



恒隆地產有限公司

HANG LUNG PROPERTIES LIMITED

Interim Report 2006-2007

Stock Code: 101

DIRECTORS

Ronnie C. Chan (*Chairman*)
S.S. Yin (*Vice Chairman*) *
Nelson W.L. Yuen (*Managing Director*)
Ronald J. Arculli, *GBS, JP* *
H.K. Cheng, *GBS, OBE, JP* *
Laura L.Y. Chen *
P.W. Liu, *SBS, JP* *
Terry S. Ng
William P.Y. Ko
Estella Y.K. Ng

* *Independent Non-Executive Director*

AUDIT COMMITTEE

H.K. Cheng, *GBS, OBE, JP (Chairman)*
Laura L.Y. Chen
P.W. Liu, *SBS, JP*

NOMINATION AND REMUNERATION COMMITTEE

P.W. Liu, *SBS, JP (Chairman)*
Ronald J. Arculli, *GBS, JP*
H.K. Cheng, *GBS, OBE, JP*
Laura L.Y. Chen

AUTHORISED REPRESENTATIVES

Terry S. Ng
Velencia Lee

QUALIFIED ACCOUNTANT

Estella Y.K. Ng

COMPANY SECRETARY

Velencia Lee

REGISTERED OFFICE

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RESULTS AND DIVIDENDS

At \$2,286.4 million, net profit attributable to shareholders for the six months ended 31 December 2006 was 41.5% higher than the previous corresponding period. Turnover decreased 13.1% to \$1,961.0 million. Excluding revaluation gain and related deferred tax, underlying net profit fell by 2.2% to \$860.7 million. Earnings per share was 6.3% lower at 22.4 cents.

Your Board has declared an interim dividend of 13 cents per share which is the same as that of last year. This dividend will be paid on 20 April 2007 to shareholders of record on 4 April 2007.

OPERATIONS REVIEW

Financial results alone do not reflect the full picture of the Company. Overall underlying net profit remained basically unchanged from a year ago, yet profit from the sales of Hong Kong properties was less than half of that before. This meant that rental revenue grew briskly—10% for Hong Kong and 25% for Shanghai. Blended increase was 14%. On average, retail rent in Hong Kong went up 7% and for offices, 19%. In Shanghai both product types grew about 25%. A year ago Shanghai accounted for 27% of total rent collected; now it stands at 30%. Occupancies in both cities remain basically unchanged from last year.

What is most exciting in the past six months is the string of new mainland China projects. In November we broke ground for Shenyang Zhongjie Hang Lung Plaza. It is the first of the twelve new developments and should be completed by 2010.

A month later we conducted a global architectural competition involving three world-renowned firms from both sides of the Atlantic for the huge Shenyang Doumugong mixed-use project with about 800,000 square meters of buildable area. The winning design is spectacular and has received enthusiastic acclaim from Shenyang's leaders.

During the last week of December, we successfully purchased an excellent site in Wuxi, Jiangsu Province. Wuxi is one of the most economically vibrant cities in the Yangtze River Delta area. Located in the center of town, we will build a commercial complex of approximately 243,000 square meters comprising a mall, an office tower and a 5-star hotel. Site clearance will take time.

The land acquisition for the Jinan project in Shandong Province should conclude in about a week. From the time we signed the preliminary agreement with the city, it will have been 13 months.

As previously reported, managing all the new developments will require more professional staff. We have been building management teams for each new city. We are also redeploying some of our most experienced staff from Shanghai where all the projects are coming to a close. Of late the task has been slightly easier. It reflects the best-in-class reputation which we are fast acquiring. Many potential hires consider us the most dynamic and even the most successful real estate company in the mainland. Like all people, top professionals seek to be part of a winning team. We warmly welcome them.

PROSPECTS

As we properly communicated our mainland China strategy which institutional investors began to understand, our share price began to rise. Currently, we are the second largest pure real estate company in Hong Kong in terms of market capitalization. I believe one reason is related to the way we buy land. We are extraordinarily discriminating, a trait that differentiates us from our competitors. Buying top located and well shaped plots at best possible prices means value creation to our shareholders. Considering investing HK\$2 to HK\$2.5 billion as one project, so far we have acquired seven and soon eight projects, counting Jinan. I am aiming at four more within 2007 to round out the target of twelve new developments.

Rental activities should remain strong especially in Shanghai. New revenue will come from both improved rents as well as newly completed space. The second office tower of Plaza 66 began to contribute last month.

