



2008-2009  
*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

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

## INTERNET ADDRESS

Website: <http://www.hanglunggroup.com>  
Email address: [HLGroup@hanglung.com](mailto:HLGroup@hanglung.com)

### RESULTS AND DIVIDEND

For the half year ended 31 December 2008, turnover decreased 71% to HK\$2,317 million. Net profit attributable to shareholders was HK\$906 million, 78% lower than the same period last year. Earnings per share was 68 cents representing a decrease of 78% over the same period last year.

When excluding the revaluation gain and its deferred tax, the underlying net profit retreated by 62% from HK\$1,866 million to HK\$710 million, and the underlying earnings per share by 62% to 53 cents.

Your Board has declared an interim dividend of 16.5 cents per share payable on 17 April 2009 to shareholders of record on 3 April 2009.

### OPERATIONS REVIEW

In the first six months of the 2007/2008 fiscal year, our major subsidiary Hang Lung Properties (HLP) sold almost 800 apartments with rich profit margins. In the present half year period, the market was cold and we hardly sold any. As a result, total profit fell even though rental income grew nicely. Hong Kong investment properties received 10% more rents than a year ago while Shanghai income rose by 26%.

For a few years, the Chinese government did its best to curb runaway residential prices to little effect. During the first half of 2008, however, they started to fall. Coinciding with or soon after the beginning of the financial turmoil in the U.S. (e.g. the bankruptcy of Bear Stearns), Beijing began to realize that prices might in fact be falling too fast and that the overall economy might be reversing course after years of breakneck growth. Instead of dampening prices, the government gently supported them. Increasingly strong measures were enacted which blunted the fall in the last quarter of 2008. In the same period, the U.S. and European economies went from cool to cold and dragged down the Chinese economy with them. Nevertheless, the astuteness of the Beijing government was quite impressive.

For our mainland business, the present economic turmoil will prove annoying in the short run but beneficial in the longer term. Although rents have so far not suffered much, they inevitably will. At the same time, opportunities to buy top commercial land at reasonable prices will return. The exceptionally hot market in the second half of 2007 and the beginning of 2008 had made acquisitions very difficult for us. At that time it was hard to imagine that opportunities would return so soon. That must make us a rare breed who welcomes the present bear market.

It is commonly known that in the past decade or so, many municipal governments on the mainland rely heavily on land sales to generate revenues. It is not uncommon that some cities at times derive as much as half of their income from this activity. Now with Chinese export plummeting and unemployment threatening to worsen, many local governments may be forced to sell land quickly and cheaper if not cheaply. That should afford us opportunities that we have not seen since the end of 2006.

How eager we are to buy will however depend on our assessment of how long it will take for the market to recover. Believing that the worst may still be ahead of us, we are frankly not jumping in with both feet. Whereas I expect to pick up a few choice plots in the coming year, I will not be troubled if we do not complete the acquisition of the remaining nine projects on time, i.e., before the end of 2009. There is a possibility that land may yet become cheaper.

## PROSPECTS

History shows that Hang Lung always does well in bear markets because we have prepared ourselves well before each market downturn. Soon after the Asian Financial Crisis began in July 1997, HLP had no gearing, with HK\$5 billion in the banks, and almost HK\$2.5 billion of annual rental income, all from Hong Kong. Now with the global financial tsunami upon us, our subsidiary again has zero debt, a few billion dollars of cash in hand, and over HK\$4 billion of rents each year. Any company which gets it right only once may be due to luck; those who prepare themselves adequately both times may well be due to skill. I like to believe that your management belongs to the latter category.

The competitive landscape we face today however differs substantially from that in the late 1990's. In one regard it was more favorable then, but upon careful analyses, one can easily come to the conclusion that our present position is even more auspicious. Last time only two Hong Kong developers had cash. We took advantage of that and bought residential land in Hong Kong with almost no competition and made much profit. But beyond that, there was no assurance of continued success.

