



2009-2010
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
Henry T.Y. Yiu (appointed on 9 February 2010)

* *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

AUTHORIZED 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
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INTERNET ADDRESS

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AUDITORS

KPMG
Certified Public Accountants

RESULTS AND DIVIDEND

For the six months to 31 December 2009, turnover grew nearly 4 times to HK\$9,733 million. Net profit attributable to shareholders jumped by over 13 times to HK\$17,351 million. Earnings per share likewise rose more than 13 times to HK\$4.18.

When excluding revaluation gain and its deferred tax, the underlying net profit advanced nearly 4 times to HK\$5,508 million, and the underlying earnings per share by more than 3 times to HK\$1.33.

The Board recommends an interim dividend of HK17 cents per share which is 13% higher than last year. It will be payable on 4 March 2010 to shareholders of record on 19 February 2010.

OPERATIONS REVIEW

Two factors account for the extraordinary results. The first is the sales of completed apartments and the second relates to revaluation gains.

After over half a year of uninterrupted growth in the prices of mass residential flats, those of the luxury kind began to move. We took advantage of that window of opportunity in August and sold 425 garden facing apartments at The HarbourSide. Average price achieved surpassed market expectations. Due to the very low cost base, profit margin was over 70% after deducting our partner's share of the profit. Our partner is the railway company MTRC which always joint ventures with different private developers on different projects. According to public information, the profit sharing arrangement for The HarbourSide was by far the most favorable to any developer.

For some time we have been waiting for the right moment to part with the 564 available units facing the garden with limited sea view. Market sentiment must be hot enough to strike out. It came and we capitalized on it. The fact that not that many luxury apartments were sold in the entire city in the months following tended to indicate that we had exhausted this round of demand. Bull market will one day return although no one knows when, and we will see another wave of new demand including buyers from the Mainland.

A second reason for the pleasing results is the huge net increase in fair value of investment properties. Here there are two aspects respectively relating to land under development and to completed projects in Shanghai. All the land that we purchased on the Mainland since 2005 were hitherto valued at cost. New regulations however dictate that from now on they be listed at market price. Since we bought all the plots most judiciously, they are invariably much cheaper than those of our neighbors which approximate "market value."

On the valuation of our two Shanghai complexes, previously a rather high capitalization rate (or cap rate) was used by the professional valuer which yielded a much lower capital value. Especially in the absence of comparable sales, what cap rate to employ is as much an art as a science. In some recent cases, market activities have established comparisons resulting in the lowering of the cap rate and hence higher capital values.

The same period of a year ago saw almost no sales of apartments and basically non-existent revaluation gains. That further accentuated the magnitude of growth in the present bottom line.

Due to global economic turmoil in which China including Hong Kong is not exempted, rental growth as expected slowed down. In Hong Kong, retail rent rose 7% and office 10%. That for other properties fell by 11%. The blended rise was 5%. In Shanghai, almost all of the 15% overall gain came from the two shopping centers; they performed 24% better than the year before. Such a strength surprised most if not all. On the other hand, office rents barely eked out an increase.

All property types in both cities, with the only exception being Hong Kong's serviced apartments, were basically fully occupied.

PROSPECTS

Looking ahead, it is difficult to predict if we will be able to sell more apartments before fiscal year-end. The market has always been mercurial. The time prior to this past August when we also sold a large number of units was in October 2007. We parted with some 800 units, about 600 of which were from The Long Beach, and collected HK\$6.3 billion. Last summer we sold 425 units of The HarbourSide and pocketed approximately HK\$7.5 billion. No one knows when the next big opportunity will arrive but we will be ready for it. We now have 280 some units left at The HarbourSide and about 1,200 at The Long Beach. The profits therefrom are expected to be attractive. We also hope to repeat history where successive sales will yield higher profit margins for both developments.

On the Mainland, we continue to identify land in new cities for further growth. With no gearing and in fact net cash in banks, there is no reason not to. I am hopeful that in the coming year or so, we will successfully close one or more transactions. As before, we like to buy in the absence of competition, and I am confident that such opportunities exist today. There is no incentive whatsoever for us to overpay as we did in 1992-1993 in Shanghai. We were then new to the Mainland and bought at the top of the market. It took about ten years for prices to return. Instead, we will continue our excellent track record of the past five years of buying the best plots at reasonable prices. It is fair to say that our every recent acquisition of land has been accretive in value. It takes much skill and discipline to buy well and buy well we did.

Your management is excited about the June opening of our first Mainland development outside of Shanghai--Palace 66 on Zhongjie (one of China's top ten pedestrian streets) in Shenyang. The design is superb and is unlike anything the city--and indeed the whole of China--has seen. Both the exterior and the interior are at once beautiful and functional. Already over 80% of the space has been leased up and we are on our way to meeting financial targets. Next year, we should see the inauguration of Parc 66 in Jinan.