Residential sales in Hong Kong have been slow and it is hard to predict when it will pick up. Mass market products are especially troubling but fortunately we do not have any. If anything, last December's government land sales of a plot at the Peak for luxury residences bodes well for our completed developments which are all in the high-end sector. Well located upscale in-town apartments like ours should see their prices hold up far better than their lower priced cousins. We will as before carefully and diligently monitor the market and will sell to maximize profit.

Ronnie C. Chan

Chairman

Hong Kong, February 8, 2007

OVERVIEW

Benefiting from the strong rental performance of Hong Kong and Shanghai properties and the surplus on the revaluation of the Group's investment properties, net profit attributable to Hang Lung Properties shareholders for the six months ended 31 December 2006 increased by 42% to HK\$2,286.4 million. Profits from property leasing increased by 15% to HK\$1,134.6 million, of which our Shanghai properties contributed HK\$325.9 million, representing a 26% increment from the previous period. Hong Kong rentals also experienced pleasant growth with profits increasing by 12% to HK\$808.7 million. A revaluation surplus of HK\$2,183.7 million was recorded in the income statement. This came mainly from the newly completed Office Tower II of Plaza 66. Turnover for the period fell by 13% to HK\$1,961.0 million, mainly due to a decrease in property sales.

The Board of Directors has declared an interim dividend of 13 cents per share, to be paid on 20 April 2007 to shareholders registered as of 4 April 2007. This interim payout is the same as that of last year. The Register of Members will be closed from 2 April 2007 to 4 April 2007, 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 30 March 2007.

PROPERTY LEASING

During the first six months of the financial year, property leasing activities continued to experience strong growth, with total rental income increasing by 14% to HK\$1,430.5 million and profit increasing by 15% to HK\$1,134.6 million. All our Hong Kong and Shanghai properties achieved satisfactory leasing results.

Hong Kong

Our Hong Kong properties performed strongly with rental income and profits increasing by 10% to HK\$1,002.4 million and 12% to HK\$808.7 million, respectively. With the increase in demand by office users in Hong Kong, our Offices and Industrial/Offices sector were the best performers among the different categories of our leasing portfolio, which recorded an almost 20% growth in rental revenue.

Shanghai

Property leasing in Shanghai continued its exceptional performance. Rental turnover and profits increased by 25% to HK\$428.1 million and 26% to HK\$325.9 million, respectively, primarily due to rental reversion in our existing Shanghai portfolio. Rental income from Shanghai now accounts for approximately 30% of the Group's total rental turnover. With the new Office Tower II of Plaza 66 completed at the end of December 2006, the rental contribution from Shanghai should experience further enhancement. Pre-leasing of this additional 81,400 square metres new space has been encouraging with some 95% already committed.

PROPERTY SALES

Hong Kong

During the period, about 170 residential units of AquaMarine, located in West Kowloon, were sold at an average price of HK\$4,400 per square foot.

PROPERTY DEVELOPMENT

Shenyang

Following the purchase in 2005 of the Zhongjie Road prime lot in Shenyang City, in August 2006 we acquired another prime lot of roughly 92,000 square metres on the south side of City Plaza, along Qingnian Street, in the Shenhe district of Shenyang City, for approximately RMB895 million. The site will be developed into a grand scale multi-complex development comprising a world-class shopping mall, office towers, hotel and serviced apartments. The project will have a total gross floor area of about 920,000 square metres with a total investment of about RMB8 billion.

Wuxi

In December 2006, the Group acquired another prime site, comprising roughly 37,300 square metres, for approximately RMB685 million. It is located on Renmin Road in the Chongan district of Wuxi City. The Group is planning to invest RMB3.5 billion to develop a large-scale multi-complex project including a world-class shopping mall, an office tower and a luxury hotel with a total gross floor area of about 243,000 square metres.

FINANCE

In November 2006, the Company placed 410 million new shares at HK\$16.3 per share to institutional investors, raising approximately HK\$6.7 billion. The Group's financial position has been further strengthened with cash and deposits with banks increased to HK\$6,353.1 million while bank loans decreased to HK\$4,790.1 million. The Group's gearing ratio reduced to a very low level of 1% as of 31 December 2006.

During the period under review, the market capitalization of the Group continued to rise. Subsequent to the placement of the 410 million new shares, the market capitalization of the Group increased to approximately HK\$80.8 billion as of 31 December 2006.

