



2008-2009  
*Interim Report*

## DIRECTORS

Ronnie C. Chan (*Chairman*)  
S.S. Yin (*Vice Chairman*) \*  
Nelson W.L. Yuen (*Managing Director*)  
Ronald J. Arculli, *CVO, GBS, OBE, JP* \*  
H.K. Cheng, *GBS, OBE, JP* \*  
Laura L.Y. Chen \*  
P.W. Liu, *SBS, JP* \*  
Dominic C.F. Ho \*  
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*  
Dominic C.F. Ho

## NOMINATION AND REMUNERATION COMMITTEE

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

## AUTHORISED REPRESENTATIVES

Terry S. Ng  
Velencia Lee

## COMPANY SECRETARY

Velencia Lee

## REGISTERED OFFICE

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## INTERNET ADDRESS

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### RESULTS AND DIVIDENDS

Turnover for the half year ended 31 December 2008 decreased 74% to HK\$2,052 million while net profit attributable to shareholders fell by 83% to HK\$1,222 million. Earnings per share was 29 cents, representing a drop of 84% from the same period last year.

When excluding the revaluation gain and its deferred tax, the underlying net profit retreated by 68% from HK\$3,775 million to HK\$1,197 million, and the underlying earnings per share by 68% to 29 cents.

Your Board has declared an interim dividend of 15 cents per share payable on 17 April 2009 to shareholders of record on 3 April 2009.

### OPERATIONS REVIEW

The global economy is in a turmoil that none of us has seen. It is likely the worst since 1929. It started in the U.S. as a financial collapse which effects were spilling over to the "real economy." Unemployment is rising and will probably continue. Europe is arguably in a worse condition.

All that is affecting mainland China which is increasingly our primary market. Export has plummeted which together with existing domestic economic problems has quickly reversed a red hot property market. Prices began to fall in late spring/early summer and the pace picked up in the last quarter of 2008. For our business, the change is first felt in office rental and will gradually spread over to retail, especially the high end sector.

While not underestimating the severity of the present danger, there is perhaps a silver lining. As I wrote six months ago, "... market conditions went from cool to cold. Now we are happy. Not only did we avoid getting stuck with expensive land, we are hopeful that future acquisitions will be somewhat easier." We are beginning to see it happen. Many municipal governments on the mainland derived as much as half of their income from the sales of land. A quickly falling property market will have devastating effects. I expect to report good news on land purchases in the coming months.

But for now, our results are affected. Hong Kong residential market was such that we hardly sold any unit. Given a strong balance sheet, our strategy is not to part with completed flats at any price. Afterall, all of our apartments are very well located. Equally significant is that there is no product obsolescence in our business. We will wait for the market to recover.

Our investment properties continued to perform well. All facilities remained basically fully let. In Hong Kong rental income rose by 9% and in Shanghai, 23%. Blended increase was 15%. Shanghai now accounts for 41% of all rents received. In terms of rental profit margin, Shanghai continues to surpass that in Hong Kong, a trend which began towards the end of the last fiscal year. In the earlier years of our mainland business, we had less space for lease and had to build a team in a new market. As a result, it was more expensive to run Shanghai properties. As operations reach a steady state and since the facilities there are newer and bigger, it is not surprising that rental margin should be better.

In November 2008, we saw the ground breaking of Wuxi Hang Lung Plaza.

## PROSPECTS

Management expects the present global economic turmoil to continue for some time. Consequently it is difficult if not impossible to predict when Hong Kong residential prices will recover. It is thus sensible to concentrate for the next year or two on our rental business. With average lease terms of about three years and given many world class tenants, such income will not disappear. Growth rate will no doubt slow down, but given our strong financial position, we will weather the downturn.

In the meantime, we will continue to build out our mainland commercial projects. Construction has begun in all five locations. The first to complete will be the one on Zhongjie in Shenyang; the mall should be open for business next year. The other complexes will be ready between 2011 and 2013 at which time the China economy and indeed the global economy should have recovered. Our timing may once again prove auspicious.

At this dark hour of the night, it may seem inappropriate to voice optimism. To be sure, management is in no way underestimating the difficulties at hand and potential troubles in the coming year or two if not longer. However, I do want to share with shareholders what I have said to my executives last month. Namely, unless the world economy develops into a depression as severe as that of 1929 which possibility I cannot preclude, Hang Lung may well be entering into a golden era. As in the past decade, we should once again out-perform our competitors. Let me explain.