This time around, most if not all of the major Hong Kong developers are not short of cash. However, Hang Lung now has a distinct edge which should bode well for us in the many years to come. In the late 1990's we did not have a clear strategy on where we should go, let alone the necessary factors to make that strategy work. Now we do. Those rather unique advantages, I argue, is worth more than a few billion dollars of one time profit. Not only has the mainland economy progressed so much that commercial real estate can now generate attractive returns, more significantly is the fact that we have a winning formula backed by a track record (in Shanghai) which is unmatched in the industry. We think we know how to make money on the mainland and have built a team that can adequately execute. The market recognizes our capabilities and has awarded our company name much brand equity.

Looking back, the Asian Financial Crisis catapulted Hang Lung to become a top tier real estate player in Hong Kong. The premier league status we enjoyed in the 1960's, which has gradually lost its shine in the 1970's through the 1990's, has once again returned. Now with the global financial tsunami, I expect that our star will rise further. We will not lose our cool but will instead execute our strategy carefully. We will also need to calmly assess the economic and social environment of China and of the world. As long as the global and the Chinese economies recover in the coming few years, we should become a prime beneficiary of the present downturn.

In the interim, there is no denying that the market will be tough. Over time, however, two things should happen. Selling out completed apartments in Hong Kong will boost profit substantially. Even more exciting will be the completion of the many commercial complexes on the mainland which will bring an enlarged pool of quality recurring rental income. The Hang Lung of today will only be a fraction of what it will be then.

For now, we will get back to basics – manage our properties and our finances well. We will also continue to buy land through HLP at attractive prices which will ensure the long term consistent profitability of the group.

**Ronnie C. Chan**

*Chairman*

Hong Kong, 10 February 2009

## OVERVIEW

Although property leasing performance in Hong Kong and Shanghai continued to deliver strong results, turnover decreased by 71% to HK\$2,316.7 million due to significant reduction of residential property sales under the gloomy economic climate. Net profit attributable to shareholders for the six months ended 31 December 2008 amounted to HK\$905.5 million. Profits from property leasing rose by 18% to HK\$1,864.4 million, of which our Shanghai properties contributed HK\$843.3 million, representing a 33% increment from the previous period. Hong Kong rentals also enjoyed satisfactory growth with profits went up by 8% to HK\$1,021.1 million. The Group recorded a net revaluation gain of HK\$1,142.1 million in the income statement. Excluding the revaluation gains on investment properties net of related deferred tax, the underlying net profit attributable to shareholders for the period was HK\$710.1 million.

The Board of Directors has declared an interim dividend of 16.5 cents per share, to be paid on 17 April 2009 to shareholders registered as of 3 April 2009. The Register of Members will be closed from 1 April 2009 to 3 April 2009, 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 2009.

## PROPERTY LEASING

Property leasing activities continued its steady growth. Total rental income grew by 17% to HK\$2,305.6 million and profit was up by 18% to HK\$1,864.4 million.

### Hong Kong

Despite the negative sentiments on economic outlook, our Hong Kong properties displayed solid performance with rental income and profits increasing by 10% to HK\$1,281.5 million and by 8% to HK\$1,021.1 million, respectively.

## Shanghai

With the global financial turmoil, our Shanghai properties continued to deliver strong results. Rental turnover grew by 26% to HK\$1,024.1 million and profits rose by 33% to HK\$843.3 million. Both Plaza 66 and The Grand Gateway continued to enjoy nearly full occupancy and commanded premium unit rental rates. Rental income from Shanghai reached approximately 44% of the Group's total rental turnover. With the scheduled opening in spring 2009 of the newly enlarged lettable retail spaces in Plaza 66, Shanghai will account for a bigger share of the Group's total rental income in future.

### PROPERTY SALES

In order to maximize our property development profit margins, we stopped releasing residential properties for sale after disposing three units of AquaMarine apartments. As a result, property sales during the six months ended were significantly reduced compared to the total sales of over 750 units from different projects last period.

### PROPERTY DEVELOPMENT

The Wuxi project, a 255,000-square metre commercial and office development, had its ground-breaking ceremony in November 2008. Including Wuxi, development projects in Tianjin, Shenyang and Jinan are all under construction and progressing well.

### PROPERTY REVALUATION

The Group's investment properties are revalued by an external valuer, Savills, as at balance sheet date on an open market basis with reference to the market conditions existing at the time.

Investment properties in Hong Kong recorded a valuation loss of HK\$2,000.6 million given the cautious view of economic outlook. The capitalization rates used for our major investment properties were in the range of 4% to 7%.