OUTLOOK

The Group continued to execute our China strategy of developing world-class commercial complexes in the mainland's vibrant and fast-growing cities. The ongoing search for potential sites in the mainland will capitalize on the Group's proven experience, management expertise and long-term vision. Our strengthened financial position will put us in a strong position to take advantage of such opportunities in mainland China as well as in Hong Kong.

For property developments for sale, the Group will continue to maximize our profit margins by releasing properties into the market at the best possible time. We also expect our leasing activities to maintain steady growth with strong performance from our Shanghai rental properties.

We are committed to maintaining a high standard of corporate governance. During the six months period ended 31 December 2006, the principles of corporate governance adopted by us were in line with the corporate governance report set out in our corporate website which included, inter alia, Directors, Remuneration of Directors and Senior Management, Accountability and Audit, Delegation by the Board, Communication with Shareholders, and Code of Conduct for our employees.

BOARD COMPOSITION

Currently, our Board comprises ten persons, consisting of five Executive Directors and five Independent Non-Executive Directors. Our Board continues to review its practices from time to time with an aim to improve the Group's corporate governance practices so as to meet international best practice. An updated list of our Board members showing their biographical details is maintained on our website under Profile of Directors.

NOMINATION AND REMUNERATION COMMITTEE

Our Nomination and Remuneration Committee, which is chaired by an Independent Non-Executive Director, currently comprises four Independent Non-Executive Directors. The members have met on a regular basis to review human resource issues, including significant Group-wide changes in salary structure and terms and conditions affecting Directors and senior management. They also review the board structure and composition regularly, and make recommendations to the Board regarding any proposed changes, appointment or re-appointment of Directors, and succession planning for Directors. Full terms of reference are accessible to all via our website.

AUDIT COMMITTEE

Our Audit Committee, which is chaired by an Independent Non-Executive Director, currently comprises three Independent Non-Executive Directors. It meets at least twice a year and meetings are attended by external and internal auditors, the finance director and the company secretary for the purpose of discussing the nature and scope of audit work, setting and monitoring the Company's internal audit programme and assessing the Company's internal controls. Full terms of reference are available on our website. The Committee has reviewed this interim report, including the unaudited interim financial statements for the six months ended 31 December 2006 which were not required to be audited, and has recommended their adoption by the Board.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the accounting period ended 31 December 2006, we have 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 ("the Listing Rules") on The Stock Exchange of Hong Kong Limited.

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

We have 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 we have made specific enquiry of all Directors that they have complied with the required standard set out in the Code and the Code of Conduct.

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 2006, the Directors and their associates had the following interests in the shares and underlying shares of the Company and its associated corporation 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 Issuers or which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein:

Name of Directors	Capacity	<i>The Company</i>			<i>Hang Lung Group Limited</i>		
		Shares of HK\$1.00 each	% of Issued Capital	Share Options Outstanding (Note 1) No. of Shares	Shares of HK\$1.00 each	% of Issued Capital	Share Options Outstanding (Note 2) No. of Shares
Ronnie C. Chan	Personal	—	—	7,090,000	—	—	11,790,000
S.S. Yin	—	—	—	—	—	—	—
Nelson W.L. Yuen	Personal	—	—	12,926,000	—	—	8,000,000
Ronald J. Arculli	Beneficial owner & interest of controlled corporation	724,346	0.02	—	1,089,975	0.08	—
H.K. Cheng	—	—	—	—	—	—	—
Laura L.Y. Chen	—	—	—	—	—	—	—
P.W. Liu	Family	70,000	—	—	—	—	—
Terry S. Ng	Personal	—	—	6,539,000	—	—	4,338,000
William P.Y. Ko	Personal	—	—	5,530,000	—	—	1,224,000
Estella Y.K. Ng	Personal	—	—	3,292,000	—	—	1,824,000

1.

