



2007-2008
Interim Report

DIRECTORS

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

Non-Executive Director

* *Independent Non-Executive Director*

AUDIT COMMITTEE

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

NOMINATION AND REMUNERATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

Terry S. Ng
Velencia Lee

COMPANY SECRETARY

Velencia Lee

REGISTERED OFFICE

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RESULTS AND DIVIDENDS

In the six months ended 31 December 2007, turnover increased 272% to HK\$7,992 million. Net profit attributable to shareholders was HK\$4,047 million, 76% higher than the last corresponding period. Earnings per share was HK\$3.04, representing a rise of 77% from a year ago.

When excluding the revaluation gain and its deferred tax, underlying net profit advanced by 36% to HK\$1,866 million and earnings per share went up by 36% to HK\$1.40. Underlying profit for this period was higher by 276% excluding the non-cash item of deemed profit of HK\$879.4 million on the placement of Hang Lung Properties' shares in November 2006.

Your Board has declared an interim dividend of 16.5 cents per share payable on 18 April 2008 to shareholders of record on 3 April 2008.

OPERATIONS REVIEW

Exactly a year ago I wrote about the need to exercise patience in parting with residential units in Hong Kong. At the time the market was extremely slow and I was unsure when it would pick up. Our competitors sold what they could in a weak market but we held back.

That paid off. Towards the end of the last fiscal year, gentle rumblings were heard in the marketplace. Luxury apartments led the way and our major subsidiary Hang Lung Properties (HLP) began selling The HarbourSide at the start of the new fiscal year. Each transaction seemed to fetch slightly higher prices, a phenomenon which continues to this day.

When the last quarter of 2007 arrived, the stock market was booming and it affected the property market. After many years of lethargy, the mass residential sector finally picked up steam. It was at this point that HLP loosened its reins and for the first time put the completed The Long Beach on the market. Timing could not have been better and we parted with over 600 condos at attractive prices. We have some 1,200 units remaining. All told, HLP collected a little over HK\$6 billion from its sales activities during the half year under review.

As predicted six months ago, leasing activities both in Shanghai and Hong Kong performed superbly. Shanghai especially shone. In both cities, rents rose as did occupancy rates.

Land acquisition in mainland China by HLP continued. Almost all projects have made progress and we have added a few promising new ones. Some of these will likely come to fruition in the coming year. All these have happened under a rapidly changing environment.

Since 2004, HLP has been able to buy land with almost no competition. Prices rose gradually mainly due to increasingly higher relocation expenses, but we managed to keep our prices relatively low. In my report six months ago, I was worried that the situation was changing quickly for the worse. We observed that many mainland as well as Hong Kong players were suddenly entering the commercial real estate market. The land prices that they were willing to pay were quite amazing, and we believed that it would not be easy for them to make a decent investment return. Fortunately the central government stepped in towards the end of last year and brought things back to a more sensible state. Some of those who bought land only a few short months ago might be regretting their decisions. We bought nothing during that period but will likely complete land transactions before 2008 is over as the market is returning to normalcy.

PROSPECTS

As long as we can sell completed Hong Kong apartments, profit will be pleasing. Since our strategy is to maximize return, we will only do so when we deem prices to be attractive. That was the case in the past several months. Going forward, it is unclear where the market is headed. If prices stay at today's level, we will certainly sell. I will be pleased if we can part with as much in the second half of the fiscal year as we did in the first.

Our property leasing business should again perform well -- Hong Kong will fare acceptably while Shanghai will excel. The share of total rents received from the mainland will rise further.

Even greater long term success will however depend on HLP's ability to buy the right pieces of land in select mainland cities. I hold out hope that we will complete the land purchase for 18 projects outside of Shanghai by the end of 2009.

