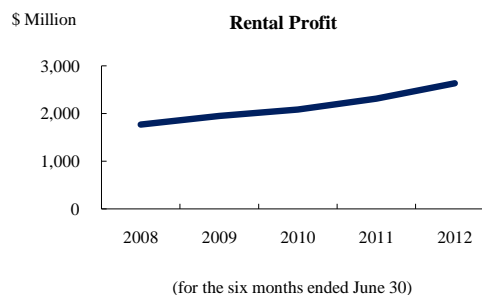
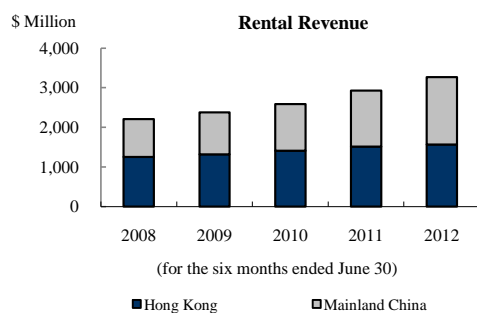


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恒隆集團有限公司  
**HANG LUNG GROUP LIMITED**  
(Incorporated in Hong Kong with limited liability)  
**(Stock Code: 10)**

**CONSOLIDATED INCOME STATEMENT**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2012 (AUDITED)**  
*(Expressed in Hong Kong dollars)*

	Note	2012 \$ Million	2011 \$ Million
Turnover	3	4,539	2,925
Other income	4	522	159
Direct costs and operating expenses		(1,107)	(610)
Administrative expenses		(336)	(139)
Operating profit before change in fair value of investment properties		3,618	2,335
Increase in fair value of investment properties		1,381	1,147
Operating profit after change in fair value of investment properties		4,999	3,482
Finance costs	5	(184)	(73)
Share of profits of jointly controlled entities		111	202
Profit before taxation	3(a) & 5	4,926	3,611
Taxation	6(a)	(757)	(565)
Profit for the period		4,169	3,046
Attributable to:			
Shareholders		2,101	1,628
Non-controlling interests		2,068	1,418
		4,169	3,046
Earnings per share	8(a)		
Basic		\$1.56	\$1.21
Diluted		\$1.55	\$1.20

# HANG LUNG GROUP LIMITED

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2012 (AUDITED)

(Expressed in Hong Kong dollars)

	Note	2012 \$ Million	2011 \$ Million
<b>Profit for the period</b>		<b>4,169</b>	3,046
<b>Other comprehensive income</b>	6(b)		
Increase in share of capital reserves of jointly controlled entities		1	-
Net movement in investment revaluation reserve		1	(3)
Exchange difference arising from translation of overseas subsidiaries		(552)	1,472
		<u>(550)</u>	<u>1,469</u>
<b>Total comprehensive income for the period</b>		<b><u>3,619</u></b>	<u>4,515</u>
<b>Total comprehensive income attributable to:</b>			
Shareholders		1,814	2,347
Non-controlling interests		1,805	2,168
		<u>3,619</u>	<u>4,515</u>

# HANG LUNG GROUP LIMITED

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT JUNE 30, 2012 (AUDITED)

(Expressed in Hong Kong dollars)

	<i>Note</i>	<b>30/6/2012</b> <b>\$ Million</b>	31/12/2011 \$ Million
<b>Non-current assets</b>			
Fixed assets			
Investment properties	9	<b>102,687</b>	101,833
Investment properties under development	9	<b>25,748</b>	23,613
Other fixed assets		<b>264</b>	226
		<b>128,699</b>	125,672
Interest in jointly controlled entities		<b>2,138</b>	2,152
Other assets		<b>1,692</b>	1,697
Deferred tax assets		<b>17</b>	45
		<b>132,546</b>	129,566
<b>Current assets</b>			
Cash and deposits with banks		<b>31,916</b>	26,149
Trade and other receivables	10	<b>2,187</b>	779
Other assets		<b>445</b>	449
Properties for sale		<b>5,935</b>	6,145
		<b>40,483</b>	33,522
<b>Current liabilities</b>			
Bank loans and other borrowings		-	5,400
Trade and other payables	11	<b>4,539</b>	4,134
Taxation payable		<b>641</b>	455
		<b>5,180</b>	9,989
<b>Net current assets</b>		<b>35,303</b>	23,533
<b>Total assets less current liabilities</b>		<b>167,849</b>	153,099
<b>Non-current liabilities</b>			
Bank loans and other borrowings		<b>34,491</b>	22,294
Deferred tax liabilities		<b>9,781</b>	9,637
		<b>44,272</b>	31,931
<b>NET ASSETS</b>		<b>123,577</b>	121,168
<b>Capital and reserves</b>			
Share capital		<b>1,350</b>	1,348
Reserves		<b>60,520</b>	59,162
Shareholders' equity		<b>61,870</b>	60,510
Non-controlling interests		<b>61,707</b>	60,658
<b>TOTAL EQUITY</b>		<b>123,577</b>	121,168