Name	No. of Option Shares Outstanding	Date Granted	Exercise Price per Share (HK\$)	Period during which options exercisable
Ronnie C. Chan	5,090,000	20/5/2004	\$9.20	20/5/2005 to 19/5/2014*
	2,000,000	20/11/2006	\$17.14	20/11/2007 to 19/11/2016 #
Nelson W.L. Yuen	7,126,000	20/5/2004	\$9.20	20/5/2005 to 19/5/2014*
	5,800,000	20/11/2006	\$17.14	20/11/2007 to 19/11/2016 #
Terry S. Ng	3,239,000	20/5/2004	\$9.20	20/5/2005 to 19/5/2014*
	3,300,000	20/11/2006	\$17.14	20/11/2007 to 19/11/2016 #
William P.Y. Ko	1,330,000	20/5/2004	\$9.20	20/5/2005 to 19/5/2014*
	500,000	1/9/2005	\$12.35	1/9/2006 to 31/8/2015 +
	3,700,000	20/11/2006	\$17.14	20/11/2007 to 19/11/2016 #
Estella Y.K. Ng	1,092,000	20/5/2004	\$9.20	20/5/2005 to 19/5/2014*
	500,000	1/9/2005	\$12.35	1/9/2006 to 31/8/2015 +
	1,700,000	20/11/2006	\$17.14	20/11/2007 to 19/11/2016 #

* These share options were granted to the named directors under the Share Option Scheme of the Company, exercisable in 4 tranches, i.e. the first 25% from 20 May 2005, the second 25% from 20 May 2006, the third 25% from 20 May 2007 and the balance 25% from 20 May 2008, all expiring on 19 May 2014.

These share options were granted to the named directors under the Share Option Scheme of the Company, exercisable in 4 tranches, i.e. the first 10% from 20 November 2007, the next 20% from 20 November 2008, the next 30% from 20 November 2009 and the balance 40% from 20 November 2010, all expiring on 19 November 2016.

+ These share options were granted to the named directors under the Share Option Scheme of the Company, exercisable in 4 tranches, i.e. the first 25% from 1 September 2006, the second 25% from 1 September 2007, the third 25% from 1 September 2008 and the balance 25% from 1 September 2009, all expiring on 31 August 2015.

2.

Name	No. of Option Shares Outstanding	Date Granted	Exercise Price per Share (HK\$)	Period during which options exercisable
Ronnie C. Chan	5,090,000	20/5/2004	\$9.45	20/5/2005 to 19/5/2014 *
	6,700,000	20/11/2006	\$20.52	20/11/2007 to 19/11/2016 ^Δ
Nelson W.L. Yuen	2,500,000	24/2/2000	\$6.12	24/2/2001 to 23/2/2010 #
	3,000,000	20/5/2004	\$9.45	20/5/2005 to 19/5/2014*
	2,500,000	20/11/2006	\$20.52	20/11/2007 to 19/11/2016 ^Δ
Terry S. Ng	1,250,000	1/11/2001	\$5.87	1/11/2002 to 31/10/2011 #
	1,388,000	20/5/2004	\$9.45	20/5/2005 to 19/5/2014*
	1,700,000	20/11/2006	\$20.52	20/11/2007 to 19/11/2016 ^Δ
William P.Y. Ko	230,000	24/2/2000	\$6.12	24/2/2001 to 23/2/2010 #
	494,000	20/5/2004	\$9.45	20/5/2005 to 19/5/2014*
	500,000	20/11/2006	\$20.52	20/11/2007 to 19/11/2016 ^Δ
Estella Y.K. Ng	500,000	12/5/2004	\$10.17	12/5/2005 to 11/5/2014 +
	324,000	20/5/2004	\$9.45	20/5/2005 to 19/5/2014*
	1,000,000	20/11/2006	\$20.52	20/11/2007 to 19/11/2016 ^Δ

* These share options were granted to the named directors under the Share Option Scheme of Hang Lung Group Limited ("HLG"), exercisable in 4 tranches, i.e. the first 25% from 20 May 2005, the second 25% from 20 May 2006, the third 25% from 20 May 2007 and the balance 25% from 20 May 2008, all expiring on 19 May 2014.

^Δ These share options were granted to the named directors under the Share Option Scheme of HLG, exercisable in 4 tranches, i.e. the first 10% from 20 November 2007, the next 20% from 20 November 2008, the next 30% from 20 November 2009 and the balance 40% from 20 November 2010, all expiring on 19 November 2016.

These share options were granted to the named directors under the Share Option Scheme of HLG, all of which are now exercisable until their respective expiry dates.

