,359.9 million at 30 June 2004. The significant decrease is mainly due to the receipt of cash from the placement of Hang Lung Properties Limited's shares.

On 29 November 2004, Hang Lung Properties Limited placed 370 million new ordinary shares at HK\$12 per share with professional and institutional investors, raising approximately HK\$4.4 billion. The Group also issued HK\$1.5 billion floating rate notes in December 2004.

OUTLOOK

Breakthrough was made by Hang Lung Properties Limited in the mainland of China by winning a 4.4 hectares site at the prime area of Tianjin in January 2005. This is the first project of the Group outside of Hong Kong and Shanghai. Construction of this world-class shopping mall is expected to be completed in 2008/09.

Our marketing strategy for property sale is to maximize profit and so will time the release of properties. We also expect our leasing activities to achieve steady growth in line with the recovery seen in the general economy.

The strengthened balance sheet with a rather low debt-to-equity ratio will enable the Group to take advantage of opportunities both in Hong Kong and in the mainland.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the accounting period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2004, the directors and their associates had the following interests in the shares and underlying shares of the Company and its associated corporations which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to Part XV of the Securities and Futures Ordinance ("SFO") or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein:

Name of Directors	<i>The Company</i>			<i>Hang Lung Properties Limited</i>		
	Shares of HK\$1.00 each	% of Issued Capital	Share Options#	Ordinary Shares of HK\$1.00 each	% of Issued Capital	Share Options#
			(Note 1)			(Note 2)
	Interests in Shares		No. of Shares	Interests in Shares		No. of Shares
Ronnie C. Chan	—	—	5,090,000	—	—	5,090,000
S.S. Yin	—	—	—	—	—	—
Nelson W.L. Yuen	—	—	5,500,000	—	—	7,126,000
Gerald L. Chan	—	—	—	—	—	—
Laura L.Y. Chen	—	—	—	—	—	—
H.K. Cheng	—	—	—	—	—	—
Wilfred S.L. Ho	—	—	2,638,000	—	—	3,239,000
Simon S.O. Ip	—	—	—	—	—	—
York Liao	—	—	—	—	—	—
Terry S.Y. Ng	—	—	2,638,000	—	—	3,239,000

not yet exercised

Notes

1.

Name	No. of Option Shares	Date Granted	Exercise Price Per Share	Period during which options exercisable
Ronnie C. Chan	5,090,000	20 May 2004	\$9.45	20 May 2005 to 19 May 2014*
Nelson W.L. Yuen	2,500,000	24 Feb. 2000	\$6.12	24 Feb. 2001 to 23 Feb. 2010
	3,000,000	20 May 2004	\$9.45	20 May 2005 to 19 May 2014*
Wilfred S.L. Ho	1,250,000	24 Feb. 2000	\$6.12	24 Feb. 2001 to 23 Feb. 2010
	1,388,000	20 May 2004	\$9.45	20 May 2005 to 19 May 2014*
Terry S.Y. Ng	1,250,000	1 Nov. 2001	\$5.87	1 Nov. 2002 to 31 Oct. 2011
	1,388,000	20 May 2004	\$9.45	20 May 2005 to 19 May 2014*

* These share options are exercisable in 4 tranches, i.e. 25% from 20 May 2005, 25% from 20 May 2006, 25% from 20 May 2007 and 25% from 20 May 2008, all expiring on 19 May 2014.

2. These share options were granted to the named directors on 20 May 2004 under the Share Option Scheme of Hang Lung Properties Limited at exercise price of \$9.20 per share, exercisable in 4 tranches, i.e. 25% from 20 May 2005, 25% from 20 May 2006, 25% from 20 May 2007 and 25% from 20 May 2008, all expiring on 19 May 2014.

Save as disclosed above, none of the directors of the Company or any of their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation.

Other than as stated above, at no time during the accounting period was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2004, details of substantial shareholders' and other persons' (who are required to disclose their interests pursuant to Part XV of the SFO) interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO are as follows:

(a) Interests in Shares

Name	No. of Shares Held	% of Issued Capital
CHAN TAN Ching Fen	493,463,580 (Note 1)	37.16
Cole Limited	493,463,580 (Note 1)	37.16
Kingswick Investment Limited	93,000,000 (Note 2)	7.00
The Capital Group Companies, Inc.	93,440,000	7.04

Notes

1. These shares were the same parcel of shares held by a trust of which Ms. CHAN TAN Ching Fen was the founder.
2. The 93,000,000 shares held by Kingswick Investment Limited were included in the above-mentioned number of 493,463,580 shares held by Ms. CHAN TAN Ching Fen / Cole Limited.

(b) Short Positions in Shares and Underlying Shares

Save as disclosed in paragraph (a) above, no other interest required to be recorded in the register kept under Section 336 of the SFO has been notified to the Company.