Ronnie C. Chan

Chairman

Hong Kong, 20 February 2008

OVERVIEW

As a result of excellent property sales and leasing performance in Hong Kong and Shanghai, turnover surged by 272% to HK\$7,992 million. Net profit attributable to shareholders for the six months ended 31 December 2007 increased by 76% to HK\$4,047 million. Profits from property leasing grew by 25% to HK\$1,577.6 million, of which our Shanghai properties contributed HK\$635.9 million, representing a 56% increase from the previous period. Hong Kong rentals also enjoyed solid growth with profits increased by 10% to HK\$941.7 million. A revaluation surplus of HK\$5,098.5 million was recorded in the income statement.

The Board of Directors has declared an interim dividend of 16.5 cents per share, to be paid on 18 April 2008 to shareholders registered as of 3 April 2008. The interim dividend is 14% higher than that of last year. The Register of Members will be closed from 1 April 2008 to 3 April 2008, 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 31 March 2008.

PROPERTY LEASING

Property leasing activities continued its stellar growth. Total rental income was up by 22% to HK\$1,977.7 million while profits rose by 25% to HK\$1,577.6 million.

Hong Kong

Our Hong Kong properties performed strongly, with rental income and profits increasing by 9% to HK\$1,166.7 million and 10% to HK\$941.7 million, respectively. The office sector was again the best performer in our leasing portfolio, displaying a remarkable 25% growth in revenue.

Shanghai

Rental turnover and profits grew 48% to HK\$811 million and 56% to HK\$635.9 million, respectively, buoyed by the buoyant economy of mainland China and additional contribution from the second office tower of Plaza 66 which was completed in December 2006. Rental income from Shanghai reached approximately 41% of total rental turnover.

PROPERTY SALES

Hong Kong

Excellent property sales were achieved through timely disposal of residential properties. During the period, we sold over 750 units, with 605 units from The Long Beach and 109 units from The HarbourSide at an average price of about HK\$7,100 and HK\$16,300 per square foot respectively.

PROPERTY DEVELOPMENT

Development of our new commercial projects in Tianjin, Shenyang, Jinan and Wuxi is progressing well. “Jinan Hang Lung Plaza” a 150,000-square metre world-class shopping mall had its ground-breaking ceremony in December 2007. Following our two projects in Shenyang, “Jinan Hang Lung Plaza” then became the third project to have commenced construction.

FINANCE

At 31 December 2007, our gearing ratio was maintained at a low level of 5%. With our strong financial position, we have ample resources to make potential investments in Hong Kong and mainland China in the future.

OUTLOOK

We continue to adhere to our China strategy of developing world-class commercial properties in the vibrant and fast-growing cities in mainland China. Our proven track record in Shanghai, management expertise and strong financial position will put us in an advantageous position to seize such opportunities.

As for our remaining residential properties for sale, we will strive to maximize our profit margins by releasing these properties into the market at the best possible time to capture the best sales price. Our leasing activities are expected to deliver 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 2007, 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 nine persons, consisting of three Executive Directors, one Non-Executive Director 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 resources 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 explaining its role are accessible to all via our website.

AUDIT COMMITTEE

Our Audit Committee, which is chaired by an Independent Non-Executive Director, currently comprises four 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 explaining its role and authority 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 2007 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 2007, 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 throughout the six months period ended 31 December 2007.

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 2007, the interests or short positions of each of the Directors in the shares, underlying shares and debentures 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 recorded in the register required to be kept by the Company under Section 352 of the SFO are as follows:

Name of Directors	Capacity	<i>The Company</i>			<i>Hang Lung Properties Limited</i>		
		Interests in Shares	% of Issued Capital	No. of Shares	Interests in Shares	% of Issued Capital	No. of Shares
Ronnie C. Chan	Personal	—	—	11,790,000	—	—	16,330,000
S.S. Yin	—	—	—	—	—	—	—
Nelson W.L. Yuen	Personal	—	—	8,000,000	—	—	21,836,000
Gerald L. Chan	—	—	—	—	—	—	—
H.K. Cheng	—	—	—	—	—	—	—
Laura L.Y. Chen	—	—	—	—	—	—	—
Simon S.O. Ip	—	—	—	—	—	—	—
York Liao	—	—	—	—	—	—	—
Terry S. Ng	Personal	—	—	4,338,000	—	—	14,789,000

Notes

1.