+ This share option was granted to the named director under the Share Option Scheme of HLG, exercisable in 3 tranches, i.e. the first 20% from 12 May 2005, the next 30% from 12 May 2006 and the balance 50% from 12 May 2007, all expiring on 11 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, its holding company or any of their subsidiaries a party to any arrangement to enable the directors of the Company (including their spouses 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 2006, 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	Note	% of Issued Capital
Chan Tan Ching Fen	2,128,490,670	1	51.38
Cole Limited	2,128,490,670	1	51.38
Cole Enterprises Holdings Limited	2,128,490,670	1	51.38
Rosenior Limited	2,128,490,670	1	51.38
Merssion Limited	2,128,490,670	1	51.38
Hang Lung Group Limited	2,100,157,570	2	50.70
Prosperland Housing Limited	1,267,608,690	3	30.60
Purotat Limited	354,227,500	3	8.55
Capital Research and Management Company	241,224,100	—	5.82

Notes

- These shares were the same parcel of shares held by a trust of which Ms. Chan Tan Ching Fen was the founder. Cole Limited, Cole Enterprises Holdings Limited, Rosenior Limited and Merssion Limited were deemed to be interested in the shares held by Hang Lung Group Limited and its subsidiaries, which number of shares were included in the above-mentioned number of 2,128,490,670.
- Hang Lung Group Limited was deemed to be interested in the shareholdings of its subsidiaries, viz. 1,267,608,690 shares held by Prosperland Housing Limited, 354,227,500 shares held by Purotat Limited, and 478,321,380 shares held by other subsidiaries.
- The 1,267,608,690 shares held by Prosperland Housing Limited and the 354,227,500 shares held by Purotat Limited were included in the above-mentioned number of 2,100,157,570 shares held by Hang Lung Group 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.

CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2006 (Unaudited)

(Expressed in Hong Kong dollars)

	Note	2006 \$Million	2005 \$Million
Turnover	2	1,961.0	2,255.4
Other income		154.6	149.0
Direct costs and operating expenses		(717.2)	(996.7)
Administrative expenses		(142.8)	(107.5)
Operating profit		1,255.6	1,300.2
Increase in fair value of investment properties	7	2,183.7	926.8
		3,439.3	2,227.0
Finance costs	3	(183.4)	(186.7)
Share of profits of jointly controlled entities		35.8	43.6
Profit before taxation	2(a) & 3	3,291.7	2,083.9
Taxation	4	(755.6)	(357.9)
Profit for the period		2,536.1	1,726.0
Attributable to:			
Shareholders		2,286.4	1,615.6
Minority interests		249.7	110.4
		2,536.1	1,726.0
Interim dividend at 13¢ (2005: 13¢) per share	5(a)	538.5	480.2
Earnings per share	6(a)		
Basic		59.4¢	43.9¢
Diluted		59.2¢	43.6¢
Earnings per share excluding changes in fair value of investment properties net of deferred tax	6(b)		
Basic		22.4¢	23.9¢
Diluted		22.3¢	23.9¢

The annexed notes form part of the interim financial statements.

CONSOLIDATED BALANCE SHEET

At 31 December 2006 (Unaudited)

(Expressed in Hong Kong dollars)

	Note	31/12/2006 \$Million	30/6/2006 \$Million
Non-current assets			
Fixed Assets			
Investment properties	7	43,350.7	39,590.0
Other fixed assets		3,222.6	2,911.1
		46,573.3	42,501.1
Interest in jointly controlled entities		571.7	551.0
Loans and investments		7.6	7.9
Deferred tax assets		66.7	66.7
		47,219.3	43,126.7
Current assets			
Inventories		9,971.2	10,159.3
Trade and other receivables	8	1,236.6	1,096.6
Cash and deposits with banks		6,353.1	5,983.6
		17,560.9	17,239.5
Current liabilities			
Trade and other payables	9	1,705.4	1,529.5
Taxation		89.9	332.1
		1,795.3	1,861.6
Net current assets		15,765.6	15,377.9
Total assets less current liabilities		62,984.9	58,504.6

	Note	31/12/2006 \$Million	30/6/2006 \$Million
Non-current liabilities			
Bank loans		4,790.1	8,454.0
Floating rate notes due 2009		1,500.0	1,500.0
Other long term liabilities		531.2	570.7
Deferred tax liabilities		4,324.3	3,690.8
		11,145.6	14,215.5
NET ASSETS		51,839.3	44,289.1
CAPITAL AND RESERVES			
Share capital	10	4,142.4	3,731.7
Reserves		46,571.8	39,514.5
Shareholders' equity		50,714.2	43,246.2
Minority interests		1,125.1	1,042.9
TOTAL EQUITY	11	51,839.3	44,289.1

The annexed notes form part of the interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2006 (Unaudited)

(Expressed in Hong Kong dollars)

