



2009-2010
Interim Report

DIRECTORS

Ronnie C. Chan (*Chairman*)
S.S. Yin (*Vice Chairman*) *
Nelson W.L. Yuen (*Managing Director*)
Gerald L. Chan #
H.K. Cheng, *GBS, OBE, JP* *
Laura L.Y. Chen *
Simon S.O. Ip, *CBE, JP* *
York Liao, *SBS, JP* *
Terry S. Ng
William P.Y. Ko (appointed on 9 February 2010)

Non-Executive Director

* *Independent Non-Executive Director*

AUDIT COMMITTEE

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

NOMINATION AND REMUNERATION COMMITTEE

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

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
Fax: 2868 6086

INTERNET ADDRESS

Website: <http://www.hanglunggroup.com>
Email address: HLGroup@hanglung.com

AUDITORS

KPMG
Certified Public Accountants

RESULTS AND DIVIDEND

For the six months to 31 December 2009, turnover increased more than three times to HK\$9,994 million. Net profit attributable to shareholders leapt almost 10 fold to HK\$9,585 million. Earnings per share likewise rose nearly 10 times to HK\$7.17.

When excluding revaluation gain and its deferred tax, the underlying net profit advanced by over three times to HK\$3,018 million, and the underlying earnings per share similarly increased to HK\$2.26.

The Board recommends an interim dividend of HK19 cents per share which is 15% higher than last year. It will be payable on 4 March 2010 to shareholders of record on 19 February 2010.

OPERATIONS REVIEW

Six months ago, I wrote the following to shareholders: "Hong Kong's residential market has been unexpectedly strong... It may continue and if so, (our major subsidiary Hang Lung Properties or) HLP will try to sell completed flats... there is little to lose by preparing ourselves in case there are opportunities... That we will do."

Preparations we did, and opportunities came within a few weeks of the foregoing words. By August, the bull market had spread from mass residential units to the luxury sector. We surprised the market and within a week or two, HLP sold more than 400 units of The HarbourSide. Such a bull run does not come too often and when it does, it may not last that long. Demand for high end products like ours is hardly unlimited. Once an opportunity is missed, it may take a year or two for it to return.

Retail rental in Shanghai surprised many--the top end Plaza 66 rose by 28%, beating the 22% recorded by The Grand Gateway. Office rents were more in line with expectations--they barely improved over a year ago. Serviced apartments fell a little due to refurbishment of some units.

In Hong Kong, office fared better with rents rising 10% compared to 7% for retail space. Other properties, mainly serviced apartments did not perform well--they fell 9%. Overall rent increase for the portfolio was 4%.

PROSPECTS

Residential markets in both Hong Kong and the Mainland have come to a crossroad. Recent decisions made by their respective governments will affect future prices.

Let me first take Hong Kong. For fear of falling prices which has had detrimental consequences to the entire economy during the 1997-2002 Asian Financial Crisis, for several years the Hong Kong government withheld selling land. As a result, home supply for the coming few years will decrease. Potential buyers knew that, and together with the loss of confidence in paper assets due to the latest global economic turmoil, began to buy. The rise in price remained unabated for an almost unprecedented period of three quarters. Finally, at the urging of developers who all had diminishing land banks yet could not hitherto buy land, and given general societal sentiment, the government quietly relaxed the tight land sales policy. Rational expectation of more supply should dampen prices. Judging from the diminishing transaction volume of late, perhaps they will soon moderate.

Housing on the Mainland has gone through an even more dramatic twist and turn. As I reported to HLP shareholders last July, local developers at the brink of bankruptcy in late 2008/early 2009 had all sprung back to life. Saved by government policies, they returned to the market with a vengeance and again fought tooth-and-nail at land auctions. Every month, it seemed that previous price peaks for both land and apartments were shattered. This worried the government which did not want to see either inflation or widening wealth differentials. A few weeks ago, even as Premier Wen Jiabao continued to support economic relaxation, another branch of government, doubtless coordinated, quietly tightened real estate related policies to rein in run-away prices.

The main responsibility for last year's price hike must be borne by the government. They created a moral hazard which also existed in western investment banks in the past two years where profits were privatized and losses nationalized. Not having to personally bear financial consequences of previous irresponsible over-expansions, developers were emboldened once again to take excessive risks. Buy land and make a bet! If you win, you get to keep the profit, and if you lose, the government will bail you out. In fact they could not afford not to play the game for fear that they would lose out to competitors who do.