In the first seven years of my chairmanship and under the present management team, i.e. between 1991 and 1997, we had to do two things and we did them well. First, not having a cheap land bank, we could not make any mistake in our acquisitions. Unlike our competitors, we were unable to average up land cost. Secondly, we had to prepare well for the coming big break which we could only hope would materialize.

Fortunate for us although painful to almost all of our competitors, the big break did come. The Asian Financial Crisis which started in the second half of 1997 ushered in for us another seven years which I called the catch-up phase. Between 1998 and 2004, the market gradually realized that among all Hong Kong property companies, we had best prepared ourselves for the severe downturn that lasted years. As a result, our share price went from having one of the lowest price-earning-ratio to one of the highest.

Just as significant was the fact that investors began to understand that we had established for ourselves three success factors for the mainland market. First, we are somewhat unique in having a clearly enunciated and sensible strategy for commercial real estate. Secondly we have a track record in the two Shanghai complexes which are not only world class in location, design and management but also in financial returns. So much so that Hang Lung has become a highly desirable brand name in the industry on the mainland, perhaps even more so than in our home market in Hong Kong. Thirdly, we have built a management team which is, I like to think, unmatched.

Hong Kong is a small and mature market, but mainland is the exact opposite – huge and fast growing. The company which is best able to capitalize on the latter will be the champion of tomorrow. Your management firmly believes that we are as well positioned to win as any. Beginning in 2003/2004, we began to systematically execute our mainland strategy. We have purchased the best plots of land at prices far lower than those of our competitors. Two of our five locations have seen designs that won international acclaim – Tianjin in 2007 and Jinan in 2008. We are confident that the financial returns experienced in Shanghai will be repeated elsewhere. Barring unforeseen circumstances, the coming years should be very rewarding for Hang Lung.

For now, we will buckle down and weather the economic storm. As in the past, bear markets have been times that Hang Lung shines the brightest. We will prepare ourselves as before for longer term profitability. Once the storm passes which should roughly coincide with the completion of our new projects, Hang Lung should emerge as an even stronger and better company.

**Ronnie C. Chan**

*Chairman*

Hong Kong, 10 February 2009

## OVERVIEW

Despite the strong performance of property leasing in Hong Kong and Shanghai, turnover decreased by 74% to HK\$2,051.7 million due to the depressed property sales market in the midst of the financial turmoil. Net profit attributable to shareholders for the six months ended 31 December 2008 amounted to HK\$1,221.9 million. Profits from property leasing rose by 16% to HK\$1,676.6 million, of which our Shanghai properties contributed HK\$703.6 million, representing a 30% growth from the previous period. Hong Kong rentals also experienced solid growth with profits increasing by 8% to HK\$973.0 million. The Group recorded a net revaluation gain of HK\$950.4 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\$1,196.5 million.

The Board of Directors has declared an interim dividend of 15 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 remained steady after the outbreak of the financial crisis. Total rental income grew by 15% to HK\$2,041.3 million and profit rose by 16% to HK\$1,676.6 million.

### Hong Kong

Despite the negative economic outlook, our Hong Kong rental income continued to grow steadily by 9% to HK\$1,212.3 million while profit went up 8% to HK\$973.0 million.

## Shanghai

Though the economy in mainland China was also affected by the current financial crisis, our property leasing in Shanghai continued to deliver remarkable results. Rental turnover and profits increased by 23% to HK\$829.0 million and 30% to HK\$703.6 million, respectively. Both Plaza 66 and The Grand Gateway continued to enjoy close to 100% occupancy and upheld their premium rent rates in Shanghai. Rental income from Shanghai now accounts for approximately 41% 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 total rental income of the Group in future.

### PROPERTY SALES

In light of the current market sentiments, the management consciously decided not to release remaining residential properties into the market for sale. As a result, only three units were sold during the first half against over 750 units last period.

### PROPERTY DEVELOPMENT

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

### PROPERTY REVALUATION

Investment properties of the Group are revalued by Savills, an external professional valuer, as at balance sheet date. The valuations were conducted on an open market basis with reference to the market conditions existing at the time.

In light of the depressed economic outlook, Hong Kong investment properties recorded a valuation loss of HK\$1,913.6 million. Capitalization rates used were in the range of 4% to 7%.