	Note	2006 \$Million	2005 \$Million
Total equity at 1 July			
Shareholders' equity		43,246.2	40,267.5
Minority interests		1,042.9	966.6
		44,289.1	41,234.1
Issue of shares		6,548.8	36.0
Employee share-based payment expenses	10	9.9	12.2
Net profit for the period		2,536.1	1,726.0
Exchange difference on translation of subsidiaries		41.1	—
Final dividend in respect of previous year		(1,418.2)	(1,363.8)
Repayment to minority interests		(167.5)	(165.3)
Total equity at 31 December		51,839.3	41,479.2
Attributable to:			
Shareholders		50,714.2	40,567.5
Minority interests		1,125.1	911.7
		51,839.3	41,479.2

The annexed notes form part of the interim financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2006 (Unaudited)

(Expressed in Hong Kong dollars)

	Note	2006 \$Million	2005 \$Million
Operating profit before changes in working capital		1,116.3	1,225.2
Decrease in inventories		124.3	552.2
Other changes in working capital		(74.4)	(692.2)
Cash generated from operations		1,166.2	1,085.2
Profits tax paid		(364.4)	(423.5)
Net cash generated from operating activities		801.8	661.7
Net cash used in investing activities		(1,460.8)	(3,308.1)
Net cash generated from financing activities		1,028.5	2,731.9
Increase in cash and cash equivalents		369.5	85.5
Cash and cash equivalents at 1 July		5,284.1	2,506.3
Cash and cash equivalents at 31 December	12	5,653.6	2,591.8

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 Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants 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 an interim financial report in conformity with HKAS 34 requires management to make judgments, estimates and assumption that affect the application of policies and reported amounts of assets and 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 statements are consistent with those applied in the financial statements for the year ended 30 June 2006.

2. TURNOVER AND SEGMENT INFORMATION

		Segment revenue		Segment results	
		2006	2005	2006	2005
		\$Million	\$Million	\$Million	\$Million
(a)	Business segment				
	Property leasing	1,430.5	1,253.0	1,134.6	982.9
	Property sales	530.5	1,002.4	109.2	275.8
		1,961.0	2,255.4	1,243.8	1,258.7
	Other income			154.6	149.0
	Administrative expenses			(142.8)	(107.5)
	Operating profit			1,255.6	1,300.2
	Increase in fair value of investment properties				
	- property leasing			2,183.7	926.8
	Finance costs			(183.4)	(186.7)
	Share of profits of jointly controlled entities				
	- property leasing			35.8	43.6
	Profit before taxation			3,291.7	2,083.9

2. TURNOVER AND SEGMENT INFORMATION (continued)

	Segment revenue		Segment results	
	2006 \$Million	2005 \$Million	2006 \$Million	2005 \$Million
(b) Geographical segment Group				
Hong Kong	1,532.9	1,911.9	917.9	999.2
Mainland China	428.1	343.5	325.9	259.5
	1,961.0	2,255.4	1,243.8	1,258.7
Jointly controlled entities				
Hong Kong			35.8	43.6

3. PROFIT BEFORE TAXATION

	2006 \$Million	2005 \$Million
Profit before taxation is arrived at after charging:		
Finance costs		
Interest on borrowings	232.5	162.1
Dividend on convertible cumulative preference shares	—	12.4
Other ancillary borrowing costs	12.6	15.2
Total borrowing costs	245.1	189.7
Less: Borrowing costs capitalised	(61.7)	(3.0)
	183.4	186.7
Cost of inventories	408.1	691.0
Staff costs, including contribution to retirement schemes of \$9.5 million (2005: \$11.2 million)	158.1	144.1
Depreciation	1.5	1.6
and after crediting:		
Interest income	150.7	88.8

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.

	2006 \$Million	2005 \$Million
Current tax		
Hong Kong Profits Tax	74.9	104.5
PRC Income Tax	47.2	11.5
	122.1	116.0
Deferred tax		
Origination and reversal of temporary differences	633.5	241.9
	755.6	357.9

5. DIVIDENDS

(a) Dividends attributable to the period

	2006 \$Million	2005 \$Million
Declared after the balance sheet date: 13 cents (2005: 13 cents) per share	538.5	480.2

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

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

	2006 \$Million	2005 \$Million
Final dividend in respect of the previous financial year of 38 cents (2005: 37 cents) per share	1,418.2	1,363.8

6. EARNINGS PER SHARE

- (a) The calculation of basic earnings per share is based on the net profit attributable to shareholders of \$2,286.4 million (2005: \$1,615.6 million) and the weighted average number of 3,850.2 million (2005: 3,684.0 million) shares in issue during the period.

