



2007-2008
Interim Report

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

* *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

COMPANY SECRETARY

Velencia Lee

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RESULTS AND DIVIDENDS

Turnover reached HK\$7,792 million which was almost 4 times that of the same period last year. Underlying net profit jumped nearly 4.4 times. When revaluation of investment properties and related deferred tax are added, total net profit grew slightly shy of 2.2 times to HK\$7,272 million. Earnings per share almost tripled to HK\$1.76.

Your board has declared an interim dividend of 15 cents per share which is an increase of 15% over last year. The dividend will be paid on 18 April 2008 to shareholders on record on 3 April 2008.

OPERATIONS REVIEW

For two reasons we have had a stellar six months. First, we were able to sell Hong Kong residential flats at very attractive prices, and secondly, rental income in both Shanghai and Hong Kong has performed well.

In total, we sold over HK\$6 billion worth of properties during the period. Sales of the high-end The HarbourSide units started last summer and prices kept climbing. Last month, we broke the record for the highest unit price of multi-storey apartments in Kowloon at HK\$38,000 per square foot. 68% of the project remains unsold.

Towards the end of October, Hong Kong's stock market was booming and overall confidence in the local economy was high. We took advantage of the opportunity and began marketing the 1,829-unit The Long Beach. Timing could not have been better and we sold over two weekends some 600 condos. They were primarily the smaller ones which the market considered less desirable. Average price was over HK\$7,100 per square foot. Given comparable market conditions, the remaining larger ones should fetch even higher prices.

Investment properties in both Shanghai and Hong Kong have performed well. Increase in overall turnover was 25% with Shanghai recording 57% and here at home 11%. The mainland operation was helped by the addition of the second office tower at Plaza 66 which went on the market in January 2007. Even leaving it out, comparable growth for the mainland portfolio still achieved an impressive 27.3%. Rental margins in Shanghai saw further improvement and held steady in Hong Kong. The former now approaches that of the latter. Whereas Shanghai's contribution to total rents received was 31% last year, it now stands at 38%.

Our land acquisition program in the mainland is moving along well. We made progress on a few projects which have been in the pipeline for some time. In the past few months, we have identified two additional plots in two cities which have not yet been announced. The actual purchase of any of these will as always take time to complete, but I hope to have good news to announce within this year.

Last December we broke ground on Jinan Hang Lung Plaza. Wuxi and Tianjin should follow soon.

PROSPECTS

The most notable development in the period under review was the land-rush in major cities by both mainland and Hong Kong developers. Hong Kong players who for years have been skeptical about the mainland market seemed to have cast off all restraints in an effort to grab land. Prices reached dizzying heights.

For example, in late August a mainland electrical appliance retailer bought a piece not far from our Shanghai Plaza 66 for ten times our unit buildable land cost. A month later, a Hong Kong developer purchased at a government land auction a commercial plot in a thriving city in Western China at a unit buildable land price that was some 20 times that of our Shenyang Doumugong piece bought about a year ago. The two projects are very similar in almost every respect. Just as striking is the fact that the price paid by our Hong Kong friend is more than the totality of all of our land purchases in the mainland including those of our two Shanghai projects.

While some people congratulate us for the tremendous appreciation enjoyed by the many pieces purchased in the past few years, we do not welcome the recent phenomenon. It means that future land acquisitions will become tougher. There is definitely a limit to our tolerance for land cost. Fortunately the central government very quickly took notice of the run away prices and took measures to cool the market. In the past two months, prices have definitely softened and the atmosphere has cooled down considerably. I remain hopeful that for all the pieces that we have been working on, we should be able to eventually acquire them at reasonable prices.

It is likely that many who bought expensive commercial sites in the second half of 2007 would lose money if they sell. And if they, like us, have the financial strength to hold on, it will take a long time to recover their investments. History of the past decades shows that few on the mainland have made attractive returns by developing Class A commercial projects. The reason is as much the lack of expertise as market volatility. As a seasoned mainland developer publicly confessed a while ago, nine-and-a-half of his ten such projects failed. He has since concentrated on residential projects. It is perhaps not too early to predict that history will once again repeat itself. Knowledge and experience required to do successful commercial developments far exceed those for residential projects.