What the government should have done was to save the real estate market but not necessarily the real estate developers. Technically this should be feasible. Developers must feel the pain for their own mistakes. That way they will be much more cautious next time. If not, they will sooner or later take excessive risks again resulting in ballooned property prices which will one day burst. That is not to anyone's benefit and may lead to social unrest which must be avoided at all costs.

Although Hang Lung does not do home buildings for sale on the Mainland, what happens in that sector can affect commercial properties. When apartment prices were overheated in 2007, some residential developers migrated to our space. With little expertise but lots of guts, they bid up commercial land prices. The height of folly came in September 2007 when a plot in Chengdu was auctioned by the local government for a sky-high price. We knew that piece all too well, for I personally identified it and our team worked for years with the government only to lose it at the bidding. The ultimate unit price paid was as much as twenty times that of a similar piece in a comparable city that we bought only thirteen months before. Such wild sentiments forced us out of the market for over two years--all of 2007 and 2008 until May of last year.

For the latest bull run in residential real estate, the government has finally stepped in to manage prices down. If successful--and I think they will be--then those who bought land at the height in the past several months will once again regret. Most likely this time they will not have the financial resource to wreak havoc to commercial land prices.

With that outlook, I expect HLP to again buy desirable commercial land with little competition. Like us which is the parent company, HLP is financially very strong for further expansion.

Rental income for the rest of the fiscal year should be generally in line with the past six months. The top performer is again expected to be our Shanghai shopping centers.

Net profit for the first six months has already far exceeded the 2008/2009 full year results. As such, it is safe to assume that we will outperform last year.

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\$9,585 million, nearly 10 times up from the corresponding period in the previous year. Benefiting from the sale of 425 units at The HarbourSide during this period, property sales contributed a pre-tax profit of HK\$5,339 million while profits from property leasing rose by 8% to HK\$2,014 million. Property leasing profits from our Shanghai properties grew 12% to HK\$945 million, accounting for 47% of our total profits from leasing. Hong Kong properties delivered a 5% growth in property leasing profits to HK\$1,069 million despite the challenging business environment. A revaluation gain of HK\$16,441 million was recorded in the income statement. Due to 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 taken into account 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\$3,018 million, 3.3 times higher than the comparable period in 2008.

The Board of Directors has declared an interim dividend of HK19 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

With the global financial crisis running its course, our property leasing operations continued to grow though at lower rates compared to pre-crisis levels. Total rental income and profit both grew 8% to HK\$2,483 million and HK\$2,014 million, respectively. Rental reversions in both Hong Kong and Shanghai have also continued to improve since the last quarter of 2009.

Hong Kong

With the quality of our property portfolio and well-balanced tenant mix, we were able to mitigate the potentially adverse impact of the global downturn. As a result, our Hong Kong rental income increased 4% to HK\$1,335 million while profit went up 5% to HK\$1,069 million.

Shanghai

With the mainland Chinese government's various stimulus activities, the local economy remained buoyant contrary to the recession suffered in major developed economies. As such, our property leasing operations in Shanghai continued to deliver strong results. Rental turnover and profit both increased by 12% to HK\$1,148 million and HK\$945 million, respectively. The shopping malls at both 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 approximately 46% of the Group's total rental turnover.

PROPERTY SALES

Capitalizing on the improvement in market sentiment during the third quarter of 2009, we released our residential units at The HarbourSide for sale in August 2009. A total of 425 units were sold generating revenue of HK\$7,511 million and a profit realization of HK\$5,339 million. On average, the sales achieved a profit margin of 71% or over HK\$14,000 per square foot. We continue to hold 284 units of The HarbourSide, which will be available for future sales.

PROPERTY DEVELOPMENT

Construction work at Shenyang Palace 66 has entered its final stages. Pre-leasing activities for Palace 66 have achieved highly positive results in terms of committed tenancies. Preparations for the opening of this property in 2010 are well underway, while development of our other projects on the Mainland are also 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. The completed investment properties are revalued with reference to market evidence taking into account the rental income of the properties. For investment properties under development, revaluations are conducted with reference to comparable market sale and purchase transactions, with the properties being revalued as if they were completed, in accordance with their development plans, which allow for any future construction and other costs required for completion of the development.