Despite the negative sentiments, our investment properties in Shanghai, Plaza 66 and The Grand Gateway, have continued to renewing leases and/or signing up new tenants with positive rental growth. In addition, the enlarged retail spaces of Plaza 66 scheduled for opening in spring 2009 are already fully let at rentals higher than comparable sites in Shanghai. The external valuer used capitalization rates in the range of 9% to 10%, reflecting the properties' resilience to withstand the pressure of adverse rental adjustments even in light of the current economic climate. Consequently, investment properties in Shanghai recorded a revaluation gain of HK\$2,864.0 million.

Overall, investment properties in Hong Kong and Shanghai recorded a net revaluation gain of HK\$950.4 million for the period.

## FINANCE

At 31 December 2008, the Group continued to maintain a strong balance sheet with cash and bank deposits amounted to HK\$9,309.0 million against total borrowings of HK\$5,938.0 million. This has put us in an advantageous position to seize attractive investment opportunities when they arise in mainland China and Hong Kong.

## OUTLOOK

Despite the current global financial turmoil, we continue to execute our China strategy of developing world-class commercial complexes in the vibrant and high potential cities in mainland China. With our significant cash reserves and very strong cash flow, we are well positioned to capture attractive investment opportunities that fit our growth strategy.

The Group will continue to maximize our property development profit margins by releasing the remaining residential properties for sale only at the appropriate time. Notwithstanding the current cautious sentiment, our leasing activities in Hong Kong have continued to maintain a steady pace. The recently enlarged lettable retail space in Plaza 66 will contribute to the growth momentum of rental income in Shanghai. We expect our property leasing continue to deliver pleasing performance under the current market conditions.



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 ten persons, consisting of four Executive Directors and six 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 five 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 Group Limited</i>		
		Shares of HK\$1.00 each	Share Options Outstanding (Note 1)	Share Options Outstanding (Note 2)	Shares of HK\$1.00 each	Share Options Outstanding (Note 2)	Share Options Outstanding (Note 2)
		Interests in Shares	% of Issued Capital	No. of Shares	Interests in Shares	% of Issued Capital	No. of Shares
Ronnie C. Chan	Personal	-	-	25,570,000	-	-	11,790,000
S.S. Yin	-	-	-	-	-	-	-
Nelson W.L. Yuen	Personal	-	-	30,746,000	-	-	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	-	-	-	-	-
Dominic C.F. Ho	-	-	-	-	-	-	-
Terry S. Ng	Personal	-	-	23,039,000	-	-	4,338,000
William P.Y. Ko	Personal	-	-	18,730,000	-	-	1,024,000

## Notes

1.

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		
	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 <sup>Δ</sup>
	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		
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		
	William P.Y. Ko	–	6,600,000	6,600,000		

\* These share options were granted under the Share Option Scheme of the Company, all of which are now exercisable with the expiry date 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.

<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 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.

- ◇ These share options were granted under the Share Option Scheme of the Company, 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.

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 <sup>Δ</sup>

\* These share options were granted under the Share Option Scheme of Hang Lung Group Limited ("HLGL"), 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 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

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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	2,198,753,670	–	53.04	–
Cole Enterprises Holdings Limited	1	2,198,753,670	–	53.04	–
Merssion Limited	1	2,198,753,670	–	53.04	–
Hang Lung Group Limited	2	2,156,230,570	–	52.02	–
Prosperland Housing Limited	3	1,267,608,690	–	30.60	–
Purotat Limited	3	354,227,500	–	8.55	–

### 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 HLGL and its subsidiaries, which number of shares were included in the above-mentioned number of 2,198,753,670.
- HLGL 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 534,394,380 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 2,156,230,570 shares held by HLGL.

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	2,051.7	7,792.0
Other income		110.0	161.4
Direct costs and operating expenses		(372.2)	(3,027.0)
Administrative expenses		(176.7)	(153.4)
Operating profit		1,612.8	4,773.0
Increase in fair value of investment properties	7	950.4	4,577.6
Finance costs	3	2,563.2 (52.4)	9,350.6 (115.9)
Share of (losses)/profits of jointly controlled entities		(14.3)	55.2
Profit before taxation	2(a) & 3	2,496.5	9,289.9
Taxation	4	(657.9)	(1,682.2)
Profit for the period		1,838.6	7,607.7
Attributable to:			
Shareholders		1,221.9	7,272.0
Minority interests		616.7	335.7
		1,838.6	7,607.7
Interim dividend at 15¢ (2007: 15¢) per share	5(a)	621.8	621.7
Earnings per share	6(a)		
Basic		\$0.29	\$1.76
Diluted		\$0.29	\$1.74
Earnings per share excluding changes in fair value of investment properties net of related deferred tax	6(b)		
Basic		\$0.29	\$0.91
Diluted		\$0.29	\$0.90