# HANG LUNG GROUP LIMITED

Notes:

1. The financial statements have been reviewed by the Audit Committee.
2. Basis of preparation

The audited 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 HKICPA has issued a few amendments to HKFRSs that are first effective for the current accounting period of the Group. These include the amendments to HKAS 12, Income taxes – Deferred tax: recovery of underlying assets, which the Group has already adopted in the prior period. None of the other developments are relevant to the Group's interim financial report and the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The accounting policies and methods of computation used in the interim financial report are consistent with those applied in the consolidated financial statements for the six-month period ended December 31, 2011, which is the preceding financial period due to change in financial year end date from June 30 to December 31.

3. 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. The investment properties of the Group are included in segment assets at their fair values whilst the change in fair value of investment properties is not included in segment profits.

# HANG LUNG GROUP LIMITED

Notes:

## 3. Turnover and segment information (Continued)

### (a) Turnover and results by segments

<u>Segment</u>	Turnover		Profit before taxation	
	2012 \$ Million	2011 \$ Million	2012 \$ Million	2011 \$ Million
Property leasing				
- Hong Kong	1,567	1,515	1,306	1,243
- Mainland China	1,698	1,410	1,327	1,072
	<u>3,265</u>	<u>2,925</u>	<u>2,633</u>	<u>2,315</u>
Property sales				
- Hong Kong	1,274	-	799	-
Segment total	<u>4,539</u>	<u>2,925</u>	<u>3,432</u>	<u>2,315</u>
Other income			522	159
Administrative expenses			(336)	(139)
Operating profit before change in fair value of investment properties			<u>3,618</u>	2,335
Increase in fair value of investment properties			1,381	1,147
- property leasing in Hong Kong			953	732
- property leasing in mainland China			428	415
Finance costs			(184)	(73)
Share of profits of jointly controlled entities			111	202
Profit before taxation			<u>4,926</u>	<u>3,611</u>

### (b) Total assets by segments

<u>Segment</u>	Total assets	
	30/6/2012 \$ Million	31/12/2011 \$ Million
Property leasing		
- Hong Kong	57,464	56,857
- Mainland China	72,019	69,554
	<u>129,483</u>	<u>126,411</u>
Property sales		
- Hong Kong	7,338	6,185
Segment total	<u>136,821</u>	<u>132,596</u>
Interest in jointly controlled entities	2,138	2,152
Other assets	2,137	2,146
Deferred tax assets	17	45
Cash and deposits with banks	31,916	26,149
Total assets	<u>173,029</u>	<u>163,088</u>

# HANG LUNG GROUP LIMITED

Notes:

## 4. Other income

	2012 \$ Million	2011 \$ Million
Gain on disposal of investment properties	220	-
Bank interest income	290	135
Interest income from unlisted held-to-maturity investments	10	9
Other interest income	-	1
Dividend income from listed investments	3	3
Dividend income from unlisted investments	2	-
Net exchange (loss) / gain	(3)	11
	<u>522</u>	<u>159</u>

## 5. Profit before taxation

	2012 \$ Million	2011 \$ Million
Profit before taxation is arrived at after charging:		
Finance costs		
Interest on borrowings	303	141
Other borrowing costs	29	28
Total borrowing costs	<u>332</u>	<u>169</u>
Less: Borrowing costs capitalized	(148)	(96)
	<u>184</u>	<u>73</u>
Cost of properties sold	355	-
Staff costs, including employee share-based payments of \$95 million (2011: \$46 million)	441	321
Depreciation	18	16
	<u>184</u>	<u>73</u>

## 6. Taxation

- (a) Provision for Hong Kong Profits Tax is calculated at 16.5% (2011: 16.5%) of the estimated assessable profits for the period. China Income Tax mainly represents China Corporate Income Tax calculated at 25% (2011: 25%) and China withholding income tax at the applicable rates. A withholding tax of 5% is levied on the Hong Kong companies in respect of dividend distributions arising from profits of foreign investment enterprises in mainland China earned after January 1, 2008.