Land clearance at the 6.3 hectare Dalian lot purchased last May is progressing well. However, the same will not begin for the 1.7 hectare Wuxi plot bought in the same month. We will first build out the much larger neighboring piece which we also own. With the exception of these two latest acquisitions, all other projects have commenced construction and are moving along as planned. I am gratified to report that all of them have received gold level LEED pre-certification by the U.S. Green Building Council.

I do not expect drastic increases in rent in Hong Kong for the coming months. For Shanghai, retail space should continue to perform well while more time has to lapse before relief will come for office rents.

Even without further sales of apartments in the remaining months of this fiscal year, full year profit barring unforeseen circumstances should break the record set in 2008.

Ronnie C. Chan

Chairman

Hong Kong, 27 January 2010

OVERVIEW

Net profit attributable to shareholders for the six months ended 31 December 2009 surged to HK\$17,351 million, over 13 times up from the corresponding period in the previous year. This is partly due to the sale of 425 units at The HarbourSide during the period, contributing HK\$5,339 million to the pre-tax profit. Profits from property leasing rose by 9% to HK\$1,833 million, with our Shanghai properties contributing 44% or HK\$811 million to this figure. Leasing profit generated by our Shanghai properties grew 15% during the period. Despite the challenging economic environment, Hong Kong rentals continued to grow with profits increasing 5% to HK\$1,022 million. A revaluation gain of HK\$16,159 million was also recorded in the income statement. In compliance with the new requirement of an accounting standard, this included revaluation gains of HK\$7,331 million, attributed to investment properties under development on the Mainland, which were revalued for the first time. Excluding the revaluation gains on investment properties, related deferred tax and minority interests, underlying net profit attributable to shareholders was HK\$5,508 million, representing a 3.6 times increase over the comparable period in 2008.

The Board of Directors has declared an interim dividend of HK17 cents per share, to be paid on 4 March 2010 to shareholders registered as of 19 February 2010. The Register of Members will be closed from 17 February 2010 to 19 February 2010, both days inclusive, and no transfer of shares will be effected during that period. 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 4:30 p.m. on 12 February 2010.

PROPERTY LEASING

Our property leasing operations continued to deliver rental and profit growth despite the global economic downturn. As a result, total rental income and profits both grew by 9% to HK\$2,222 million and HK\$1,833 million, respectively. Rental reversions in both Hong Kong and Shanghai also continued to improve in the last quarter of 2009.

Hong Kong

The quality of our property portfolio and a well-balanced tenant mix have enabled us to mitigate the potentially adverse impact of the global financial crisis. Accordingly, our Hong Kong rental income and profit growth both rose by 5% to HK\$1,269 million and HK\$1,022 million, respectively.

Shanghai

Benefiting from the robust economy on the Mainland, our property leasing activities in Shanghai continued to deliver strong results against the negative backdrop of the global financial crisis. Rental turnover and profits both increased by 15% to HK\$953 million and to HK\$811 million, respectively. The shopping malls at Plaza 66 and The Grand Gateway were fully let while the office towers maintained occupancies of over 90%. Rental income from Shanghai now accounts for 43% of the Group's total rental turnover.

PROPERTY SALES

Riding the improvement in market sentiment during the third quarter of 2009, we released our residential units at The HarbourSide for sale in August. A total of 425 units were sold generating HK\$7,511 million in revenue and HK\$5,339 million in profit. On average, these sales achieved a profit margin of 71% or over HK\$14,000 per square foot. Looking forward, we still have 284 units at The HarbourSide available for future sales.

PROPERTY DEVELOPMENT

Construction work at Shenyang Palace 66 has entered its final stages. Pre-leasing activities have achieved highly positive results in terms of committed tenancies, and preparations for the opening of this property in 2010 are well underway. At the same time, the development of our other projects on the Mainland are progressing well.

PROPERTY REVALUATION

The Group's investment properties, including those under development, are revalued by Savills, an external professional valuer, as at the balance sheet date. Completed investment properties are revalued with reference to market evidence taking into account the rental income of the properties. Revaluations for investment properties under development are conducted with reference to comparable market sale and purchase transactions. The properties are revalued as if they were completed, in accordance with their development plans which allow for any future construction and other costs required for the completion of the development.

Hong Kong's investment properties recorded a revaluation gain of HK\$4,734 million compared to a loss of HK\$1,914 million in the corresponding period in the previous year. This reflects the reversionary income potential of our properties in light of the gradual economic upturn experienced recently.

Shanghai's investment properties recorded a total revaluation gain of HK\$4,094 million against HK\$2,864 million in the comparable period in 2008. This figure reflects the resilience of our Shanghai properties and their ability to uphold their rental growth momentum and maintain their continuing high occupancy rates in spite of the global downturn. These properties are also supported by their potential for more favorable rental reversions in a recovery.

Complying with the new requirement of an accounting standard, our investment properties under development on the Mainland have also been revalued by our external professional valuer for the first time. As a result, investment properties under development on the Mainland recorded a total revaluation gain of HK\$7,331 million. This reflects the cumulative value of the projects' development progress to 31 December 2009 together with the fair value of the land bank, acquired well before the recent hikes in land transaction prices on the Mainland.