Date Granted	Name	No. of Option Shares Outstanding	Exercise Price per Share (HK\$)	Exercise Period
24/2/2000	Nelson W.L. Yuen	2,500,000	\$6.12	24/2/2001 to 23/2/2010 [#]
1/11/2001	Terry S. Ng	1,250,000	\$5.87	1/11/2002 to 31/10/2011 [#]
20/5/2004	Ronnie C. Chan	5,090,000	\$9.45	20/5/2005 to 19/5/2014 [*]
	Nelson W.L. Yuen	3,000,000		
	Terry S. Ng	1,388,000		
20/11/2006	Ronnie C. Chan	6,700,000	\$20.52	20/11/2007 to 19/11/2016 [^]
	Nelson W.L. Yuen	2,500,000		
	Terry S. Ng	1,700,000		

[#] These share options were granted under the Share Option Scheme of the Company, all of which are now exercisable until their respective expiry dates.

^{*} These share options were granted under the Share Option Scheme of the Company, vest 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 under the Share Option Scheme of the Company, vest 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.

2.

Date Granted	Name	As at 1/7/2007	Granted During the Period	As at 31/12/2007	Exercise Price per Share (HK\$)	Exercise Period
20/5/2004	Ronnie C. Chan	5,090,000	—	5,090,000	\$9.20	20/5/2005 to 19/5/2014 *
	Nelson W.L. Yuen	7,126,000	—	7,126,000		
	Terry S. Ng	3,239,000	—	3,239,000		
20/11/2006	Ronnie C. Chan	2,000,000	—	2,000,000	\$17.14	20/11/2007 to 19/11/2016 *
	Nelson W.L. Yuen	5,800,000	—	5,800,000		
	Terry S. Ng	3,300,000	—	3,300,000		
21/8/2007	Ronnie C. Chan	—	3,640,000	3,640,000	\$25.00	21/8/2008 to 20/8/2017 [^]
	Nelson W.L. Yuen	—	3,510,000	3,510,000		
	Terry S. Ng	—	3,250,000	3,250,000		
21/8/2007	Ronnie C. Chan	—	5,600,000	5,600,000	\$25.00	21/8/2009 to 20/8/2017 [*]
	Nelson W.L. Yuen	—	5,400,000	5,400,000		
	Terry S. Ng	—	5,000,000	5,000,000		

* These share options were granted under the Share Option Scheme of Hang Lung Properties Limited ("HLPL"), vest 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 under the Share Option Scheme of HLPL, vest 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 under the Share Option Scheme of HLPL, vest in 4 tranches, i.e. the first 10% from 21 August 2008, the next 20% from 21 August 2009, the next 30% from 21 August 2010 and the balance 40% from 21 August 2011, all expiring on 20 August 2017.

* These share options were granted under the Share Option Scheme of HLPL, vest in 4 tranches, i.e. the first 10% from 21 August 2009, the next 20% from 21 August 2010, the next 30% from 21 August 2011 and the balance 40% from 21 August 2012, all expiring on 20 August 2017.

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 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 2007, 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	Note	No. of Shares Held	% of Issued Capital
Chan Tan Ching Fen	1	493,463,580	36.99
Cole Enterprises Holdings Limited	1	493,463,580	36.99
Merssion Limited	1	493,463,580	36.99
Commonwealth Bank of Australia	—	93,777,000	7.03
Kingswick Investment Limited	2	93,000,000	6.97

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 Enterprises Holdings Limited / Merssion 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 2007 (Unaudited)

(Expressed in Hong Kong dollars)