For the rest of the fiscal year, it is difficult to judge with certainty how many Hong Kong residential units we will sell. We may not part with as much as in the first half although I do expect to sell some. The two economies that Hong Kong relies on the most are the U.S. and mainland China, and both are undergoing changes. How will fickle local potential apartment buyers react is not yet clear. Sentiments can change overnight in either direction. They are also affected by the performance of the local stock market, the prospect of which is also unclear.

What is much more certain is that our rental portfolio will continue to march forward strongly. The exceptional performance of the first six months will likely continue. That means full year results should be satisfactory.

Ronnie C. Chan

Chairman

Hong Kong, 20 February 2008

OVERVIEW

Benefiting from remarkable property sales and leasing performance in Hong Kong and Shanghai, turnover grew tremendously by 297% to HK\$7,792 million. Net profit attributable to shareholders for the six months ended 31 December 2007 increased by 218% to HK\$7,272 million. Profits from property leasing rose by 27% to HK\$1,441.1 million, of which our Shanghai properties contributed HK\$540 million, representing a 66% increase from the previous period. Hong Kong rentals also achieved pleasing results with profits increasing by 11% to HK\$901.1 million. A revaluation gain of HK\$4,577.6 million was recorded in the income statement.

The Board of Directors has declared an interim dividend of 15 cents per share, to be paid on 18 April 2008 to shareholders registered as of 3 April 2008. The interim dividend is 15% 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 to experience robust growth during the first half of this financial year. Total rental income increased by 25% to HK\$1,781.8 million while profits went up by 27% to HK\$1,441.1 million.

Hong Kong

Leasing activities in Hong Kong performed solidly with rental income and profits both increasing by 11% to HK\$1,110.1 million and HK\$901.1 million, respectively. Benefiting from strong demand, our office properties enjoyed an astounding 25% growth in revenue.

Shanghai

Property leasing in Shanghai continued to display spectacular growth momentum. Rental turnover and profits surged by 57% to HK\$671.7 million and 66% to HK\$540 million respectively, partly boosted by new contribution from the second office tower of Plaza 66 which was completed in December 2006. Rental income from Shanghai now accounts for approximately 38% of total rental turnover.

PROPERTY SALES

Hong Kong

Excellent property sales results 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

Cities where we currently have projects underway include Tianjin, Shenyang, Jinan and Wuxi, all of which are 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, the Group was in a net cash position which put us in an advantageous position to seize investment opportunities in mainland China and Hong Kong.

OUTLOOK

We continue to pursue our China strategy of developing world-class commercial complexes in the vibrant and fast-growing cities in mainland China. The ongoing search for potential sites in mainland China will capitalize on our proven expertise.

The Group will continue to maximize our property development profit margins by releasing the remaining properties into the market at the best possible time to capture the best sales price. We also expect our leasing activities to deliver solid 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

Our Board currently comprises nine persons, consisting of four 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 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 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 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 Group Limited</i>		
		Shares of HK\$1.00 each	% of Interests Issued Capital	Share Options Outstanding (Note 1) No. of Shares	Shares of HK\$1.00 each	% of Interests Issued Capital	Share Options Outstanding (Note 2) No. of Shares
Ronnie C. Chan	Personal	—	—	16,330,000	—	—	11,790,000
S.S. Yin	—	—	—	—	—	—	—
Nelson W.L. Yuen	Personal	—	—	21,836,000	—	—	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	—	—	14,789,000	—	—	4,338,000
William P.Y. Ko	Personal	—	—	12,130,000	—	—	1,024,000

1.