The Company is committed to a high standard of corporate governance. During the six months period ended 31 December 2004, the principles of corporate governance adopted by the Company were in line with the corporate governance statement set out in our 2003/04 Annual Report which included, inter alia, the Board and the Executive Committee, Nomination and Remuneration Committee, systems of internal control and financial reporting, and code of conduct for employees of the Company.

AUDIT COMMITTEE

The Audit Committee comprises four independent non-executive directors. It has reviewed this interim report, including the unaudited interim financial statements for the six months ended 31 December 2004 which were not required to be audited, and has recommended their adoption by the Board.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

None of the directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting period, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules").

COMPLIANCE WITH THE MODEL CODE SET OUT IN APPENDIX 10 TO THE LISTING RULES

The Company has adopted a code of conduct regarding securities transactions by directors ("Code of Conduct") on terms no less exacting than the required standard set out in the Model Code set out in Appendix 10 to the Listing Rules ("the Code") and the Company has made specific enquiry of all directors that they have complied with the required standard set out in the Code and the Code of Conduct.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2004 (Unaudited)

(Expressed in Hong Kong dollars)

	Note	2004 \$Million	2003 \$Million
Turnover	2	5,351.0	1,713.1
Other income		451.0	66.3
Direct costs and operating expenses		(3,089.8)	(902.2)
Administrative expenses		(86.9)	(57.6)
Profit from operations before finance costs		2,625.3	819.6
Finance costs	3	(108.7)	(160.8)
Operating profit	3	2,516.6	658.8
Share of results of jointly controlled entities		20.2	11.3
Profit before taxation	2(a)	2,536.8	670.1
Taxation	4	(364.9)	(125.0)
Profit after taxation		2,171.9	545.1
Minority interests		(819.0)	(253.1)
Net profit attributable to shareholders		1,352.9	292.0
Interim dividend at 14.5¢ (2003: 12¢) per share		192.6	159.3
Earnings per share	5		
Basic		101.9¢	22.0¢
Diluted		101.3¢	N/A

The annexed notes form part of the interim financial statements.

CONDENSED CONSOLIDATED BALANCE SHEET

At 31 December 2004 (Unaudited)

(Expressed in Hong Kong dollars)

	Note	31/12/2004 \$Million	30/6/2004 \$Million
ASSETS			
Non-current assets			
Fixed assets		34,656.8	34,440.3
Interest in jointly controlled entities		1,224.6	1,319.8
Loans and investments		159.4	183.7
		36,040.8	35,943.8
Current assets			
Inventories		10,389.6	12,096.3
Trade and other receivables	6	3,927.4	1,922.7
Cash and deposits with banks		7,267.6	1,959.4
		21,584.6	15,978.4
Current liabilities			
Trade and other payables	7	2,894.7	2,772.2
Taxation		522.7	603.4
Floating rate notes due 2004		—	540.0
		3,417.4	3,915.6
Net current assets		18,167.2	12,062.8
Total assets less current liabilities		54,208.0	48,006.6

	Note	31/12/2004 \$Million	30/6/2004 \$Million
Non-current liabilities			
Bank loans		11,166.4	11,319.3
Floating rate notes due 2009		1,500.0	—
Deferred taxation		719.0	656.8
Other long term liabilities		794.4	824.6
		14,179.8	12,800.7
Minority interests		19,996.1	16,052.1
NET ASSETS		20,032.1	19,153.8
CAPITAL AND RESERVES			
Share capital	8	1,328.1	1,327.5
Reserves	9	18,704.0	17,826.3
Shareholders' funds		20,032.1	19,153.8

The annexed notes form part of the interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2004 (Unaudited)

(Expressed in Hong Kong dollars)

	2004 \$Million	2003 \$Million
Total equity at 1 July	19,153.8	16,888.2
Net profit for the period	1,352.9	292.0
Final dividend in respect of previous year	(478.0)	(424.6)
Exercise of share options	3.4	15.9
Capital reserves realised on property disposal	—	(4.0)
Total equity at 31 December	20,032.1	16,767.5

The annexed notes form part of the interim financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2004 (Unaudited)

(Expressed in Hong Kong dollars)

	Note	2004 \$Million	2003 \$Million
Operating profit before changes in working capital		2,183.6	757.2
Decrease/(Increase) in inventories		1,304.9	(681.4)
Other changes in working capital		(1,253.0)	45.4
Cash generated from operations		2,235.5	121.2
Hong Kong profits tax paid		(381.0)	(230.9)
Net cash generated from/(used in) operating activities		1,854.5	(109.7)
Net cash (used in)/generated from investing activities		(204.3)	844.3
Net cash generated from/(used in) financing activities		3,658.0	(805.3)
Increase/(Decrease) in cash and cash equivalents		5,308.2	(70.7)
Cash and cash equivalents at 1 July		1,959.4	1,683.5
Cash and cash equivalents at 31 December	10	7,267.6	1,612.8

The annexed notes form part of the interim financial statements.