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	60,097.0	59,085.4
Other fixed assets		6,564.7	5,758.9
		66,661.7	64,844.3
Interest in jointly controlled entities		663.0	696.7
Loans and investments		4.9	5.4
Deferred tax assets		46.9	34.5
		67,376.5	65,580.9
<b>Current assets</b>			
Cash and deposits with banks			
Trade and other receivables	8	9,309.0	10,577.8
Inventories		1,084.2	1,365.9
		6,811.0	6,816.6
		17,204.2	18,760.3
<b>Current liabilities</b>			
Floating rate notes due 2009			
Trade and other payables	9	1,500.0	–
Taxation		1,742.9	1,726.0
		751.7	828.5
		3,994.6	2,554.5
<b>Net current assets</b>			
		13,209.6	16,205.8
<b>Total assets less current liabilities</b>			
		80,586.1	81,786.7



	Note	31/12/2008 \$Million	30/6/2008 \$Million
<b>Non-current liabilities</b>			
Bank loans		4,438.0	4,419.2
Finance lease obligations		342.2	393.0
Deferred tax liabilities		7,254.8	6,823.9
Floating rate notes due 2009		–	1,500.0
		<b>12,035.0</b>	<b>13,136.1</b>
<b>NET ASSETS</b>			
		<b>68,551.1</b>	<b>68,650.6</b>
<b>Capital and reserves</b>			
Share capital	10	4,145.2	4,145.1
Reserves		61,521.8	62,231.8
Shareholders' equity		<b>65,667.0</b>	<b>66,376.9</b>
Minority interests		<b>2,884.1</b>	<b>2,273.7</b>
<b>TOTAL EQUITY</b>			
		<b>68,551.1</b>	<b>68,650.6</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	66,376.9	54,276.7
Minority interests	2,273.7	1,560.8
	68,650.6	55,837.5
Total recognised income and expense for the period		
Exchange difference arising from translation of overseas subsidiaries	123.5	46.5
Profit for the period	1,838.6	7,607.7
	1,962.1	7,654.2
Final dividend in respect of previous year	(2,114.0)	(1,781.5)
Issue of shares	0.5	13.5
Employee share-based payments	51.9	31.8
Change in minority interests arising from increase of the Group's shareholding in a subsidiary	–	(105.1)
Repayment to minority interests	–	(16.9)
Total equity at 31 December	68,551.1	61,633.5
Attributable to:		
Shareholders	65,667.0	59,859.0
Minority interests	2,884.1	1,774.5
	68,551.1	61,633.5

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		1,559.3	4,624.4
Decrease in inventories		5.6	2,080.3
Other changes in working capital		209.9	(3,595.3)
Cash generated from operations		1,774.8	3,109.4
Profits tax paid		(306.3)	(223.5)
Net cash generated from operating activities		1,468.5	2,885.9
Net cash used in investing activities		(482.8)	(443.7)
Net cash used in financing activities		(2,254.5)	(2,404.0)
(Decrease)/Increase in cash and cash equivalents		(1,268.8)	38.2
Cash and cash equivalents at 1 July		9,878.3	6,294.2
Cash and cash equivalents at 31 December	11	8,609.5	6,332.4

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	2,041.3	1,781.8	1,676.6	1,441.1
Property sales	10.4	6,010.2	2.9	3,323.9
	<b>2,051.7</b>	<b>7,792.0</b>	<b>1,679.5</b>	<b>4,765.0</b>
Other income			110.0	161.4
Administrative expenses			(176.7)	(153.4)
Operating profit			1,612.8	4,773.0
Increase in fair value of investment properties				
– property leasing			950.4	4,577.6
Finance costs			(52.4)	(115.9)
Share of (losses)/profits of jointly controlled entities				
– property leasing			(14.3)	55.2
Profit before taxation			<b>2,496.5</b>	<b>9,289.9</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	1,222.7	7,120.3	975.9	4,225.0
	Mainland China	829.0	671.7	703.6	540.0
		<b>2,051.7</b>	<b>7,792.0</b>	<b>1,679.5</b>	<b>4,765.0</b>
	Jointly controlled entities				
	Hong Kong			(14.3)	55.2