	Note	2007 \$Million	2006 \$Million
Turnover	2	7,992.0	2,146.6
Other income		176.5	171.6
Gain on deemed disposal of interest in a subsidiary	3	—	879.4
Direct costs and operating expenses		(3,138.9)	(772.2)
Administrative expenses		(174.5)	(167.3)
Operating profit		4,855.1	2,258.1
Increase in fair value of investment properties	8	5,098.5	2,418.5
		9,953.6	4,676.6
Finance costs	4	(209.7)	(264.4)
Share of profits of jointly controlled entities		75.2	48.3
Profit before taxation	2(a) & 4	9,819.1	4,460.5
Taxation	5	(1,804.4)	(847.8)
Profit for the period		8,014.7	3,612.7
Attributable to:			
Shareholders		4,047.0	2,295.4
Minority interests		3,967.7	1,317.3
		8,014.7	3,612.7
Interim dividend at 16.5¢ (2006: 14.5¢) per share	6(a)	220.1	193.2
Earnings per share	7(a)		
Basic		\$3.04	\$1.72
Diluted		\$2.99	\$1.71
Earnings per share excluding changes in fair value of investment properties net of deferred tax	7(b)		
Basic		\$1.40	\$1.03
Diluted		\$1.38	\$1.03

The annexed notes form part of the interim financial statements.

CONSOLIDATED BALANCE SHEET

At 31 December 2007 (Unaudited)

(Expressed in Hong Kong dollars)

	Note	31/12/2007 \$Million	30/6/2007 \$Million
Non-current assets			
Fixed assets			
Investment properties	8	58,411.5	52,539.2
Other fixed assets		4,857.4	4,060.5
		63,268.9	56,599.7
Interest in jointly controlled entities		1,324.2	1,317.2
Loans and investments		120.8	126.8
Deferred tax assets		63.2	74.5
		64,777.1	58,118.2
Current assets			
Inventories		6,942.7	9,746.3
Trade and other receivables	9	5,221.9	1,266.3
Cash and deposits with banks		7,189.5	7,091.6
		19,354.1	18,104.2
Current liabilities			
Trade and other payables	10	2,197.6	1,894.3
Taxation		715.5	227.7
Bank loans		—	608.4
		2,913.1	2,730.4
Net current assets		16,441.0	15,373.8
Total assets less current liabilities		81,218.1	73,492.0

	Note	31/12/2007 \$Million	30/6/2007 \$Million
Non-current liabilities			
Bank loans		8,216.0	7,873.4
Floating rate notes due 2009		1,500.0	1,500.0
Other long term liabilities		442.1	487.1
Deferred tax liabilities		6,192.0	5,141.7
		16,350.1	15,002.2
NET ASSETS		64,868.0	58,489.8
Capital and reserves			
Share capital	11	1,333.7	1,333.6
Reserves		31,229.1	27,761.8
Shareholders' equity		32,562.8	29,095.4
Minority interests		32,305.2	29,394.4
TOTAL EQUITY		64,868.0	58,489.8

The annexed notes form part of the interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2007 (Unaudited)

(Expressed in Hong Kong dollars)

	Note	2007 \$Million	2006 \$Million
Total equity at 1 July			
Shareholders' equity		29,095.4	25,013.1
Minority interests		29,394.4	21,313.2
		58,489.8	46,326.3
(Decrease)/Increase in fair value of listed investments		(4.0)	13.6
Investment revaluation reserve realised on disposal of listed investments		—	(14.2)
Exchange gains on translation of overseas subsidiaries		48.6	40.6
Net profit for the period		8,014.7	3,612.7
Total recognised income and expense for the period		8,059.3	3,652.7
Final dividend in respect of previous year		(620.2)	(546.4)
Issue of shares		0.9	1.5
Employee share-based payment	11	35.2	14.2
Change in minority interests in subsidiaries		(205.4)	5,386.6
Dividend paid to minority interests		(874.7)	(620.8)
Repayment to minority interests		(16.9)	(34.8)
Total equity at 31 December		64,868.0	54,179.3
Attributable to:			
Shareholders		32,562.8	26,789.4
Minority interests		32,305.2	27,389.9
		64,868.0	54,179.3

The annexed notes form part of the interim financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2007 (Unaudited)

(Expressed in Hong Kong dollars)