1. BASIS OF PREPARATION

The unaudited interim financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The accounting policies and methods of computation used in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 30 June 2004.

2. TURNOVER AND SEGMENT INFORMATION

	Segment revenue		Segment results	
	2004 \$Million	2003 \$Million	2004 \$Million	2003 \$Million
(a) Business segment				
Property sales	4,090.3	560.7	1,320.0	(9.8)
Property leasing	1,250.1	1,145.2	928.4	814.9
Other operations	10.6	7.2	12.8	43.5
	5,351.0	1,713.1	2,261.2	848.6
Other income			451.0	28.6
Administrative expenses			(86.9)	(57.6)
Finance costs			(108.7)	(160.8)
Operating profit			2,516.6	658.8
Share of results of jointly controlled entities				
Property sales			—	(4.2)
Property leasing			18.6	14.9
Other operations			1.6	0.6
Profit before taxation			2,536.8	670.1
(b) Geographical segment				
Hong Kong	4,872.8	1,229.1	2,012.4	667.9
Mainland China	478.2	484.0	248.8	180.7
	5,351.0	1,713.1	2,261.2	848.6

3. OPERATING PROFIT

	2004 \$Million	2003 \$Million
Operating profit is arrived at after charging:		
Finance costs		
Interest on borrowings	104.3	198.6
Other ancillary borrowing costs	20.2	23.3
	124.5	221.9
Less: Borrowing costs capitalised	(15.8)	(61.1)
	108.7	160.8
Included in cost of property sales:		
Cost of inventories	2,501.9	293.4
Cost of investment properties	152.4	253.8
Staff costs, including contribution to retirement schemes of \$8.2 million (2003:\$8.5 million)	110.2	113.6
Depreciation	13.4	16.0
and after crediting:		
Deemed profit on placement of a listed subsidiary's shares (Note)	421.0	—
Interest income	30.0	6.9
Net realised and unrealised gains on listed investments	1.0	39.0

Note: The deemed profit arose from the placement of 370 million new ordinary shares by Hang Lung Properties Limited in November 2004.

4. TAXATION

Provision for Hong Kong Profits Tax and PRC Income Tax is calculated at 17.5% and 33% respectively on the estimated assessable profits for the period.

	2004 \$Million	2003 \$Million
Provision for Hong Kong Profits Tax		
Tax for the period	300.3	72.9
Share of jointly controlled entities	2.2	2.1
	302.5	75.0
Deferred taxation		
Origination and reversal of temporary differences	62.2	49.8
Share of jointly controlled entities	0.2	0.2
	62.4	50.0
	364.9	125.0

5. EARNINGS PER SHARE

- (a) The calculation of basic earnings per share is based on the net profit attributable to shareholders of \$1,352.9 million (2003: \$292.0 million) and the weighted average number of 1,327.8 million (2003: 1,325.9 million) shares in issue during the period.
- (b) The calculation of diluted earnings per share is based on the adjusted net profit attributable to shareholders of \$1,352.9 million and the weighted average number of 1,335.6 million shares after adjusting for the effects of all dilutive potential shares.

No diluted earnings per share is presented for last period as the Company's share option did not give rise to any dilution.

6. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade debtors with the following ageing analysis:

	31/12/2004 \$Million	30/6/2004 \$Million
Within 1 month	3,340.8	1,774.4
1 - 3 months	4.3	5.0
Over 3 months	3.0	9.3
	3,348.1	1,788.7

The Group maintains a defined credit policy. An ageing analysis of trade debtors is prepared on a regular basis and is closely monitored to minimise any credit risk associated with receivables.

7. TRADE AND OTHER PAYABLES

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

	31/12/2004 \$Million	30/6/2004 \$Million
Within 1 month	971.3	1,590.2
Over 3 months	143.9	142.7
	1,115.2	1,732.9

8. SHARE CAPITAL

	Number of shares Million	\$Million
Issued and fully paid <i>Shares of \$1 each</i>		
At 1 July 2004	1,327.5	1,327.5
Shares issued under share option scheme	0.6	0.6
At 31 December 2004	1,328.1	1,328.1

8. SHARE CAPITAL (continued)

Share Option Scheme

The Company

At 31 December 2004, the directors and employees had the following interests in options to subscribe for shares ("Share Options") of the Company granted at nominal consideration under the Share Option Scheme of the Company. Each Share Option gives the holder the right to subscribe for one share.