Overall, investment properties including those under development on the Mainland recorded a total revaluation gain of HK\$16,159 million compared to that of HK\$950 million in the comparable period in 2008.

FINANCE

The Group has continued to adopt a prudent approach to financial management. The objective is to ensure we will have sufficient liquidity and committed stand-by credit facilities to meet all operating requirements and project development obligations. At 31 December 2009, the Group had cash and bank deposits amounting to HK\$10,283 million. Over 40% of this total amount was held on the Mainland to meet construction payments. With total borrowings of HK\$8,076 million, the Group was in a net cash position at the balance sheet date. Additionally, the Group had HK\$15,780 million committed in undrawn banking facilities as at 31 December 2009.

OUTLOOK

Given our strong balance sheet, growing cash flow from rentals and ample financial back-up in available banking facilities, the Group is ideally positioned to capture attractive investment opportunities for future growth.

The Group will continue to maximize shareholders' wealth by releasing further residential properties for sale at the appropriate moment. Furthermore, the planned and imminent opening of Shenyang Palace 66 will provide further impetus for the growth of our property leasing revenues, to generate enhanced and ongoing profit on the Mainland.

We are committed to maintaining a high standard of corporate governance. During the six-month period ended 31 December 2009, we adopted corporate governance principles which emphasize a quality board of Directors (the “Board”), effective internal controls, stringent disclosure practices, transparency and complete accountability towards our stakeholders. The general framework of our corporate governance practices is set out in our corporate governance report, which is available on our corporate website.

THE BOARD

Following the appointment of Mr. Henry T.Y. Yiu as Executive Director on 9 February 2010, the Board consists of eleven members, including five 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). The Board continues to review its practices from time to time, aiming to improve the Group’s corporate governance procedures to keep up with international best practices. An updated list of the Board members, together with biographical details, is included 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 consists of five Independent Non-Executive Directors. Members meet on a regular basis to review human resources issues, such as significant changes in the salary structure as well as terms and conditions of service affecting Directors and senior management. They also conduct regular reviews of the Board’s structure and composition, making recommendations to the Board regarding any proposed change, appointment or re-appointment, succession planning of Directors, etc. Full terms of reference explaining the Committee’s role can be accessed on our website.

AUDIT COMMITTEE

Our Audit Committee, which is chaired by an Independent Non-Executive Director, currently consists of four Independent Non-Executive Directors. It meets at least twice a year. Meetings are attended by external and internal auditors, the finance director and the company secretary for the purposes of discussing the nature and scope of our 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 Audit Committee has reviewed this interim report, including the unaudited interim financial statements for the six months ended 31 December 2009, and has recommended their adoption by the Board.

The interim financial report is unaudited but has been reviewed by KPMG, our auditors, in accordance with the Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants. KPMG's Review Report to the Board of the Company is set out on page 14 of this interim report.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the six-month period ended 31 December 2009, we 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 (the "Stock Exchange").

COMPLIANCE WITH THE MODEL CODE CONTAINED IN APPENDIX 10 TO THE LISTING RULES

We have adopted a code of conduct with regard to securities transactions by Directors (the "Code of Conduct") on terms that are no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Code"). Specific enquiries have been made with all Directors, who have confirmed that they have complied with the required standard set out in the Code and the Code of Conduct throughout the six months ended 31 December 2009.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the only change in the information of Directors of the Company since the date of the Annual Report 2008/09 of the Company or (as the case may be) the date of announcement for the appointment of Executive Director issued by the Company subsequent to the date of the Annual Report 2008/09 is that Mr. William P.Y. Ko was appointed as executive director of Hang Lung Group Limited on 9 February 2010.

Save as disclosed above, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six-month period ended 31 December 2009, neither the Company nor any of its subsidiaries have 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 2009, the interests or short positions of each of the Directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Code 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>		
		No. of Shares	% of Issued Capital	No. of Shares under Option (Note 1)	No. of Shares	% of Issued Capital	No. of Shares under Option (Note 2)
Ronnie C. Chan	Personal	-	-	25,570,000	-	-	11,790,000
S.S. Yin	-	-	-	-	-	-	-
Nelson W.L. Yuen	Personal	-	-	30,746,000	-	-	5,500,000
Ronald J. Arculli	Personal & Corporate	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. Options granted under the Share Option Scheme of the Company