Hong Kong's investment properties recorded a revaluation gain of HK\$4,911 million compared to a loss of HK\$2,001 million in the corresponding period of the previous year. This reflects the ability of our Hong Kong properties to withstand harsh market conditions and their potential for positive income reversions during a market upturn.

The fair value of our Shanghai properties recorded a total gain of HK\$4,199 million compared to HK\$3,143 million during the comparable period last year. Both the shopping malls at Plaza 66 and The Grand Gateway were fully let in view of the continuous demand for space from prospective tenants. Hand-in-hand with these positive developments, the office towers also continued to maintain high occupancy rates, reflecting the resilience of our Shanghai portfolio and its ability to command a leading position even in varying and differing economic conditions.

With the adoption of a new accounting requirement, our investment properties under development on the Mainland have been revalued by our external professional valuer for the first time. As a result, investment properties under development recorded a revaluation gain of HK\$7,331 million reflecting the value of our project developments in progress to 31 December 2009, as well as 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\$16,441 million compared to the gain of HK\$1,142 million recorded in the same period in 2008.

FINANCE

As a Group, we have continued to manage our financial affairs prudently to ensure that we will be able to meet all our financing requirements and to protect ourselves from any unforeseeable disruptions in the financial market. As at 31 December 2009, the Group had cash and bank deposits amounting to HK\$10,559 million. Over 40% of this amount was held on the Mainland to meet project development obligations. With total borrowings of HK\$12,430 million, our gearing ratio remained at a low 2.4% level. As at 31 December 2009, we had committed undrawn banking facilities of HK\$20,487 million.

OUTLOOK

Given our strong balance sheet, growing cash flow from rentals and ample financial support in terms of available banking facilities, we are ideally positioned to capture appropriate investment opportunities for future growth.

The Group will continue to maximize shareholders' wealth with the release of further residential properties for sale at the appropriate time. With the planned and imminent opening of Shenyang Palace 66 we will be entering a new phase of growth in both rental income and profit from 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. William P.Y. Ko as Executive Director on 9 February 2010, the Board consists of ten members, including four Executive Directors, one Non-Executive Director and five Independent Non-Executive Directors. There is a clear division of responsibilities between the Chairman and the Managing Director (Chief Executive Officer). 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 four 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 13 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, there is no 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.

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 Properties 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	-	-	11,790,000	-	-	25,570,000
S.S. Yin	-	-	-	-	-	-	-
Nelson W.L. Yuen	Personal	-	-	5,500,000	-	-	30,746,000
Gerald L. Chan	-	-	-	-	-	-	-
H.K. Cheng	-	-	-	-	-	-	-
Laura L.Y. Chen	-	-	-	-	-	-	-
Simon S.O. Ip	-	-	-	-	-	-	-
York Liao	-	-	-	-	-	-	-
Terry S. Ng	Personal	-	-	4,338,000	-	-	23,039,000

Notes

- Options granted/exercised under the Share Option Scheme of the Company

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 30% from 24/2/2002 50% from 24/2/2003	23/2/2010
1/11/2001	Terry S. Ng	1,250,000	-	1,250,000	\$5.87	20% from 1/11/2002 30% from 1/11/2003 50% from 1/11/2004	31/10/2011
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 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 40% from 20/11/2010	

2. Options granted under the Share Option Scheme of Hang Lung Properties Limited

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 25% from 20/5/2008	
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 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 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 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 40% from 31/12/2013	

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 or any of its subsidiaries a party to any arrangement to enable the Directors of the Company (including their spouses and children under 18 years of age) to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 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	<i>Note</i>	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	498,428,580	–	37.35	–
Merssion Limited	1	498,428,580	–	37.35	–
Aberdeen Asset Management Plc and its Associates	–	123,364,454	–	9.22	–
Kingswick Investment Limited	2	97,965,000	–	7.34	–
Davis Selected Advisers, L.P.	–	66,870,000	–	5.01	–

Notes

- These shares were the same parcel of shares held by a trust of which Ms. Chan Tan Ching Fen was the founder.
- The 97,965,000 shares held by Kingswick Investment Limited were included in the above-mentioned number of 498,428,580 shares held by Ms. Chan Tan Ching Fen/Cole Enterprises Holdings Limited/Merssion Limited.