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		
	William P.Y. Ko	1,330,000	—	1,330,000		
1/9/2005	William P.Y. Ko	500,000	—	500,000	\$12.35	1/9/2006 to 31/8/2015+
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		
	William P.Y. Ko	3,700,000	—	3,700,000		
21/8/2007	Ronnie C. Chan	—	3,640,000	3,640,000	\$25.00	21/8/2008 to 20/8/2017 ^Δ
	Nelson W.L. Yuen	—	3,510,000	3,510,000		
	Terry S. Ng	—	3,250,000	3,250,000		
	William P.Y. Ko	—	2,600,000	2,600,000		
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		
	William P.Y. Ko	—	4,000,000	4,000,000		

* 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.

+ This share option was granted under the Share Option Scheme of the Company, vest 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.

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.

^Δ These share options were granted under the Share Option Scheme of the Company, 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 the Company, 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.

2.

Date Granted	Name	No. of Option Shares Outstanding	Exercise Price per Share (HK\$)	Exercise Period
24/2/2000	Nelson W.L. Yuen William P.Y. Ko	2,500,000 30,000	\$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 Nelson W.L. Yuen Terry S. Ng William P.Y. Ko	5,090,000 3,000,000 1,388,000 494,000	\$9.45	20/5/2005 to 19/5/2014 [*]
20/11/2006	Ronnie C. Chan Nelson W.L. Yuen Terry S. Ng William P.Y. Ko	6,700,000 2,500,000 1,700,000 500,000	\$20.52	20/11/2007 to 19/11/2016 [△]

These share options are granted under the Share Option Scheme of Hang Lung Group Limited ("HLGL"), all of which are now exercisable until their respective expiry dates.

* These share options are granted under the Share Option Scheme of HLGL, 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 are granted under the Share Option Scheme of HLGL, 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.

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 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:

Name	Note	No. of Shares or Underlying Shares Held		% of Issued Capital	
		<i>(Long Position)</i>	<i>(Short Position)</i>	<i>(Long Position)</i>	<i>(Short Position)</i>
Chan Tan Ching Fen	1	2,136,020,670	—	51.56	—
Cole Enterprises Holdings Limited	1	2,136,020,670	—	51.56	—
Merssion Limited	1	2,136,020,670	—	51.56	—
Hang Lung Group Limited	2	2,114,215,570	—	51.02	—
Prosperland Housing Limited	3	1,267,608,690	—	30.60	—
Purotat Limited	3	354,227,500	—	8.55	—
JP Morgan Chase & Co.	4	249,591,763	2,990,350	6.02	0.07

Notes

- These shares were the same parcel of shares held by a trust of which Ms. Chan Tan Ching Fen was the founder. Cole Enterprises Holdings 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 2,136,020,670.
- 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 492,379,380 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 2,114,215,570 shares held by Hang Lung Group Limited.
- It includes 88,490,654 shares in the lending pool.

Save as disclosed 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	7,792.0	1,961.0
Other income		161.4	154.6
Direct costs and operating expenses		(3,027.0)	(717.2)
Administrative expenses		(153.4)	(142.8)
Operating profit		4,773.0	1,255.6
Increase in fair value of investment properties	7	4,577.6	2,183.7
Finance costs	3	(115.9)	(183.4)
Share of profits of jointly controlled entities		55.2	35.8
Profit before taxation	2(a) & 3	9,289.9	3,291.7
Taxation	4	(1,682.2)	(755.6)
Profit for the period		7,607.7	2,536.1
Attributable to:			
Shareholders		7,272.0	2,286.4
Minority interests		335.7	249.7
		7,607.7	2,536.1
Interim dividend at 15¢ (2006: 13¢) per share	5(a)	621.7	538.5
Earnings per share	6(a)		
Basic		\$1.76	\$0.59
Diluted		\$1.74	\$0.59
Earnings per share excluding changes in fair value of investment properties net of deferred tax	6(b)		
Basic		\$0.91	\$0.22
Diluted		\$0.90	\$0.22