Date Granted	Name	No. of Shares under Option as at 31/12/2009	Exercise Price per Share (HK\$)	Vesting Period	Expiry Date
20/5/2004	Ronnie C. Chan	5,090,000	\$9.20	25% from 20/5/2005	19/5/2014
	Nelson W.L. Yuen	7,126,000		25% from 20/5/2006	
	Terry S. Ng	3,239,000		25% from 20/5/2007	
	William P.Y. Ko	1,330,000		25% from 20/5/2008	
1/9/2005	William P.Y. Ko	500,000	\$12.35	25% from 1/9/2006 25% from 1/9/2007 25% from 1/9/2008 25% from 1/9/2009	31/8/2015
20/11/2006	Ronnie C. Chan	2,000,000	\$17.14	10% from 20/11/2007	19/11/2016
	Nelson W.L. Yuen	5,800,000		20% from 20/11/2008	
	Terry S. Ng	3,300,000		30% from 20/11/2009	
	William P.Y. Ko	3,700,000		40% from 20/11/2010	
21/8/2007	Ronnie C. Chan	3,640,000	\$25.00	10% from 21/8/2008	20/8/2017
	Nelson W.L. Yuen	3,510,000		20% from 21/8/2009	
	Terry S. Ng	3,250,000		30% from 21/8/2010	
	William P.Y. Ko	2,600,000		40% from 21/8/2011	
21/8/2007	Ronnie C. Chan	5,600,000	\$25.00	10% from 21/8/2009	20/8/2017
	Nelson W.L. Yuen	5,400,000		20% from 21/8/2010	
	Terry S. Ng	5,000,000		30% from 21/8/2011	
	William P.Y. Ko	4,000,000		40% from 21/8/2012	
31/12/2008	Ronnie C. Chan	9,240,000	\$17.36	10% from 31/12/2010	30/12/2018
	Nelson W.L. Yuen	8,910,000		20% from 31/12/2011	
	Terry S. Ng	8,250,000		30% from 31/12/2012	
	William P.Y. Ko	6,600,000		40% from 31/12/2013	

2. Options granted/exercised under the Share Option Scheme of Hang Lung Group Limited

Date Granted	Name	No. of Shares under Option			Exercise Price per Share (HK\$)	Vesting Period	Expiry Date
		As at 1/7/2009	Exercised During the Period	As at 31/12/2009			
24/2/2000	Nelson W.L. Yuen	2,500,000	(2,500,000)	-	\$6.12	20% from 24/2/2001	23/2/2010
	William P.Y. Ko	30,000	-	30,000		30% from 24/2/2002 50% from 24/2/2003	
1/11/2001	Terry S. Ng	1,250,000	-	1,250,000		\$5.87	
20/5/2004	Ronnie C. Chan	5,090,000	-	5,090,000	\$9.45	25% from 20/5/2005	19/5/2014
	Nelson W.L. Yuen	3,000,000	-	3,000,000		25% from 20/5/2006	
	Terry S. Ng	1,388,000	-	1,388,000		25% from 20/5/2007	
	William P.Y. Ko	494,000	-	494,000		25% from 20/5/2008	
20/11/2006	Ronnie C. Chan	6,700,000	-	6,700,000	\$20.52	10% from 20/11/2007	19/11/2016
	Nelson W.L. Yuen	2,500,000	-	2,500,000		20% from 20/11/2008	
	Terry S. Ng	1,700,000	-	1,700,000		30% from 20/11/2009	
	William P.Y. Ko	500,000	-	500,000		40% from 20/11/2010	

Save as disclosed above, none of the Directors of the Company or any of their associates had, as at 31 December 2009, any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations.

Other than as stated above, at no time during the six months ended 31 December 2009 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 2009, 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 Cole Enterprises Holdings Limited	1	2,214,005,670	–	53.41	–
Merssion Limited	1	2,214,005,670	–	53.41	–
Hang Lung Group Limited	2	2,185,672,570	–	52.72	–
Prosperland Housing Limited	3	1,267,608,690	–	30.60	–
Purotat Limited	3	354,227,500	–	8.55	–
JPMorgan Chase & Co.	4	210,108,666	5,652,541	5.07	0.14

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 ("HLGL") and its subsidiaries, which number of shares were included in the above-mentioned number of 2,214,005,670.
- HLGL was deemed to be interested in the shareholdings of its subsidiaries, namely 1,267,608,690 shares held by Prosperland Housing Limited, 354,227,500 shares held by Purotat Limited, and 563,836,380 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 2,185,672,570 shares held by HLGL.
- It includes 75,958,536 shares in the lending pool.

Save as disclosed above, as at 31 December 2009, no other interest required to be recorded in the register kept under Section 336 of the SFO has been notified to the Company.