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 GROUP LIMITED

(Incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 14 to 30 which comprises the consolidated balance sheet of Hang Lung Group 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	9,994	2,317
Other income		20	112
Direct costs and operating expenses		(2,641)	(450)
Administrative expenses		(307)	(207)
Operating profit before change in fair value of investment properties		7,066	1,772
Increase in fair value of investment properties	7	16,441	1,142
Operating profit after change in fair value of investment properties		23,507	2,914
Finance costs	3	(53)	(116)
Share of profits of jointly controlled entities		124	11
Profit before taxation	2(a) & 3	23,578	2,809
Taxation	4	(4,990)	(747)
Profit for the period		18,588	2,062
Attributable to:			
Shareholders		9,585	906
Minority interests		9,003	1,156
		18,588	2,062
Earnings per share	6(a)		
Basic		\$7.17	\$0.68
Diluted		\$7.09	\$0.67

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	18,588	2,062
Other comprehensive income		
Increase/(Decrease) in fair value of listed investments	10	(25)
Exchange difference arising from translation of overseas subsidiaries	(24)	113
Total comprehensive income for the period	18,574	2,150
Total comprehensive income attributable to:		
Shareholders	9,584	954
Minority interests	8,990	1,196
	18,574	2,150

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	79,162	69,958
Investment properties under development	7	17,026	7,570
Other fixed assets		150	125
		96,338	77,653
Interest in jointly controlled entities		1,553	1,500
Other assets		1,282	1,274
Deferred tax assets		33	61
		99,206	80,488
Current assets			
Cash and deposits with banks		10,559	9,632
Trade and other receivables	8	4,953	699
Properties for sale		5,858	7,714
		21,370	18,045
Current liabilities			
Bank loans	9	43	800
Trade and other payables	10	2,820	2,387
Taxation payable		1,087	889
Floating rate notes due 2009	9	–	1,500
		3,950	5,576
Net current assets		17,420	12,469
Total assets less current liabilities		116,626	92,957

	Note	31/12/2009 \$Million	30/6/2009 \$Million
Non-current liabilities			
Bank loans	9	12,387	9,166
Finance lease obligations		230	287
Deferred tax liabilities		12,358	8,562
		24,975	18,015
NET ASSETS		91,651	74,942
Capital and reserves			
Share capital	11	1,337	1,334
Reserves		46,204	37,298
Shareholders' equity		47,541	38,632
Minority interests		44,110	36,310
TOTAL EQUITY		91,651	74,942

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	Share of capital reserves of jointly controlled entities \$Million	Capital redemption reserve \$Million	Investment revaluation reserve \$Million	Exchange reserve \$Million	Employee share-based compensation reserve \$Million	General reserve \$Million	Retained profits \$Million	Total \$Million		Minority interests \$Million
At 1 July 2009	1,334	2,248	1	26	8	1,025	228	275	33,487	38,632	36,310	74,942
Total comprehensive income for the period	-	-	-	-	10	(11)	-	-	9,585	9,584	8,990	18,574
Final dividend in respect of previous year	-	-	-	-	-	-	-	-	(722)	(722)	-	(722)
Issue of shares	3	15	-	-	-	-	-	-	-	18	-	18
Employee share-based payment	-	-	-	-	-	-	27	-	2	29	25	54
Change in minority interests arising from decrease of the Group's shareholding in a subsidiary	-	-	-	-	-	-	-	-	-	-	29	29
Dividend paid to minority interests	-	-	-	-	-	-	-	-	-	-	(1,030)	(1,030)
Repayment to minority interests	-	-	-	-	-	-	-	-	-	-	(214)	(214)
At 31 December 2009	1,337	2,263	1	26	18	1,014	255	275	42,352	47,541	44,110	91,651