On the other hand, the growth momentum of rental income from investment properties in Shanghai is continuing. Plaza 66 and The Grand Gateway have continued to renewing leases and signing up new tenants with positive rental growth. The enhancement work to enlarge lettable retail spaces of Plaza 66 is nearly completed. All additional spaces are already fully let at above average market rentals prior to opening in spring 2009. The external valuer used capitalization rates in the range of 7% to 10% taking account of the properties continuous rental growth and their reversionary potential under the current market conditions. Consequently, investment properties in Shanghai recorded a revaluation gain of HK\$3,142.7 million.

Overall, a net revaluation gain of HK\$1,142.1 million was recorded in the income statement.

## FINANCE

We continue to maintain a strong balance sheet. At 31 December 2008, our gearing ratio was at a low level of 2.4%. With our combined cash reserves and available facilities of about HK\$20 billion, we are well positioned to seize investment opportunities available in future.

## OUTLOOK

In spite of the current poor economic climate, we firmly adhere to our China strategy of developing world-class commercial properties in the mainland's thriving cities. With our financial strength, we are advantageously positioned to capture investment opportunities that fit our China strategy.

We will hold our strategy of maximizing property development profit margins by releasing remaining residential properties for sale at the appropriate time to capture the best sales price. Our property leasing activities are expected to maintain steady growth and deliver pleasing performance under the current economic environment.



We are committed to maintaining a high standard of corporate governance. During the six months period ended 31 December 2008, we adopted corporate governance principles which emphasize a quality board of Directors (“the Board”), effective internal controls, stringent disclosure practices, and transparency and accountability to our stakeholders. The general framework of our corporate governance practices is set out in the corporate governance report which is accessible via our corporate website.

### THE BOARD

Our Board currently comprises nine persons, consisting of three Executive Directors, one Non-Executive Director and five Independent Non-Executive Directors. There is a clear division of responsibilities between the Chairman and the Managing Director (Chief Executive Officer). 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 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 internal audit work 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 2008 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 2008, 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 2008.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months period ended 31 December 2008, 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 2008, 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	Shares of HK\$1.00 each % of Issued Capital	Share Options Outstanding (Note1) No. of Shares	Interests in Shares	Shares of HK\$1.00 each % of Issued Capital	Share Options Outstanding (Note 2) No. of Shares
Ronnie C. Chan	Personal	-	-	11,790,000	-	-	25,570,000
S.S. Yin	-	-	-	-	-	-	-
Nelson W.L. Yuen	Personal	-	-	8,000,000	-	-	30,746,000
Gerald L. Chan	-	-	-	-	-	-	-
H.K. Cheng	-	-	-	-	-	-	-
Laura L.Y. Chen	-	-	-	-	-	-	-
Simon S.O. Ip	-	-	-	-	-	-	-
York Liao	-	-	-	-	-	-	-
Terry S. Ng	Personal	-	-	4,338,000	-	-	23,039,000

## 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 <sup>Δ</sup>
	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.

<sup>Δ</sup> 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 1/7/2008	Granted During the Period	As at 31/12/2008	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 <sup>#</sup>
	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 <sup>△</sup>
	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 <sup>*</sup>
	Nelson W.L. Yuen	5,400,000	-	5,400,000		
	Terry S. Ng	5,000,000	-	5,000,000		
31/12/2008	Ronnie C. Chan	-	9,240,000	9,240,000	\$17.36	31/12/2010 to 30/12/2018 <sup>◇</sup>
	Nelson W.L. Yuen	-	8,910,000	8,910,000		
	Terry S. Ng	-	8,250,000	8,250,000		

\* These share options were granted under the Share Option Scheme of Hang Lung Properties Limited ("HLPL"), all of which are now exercisable with the expiry date 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.

◇ These share options were granted under the Share Option Scheme of HLPL, vest in 4 tranches, i.e. the first 10% from 31 December 2010, the next 20% from 31 December 2011, the next 30% from 31 December 2012 and the balance 40% from 31 December 2013, all expiring on 30 December 2018.