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	7	52,263.8	47,152.9
Other fixed assets		4,850.9	4,051.2
		57,114.7	51,204.1
Interest in jointly controlled entities		643.1	596.9
Loans and investments		6.2	6.9
Deferred tax assets		47.2	63.9
		57,811.2	51,871.8
Current assets			
Inventories		6,884.3	9,541.6
Trade and other receivables	8	4,616.3	836.9
Cash and deposits with banks		7,031.9	6,993.7
		18,532.5	17,372.2
Current liabilities			
Trade and other payables	9	1,810.0	1,635.0
Taxation		702.1	189.5
		2,512.1	1,824.5
Net current assets		16,020.4	15,547.7
Total assets less current liabilities		73,831.6	67,419.5

	Note	31/12/2007 \$Million	30/6/2007 \$Million
Non-current liabilities			
Bank loans		4,513.5	4,781.8
Floating rate notes due 2009		1,500.0	1,500.0
Other long term liabilities		442.1	487.1
Deferred tax liabilities		5,742.5	4,813.1
		12,198.1	11,582.0
NET ASSETS			
		61,633.5	55,837.5
Capital and reserves			
Share capital	10	4,144.3	4,142.9
Reserves		55,714.7	50,133.8
Shareholders' equity		59,859.0	54,276.7
Minority interests		1,774.5	1,560.8
TOTAL EQUITY			
		61,633.5	55,837.5

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		54,276.7	43,246.2
Minority interests		1,560.8	1,042.9
		55,837.5	44,289.1
Exchange gains on translation of overseas subsidiaries		46.5	41.1
Net profit for the period		7,607.7	2,536.1
Total recognised income and expense for the period		7,654.2	2,577.2
Final dividend in respect of previous year		(1,781.5)	(1,418.2)
Issue of shares		13.5	6,548.8
Employee share-based payment	10	31.8	9.9
Change in minority interests in a subsidiary		(105.1)	—
Repayment to minority interests		(16.9)	(167.5)
Total equity at 31 December		61,633.5	51,839.3
Attributable to:			
Shareholders		59,859.0	50,714.2
Minority interests		1,774.5	1,125.1
		61,633.5	51,839.3

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		4,624.4	1,116.3
Decrease in inventories		2,080.3	124.3
Other changes in working capital		(3,595.3)	(74.4)
Cash generated from operations		3,109.4	1,166.2
Profits tax paid		(223.5)	(364.4)
Net cash generated from operating activities		2,885.9	801.8
Net cash used in investing activities		(443.7)	(1,460.8)
Net cash (used in)/generated from financing activities		(2,404.0)	1,028.5
Increase in cash and cash equivalents		38.2	369.5
Cash and cash equivalents at 1 July		6,294.2	5,284.1
Cash and cash equivalents at 31 December	11	6,332.4	5,653.6

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	2006	2007	2006
	\$Million	\$Million	\$Million	\$Million
(a) Business segment				
Property leasing	1,781.8	1,430.5	1,441.1	1,134.6
Property sales	6,010.2	530.5	3,323.9	109.2
	7,792.0	1,961.0	4,765.0	1,243.8
Other income			161.4	154.6
Administrative expenses			(153.4)	(142.8)
Operating profit			4,773.0	1,255.6
Increase in fair value of investment properties				
- property leasing			4,577.6	2,183.7
Finance costs			(115.9)	(183.4)
Share of profits of jointly controlled entities				
- property leasing			55.2	35.8
Profit before taxation			9,289.9	3,291.7

2. TURNOVER AND SEGMENT INFORMATION (continued)

	Segment revenue		Segment results	
	2007	2006	2007	2006
	\$Million	\$Million	\$Million	\$Million
(b) Geographical segment Group				
Hong Kong	7,120.3	1,532.9	4,225.0	917.9
Mainland China	671.7	428.1	540.0	325.9
	7,792.0	1,961.0	4,765.0	1,243.8
Jointly controlled entities				
Hong Kong			55.2	35.8