	Shareholders' equity											
	Share capital \$Million	Share premium \$Million	Share of capital reserves of jointly controlled entities \$Million	Capital redemption reserve \$Million	Investment revaluation reserve \$Million	Exchange reserve \$Million	Employee share-based compensation reserve \$Million	General reserve \$Million	Retained profits \$Million	Total equity \$Million	Minority interests \$Million	Total equity \$Million
At 1 July 2008	1,334	2,246	-	26	5	957	155	275	31,784	36,782	35,274	72,056
Total comprehensive income for the period	-	-	-	-	(25)	73	-	-	906	954	1,196	2,150
Final dividend in respect of previous year	-	-	-	-	-	-	-	-	(721)	(721)	-	(721)
Issue of shares	-	1	-	-	-	-	-	-	-	1	-	1
Employee share-based payment	-	-	-	-	-	-	35	-	2	37	23	60
Change in minority interests arising from increase of the Group's shareholding in a subsidiary	-	-	-	-	-	-	-	-	-	-	(593)	(593)
Dividend paid to minority interests	-	-	-	-	-	-	-	-	-	-	(999)	(999)
Repayment to minority interests	-	-	-	-	-	-	-	-	-	-	(15)	(15)
At 31 December 2008	1,334	2,247	-	26	(20)	1,030	190	275	31,971	37,053	34,886	71,939

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		7,111	1,724
Decrease in inventories		1,881	6
Other changes in working capital		(3,786)	273
Cash generated from operations		5,206	2,003
Income tax paid		(967)	(343)
Net cash generated from operating activities		4,239	1,660
Net cash used in investing activities		(2,175)	(517)
Net cash used in financing activities		(1,137)	(2,271)
Increase/(Decrease) in cash and cash equivalents		927	(1,128)
Cash and cash equivalents at 1 July		9,632	10,039
Cash and cash equivalents at 31 December	12	10,559	8,911

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 13.

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 \$2,897 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 and related minority interests of \$2,601 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, other assets, 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	1,335	1,282	1,069	1,021
– Mainland China	1,148	1,024	945	843
	2,483	2,306	2,014	1,864
Property sales				
– Hong Kong	7,511	11	5,339	3
Segment total	9,994	2,317	7,353	1,867
Other income			20	112
Administrative expenses			(307)	(207)
Operating profit before change in fair value of investment properties			7,066	1,772
Increase/(Decrease) in fair value of investment properties				
– property leasing in Hong Kong			4,911	(2,001)
– property leasing in mainland China			11,530	3,143
Finance costs			(53)	(116)
Share of profits of jointly controlled entities			124	11
Profit before taxation			23,578	2,809

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	50,150	45,204
– Mainland China	46,432	32,703
	96,582	77,907
Property sales		
– Hong Kong	10,572	8,162
Segment total	107,154	86,069
Interest in jointly controlled entities	1,553	1,500
Other assets	1,277	1,271
Deferred tax assets	33	61
Cash and deposits with banks	10,559	9,632
Total assets	120,576	98,533

3. PROFIT BEFORE TAXATION

	2009 \$Million	2008 \$Million
Profit before taxation is arrived at after charging:		
Finance costs		
Interest on borrowings	82	171
Other borrowing costs	36	20
Total borrowing costs	118	191
Less: Borrowing costs capitalized	(65)	(75)
	53	116
Cost of properties sold	1,865	8
Staff costs, including contribution to retirement schemes of \$16 million (2008: \$14 million)	313	252
Depreciation	7	5
and after crediting:		
Interest income	20	112

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	950	101
China Income Tax	215	144
	1,165	245
Deferred tax		
Change in fair value of investment properties	3,695	455
Other origination and reversal of temporary differences	130	47
	3,825	502
	4,990	747

5. DIVIDENDS

(a) Dividends attributable to the period

	2009 \$Million	2008 \$Million
Declared after the balance sheet date: 19 cents (2008: 16.5 cents) per share	254	220

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 54 cents (2008: 54 cents) per share	722	721

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)	9,585	906
	2009 Number of shares (Million)	2008 (Million)
Weighted average number of shares used in calculating basic earnings per share	1,336	1,334
Effect of dilutive potential shares – share options	16	14
Weighted average number of shares used in calculating diluted earnings per share	1,352	1,348

- (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	9,585	906
Effect of changes in fair value of investment properties	(16,441)	(1,142)
Effect of corresponding deferred tax	3,695	455
Effect of change in fair value of investment properties net of related deferred tax of jointly controlled entities	(85)	28
Minority interests	(12,831)	(659)
	6,264	463
	(6,567)	(196)
Underlying net profit attributable to shareholders	3,018	710

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

	2009	2008
Basic	\$2.26	\$0.53
Diluted	\$2.23	\$0.53

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 \$16,441 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	4,718	412
1 – 3 months	4	3
Over 3 months	1	54
	4,723	469

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. BANK LOANS AND FLOATING RATE NOTES DUE 2009

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 \$20,487 million (30 June 2009: \$20,476 million) committed undrawn banking facilities at 31 December 2009.