The calculation of diluted earnings per share is based on the adjusted net profit attributable to shareholders of \$2,286.4 million (2005: \$1,628.0 million) and the weighted average number of 3,861.5 million (2005: 3,736.5 million) shares after adjusting for the effects of all dilutive potential shares.

- (b) The calculation of basic and diluted earnings per share excluding changes in fair value of investment properties net of deferred tax and minority interests is based on the profit adjusted as follows:

	2006 \$Million	2005 \$Million
Net profit attributable to shareholders	2,286.4	1,615.6
Effect of changes in fair value of investment properties	(1,941.7)	(921.1)
Effect of corresponding deferred tax	516.0	185.6
Adjusted earnings for calculation of basic earnings per share	860.7	880.1
Effect of dilutive potential shares		
Dividend on convertible cumulative preference shares	—	12.4
Adjusted earnings for calculation of diluted earnings per share	860.7	892.5

7. INVESTMENT PROPERTIES

The investment properties of the Group were revalued at 31 December 2006 by Mr. Charles C.K. Chan, Registered Professional Surveyor (General Practice), of Savills Valuation and Professional Services Limited, on an open market value basis.

8. TRADE AND OTHER RECEIVABLES

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

	31/12/2006 \$Million	30/6/2006 \$Million
Within 1 month	529.0	370.6
1 - 3 months	2.6	2.3
Over 3 months	0.9	0.6
	532.5	373.5

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.

9. TRADE AND OTHER PAYABLES

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

	31/12/2006 \$Million	30/6/2006 \$Million
Due within 1 month	610.2	472.5
Due over 3 months	61.0	81.4
	671.2	553.9

10. SHARE CAPITAL

	Number of shares ('000)	\$Million
Issued and fully paid <i>Shares of \$1 each</i>		
At 1 July 2006	3,731,708	3,731.7
Issue of shares		
- placement (Note)	410,000	410.0
- exercise of options	727	0.7
At 31 December 2006	4,142,435	4,142.4

Note:

In November 2006, 410 million shares of \$1 each were issued at a premium of \$15.3 per share which were fully paid in cash.

10. SHARE CAPITAL (continued)

Share Option Scheme

At 31 December 2006, the directors and employees had the following interests in options to subscribe for shares 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 31 December 2006	Date granted	Period during which options are exercisable	Exercise price \$
	Outstanding on 1 July 2006	Granted	Exercised	Lapsed				
Directors	17,877,000	—	—	—	17,877,000	20 May 2004	20 May 2005 to 19 May 2014	9.20
	1,000,000	—	—	—	1,000,000	1 September 2005	1 September 2006 to 31 August 2015	12.35
	—	16,500,000	—	—	16,500,000	20 November 2006	20 November 2007 to 19 November 2016	17.14
Employees	6,645,000	—	(727,000)	(100,000)	5,818,000	20 May 2004	20 May 2005 to 19 May 2014	9.20
	400,000	—	—	—	400,000	3 May 2005	3 May 2006 to 2 May 2015	11.85
	400,000	—	—	—	400,000	1 September 2005	1 September 2006 to 31 August 2015	12.35
	306,000	—	—	—	306,000	1 November 2005	1 November 2006 to 31 October 2015	11.40
	—	8,900,000	—	—	8,900,000	14 November 2006	14 November 2007 to 13 November 2016	16.75
Total	26,628,000	25,400,000	(727,000)	(100,000)	51,201,000			

The weighted average share price at the dates of exercise for share options during the period was \$15.68.

10. SHARE CAPITAL (continued)

The weighted average value per share option granted during the period estimated at the date of grant using a Black-Scholes pricing model was \$5. The weighted average assumptions used are as follows:

	Share options granted on	
	14 November 2006	20 November 2006
Share price at grant date	\$16.40	\$17.14
Exercise price	\$16.75	\$17.14
Risk-free interest rate	4%	4%
Expected life (in years)	6	6
Volatility	0.3	0.3
Expected dividend per share	\$0.51	\$0.51

The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over one year immediately preceding the grant date. Expected dividend per share is based on historical dividend. Changes in the input assumptions could materially affect the fair value estimate.