REVIEW REPORT TO THE BOARD OF DIRECTORS OF HANG LUNG PROPERTIES LIMITED

(Incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 15 to 30 which comprises the consolidated balance sheet of Hang Lung Properties Limited ("the Company") as of 31 December 2009 and the related consolidated income statement, statement of comprehensive income and statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 31 December 2009 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, Interim financial reporting.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
27 January, 2010

CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2009 (Unaudited)
(Expressed in Hong Kong dollars)

	Note	2009 \$Million	2008 \$Million
Turnover	2	9,733	2,052
Other income		17	110
Direct costs and operating expenses		(2,561)	(372)
Administrative expenses		(280)	(177)
Operating profit before change in fair value of investment properties		6,909	1,613
Increase in fair value of investment properties	7	16,159	950
Operating profit after change in fair value of investment properties		23,068	2,563
Finance costs	3	(29)	(52)
Share of profits/(losses) of jointly controlled entities		100	(14)
Profit before taxation	2(a) & 3	23,139	2,497
Taxation	4	(4,896)	(658)
Profit for the period		18,243	1,839
Attributable to:			
Shareholders		17,351	1,222
Minority interests		892	617
		18,243	1,839
Earnings per share	6(a)		
Basic		\$4.18	\$0.29
Diluted		\$4.14	\$0.29

The annexed notes form part of the interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 5.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2009 (Unaudited)
(Expressed in Hong Kong dollars)

	2009 \$Million	2008 \$Million
Profit for the period	18,243	1,839
Other comprehensive income		
Exchange difference arising from translation of overseas subsidiaries	(12)	123
Total comprehensive income for the period	18,231	1,962
Total comprehensive income attributable to:		
Shareholders	17,339	1,352
Minority interests	892	610
	18,231	1,962

The annexed notes form part of the interim financial report.

CONSOLIDATED BALANCE SHEET

At 31 December 2009 (Unaudited)
(Expressed in Hong Kong dollars)

	Note	31/12/2009 \$Million	30/6/2009 \$Million
Non-current assets			
Fixed assets			
Investment properties	7	71,687	62,766
Investment properties under development	7	17,026	7,570
Other fixed assets		147	124
		88,860	70,460
Interest in jointly controlled entities		761	699
Loans and investments		4	4
Deferred tax assets		19	45
		89,644	71,208
Current assets			
Cash and deposits with banks		10,283	8,931
Trade and other receivables	8	4,942	686
Properties for sale		5,827	7,683
		21,052	17,300
Current liabilities			
Trade and other payables	9	2,262	2,028
Taxation payable		1,053	831
Floating rate notes due 2009	10	–	1,500
		3,315	4,359
Net current assets		17,737	12,941
Total assets less current liabilities		107,381	84,149

	Note	31/12/2009 \$Million	30/6/2009 \$Million
Non-current liabilities			
Bank loans	10	8,076	4,661
Finance lease obligations		230	287
Deferred tax liabilities		11,592	7,871
		19,898	12,819
NET ASSETS		87,483	71,330
Capital and reserves			
Share capital	11	4,147	4,146
Reserves		79,190	63,892
Shareholders' equity		83,337	68,038
Minority interests		4,146	3,292
TOTAL EQUITY		87,483	71,330

The annexed notes form part of the interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2009 (Unaudited)
(Expressed in Hong Kong dollars)

	Shareholders' equity							Total equity \$Million
	Share capital \$Million	Share premium \$Million	Capital redemption reserve \$Million	Exchange reserve \$Million	Employee share-based compensation reserve \$Million	Retained profits \$Million	Total \$Million	
At 1 July 2009	4,146	21,721	2,066	1,397	287	38,421	68,038	71,330
Total comprehensive income for the period	-	-	-	(12)	-	17,351	17,339	18,231
Final dividend in respect of previous year	-	-	-	-	-	(2,115)	(2,115)	(2,115)
Issue of shares	1	21	-	-	-	-	22	22
Employee share-based payment	-	6	-	-	43	4	53	53
Dividend paid to minority interests	-	-	-	-	-	-	-	(4)
Repayment to minority interests	-	-	-	-	-	-	-	(34)
At 31 December 2009	4,147	21,748	2,066	1,385	330	53,661	83,337	87,483

Shareholders' equity

	Share capital \$Million	Share premium \$Million	Capital redemption reserve \$Million	Exchange reserve \$Million	Employee share-based compensation reserve \$Million	Retained profits \$Million	Total \$Million	Minority interests \$Million	Total equity \$Million
At 1 July 2008	4,145	21,715	2,066	1,255	180	37,016	66,377	2,274	68,651
Total comprehensive income for the period	-	-	-	130	-	1,222	1,352	610	1,962
Final dividend in respect of previous year	-	-	-	-	-	(2,114)	(2,114)	-	(2,114)
Employee share-based payment	-	-	-	-	48	4	52	-	52
At 31 December 2008	4,145	21,715	2,066	1,385	228	36,128	65,667	2,884	68,551

The annexed notes form part of the interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2009 (Unaudited)
(Expressed in Hong Kong dollars)

	Note	2009 \$Million	2008 \$Million
Operating profit before changes in working capital		6,951	1,559
Decrease in inventories		1,881	6
Other changes in working capital		(3,991)	210
Cash generated from operations		4,841	1,775
Income tax paid		(926)	(306)
Net cash generated from operating activities		3,915	1,469
Net cash used in investing activities		(2,191)	(483)
Net cash used in financing activities		(372)	(2,254)
Increase/(Decrease) in cash and cash equivalents		1,352	(1,268)
Cash and cash equivalents at 1 July		8,931	9,878
Cash and cash equivalents at 31 December	12	10,283	8,610

The annexed notes form part of the interim financial report.