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 2008, 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	
		(Long Position)	(Short Position)	(Long Position)	(Short Position)
Chan Tan Ching Fen	1	493,668,580	–	37.00	–
Cole Enterprises Holdings Limited	1	493,668,580	–	37.00	–
Merssion Limited	1	493,668,580	–	37.00	–
Kingswick Investment Limited	2	94,254,000	–	7.07	–
Commonwealth Bank of Australia	–	93,088,000	–	6.98	–
Aberdeen Asset Management Plc and its Subsidiaries	–	80,407,846	–	6.02	–
Davis Selected Advisers, L.P.	–	66,870,000	–	5.01	–

### Notes

- These shares were the same parcel of shares held by a trust of which Ms. Chan Tan Ching Fen was the founder.
- The 94,254,000 shares held by Kingswick Investment Limited were included in the above-mentioned number of 493,668,580 shares held by Ms. Chan Tan Ching Fen/Cole Enterprises Holdings Limited/Merssion Limited.

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 2008 (Unaudited)  
(Expressed in Hong Kong dollars)

	Note	2008 \$Million	2007 \$Million
Turnover	2	2,316.7	7,992.0
Other income		111.6	176.5
Direct costs and operating expenses		(449.4)	(3,138.9)
Administrative expenses		(207.0)	(174.5)
Operating profit		1,771.9	4,855.1
Increase in fair value of investment properties	7	1,142.1	5,098.5
Finance costs	3	2,914.0	9,953.6
Share of profits of jointly controlled entities		(116.6)	(209.7)
		11.1	75.2
Profit before taxation	2(a) & 3	2,808.5	9,819.1
Taxation	4	(746.9)	(1,804.4)
Profit for the period		2,061.6	8,014.7
Attributable to:			
Shareholders		905.5	4,047.0
Minority interests		1,156.1	3,967.7
		2,061.6	8,014.7
Interim dividend at 16.5¢ (2007: 16.5¢) per share	5(a)	220.2	220.1
Earnings per share	6(a)		
Basic		\$0.68	\$3.04
Diluted		\$0.67	\$2.99
Earnings per share excluding changes in fair value of investment properties net of related deferred tax	6(b)		
Basic		\$0.53	\$1.40
Diluted		\$0.53	\$1.38

The annexed notes form part of the interim financial statements.

# CONSOLIDATED BALANCE SHEET

At 31 December 2008 (Unaudited)  
(Expressed in Hong Kong dollars)

	Note	31/12/2008 \$Million	30/6/2008 \$Million
<b>Non-current assets</b>			
Fixed assets			
Investment properties	7	67,409.4	66,136.3
Other fixed assets		6,567.3	5,763.7
		73,976.7	71,900.0
Interest in jointly controlled entities		1,370.8	1,421.9
Other assets		1,262.2	1,163.5
Deferred tax assets		46.9	33.8
		76,656.6	74,519.2
<b>Current assets</b>			
Cash and deposits with banks		9,610.0	10,738.1
Trade and other receivables	8	1,092.8	1,383.0
Inventories		6,842.2	6,848.4
		17,545.0	18,969.5
<b>Current liabilities</b>			
Bank loans		1,800.0	1,000.0
Floating rate notes due 2009		1,500.0	–
Trade and other payables	9	2,256.8	2,183.7
Taxation		784.1	881.8
		6,340.9	4,065.5
<b>Net current assets</b>		<b>11,204.1</b>	<b>14,904.0</b>
<b>Total assets less current liabilities</b>		<b>87,860.7</b>	<b>89,423.2</b>



	Note	31/12/2008 \$Million	30/6/2008 \$Million
<b>Non-current liabilities</b>			
Bank loans		7,643.1	8,039.6
Finance lease obligations		342.2	393.0
Deferred tax liabilities		7,936.2	7,434.2
Floating rate notes due 2009		–	1,500.0
		<b>15,921.5</b>	<b>17,366.8</b>
<b>NET ASSETS</b>			
		<b>71,939.2</b>	<b>72,056.4</b>
<b>Capital and reserves</b>			
Share capital	10	1,334.3	1,334.0
Reserves		35,719.2	35,447.6
Shareholders' equity		<b>37,053.5</b>	<b>36,781.6</b>
Minority interests		<b>34,885.7</b>	<b>35,274.8</b>
<b>TOTAL EQUITY</b>			
		<b>71,939.2</b>	<b>72,056.4</b>