3. PROFIT BEFORE TAXATION

	2007	2006
	\$Million	\$Million
Profit before taxation is arrived at after charging:		
Finance costs		
Interest on borrowings	181.8	232.5
Other ancillary borrowing costs	14.5	12.6
Total borrowing costs	196.3	245.1
Less: Borrowing costs capitalised	(80.4)	(61.7)
	115.9	183.4
Cost of properties sold	2,233.2	408.1
Staff costs, including contribution to retirement schemes of \$12.3 million (2006: \$9.5 million)	213.8	158.1
Depreciation	1.8	1.5
and after crediting:		
Interest income	178.7	150.7

4. 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	643.3	74.9
PRC Income Tax	92.8	47.2
	736.1	122.1
Deferred tax		
Origination and reversal of temporary differences	946.1	633.5
	1,682.2	755.6

5. DIVIDENDS

(a) Dividends attributable to the period

	2007 \$Million	2006 \$Million
Declared after the balance sheet date: 15 cents (2006: 13 cents) per share	621.7	538.5

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 43 cents (2006: 38 cents) per share	1,781.5	1,418.2

6. 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)	7,272.0	2,286.4
	Number of shares	
	2007 Million	2006 Million
Weighted average number of shares used in calculating basic earnings per share	4,143.4	3,850.2
Effect of dilutive potential shares Share options	33.2	11.3
Weighted average number of shares used in calculating diluted earnings per share	4,176.6	3,861.5

(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	7,272.0	2,286.4
Effect of changes in fair value of investment properties net of deferred tax and minority interests	(3,497.1)	(1,425.7)
Adjusted earnings for calculation of basic and diluted earnings per share	3,774.9	860.7

7. 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.

8. 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	4,083.4	449.1
1 - 3 months	4.2	4.0
Over 3 months	2.5	0.9
	4,090.1	454.0

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:

	31/12/2007	30/6/2007
	\$Million	\$Million
Due within 1 month	664.5	514.7
Due over 3 months	54.6	78.9
	719.1	593.6

10. SHARE CAPITAL

	Number of shares Million	\$Million
Issued and fully paid		
<i>Shares of \$1 each</i>		
At 1 July 2007	4,142.9	4,142.9
Shares issued under share option scheme	1.4	1.4
At 31 December 2007	4,144.3	4,144.3

10. SHARE CAPITAL (continued)

Share Option Scheme

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	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 at the dates of exercise for share options during the period was \$35.81.

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

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 assumptions could materially affect the fair value estimate.

11. NOTE TO THE CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Analysis of the balances of cash and cash equivalents

	2007 \$Million	2006 \$Million
Cash and deposits with banks in the consolidated balance sheet	7,031.9	6,353.1
Less: Bank deposits with maturity greater than three months	(699.5)	(699.5)
Cash and cash equivalents in the condensed consolidated cash flow statement	6,332.4	5,653.6

12. CONTINGENT LIABILITIES

At 31 December 2007, contingent liabilities were as follows:

	Company	
	31/12/2007 \$Million	30/6/2007 \$Million
Guarantees given to banks to secure credit facilities	6,080.4	6,354.6

13. COMMITMENTS

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

	Group	
	31/12/2007	30/6/2007
	\$Million	\$Million
Contracted for	2,097.7	1,048.2
Authorised but not contracted for	6,483.8	8,372.6
	8,581.5	9,420.8

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

14. 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 2007 was \$206.0 million (30 June 2007: \$208.7 million).

15. 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	7,792.0
Net profit attributable to shareholders	7,272.0
Total assets	76,343.7
Shareholders' equity	59,859.0
Per share data	
Earnings – Basic	\$1.76
– Diluted	\$1.74
Interim dividend	\$0.15
Net assets (including minority interests)	\$14.9
Shareholders' equity	\$14.4
Gearing ratio*	0%
Pay-out ratio	9%
Number of shares issued (in million)	4,144.3

* 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, 4,144,292,670 shares of HK\$1.00 each are listed on The Stock Exchange of Hong Kong Limited. It has a sponsored American Depository Receipts (ADR) Programme in the New York market.

STOCK CODE

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

SHARE INFORMATION

Share Price as at 31 December 2007: HK\$35.30
Market Capitalisation as at 31 December 2007: HK\$146.3 billion

SHARE REGISTRARS

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