1. BASIS OF PREPARATION

The unaudited interim financial report has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") 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 report 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 interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity" issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 14.

The accounting policies and methods of computation used in the interim financial report are consistent with those applied in the financial statements for the year ended 30 June 2009 except for the changes stated as below.

The Group has adopted the amendments, new standards or interpretations which have been issued by the HKICPA and are effective in the current period. The adoption of the following standards and amendments has impact on the Group's financial statements in the current period.

HKAS 1 (Revised)	Presentation of Financial Statements
HKFRS 8	Operating Segments
Improvements to HKFRSs (2008)	Amendments to HKAS 40 Investment Property

(a) HKAS 1 (Revised) – Presentation of Financial Statements

HKAS 1 (Revised) has resulted in a number of changes in presentation and disclosure. In particular, the Group presents all items of income and expenses recognized in the period in two statements: (i) the consolidated income statement showing items of income and expense recognized as profit or loss for the period, (ii) the consolidated statement of comprehensive income for items recognized through equity. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on the reported profit or loss, total income and expense or net assets for any period presented.

(b) HKFRS 8 – Operating Segments

HKFRS 8 requires segment disclosure to be based on the format that the Group's chief operating decision makers use to manage the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision makers for assessing segment performance and making decisions on operations. This differs from the presentation of segment information in prior years which was based on division of the Group's operations into segments by related activities and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a format that is more consistent with the internal reporting provided to the Group's top management. Corresponding amounts have been restated on a basis consistent with the revised segment information.

(c) Improvements to HKFRSs (2008) – Amendments to HKAS 40 Investment Property

As a result of the amendments to HKAS 40, investment property which is under construction is to be carried at fair value at the earlier of when the fair value first becomes reliably measurable and the date of completion of the property. Any changes in fair values will be recognized in profit or loss, consistent with the policy adopted for all other investment properties carried at fair value. Prior to this amendment, such property was carried at cost until the construction had been completed, at which time it would be stated at fair value with any gain or loss being recognized in profit or loss. This amendment has been applied prospectively and the corresponding amounts of prior periods have not been restated. As a result of this amendment, the net profit attributable to shareholders of the Company increased by \$5,498 million for the period ended 31 December 2009, representing the increase in fair value of \$7,331 million for investment properties under development previously carried at cost net of related deferred tax of \$1,833 million.

2. TURNOVER AND SEGMENT INFORMATION

The Group manages its businesses according to the nature of services and products provided. Management has determined three reportable operating segments for the measurement of performance and the allocation of resources. The segments are property leasing in Hong Kong and mainland China and property sales in Hong Kong.

Property leasing segment includes property leasing operation. The Group's investment properties portfolio, which mainly consists of retail, office, residential, serviced apartments and carparks are primarily located in Hong Kong and mainland China. Property sales segment includes development and sale of the Group's trading properties in Hong Kong.

Management evaluates performance primarily based on profit before taxation.

Segment assets principally comprise all non-current assets and current assets directly attributable to each segment with the exception of interest in jointly controlled entities, loans and investments, deferred tax assets and cash and deposits with banks.

(a) Revenue and results by segments

	Revenue		Profit before taxation	
	2009 \$Million	2008 \$Million	2009 \$Million	2008 \$Million
Segment				
Property leasing				
– Hong Kong	1,269	1,212	1,022	973
– Mainland China	953	829	811	704
	2,222	2,041	1,833	1,677
Property sales				
– Hong Kong	7,511	11	5,339	3
Segment total	9,733	2,052	7,172	1,680
Other income			17	110
Administrative expenses			(280)	(177)
Operating profit before change in fair value of investment properties			6,909	1,613
Increase/(Decrease) in fair value of investment properties				
– property leasing in Hong Kong			4,734	(1,914)
– property leasing in mainland China			11,425	2,864
Finance costs			(29)	(52)
Share of profits/(losses) of jointly controlled entities			100	(14)
Profit before taxation			23,139	2,497

2. TURNOVER AND SEGMENT INFORMATION (continued)

(b) Total assets by segments

	Total assets	
	31/12/2009 \$Million	30/6/2009 \$Million
Segment		
Property leasing		
– Hong Kong	47,866	43,102
– Mainland China	41,220	27,596
	89,086	70,698
Property sales		
– Hong Kong	10,543	8,131
Segment total	99,629	78,829
Interest in jointly controlled entities	761	699
Loans and investments	4	4
Deferred tax assets	19	45
Cash and deposits with banks	10,283	8,931
Total assets	110,696	88,508

3. PROFIT BEFORE TAXATION

	2009 \$Million	2008 \$Million
Profit before taxation is arrived at after charging:		
Finance costs		
Interest on borrowings	67	113
Other borrowing costs	27	14
Total borrowing costs	94	127
Less: Borrowing costs capitalized	(65)	(75)
	29	52
Cost of properties sold	1,865	7
Staff costs, including contribution to retirement schemes of \$15 million (2008: \$13 million)	296	238
Depreciation	6	5
and after crediting:		
Interest income	17	110

4. TAXATION

Provision for Hong Kong Profits Tax is calculated at 16.5% (2008: 16.5%) of the estimated assessable profits for the period. China Income Tax is calculated at the rates applicable in mainland China.