The annexed notes form part of the interim financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2008 (Unaudited)  
(Expressed in Hong Kong dollars)

	2008 \$Million	2007 \$Million
Total equity at 1 July		
Shareholders' equity	36,781.6	29,095.4
Minority interests	35,274.8	29,394.4
	72,056.4	58,489.8
Total recognised income and expenses for the period		
Decrease in fair value of listed investments	(25.4)	(4.0)
Exchange differences arising from translation of overseas subsidiaries	113.4	48.6
Profit for the period	2,061.6	8,014.7
	2,149.6	8,059.3
Final dividend in respect of previous year	(720.4)	(620.2)
Issue of shares	1.5	0.9
Employee share-based payments	59.6	35.2
Change in minority interests arising from increase of the Group's shareholding in certain subsidiaries	(593.0)	(205.4)
Dividend paid to minority interests	(999.3)	(874.7)
Repayment to minority interests	(15.2)	(16.9)
Total equity at 31 December	71,939.2	64,868.0
Attributable to:		
Shareholders	37,053.5	32,562.8
Minority interests	34,885.7	32,305.2
	71,939.2	64,868.0

The annexed notes form part of the interim financial statements.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2008 (Unaudited)  
(Expressed in Hong Kong dollars)

	Note	2008 \$Million	2007 \$Million
Operating profit before changes in working capital		1,723.6	4,736.8
Decrease in inventories		6.2	2,082.7
Other changes in working capital		273.4	(3,602.0)
Cash generated from operations		2,003.2	3,217.5
Profits tax paid		(342.7)	(230.0)
Net cash generated from operating activities		1,660.5	2,987.5
Net cash used in investing activities		(517.3)	(533.0)
Net cash used in financing activities		(2,271.3)	(2,356.6)
(Decrease)/Increase in cash and cash equivalents		(1,128.1)	97.9
Cash and cash equivalents at 1 July		10,038.6	6,392.1
Cash and cash equivalents at 31 December	11	8,910.5	6,490.0

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 2008.

## 2. TURNOVER AND SEGMENT INFORMATION

	Segment revenue		Segment results	
	2008 \$Million	2007 \$Million	2008 \$Million	2007 \$Million
(a) Business segment				
Property leasing	2,305.6	1,977.7	1,864.4	1,577.6
Property sales	11.1	6,014.3	2.9	3,275.5
	<b>2,316.7</b>	<b>7,992.0</b>	<b>1,867.3</b>	<b>4,853.1</b>
Other income			111.6	176.5
Administrative expenses			(207.0)	(174.5)
Operating profit			1,771.9	4,855.1
Increase in fair value of investment properties				
– property leasing			1,142.1	5,098.5
Finance costs			(116.6)	(209.7)
Share of profits of jointly controlled entities				
– property leasing			11.1	75.2
Profit before taxation			<b>2,808.5</b>	<b>9,819.1</b>

## 2. TURNOVER AND SEGMENT INFORMATION (continued)

		Segment revenue		Segment results	
		2008	2007	2008	2007
		\$Million	\$Million	\$Million	\$Million
(b)	Geographical segment				
	Group				
	Hong Kong	1,292.6	7,181.0	1,024.0	4,217.2
	Mainland China	1,024.1	811.0	843.3	635.9
		<b>2,316.7</b>	<b>7,992.0</b>	<b>1,867.3</b>	<b>4,853.1</b>
	Jointly controlled entities				
	Hong Kong			11.1	75.2

## 3. PROFIT BEFORE TAXATION

	2008	2007
	\$Million	\$Million
Profit before taxation is arrived at after charging:		
Finance costs		
Interest on borrowings	171.6	271.6
Other ancillary borrowing costs	19.7	18.5
Total borrowing costs	191.3	290.1
Less: Borrowing costs capitalised	(74.7)	(80.4)
	<b>116.6</b>	<b>209.7</b>
Cost of properties sold	7.7	2,235.7
Staff costs, including contribution to retirement schemes of \$13.8 million (2007: \$13.2 million)	252.2	226.5
Depreciation	5.3	5.2
and after crediting:		
Interest income	111.6	182.3

#### 4. TAXATION

Provision for Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profits for the period. PRC Income Tax is calculated at the rates applicable in mainland China.