The movements of Share Options during the period are as follows:

	Number of Share Options outstanding on 1 July 2004	Number of Share Options lapsed/ exercised (*) during the period	Number of Share Options outstanding on 31 December 2004	Date granted	Period during which options are exercisable	Exercise price \$	Weighted average share price before exercise of options \$
The Company							
Directors	3,750,000	—	3,750,000	24 February 2000	24 February 2001 to 23 February 2010	6.12	—
	1,250,000	—	1,250,000	1 November 2001	1 November 2002 to 31 October 2011	5.87	—
	10,866,000	—	10,866,000	20 May 2004	20 May 2005 to 19 May 2014	9.45	—
Employees	2,997,000	(557,000)*	2,440,000	24 February 2000	24 February 2001 to 23 February 2010	6.12	12.68
	100,000	—	100,000	1 December 2000	30 November 2001 to 29 November 2010	5.49	—
	75,000	—	75,000	10 July 2001	10 July 2002 to 9 July 2011	6.87	—
	120,000	—	120,000	7 December 2001	7 December 2002 to 6 December 2011	6.83	—
	500,000	—	500,000	12 May 2004	12 May 2005 to 11 May 2014	10.17	—
	3,208,000	(50,000)	3,158,000	20 May 2004	20 May 2005 to 19 May 2014	9.45	—
Total	22,866,000	(607,000)	22,259,000				

8. SHARE CAPITAL (continued)

Hang Lung Properties Limited ("HLP")

At 31 December 2004, the directors and employees of HLP, the Company's subsidiary, had the following interests in Share Options of HLP granted at nominal consideration under the Share Option Scheme of HLP. Each Share Option gives the holder the right to subscribe for one ordinary share.

The movements of Share Options during the period are as follows:

	Number of Share Options outstanding on 1 July 2004	Number of Share Options lapsed during the period	Number of Share Options outstanding on 31 December 2004	Date granted	Period during which options are exercisable	Exercise price \$	Weighted average share price before exercise of options \$
HLP							
Directors	18,694,000	—	18,694,000	20 May 2004	20 May 2005 to 19 May 2014	9.20	—
Employees	10,867,000	(200,000)	10,667,000	20 May 2004	20 May 2005 to 19 May 2014	9.20	—
Total	29,561,000	(200,000)	29,361,000				

No Share Options have been granted during the period.

9. RESERVES

	Capital reserves					Revenue reserves			
	Share premium \$Million	Investment property revaluation reserves \$Million	Capital reserve on consolidation \$Million	Share of post- acquisition capital reserves of jointly controlled entities \$Million	Capital redemption reserve \$Million	Other capital reserves \$Million	General reserve \$Million	Retained profits \$Million	Total \$Million
At 1 July 2004	2,194.1	3,025.4	1,058.4	165.0	26.1	422.2	275.0	10,660.1	17,826.3
Net profit for the period	—	—	—	—	—	—	—	1,352.9	1,352.9
Dividend paid	—	—	—	—	—	—	—	(478.0)	(478.0)
Issue of shares	2.8	—	—	—	—	—	—	—	2.8
At 31 December 2004	2,196.9	3,025.4	1,058.4	165.0	26.1	422.2	275.0	11,535.0	18,704.0

10. NOTE TO THE CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	2004 \$Million	2003 \$Million
Analysis of the balances of cash and cash equivalents		
Cash and deposits with banks	7,267.6	1,612.8

11. COMMITMENTS

Capital commitments outstanding at 31 December 2004 not provided for in the financial statements were as follows:

	31/12/2004 \$Million	30/6/2004 \$Million
Contracted for	1,096.4	988.7
Authorised but not contracted for	1,103.0	1,375.0
	2,199.4	2,363.7

12. RELATED PARTY TRANSACTIONS

The Group has a 20% interest in a jointly controlled entity which participated in the development of Package One of the MTRC Tung Chung Station Development Project. At 31 December 2004, the Group advanced to this jointly controlled entity a total of \$1,015.3 million (30/6/2004: \$1,105.3 million). All advances are unsecured, interest-free and have no fixed settlement dates.

FINANCIAL BRIEFS & CALENDAR

Financial Briefs	31/12/2004 HK\$ Million
Total assets	57,625.4
Shareholders' funds	20,032.1
Turnover	5,351.0
Net profit attributable to shareholders	1,352.9
Per share data	
Earnings – Basic	101.9¢
– Diluted	101.3¢
Interim dividend	14.5¢
Net assets	\$15.1
Debt-to-equity ratio*	13.3%
Number of shares outstanding (in million)	1,328.1

Financial Calendar	
Financial period	1 July 2004 to 31 December 2004
Interim results announced	3 March 2005
Latest time to lodge transfers	4:00 p.m. on 24 March 2005
Closure of share register	29 March to 31 March 2005 (both days inclusive)
Record date for interim dividend	31 March 2005
Interim dividend payable	22 April 2005

* Debt-to-equity ratio represents net debt over equity plus net debt. Net debt represents bank loans, floating rate notes and finance lease obligations, less cash and deposits with banks. Equity comprises shareholders' funds and minority interests.