	2009 \$Million	2008 \$Million
Current tax		
Hong Kong Profits Tax	949	100
China Income Tax	199	129
	1,148	229
Deferred tax		
Change in fair value of investment properties	3,640	400
Other origination and reversal of temporary differences	108	29
	3,748	429
	4,896	658

5. DIVIDENDS

(a) Dividends attributable to the period

	2009 \$Million	2008 \$Million
Declared after the balance sheet date: 17 cents (2008: 15 cents) per share	705	622

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

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

	2009 \$Million	2008 \$Million
Final dividend in respect of the previous financial year of 51 cents (2008: 51 cents) per share	2,115	2,114

6. EARNINGS PER SHARE

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

	2009 \$Million	2008 \$Million
Earnings for calculation of basic and diluted earnings per share (net profit attributable to shareholders)	17,351	1,222
	2009 Number of shares (Million)	2008 (Million)
Weighted average number of shares used in calculating basic earnings per share	4,146	4,145
Effect of dilutive potential shares – share options	44	6
Weighted average number of shares used in calculating diluted earnings per share	4,190	4,151

- (b) The underlying net profit attributable to shareholders which excluded changes in fair value of investment properties net of related deferred tax and minority interests, is calculated as follows:

	2009 \$Million	2008 \$Million
Net profit attributable to shareholders	17,351	1,222
Effect of changes in fair value of investment properties	(16,159)	(950)
Effect of corresponding deferred tax	3,640	400
Effect of change in fair value of investment properties net of related deferred tax of jointly controlled entities	(84)	28
Minority interests	(12,603) 760	(522) 497
	(11,843)	(25)
Underlying net profit attributable to shareholders	5,508	1,197

The earnings per share based on underlying net profit attributable to shareholders are:

	2009	2008
Basic	\$1.33	\$ 0.29
Diluted	\$1.31	\$ 0.29

7. INVESTMENT PROPERTIES AND INVESTMENT PROPERTIES UNDER DEVELOPMENT

The investment properties and investment properties under development of the Group were revalued as at 31 December 2009 by Mr. Charles C.K. Chan, Registered Professional Surveyor (General Practice), of Savills Valuation and Professional Services Limited ("Savills"), on a market value basis. For the completed investment properties, Savills has valued such properties with reference to market evidence taking into account the rental income of the properties. For the investment properties under development, Savills has valued such properties by reference to the comparable market sale and purchase transactions and valuing the properties as if they were completed in accordance with the plan allowing for any future construction costs required for completion of the development. During the period, an increase in fair value of investment properties and those under development of \$16,159 million, including \$7,331 million contributed by properties under development in mainland China, is recorded.

8. TRADE AND OTHER RECEIVABLES

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

	31/12/2009 \$Million	30/6/2009 \$Million
Current and within 1 month	4,717	410
1 – 3 months	3	2
Over 3 months	1	54
	4,721	466

The majority of the increase in receivables related to the proceeds from the sale of The HarbourSide units during the period which were not due for settlement at 31 December 2009.

Proceeds from property sales are receivable pursuant to the terms of the sale and purchase agreements. In addition to the payment of rental deposits, tenants are required to pay monthly rents in respect of leased properties in advance. Receivables are regularly monitored and closely followed up to minimize any credit risk. Except for sale of properties developed by the Group, it does not hold any collateral over these balances. The balance of bad and doubtful debts as at 31 December 2009 and 30 June 2009 is insignificant.

9. TRADE AND OTHER PAYABLES

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

	31/12/2009 \$Million	30/6/2009 \$Million
Due within 1 month	693	594
Due after 3 months	161	109
	854	703

10. FLOATING RATE NOTES DUE 2009 AND BANK LOANS

The floating rate notes of \$1,500 million were repaid in December 2009 and bank loans were drawn down during the period. The Group had \$15,780 million (30 June 2009: \$17,200 million) committed undrawn banking facilities at 31 December 2009.