	2008 \$Million	2007 \$Million
Current tax		
Hong Kong Profits Tax	100.7	644.1
PRC Income Tax	144.3	98.7
Deferred tax	245.0	742.8
Origination and reversal of temporary differences	501.9	1,061.6
	<b>746.9</b>	<b>1,804.4</b>

#### 5. DIVIDENDS

(a) Dividends attributable to the period

	2008 \$Million	2007 \$Million
Declared after the balance sheet date: 16.5 cents (2007: 16.5 cents) per share	220.2	220.1

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

	2008 \$Million	2007 \$Million
Final dividend in respect of the previous financial year of 54.0 cents (2007: 46.5 cents) per share	720.4	620.2

## 6. EARNINGS PER SHARE

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

	2008 \$Million	2007 \$Million
Earnings for calculation of basic and diluted earnings per share (net profit attributable to shareholders)	905.5	4,047.0
	Number of shares	
	2008 Million	2007 Million
Weighted average number of shares used in calculating basic earnings per share	1,334.1	1,333.7
Effect of dilutive potential shares Share options	14.0	18.7
Weighted average number of shares used in calculating diluted earnings per share	1,348.1	1,352.4

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

	2008 \$Million	2007 \$Million
Net profit attributable to shareholders	905.5	4,047.0
Effect of changes in fair value of investment properties net of related deferred tax and minority interests	(195.4)	(2,181.0)
Adjusted earnings for calculation of basic and diluted earnings per share	710.1	1,866.0

## 7. INVESTMENT PROPERTIES

Investment properties of the Group carried at fair value were revalued as at 31 December 2008 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 net 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:

	31/12/2008 \$Million	30/06/2008 \$Million
Within 1 month	357.1	1,071.8
1 – 3 months	379.2	3.0
Over 3 months	4.9	5.6
	<b>741.2</b>	<b>1,080.4</b>

Proceeds from property sales are receivable pursuant to the terms of the sale and purchase agreements. Monthly rents in respect of leased properties are payable in advance by the tenants. 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:

	31/12/2008 \$Million	30/06/2008 \$Million
Due within 1 month	734.9	682.2
Due over 3 months	58.1	56.6
	<b>793.0</b>	<b>738.8</b>

## 10. SHARE CAPITAL

	Number of shares Million	\$Million
Issued and fully paid		
<i>Shares of \$1 each</i>		
At 1 July 2008	1,334.0	1,334.0
Shares issued under share option scheme	0.3	0.3
<b>At 31 December 2008</b>	<b>1,334.3</b>	<b>1,334.3</b>



## 10. SHARE CAPITAL (continued)

### Share Option Scheme

#### *The Company*

At 31 December 2008, 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 of the Company during the period are as follows:

Date granted	Number of share options				Outstanding on 31 December 2008	Period during which options are exercisable	Exercise price (HK\$)
	Outstanding on 1 July 2008	Granted	Exercised	Lapsed			
24 February 2000	3,310,000	-	(100,000)	-	3,210,000	24 February 2001 to 23 February 2010	6.12
1 November 2001 to 7 December 2001	1,370,000	-	-	-	1,370,000	1 November 2002 to 6 December 2011	5.87 to 6.83
20 May 2004	11,450,500	-	(97,500)	-	11,353,000	20 May 2005 to 19 May 2014	9.45
1 November 2005	77,000	-	-	-	77,000	1 November 2006 to 31 October 2015	14.70
20 November 2006	11,400,000	-	-	-	11,400,000	20 November 2007 to 19 November 2016	20.52
<b>Total</b>	<b>27,607,500</b>	<b>-</b>	<b>(197,500)</b>	<b>-</b>	<b>27,410,000</b>		

The weighted average share price at the dates of exercise for shares options during the period was \$24.68.