	Note	2007 \$Million	2006 \$Million
Operating profit before changes in working capital		4,736.8	1,267.2
Decrease in inventories		2,082.7	127.0
Other changes in working capital		(3,602.0)	(36.0)
Cash generated from operations		3,217.5	1,358.2
Profits tax paid		(230.0)	(379.7)
Net cash generated from operating activities		2,987.5	978.5
Net cash used in investing activities		(533.0)	(1,598.8)
Net cash (used in)/generated from financing activities		(2,356.6)	1,036.9
Increase in cash and cash equivalents		97.9	416.6
Cash and cash equivalents at 1 July		6,392.1	5,489.9
Cash and cash equivalents at 31 December	12	6,490.0	5,906.5

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 interim financial statements 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 statements are consistent with those applied in the financial statements for the year ended 30 June 2007.

2. TURNOVER AND SEGMENT INFORMATION

	Segment revenue		Segment results	
	2007 \$Million	2006 \$Million	2007 \$Million	2006 \$Million
(a) Business segment				
Property leasing	1,977.7	1,616.1	1,577.6	1,265.2
Property sales	6,014.3	530.5	3,275.5	109.2
	7,992.0	2,146.6	4,853.1	1,374.4
Other income			176.5	171.6
Gain on deemed disposal of interest in a subsidiary			—	879.4
Administrative expenses			(174.5)	(167.3)
Operating profit			4,855.1	2,258.1
Increase in fair value of investment properties				
– property leasing			5,098.5	2,418.5
Finance costs			(209.7)	(264.4)
Share of profits of jointly controlled entities				
– property leasing			75.2	48.3
Profit before taxation			9,819.1	4,460.5

2. TURNOVER AND SEGMENT INFORMATION (continued)

		Segment revenue		Segment results	
		2007	2006	2007	2006
		\$Million	\$Million	\$Million	\$Million
(b)	Geographical segment				
	Group				
	Hong Kong	7,181.0	1,598.1	4,217.2	966.4
	Mainland China	811.0	548.5	635.9	408.0
		7,992.0	2,146.6	4,853.1	1,374.4
	Jointly controlled entities				
	Hong Kong			75.2	48.3

3. GAIN ON DEEMED DISPOSAL OF INTEREST IN A SUBSIDIARY

The gain last year arose from the placement of 410 million shares by a subsidiary, Hang Lung Properties Limited ("HLP") in November 2006 which resulted in the dilution of Hang Lung Group Limited's effective equity interest in HLP from 56.2% to 50.7%.

4. PROFIT BEFORE TAXATION

	2007	2006
	\$ Million	\$ Million
Profit before taxation is arrived at after charging:		
Finance costs		
Interest on borrowings	271.6	310.4
Other ancillary borrowing costs	18.5	15.7
Total borrowing costs	290.1	326.1
Less: Borrowing costs capitalised	(80.4)	(61.7)
	209.7	264.4
Cost of properties sold	2,235.7	408.1
Staff costs, including contribution to retirement schemes of \$13.2 million (2006: \$10.3 million)	226.5	168.4
Depreciation	5.2	3.9
and after crediting:		
Interest income	182.3	152.9
Profit on disposal of listed investments	—	17.3

5. TAXATION

Provision for Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profits for the period. PRC Income Tax is calculated at the rates applicable in mainland China.

	2007 \$ Million	2006 \$ Million
Current tax		
Hong Kong Profits Tax	644.1	74.9
PRC Income Tax	98.7	57.4
	742.8	132.3
Deferred tax		
Origination and reversal of temporary differences	1,061.6	715.5
	1,804.4	847.8

6. DIVIDENDS

- (a) Dividends attributable to the period

	2007 \$ Million	2006 \$ Million
Declared after the balance sheet date: 16.5 cents (2006: 14.5 cents) per share	220.1	193.2

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

	2007 \$ Million	2006 \$ Million
Final dividend in respect of the previous financial year of 46.5 cents (2006: 41.0 cents) per share	620.2	546.4

7. EARNINGS PER SHARE

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

	2007 \$ Million	2006 \$ Million
Earnings for calculation of basic and diluted earnings per share (net profit attributable to shareholders)	4,047.0	2,295.4
	Number of shares	
	2007 Million	2006 Million
Weighted average number of shares used in calculating basic earnings per share	1,333.7	1,332.5
Effect of dilutive potential shares Share options	18.7	8.3
Weighted average number of shares used in calculating diluted earnings per share	1,352.4	1,340.8