## 3. PROFIT BEFORE TAXATION

	2008	2007
	\$Million	\$Million
Profit before taxation is arrived at after charging:		
Finance costs		
Interest on borrowings	112.7	181.8
Other ancillary borrowing costs	14.4	14.5
Total borrowing costs	127.1	196.3
Less: Borrowing costs capitalised	(74.7)	(80.4)
	<b>52.4</b>	<b>115.9</b>
Cost of properties sold	7.2	2,233.2
Staff costs, including contribution to retirement schemes of \$13.2 million (2007: \$12.3 million)	237.7	213.8
Depreciation	4.6	1.8
and after crediting:		
Interest income	110.0	178.7

#### 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	100.3	643.3
PRC Income Tax	129.2	92.8
Deferred tax	229.5	736.1
Origination and reversal of temporary differences	428.4	946.1
	<b>657.9</b>	<b>1,682.2</b>

#### 5. DIVIDENDS

(a) Dividends attributable to the period

	2008 \$Million	2007 \$Million
Declared after the balance sheet date: 15 cents (2007: 15 cents) per share	621.8	621.7

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 51 cents (2007: 43 cents) per share	2,114.0	1,781.5

## 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)	1,221.9	7,272.0
	Number of shares	
	2008 Million	2007 Million
Weighted average number of shares used in calculating basic earnings per share	4,145.1	4,143.4
Effect of dilutive potential shares Share options	5.8	33.2
Weighted average number of shares used in calculating diluted earnings per share	4,150.9	4,176.6

(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	1,221.9	7,272.0
Effect of changes in fair value of investment properties net of related deferred tax and minority interests	(25.4)	(3,497.1)
Adjusted earnings for calculation of basic and diluted earnings per share	1,196.5	3,774.9

## 7. INVESTMENT PROPERTIES

The 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	30/6/2008 \$Million
Within 1 month	354.7	1,068.7
1 – 3 months	378.6	2.5
Over 3 months	4.6	5.3
	<b>737.9</b>	<b>1,076.5</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	30/6/2008 \$Million
Due within 1 month	459.2	425.9
Due over 3 months	58.1	56.5
	<b>517.3</b>	<b>482.4</b>

## 10. SHARE CAPITAL

	Number of shares Million	\$Million
Issued and fully paid <i>Shares of \$1 each</i>		
At 1 July 2008	4,145.1	4,145.1
Shares issued under share option scheme	0.1	0.1
<b>At 31 December 2008</b>	<b>4,145.2</b>	<b>4,145.2</b>



## 10. SHARE CAPITAL (continued)

### Share Option Scheme

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 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 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:

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 balances of cash and cash equivalents

	2008 \$Million	2007 \$Million
Cash and deposits with banks in the consolidated balance sheet	9,309.0	7,031.9
Less: Bank deposits with maturity greater than three months	(699.5)	(699.5)
Cash and cash equivalents in the condensed consolidated cash flow statement	8,609.5	6,332.4

## 12. CONTINGENT LIABILITIES

At 31 December 2008, contingent liabilities were as follows:

	Company 31/12/2008 \$Million	30/6/2008 \$Million
Guarantees given to banks to secure credit facilities for subsidiaries	5,991.7	5,979.9

## 13. COMMITMENTS

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

	Group 31/12/2008 \$Million	30/6/2008 \$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

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 in Shanghai. The amount outstanding at 31 December 2008 was \$206.0 million (30 June 2008: \$206.0 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 2008	HK\$Million
Turnover	2,051.7
Net profit attributable to shareholders	1,221.9
Total assets	84,580.7
Shareholders' equity	65,667.0
Per share data	
Earnings – Basic	\$0.29
– Diluted	\$0.29
Interim dividend	\$0.15
Net assets (including minority interests)	\$16.5
Shareholders' equity	\$15.8
Gearing ratio (note 1)	0%
Pay-out ratio	52%
Number of shares issued (in million)	4,145.2

Underlying Results as at 31 December 2008	HK\$Million
Underlying net profit attributable to shareholders (note 2)	1,196.5
Per share data	
Underlying earnings (note 3) – Basic	\$0.29
– Diluted	\$0.29

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, 4,145,162,670 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	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 2008: HK\$16.84

Market capitalisation as at 31 December 2008: HK\$69.8 billion

## SHARE REGISTRARS

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17th Floor, Hopewell Centre  
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