	2012 \$ Million	2011 \$ Million
Current tax		
Hong Kong Profits Tax	258	158
China Income Tax	265	216
	<u>523</u>	<u>374</u>
Deferred tax		
Change in fair value of investment properties	108	102
Other origination and reversal of temporary differences	126	89
	<u>234</u>	<u>191</u>
Total income tax expense	<u>757</u>	<u>565</u>

- (b) There is no tax effect relating to the component of the other comprehensive income for the period.

# HANG LUNG GROUP LIMITED

Notes:

## 7. Dividends

### (a) Dividends attributable to the period

	<b>2012</b>	2011
	<b>\$ Million</b>	\$ Million
Interim dividend declared and paid of 19 cents per share	-	256
Proposed after the reporting date:		
Final dividend of 57 cents per share	-	769
Interim dividend of 19 cents per share	<b>256</b>	-
	<u><b>256</b></u>	<u>1,025</u>

Dividends proposed after the reporting dates have not been recognized as liabilities at the respective reporting dates.

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

	<b>2012</b>	2011
	<b>\$ Million</b>	\$ Million
Dividend in respect of the previous financial year of 38 cents per share	<u><b>513</b></u>	<u>-</u>

## 8. Earnings per share

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

	<b>2012</b>	2011
	<b>\$ Million</b>	\$ Million
Earnings for calculation of basic and diluted earnings per share (net profit attributable to shareholders)	<u><b>2,101</b></u>	<u>1,628</u>
	<b>Number of shares</b>	
	<b>2012</b>	2011
	<b>(Million)</b>	(Million)
Weighted average number of shares used in calculating basic earnings per share	<b>1,349</b>	1,348
Effect of dilutive potential shares - share options	<b>9</b>	9
Weighted average number of shares used in calculating diluted earnings per share	<u><b>1,358</b></u>	<u>1,357</u>

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

	<b>2012</b>	2011
	<b>\$ Million</b>	\$ Million
Net profit attributable to shareholders	<u><b>2,101</b></u>	<u>1,628</u>
Effect of changes in fair value of investment properties	<b>(1,381)</b>	(1,147)
Effect of corresponding deferred tax	<b>108</b>	102
Effect of changes in fair value of investment properties of jointly controlled entities	<b>(45)</b>	(151)
	<u><b>(1,318)</b></u>	<u>(1,196)</u>
Non-controlling interests	<b>652</b>	511
	<u><b>(666)</b></u>	<u>(685)</u>
Underlying net profit attributable to shareholders	<u><b>1,435</b></u>	<u>943</u>
The earnings per share based on underlying net profit attributable to shareholders are:		
	<b>2012</b>	2011
Basic	<b>\$1.06</b>	\$0.70
Diluted	<u><b>\$1.06</b></u>	<u>\$0.69</u>

# HANG LUNG GROUP LIMITED

Notes:

## 9. Investment properties and investment properties under development

### (a) Additions

During the period, additions to investment properties and investment properties under development amounted to \$2,496 million (2011: \$2,213 million).

### (b) Valuation

The investment properties and investment properties under development of the Group were revalued as at June 30, 2012 by Mr. Charles C.K. Chan, Registered Professional Surveyor (General Practice), of Savills Valuation and Professional Services Limited, on a market value basis.

## 10. Trade and other receivables

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

	<b>30/6/2012</b>	31/12/2011
	<b>\$ Million</b>	\$ Million
Current and within 1 month	<b>1,427</b>	68
1 - 3 months	<b>8</b>	4
Over 3 months	<b>2</b>	3
	<b><u>1,437</u></b>	<u>75</u>

The balance of bad and doubtful debts is insignificant.

The Group maintains a defined credit policy including stringent credit evaluation on and payment of a rental deposit from tenants. 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. Except for sale of properties developed by the Group, it does not hold any collateral over the receivables. Receivables are regularly reviewed and closely monitored to minimize any associated credit risk.

(b) Included in other receivables of the Group is deposit of land acquisition in mainland China of \$307 million (December 31, 2011: \$308 million).