10. 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	980	734
Due after 3 months	161	109
	1,141	843

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	1,334	1,334
Shares issued under share option scheme	3	3
At 31 December 2009	1,337	1,337

Share Option Scheme

The Company

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 of the Company 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			
24 February 2000	3,210,000	-	(2,730,000)	-	480,000	24 February 2001 to 23 February 2010	6.12
1 November 2001 to 7 December 2001	1,370,000	-	-	-	1,370,000	1 November 2002 to 6 December 2011	5.87 to 6.83
20 May 2004	11,300,000	-	(127,000)	-	11,173,000	20 May 2005 to 19 May 2014	9.45
1 November 2005	77,000	-	-	-	77,000	1 November 2006 to 31 October 2015	14.70
20 November 2006	11,400,000	-	-	-	11,400,000	20 November 2007 to 19 November 2016	20.52
Total	27,357,000	-	(2,857,000)	-	24,500,000		

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 director and the employees during the period were \$37.50 and \$38.84 respectively.

11. SHARE CAPITAL (continued)

Hang Lung Properties Limited ("HLP")

At 31 December 2009, the directors and employees of HLP, the Company's subsidiary had the following interests in share options of HLP granted at nominal consideration under the share option scheme of HLP. Each share option gives the holder the right to subscribe for one share of HLP.

The movements of share options of HLP 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		

The closing price of the shares of HLP 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.

11. SHARE CAPITAL (continued)

Hang Lung Properties Limited (continued)

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:

	HLP
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 balance of cash and cash equivalents

	2009 \$Million	2008 \$Million
Cash and deposits with banks in the consolidated balance sheet	10,559	9,610
Less: Bank deposits with maturity greater than three months	–	(699)
Cash and cash equivalents in the condensed consolidated cash flow statement	10,559	8,911

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	4,394	5,325

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	4,460
Authorized but not contracted for	16,206	17,991
	21,032	22,451

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) The Group has a 20% interest in a jointly controlled entity which participated in the development of Package One of the MTRC Tung Chung Station Development Project. At 31 December 2009, the Group advanced to this jointly controlled entity a total of \$768 million (30 June 2009: \$794 million). All advances are unsecured, non-interest bearing and repayable on demand.
- (b) During the period ended 31 December 2009, a director of the Company entered into the sale and purchase agreements to acquire two units of the Group's residential development, The HarbourSide, at a total consideration of \$44 million on the same pricing and payment terms offered to all purchasers. The balance of the purchase price at 31 December 2009 of \$33 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	9,994
Net profit attributable to shareholders	9,585
Total assets	120,576
Shareholders' equity	47,541
Per share data	
Earnings – Basic	\$7.17
– Diluted	\$7.09
Interim dividend	19 ¢
Net assets (including minority interests)	\$68.5
Shareholders' equity	\$35.6
Gearing ratio (note 1)	2.4%
Pay-out ratio	2.6%
Number of shares issued (in million)	1,337

Underlying Results as at 31 December 2009	HK\$Million
Underlying net profit attributable to shareholders (note 2)	3,018
Per share data	
Underlying earnings (note 3) – Basic	\$2.26
– Diluted	\$2.23

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, 1,337,168,242 shares of HK\$1.00 each are listed on The Stock Exchange of Hong Kong Limited. It has a sponsored American Depository Receipt (ADR) Program in the New York market.

STOCK CODE

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

SHARE INFORMATION

Share price as at 31 December 2009: HK\$38.65
Market capitalization as at 31 December 2009: HK\$51.68 billion

SHARE REGISTRARS

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

INVESTOR RELATIONS CONTACTS

Terry S. Ng *Executive Director*
Velencia Lee *Company Secretary*
Email address: ir@hanglung.com