11. TOTAL EQUITY

	Shareholders' equity								
	Share capital \$Million	Share premium \$Million	Capital redemption reserve \$Million	Exchange fluctuation reserve \$Million	Employee share-based compensation reserve \$Million	Retained profits \$Million	Total \$Million	Minority interests \$Million	Total equity \$Million
At 1 July 2006	3,731.7	15,541.5	2,065.5	21.1	48.1	21,838.3	43,246.2	1,042.9	44,289.1
Issue of shares	410.7	6,138.1	—	—	—	—	6,548.8	—	6,548.8
Employee share-based payment expenses	—	1.7	—	—	8.2	—	9.9	—	9.9
Net profit for the period	—	—	—	—	—	2,286.4	2,286.4	249.7	2,536.1
Exchange difference on translation of overseas subsidiaries	—	—	—	41.1	—	—	41.1	—	41.1
Dividend paid	—	—	—	—	—	(1,418.2)	(1,418.2)	—	(1,418.2)
Repayment to minority interests	—	—	—	—	—	—	—	(167.5)	(167.5)
At 31 December 2006	4,142.4	21,681.3	2,065.5	62.2	56.3	22,706.5	50,714.2	1,125.1	51,839.3

12. NOTE TO THE CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Analysis of the balances of cash and cash equivalents

	2006 \$Million	2005 \$Million
Cash and deposits with banks in the consolidated balance sheet	6,353.1	5,944.5
Less: Bank deposits with maturity greater than three months	(699.5)	(3,352.7)
Cash and cash equivalents in the condensed consolidated cash flow statement	5,653.6	2,591.8

13. CONTINGENT LIABILITIES

At 31 December 2006, contingent liabilities were as follows:

	Company	
	31/12/2006 \$Million	30/6/2006 \$Million
Guarantees given to banks to secure credit facilities	6,368.8	10,039.9

14. COMMITMENTS

Capital commitments outstanding at 31 December 2006 not provided for in the financial statements were as follows:

	Group	
	31/12/2006 \$Million	30/6/2006 \$Million
Contracted for	1,034.0	961.6
Authorised but not contracted for	6,149.6	2,976.4
	7,183.6	3,938.0

The above commitments include those in respect of the Group's expansion of its property investment operations into various cities in mainland China.

15. RELATED PARTY TRANSACTIONS

A fellow subsidiary of the Company contributed funds as capital investment to a subsidiary of the Company for the development of Plaza 66, a property project in Shanghai. The amount outstanding at 31 December 2006 was \$211.3 million (30 June 2006 : \$228.6 million).

16. COMPARATIVE FIGURES

In order to enhance the understandability of the financial statements, certain comparative figures on the consolidated income statement have been reclassified.

17. REVIEW OF INTERIM FINANCIAL STATEMENTS

The interim financial statements are unaudited, but have been reviewed by the Audit Committee.

FINANCIAL BRIEFS

Financial Briefs as at 31 December 2006	HK\$ Million
Turnover	1,961.0
Net profit attributable to shareholders	2,286.4
Total assets	64,780.2
Shareholders' equity	50,714.2
Per share data	
Earnings – Basic	59.4¢
– Diluted	59.2¢
Interim dividend	13.0¢
Net assets (including minority interests)	\$12.5
Shareholders' equity	\$12.2
Gearing ratio*	1%
Pay-out ratio	22%
Number of shares issued (in million)	4,142.4

* Gearing 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' equity and minority interests.

INFORMATION FOR INVESTORS

FINANCIAL CALENDAR

Financial period	1 July 2006 to 31 December 2006
Interim results announced	8 February 2007
Latest time to lodge transfer	4:00 p.m. on 30 March 2007
Closure of share register	2 April to 4 April 2007 (both days inclusive)
Record date for interim dividend	4 April 2007
Interim dividend payable	20 April 2007

SHARE LISTING

As at 31 December 2006, 4,142,434,670 shares of HK\$1.00 each are listed on The Stock Exchange of Hong Kong Limited. We have a sponsored American Depositary Receipt (ADR) Programme in the New York market.

STOCK CODE

The Stock Exchange of Hong Kong Limited	00101
Reuters	0101.HK
Bloomberg	101HK
Ticker Symbol for ADR Code	HLPPY
CUSIP reference number	41043M104

SHARE INFORMATION

Share Price as at 31 December 2006 : HK\$19.50
Market Capitalisation as at 31 December 2006 : HK\$80.8 billion

SHARE REGISTRARS

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