## 10. SHARE CAPITAL (continued)

### Hang Lung Properties Limited ("HLP")

At 31 December 2008, 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 of HLP during the period are as follows:

Date granted	Number of share options				Outstanding on 31 December 2008	Period during which options are exercisable	Exercise price (HK\$)
	Outstanding on 1 July 2008	Granted	Exercised	Lapsed			
20 May 2004	21,644,000	-	(50,000)	-	21,594,000	20 May 2005 to 19 May 2014	9.20
1 September 2005 to 1 November 2005	1,206,000	-	-	-	1,206,000	1 September 2006 to 31 October 2015	11.40 to 12.35
14 November 2006 to 19 March 2007	25,050,000	-	-	(140,000)	24,910,000	14 November 2007 to 18 March 2017	16.75 to 22.60
3 July 2007 to 1 April 2008	34,350,000	-	-	(350,000)	34,000,000	3 July 2008 to 31 March 2018	25.00 to 34.45
18 August 2008 to 31 December 2008	-	47,650,000	-	(80,000)	47,570,000	18 August 2010 to 30 December 2018	17.36 to 24.20
<b>Total</b>	<b>82,250,000</b>	<b>47,650,000</b>	<b>(50,000)</b>	<b>(570,000)</b>	<b>129,280,000</b>		

The weighted average share price of HLP at the dates of exercise for share options during the period was \$20.05.

The weighted average value per share option granted during the period estimated at the date of grant using a Black-Scholes pricing model was \$3. The weighted average assumptions used are as follows:

	HLP
Share price at grant date	\$17.82
Exercise price	\$18.30
Risk-free interest rate	2%
Expected life (in years)	6
Volatility	0.3
Expected dividend per share	\$0.66

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 balance of cash and cash equivalents

	2008 \$Million	2007 \$Million
Cash and deposits with banks in the consolidated balance sheet	9,610.0	7,189.5
Less: Bank deposits with maturity greater than three months	(699.5)	(699.5)
Cash and cash equivalents in the condensed consolidated cash flow statement	8,910.5	6,490.0

## 12. CONTINGENT LIABILITIES

At 31 December 2008, contingent liabilities were as follows:

	Company 31/12/2008 \$Million	30/06/2008 \$Million
Guarantees given to banks to secure credit facilities for subsidiaries	5,015.1	4,628.8

## 13. COMMITMENTS

At 31 December 2008, capital commitments not provided for in the financial statements were as follows:

	Group 31/12/2008 \$Million	30/06/2008 \$Million
Contracted for	2,322.7	2,405.2
Authorised but not contracted for	14,491.3	14,487.5
	16,814.0	16,892.7

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

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 2008, the Group advanced to this jointly controlled entity a total of \$831.7 million (30 June 2008: \$872.7 million). All advances are unsecured, interest-free and repayable on demand.

## 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 2008	HK\$Million
Turnover	2,316.7
Net profit attributable to shareholders	905.5
Total assets	94,201.6
Shareholders' equity	37,053.5
Per share data	
Earnings – Basic	\$0.68
– Diluted	\$0.67
Interim dividend	\$0.165
Net assets (including minority interests)	\$53.9
Shareholders' equity	\$27.8
Gearing ratio (note 1)	2.4%
Pay-out ratio	24%
Number of shares issued (in million)	1,334.3

Underlying Results as at 31 December 2008	HK\$Million
Underlying net profit attributable to shareholders (note 2)	710.1
Per share data	
Underlying earnings (note 3) – Basic	\$0.53
– Diluted	\$0.53

### Notes

1. 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.
2. The underlying profit is presented by excluding the effect of adopting Hong Kong Accounting Standard 40, Investment Property, which requires changes in fair value of investment properties and their related deferred tax be accounted for in the income statement.
3. The calculation of underlying earnings per share is based on the underlying net profit attributable to shareholders.

## FINANCIAL CALENDAR

Financial period	1 July 2008 to 31 December 2008
Interim results announced	10 February 2009
Latest time to lodge transfer	4:00 p.m. on 31 March 2009
Closure of share register	1 April to 3 April 2009 (both days inclusive)
Record date for interim dividend	3 April 2009
Interim dividend payable	17 April 2009

## SHARE LISTING

As at 31 December 2008, 1,334,258,242 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 2008: HK\$23.45  
Market capitalisation as at 31 December 2008: HK\$31.3 billion

## SHARE REGISTRARS

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

## INVESTOR RELATIONS CONTACT

Terry S. Ng (*Executive Director*)  
Velencia Lee (*Company Secretary*)  
Email address: [ir@hanglung.com](mailto:ir@hanglung.com)