(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:

	2007 \$ Million	2006 \$ Million
Net profit attributable to shareholders	4,047.0	2,295.4
Effect of changes in fair value of investment properties net of deferred tax and minority interests	(2,181.0)	(920.2)
Adjusted earnings for calculation of basic and diluted earnings per share	1,866.0	1,375.2

8. INVESTMENT PROPERTIES

The investment properties of the Group were revalued at 31 December 2007 by Mr. Charles C.K. Chan, Registered Professional Surveyor (General Practice), of Savills Valuation and Professional Services Limited, on an open market value basis with reference to the total rental income after taking into account reversionary income potential.

9. TRADE AND OTHER RECEIVABLES

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

	31/12/2007	30/6/2007
	\$Million	\$Million
Within 1 month	4,085.2	450.4
1 - 3 months	4.5	4.3
Over 3 months	2.5	0.9
	4,092.2	455.6

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.

10. TRADE AND OTHER PAYABLES

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

	31/12/2007	30/6/2007
	\$Million	\$Million
Due within 1 month	982.3	689.3
Due over 3 months	54.6	78.9
	1,036.9	768.2

11. SHARE CAPITAL

	Number of shares Million	\$Million
Issued and fully paid		
<i>Shares of \$1 each</i>		
At 1 July 2007	1,333.6	1,333.6
Shares issued under share option scheme	0.1	0.1
At 31 December 2007	1,333.7	1,333.7

11. SHARE CAPITAL (continued)

Share Option Scheme

The Company

At 31 December 2007, 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 2007	Date granted	Period during which options are exercisable	Exercise price HK\$
	Outstanding on 1 July 2007	Exercised	Lapsed				
Directors	2,500,000	—	—	2,500,000	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
	9,478,000	—	—	9,478,000	20 May 2004	20 May 2005 to 19 May 2014	9.45
	10,900,000	—	—	10,900,000	20 November 2006	20 November 2007 to 19 November 2016	20.52
Employees	1,010,000	(100,000)	—	910,000	24 February 2000	24 February 2001 to 23 February 2010	6.12
	120,000	—	—	120,000	7 December 2001	7 December 2002 to 6 December 2011	6.83
	2,216,000	(25,000)	(81,000)	2,110,000	20 May 2004	20 May 2005 to 19 May 2014	9.45
	77,000	—	—	77,000	1 November 2005	1 November 2006 to 31 October 2015	14.70
	1,500,000	—	(900,000)	600,000	20 November 2006	20 November 2007 to 19 November 2016	20.52
Total	29,051,000	(125,000)	(981,000)	27,945,000			

The weighted average share price at the dates of exercise for share options during the period was \$43.33.

11. SHARE CAPITAL (continued)

Hang Lung Properties Limited ("HLP")

At 31 December 2007, 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 share.

The movements of share options during the period are as follows:

	Number of share options				Outstanding on 31 December 2007	Date granted	Period during which options are exercisable	Exercise price HK\$
	Outstanding on 1 July 2007	Granted	Exercised	Lapsed				
Directors	17,877,000	—	(819,000)	(273,000)	16,785,000	20 May 2004	20 May 2005 to 19 May 2014	9.20
	1,000,000	—	(250,000)	(250,000)	500,000	1 September 2005	1 September 2006 to 31 August 2015	12.35
	16,500,000	—	—	(1,530,000)	14,970,000	20 November 2006	20 November 2007 to 19 November 2016	17.14
	—	13,000,000	—	—	13,000,000	21 August 2007	21 August 2008 to 20 August 2017	25.00
	—	20,000,000	—	—	20,000,000	21 August 2007	21 August 2009 to 20 August 2017	25.00
Employees	5,508,000	—	(249,000)	—	5,259,000	20 May 2004	20 May 2005 to 19 May 2014	9.20
	200,000	—	—	—	200,000	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	—	(30,000)	(400,000)	8,470,000	14 November 2006	14 November 2007 to 13 November 2016	16.75
	800,000	—	—	—	800,000	11 January 2007	11 January 2008 to 10 January 2017	18.88
	200,000	—	—	—	200,000	12 February 2007	12 February 2008 to 11 February 2017	22.60
	400,000	—	—	—	400,000	23 February 2007	23 February 2008 to 22 February 2017	22.55
	400,000	—	—	—	400,000	1 March 2007	1 March 2008 to 28 February 2017	21.95
	400,000	—	—	—	400,000	19 March 2007	19 March 2008 to 18 March 2017	20.74
	—	600,000	—	—	600,000	3 July 2007	3 July 2008 to 2 July 2017	27.30
	—	200,000	—	—	200,000	9 July 2007	9 July 2008 to 8 July 2017	28.35
	—	200,000	—	—	200,000	27 September 2007	27 September 2008 to 26 September 2017	34.45
Total	52,891,000	34,000,000	(1,348,000)	(2,453,000)	83,090,000			

The weighted average share price of HLP at the dates of exercise for share options during the period was \$35.81.

11. 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 \$7. The weighted average assumptions used are as follows:

	HLP
Share price at grant date	\$25.12
Exercise price	\$25.12
Risk-free interest rate	5%
Expected life (in years)	6
Volatility	0.3
Expected dividend per share	\$0.53

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

12. NOTE TO THE CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Analysis of the balance of cash and cash equivalents

	2007 \$ Million	2006 \$ Million
Cash and deposits with banks in the consolidated balance sheet	7,189.5	6,606.0
Less: Bank deposits with maturity greater than three months	(699.5)	(699.5)
Cash and cash equivalents in the condensed consolidated cash flow statement	6,490.0	5,906.5

13. CONTINGENT LIABILITIES

At 31 December 2007, contingent liabilities were as follows:

	Company	
	31/12/2007	30/06/2007
	\$ Million	\$ Million
Guarantees given to banks to secure credit facilities for subsidiaries	3,713.0	3,711.9

14. COMMITMENTS

At 31 December 2007, capital commitments not provided for in the financial statements were as follows:

	Group	
	31/12/2007	30/06/2007
	\$ Million	\$ Million
Contracted for	2,121.3	1,124.4
Authorised but not contracted for	6,483.8	8,380.1
	8,605.1	9,504.5

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

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 2007, the Group advanced to this jointly controlled entity a total of \$898.3 million (30 June 2007: \$947.3 million). All advances are interest-free, unsecured and have no fixed settlement dates.

16. 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 2007	HK\$ Million
Turnover	7,992.0
Net profit attributable to shareholders	4,047.0
Total assets	84,131.2
Shareholders' equity	32,562.8
Per share data	
Earnings – Basic	\$3.04
– Diluted	\$2.99
Interim dividend	\$0.165
Net assets (including minority interests)	\$48.6
Shareholders' equity	\$24.4
Gearing ratio*	5%
Pay-out ratio	5%
Number of shares issued (in million)	1,333.7

* 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 2007 to 31 December 2007
Interim results announced	20 February 2008
Latest time to lodge transfer	4:00 p.m. on 31 March 2008
Closure of share register	1 April to 3 April 2008 (both days inclusive)
Record date for interim dividend	3 April 2008
Interim dividend payable	18 April 2008

SHARE LISTING

As at 31 December 2007, 1,333,723,242 shares of HK\$1.00 each are listed on The Stock Exchange of Hong Kong Limited. It has a sponsored American Depositary Receipts (ADR) Programme in the New York market.

STOCK CODE

The Stock Exchange of Hong Kong Limited	00010
Reuters	0010.HK
Bloomberg	10 HK
Ticker Symbol for ADR Code	HNLGY
CUSIP reference number	41043E102

SHARE INFORMATION

Share Price as at 31 December 2007 : HK\$42.60
Market Capitalisation as at 31 December 2007 : HK\$56.8 billion

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