11. SHARE CAPITAL

	Number of issued shares (Million)	Amount of share capital (\$Million)
Issued and fully paid <i>Shares of \$1 each</i>		
At 1 July 2009	4,146	4,146
Shares issued under share option scheme	1	1
At 31 December 2009	4,147	4,147

Share Option Scheme

At 31 December 2009, 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 2009	Period during which options are exercisable	Exercise price (HK\$)
	Outstanding on 1 July 2009	Granted	Exercised	Lapsed			
20 May 2004	21,154,000	-	(770,000)	-	20,384,000	20 May 2005 to 19 May 2014	9.20
1 September 2005 to 1 November 2005	1,206,000	-	(400,000)	-	806,000	1 September 2006 to 31 October 2015	11.40 to 12.35
14 November 2006 to 19 March 2007	24,614,000	-	(530,000)	(330,000)	23,754,000	14 November 2007 to 18 March 2017	16.75 to 22.60
3 July 2007 to 31 December 2008	80,770,000	-	(100,000)	(580,000)	80,090,000	3 July 2008 to 30 December 2018	17.36 to 27.90
30 November 2009	-	200,000	-	-	200,000	30 November 2011 to 29 November 2019	28.88
Total	127,744,000	200,000	(1,800,000)	(910,000)	125,234,000		

11. SHARE CAPITAL (continued)

The closing price of the shares immediately before the date of grant was \$27.60.

All the above options may vest after one to five years of the grant date and are exercisable up to the tenth anniversary of the date of grant, after which they will lapse. No options were cancelled during the period.

The weighted average closing price of the shares immediately before the dates of exercise by the employees during the period was \$28.16.

The weighted average value per share option granted during the period estimated at the date of grant using a Black-Scholes pricing model taking into account the terms and conditions upon which the options were granted was \$6.9. The weighted average assumptions used are as follows:

Share price at grant date	\$28.30
Exercise price	\$28.88
Risk-free interest rate	1.6%
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.

12. NOTE TO THE CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Analysis of the balances of cash and cash equivalents

	2009 \$Million	2008 \$Million
Cash and deposits with banks in the consolidated balance sheet	10,283	9,309
Less: Bank deposits with maturity greater than three months	–	(699)
Cash and cash equivalents in the condensed consolidated cash flow statement	10,283	8,610

13. CONTINGENT LIABILITIES

At 31 December 2009, contingent liabilities were as follows:

	Company	
	31/12/2009 \$Million	30/6/2009 \$Million
Guarantees given to banks to secure credit facilities drawn by subsidiaries	8,167	6,194

14. COMMITMENTS

At 31 December 2009, capital commitments not provided for in the interim financial report were as follows:

	Group 31/12/2009 \$Million	30/6/2009 \$Million
Contracted for	4,826	4,461
Authorized but not contracted for	16,200	17,984
	21,026	22,445

The above commitments include mainly the land costs and construction related costs to be incurred in respect of the Group's development of its investment properties in various cities in mainland China.

15. RELATED PARTY TRANSACTIONS

- (a) 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 2009 was \$144 million (30 June 2009: \$179 million).
- (b) During the period ended 31 December 2009, two directors of the Company entered into the sale and purchase agreements to acquire four units of the Group's residential development, The HarbourSide, at a total consideration of \$85 million on the same pricing and payment terms offered to all purchasers. The balance of the purchase price at 31 December 2009 of \$63 million is due for payment by August 2010.

16. COMPARATIVE FIGURES

Subsequent to the application of HKAS 1 (revised), Presentation of Financial Statements and HKFRS 8, Operating Segments, certain comparative figures have been reclassified to conform to current period's presentation. Further details of these developments are described in note 1.

17. REVIEW AND APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report is unaudited, but has been reviewed by the Audit Committee. It was authorized for issue by the Board of Directors on 27 January 2010.

FINANCIAL BRIEFS

Financial Briefs as at 31 December 2009	HK\$ Million
Turnover	9,733
Net profit attributable to shareholders	17,351
Total assets	110,696
Shareholders' equity	83,337
Per share data	
Earnings – Basic	\$4.18
– Diluted	\$4.14
Interim dividend	17¢
Net assets (including minority interests)	\$21.1
Shareholders' equity	\$20.1
Gearing ratio (note 1)	0%
Pay-out ratio	4.1%
Number of shares issued (in million)	4,147

Underlying Results as at 31 December 2009	HK\$ Million
Underlying net profit attributable to shareholders (note 2)	5,508
Per share data	
Underlying earnings (note 3) – Basic	\$1.33
– Diluted	\$1.31

Notes:

1. Gearing ratio represents net debt over equity plus net debt. Net debt represents bank loans 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 investment properties under development net of related deferred tax and minority interests 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.

INFORMATION FOR INVESTORS

FINANCIAL CALENDAR

Financial period	1 July 2009 to 31 December 2009
Interim results announced	27 January 2010
Latest time to lodge transfer	4:30 p.m. on 12 February 2010
Closure of share register	17 to 19 February 2010 (both days inclusive)
Record date for interim dividend	19 February 2010
Interim dividend payable	4 March 2010

SHARE LISTING

As at 31 December 2009, 4,147,448,670 shares of HK\$1.00 each are listed on The Stock Exchange of Hong Kong Limited. It has a sponsored American Depositary Receipt (ADR) Program 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 2009: HK\$30.60
Market capitalization as at 31 December 2009: HK\$126.91 billion

SHARE REGISTRARS

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