## 11. Trade and other payables

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

	<b>30/6/2012</b>	31/12/2011
	<b>\$ Million</b>	\$ Million
Due within 1 month	<b>2,266</b>	1,759
Due after 3 months	<b>275</b>	287
	<b><u>2,541</u></b>	<u>2,046</u>



# HANG LUNG GROUP LIMITED

## Highlights

- For the six months ended June 30, 2012, underlying net profit of Hang Lung Group rose 52% to HK\$1,435 million. Total turnover grew 55% to HK\$4,539 million resulting from 12% growth in property leasing income to HK\$3,265 million and an increase in property sales of HK\$1,274 million.
- Our core business, property leasing in Hong Kong and mainland China, continued to achieve strong results. Rental turnover and profit grew 12% and 14% to HK\$3,265 million and HK\$2,633 million, respectively in the first half of 2012.
- Rental turnover and profit from our Hong Kong investment properties rose 3% and 5% to HK\$1,567 million and HK\$1,306 million, respectively. If the effect of the discontinued property management operations (i.e. Queensway Plaza and The Wesley) and disposed properties (i.e. Star Centre and Park Towers) was isolated, rental income of Hong Kong investment properties grew 6%.
- Our properties in mainland China achieved strong growth in rental turnover and profit of 20% and 24% to HK\$1,698 million and HK\$1,327 million, respectively. Rental reversions, continuous optimization of tenant mix, and the opening of the new mall in Jinan, Parc 66, last August contributed to the remarkable results.
- During the first half of 2012, nine units of The HarbourSide and 108 units of The Long Beach were sold at average unit prices of approximately HK\$32,100 and HK\$10,600 per square foot respectively. Together with other properties sold, total profit generated was HK\$799 million with an average margin of 63%.
- Two non-core investment properties in Hong Kong, Star Centre in Kwai Chung and shops and car parking spaces in Park Towers in Causeway Bay were sold during the period. Gain on disposal of HK\$220 million was recorded in Other Income.
- The increase in fair value of investment properties amounted HK\$1,381 million, compared to HK\$1,147 million in the last corresponding period.
- Net profit attributable to shareholders grew 29% to HK\$2,101 million.
- We issued in total an equivalent of HK\$5,171 million 10-year fixed rate bonds under the MTN Program during the first half of 2012. Proceeds from bond issue were used to repay some short-term bank borrowings. As a result, average maturity period of our debt portfolio was lengthened to 4.6 years with a desirable mix of floating and fixed interest rate. The bond issue also provided us more flexibility in managing future interest rate volatility and re-financing risks. As at June 30, 2012, we had a cash and bank balance of HK\$31,916 million and debts of HK\$34,491 million. The resulting net debt gearing ratio was 2%.
- The shopping mall at Forum 66 in Shenyang scheduled for opening in September this year is already fully let. Other projects under development on the Mainland have been progressing well.

# HANG LUNG GROUP LIMITED

## Purchase, Sale or Redemption of Listed Securities

During the six months ended June 30, 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the its listed securities.

## Compliance with Corporate Governance Code

During the six months ended June 30, 2012, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (effective until March 31, 2012) and Corporate Governance Code (effective from April 1, 2012) as stated in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited save that the Non-Executive Director, Mr. Gerald L. Chan and an Independent Non-Executive Director, Ms. Laura L.Y. Chen, were unable to attend the annual general meeting of the Company held on April 18, 2012 as provided for in code provision A.6.7 as they had overseas engagements.

## Book Close Dates

Book close dates (both days inclusive)	August 29 to 31, 2012
Latest time to lodge transfers	4:30 pm on August 28, 2012
Record date for interim dividend	August 31, 2012
Interim dividend payment date	September 13, 2012

On Behalf of the Board

**Ronnie C. Chan**

*Chairman*

Hong Kong, July 31, 2012

*As at the date of this announcement, the board of directors of the Company comprises the following directors:*

*Executive Directors:* Mr. Ronnie C. CHAN, Mr. Philip N.L. CHEN, Mr. William P.Y. KO and Mr. H.C. HO

*Non-Executive Director:* Mr. Gerald L. CHAN

*Independent Non-Executive Directors:* Mr. S.S. YIN, Dr. H.K. CHENG, Ms. Laura L.Y. CHEN and Mr. Simon S.O. IP