



2010-2011  
*Interim Report*

## DIRECTORS

Ronnie C. Chan (*Chairman*)  
S.S. Yin (*Vice Chairman*) \*  
Philip N.L. Chen (*Managing Director*)  
Gerald L. Chan #  
H.K. Cheng, *GBS, OBE, JP* \*  
Laura L.Y. Chen \*  
Simon S.O. Ip, *CBE, JP* \*  
William P.Y. Ko  
H.C. Ho

# *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

## NOMINATION AND REMUNERATION COMMITTEE

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

## AUTHORIZED REPRESENTATIVES

Philip N.L. Chen  
Velencia Lee

## COMPANY SECRETARY

Velencia Lee

## REGISTERED OFFICE

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

## INTERNET ADDRESS

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

## AUDITORS

KPMG  
*Certified Public Accountants*

## RESULTS AND DIVIDEND

Turnover for the six months ended December 31, 2010 decreased 72% to HK\$2,789 million while net profit attributable to shareholders fell 81% to HK\$1,901 million. Earnings per share likewise dropped to HK\$1.41.

When excluding revaluation gain and its deferred tax as well as non-controlling interests, the underlying net profit and underlying earnings per share were HK\$790 million and HK\$0.59 respectively, both 74% lower than the period before.

The Board has declared an interim dividend of HK19 cents per share payable on February 24, 2011 to shareholders of record on February 16, 2011.

## OPERATIONS REVIEW

Although the price trend of Hong Kong homes was somewhat favorable, the market was not so hot that a meaningful amount of units could have been sold at prices acceptable to us. As a result, our major subsidiary Hang Lung Properties (HLP) did not part with any. This is the first reason for the fall in net profit. The second is the drop in revaluation gains. In the equivalent 6-month period of a year ago, those gains were particularly large as then new accounting rules were applied for the first time.

Our main business of investment properties has however recorded an acceptable growth of 12%. Both Hong Kong and Shanghai saw a rise in rent of 9%. When the new facility Shenyang Palace 66 was added, our mainland portfolio advanced by 16%. All property types everywhere remain basically fully let.

With the ground breaking of our Dalian Olympia 66 on September 27, all new projects on the Mainland are now under construction. So far each of them is basically on schedule. We are targeting August 26 this year as the opening date for Jinan Parc 66.

In early November, HLP placed 293,864,000 shares at HK\$37.48 each and collected slightly over HK\$11 billion. As a result, our shareholding in it has fallen from approximately 52.4% to around 49.0%. Subsequent price movements indicate that our timing was auspicious.

## PROSPECTS

For once there are certain similarities between the Hong Kong and the Mainland residential markets. In spite of repeated government interventions, prices continued to move up. Low and negative real interest rates as well as supply-demand imbalances have driven potential purchasers into the market. The Mainland situation is further exacerbated by rising inflation. For Hong Kong, buyers from north of the border help buoy the market.

In face of such an environment, management is still unsure if there will be an opportunity to part with completed apartments in Hong Kong before fiscal year-end. Government seems determined to bring prices down and one should not underestimate its power. We will be vigilant to monitor the market.

To predict the rental market both in Hong Kong and on the Mainland is a far easier task. Most likely the second half of this fiscal year will be an extension of the first. In other words, barring unforeseen circumstances, results should be acceptable.

We continue to search for land in many Mainland cities. The process is never easy and we maintain our disciplined approach. To us, this is the only way which can possibly yield land at a reasonable price and terms that will enable us to produce world class commercial complexes with superior financial return. Our efforts are further challenged by ever changing rules and an evolving competitive landscape. Consequently, while insisting on discipline in some areas, management must in other areas adjust periodically to market realities. Nevertheless I am hopeful that through hard work and skillful manoeuvring, we will score successes.

One tool we use to convince municipal leaders that we should be the land purchaser of choice is our track record in Shanghai. Not only have we developed and still own world class commercial complexes that are highly visible, they are also very profitable. We have created malls where top fashion brands vie to be housed and offices where successful multi-nationals want to be based. These tenants of ours, together with ourselves, generate much revenue for the local government. In recent years our two properties regularly produced between 1% and 1.5% of all taxes retained locally by the city, i.e. not required to be sent to the Central Government in Beijing. It is doubtful if any other real estate projects have achieved the same.

Our new Managing Director Philip Chen has been on the job for six months. The transition was seamless while necessary improvements were being introduced. Recognizing that the environment in which we operate is constantly changing and that our Company is rapidly expanding, a fresh management emphasis is imperative. I am convinced that we have found the right leader to tackle new issues and to take us to the next level.

On September 13, 2010, we celebrated our 50<sup>th</sup> anniversary. In accordance with our low key tradition, there was no fanfare. Besides board members and senior management, we invited a number of former colleagues, many of whom were living overseas, to gather at headquarters for a time of fellowship. Reviewing the path that we have trodden only convinces us that the best is still ahead. As always, management will do its utmost to enhance shareholders' value while being a responsible corporate citizen.

**Ronnie C. Chan**

*Chairman*

Hong Kong, January 26, 2011

## OVERVIEW

Net profit attributable to shareholders for the six months ended December 31, 2010 decreased 81% to HK\$1,901 million compared to the corresponding period in the previous year. The residential market in Hong Kong had been subdued; both transaction volume and prices maintained at a moderate level. Given the prevailing market condition, we decided to keep the inventory of our completed flats during this period. Consequently, profits from property sales dropped almost 100% from HK\$5,339 million contributed by the sale of 425 The HarbourSide units in the previous year. On the other hand, our property leasing operations continued to perform well. Profit generated by our Mainland portfolio grew 13% to HK\$1,064 million during the period while our investment properties in Hong Kong achieved profit growth of 12% to HK\$1,195 million. A revaluation gain on investment properties of HK\$2,357 million was recorded for the period. When excluding revaluation gain and its related deferred tax and non-controlling interests, underlying net profit attributable to shareholders was HK\$790 million, representing a 74% decrease over the comparable period in 2009.

The Board of Directors has declared an interim dividend of HK19 cents per share, to be paid on February 24, 2011 to shareholders registered as of February 16, 2011. The Register of Members will be closed from February 14, 2011 to February 16, 2011, 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 February 11, 2011.

## PROPERTY LEASING

Our property leasing operations continued to deliver rental and profit growth in the improving sentiments in Hong Kong and mainland China after the financial crisis. Total rental income and profit both grew by 12% to HK\$2,786 million and HK\$2,259 million, respectively.

## Hong Kong

Occupancy rates of commercial properties and offices remained high at 98% and 95% respectively. Together with positive rental reversions achieved across the portfolio, our Hong Kong rental income and profit rose 9% and 12% to HK\$1,458 million and HK\$1,195 million, respectively.

## Mainland China

The shopping malls at Plaza 66 and The Grand Gateway in Shanghai were almost fully let with rental turnover growing by 29% and 12% respectively. While our offices in Shanghai maintained a high occupancy rate of 98%, rental turnover remained flat because of price competition.

Palace 66, our new shopping mall in Shenyang which opened in June 2010, was fully let. It generated rental turnover of HK\$74 million for the first six months of operation.

Overall, rental turnover and profits of our operations on the Mainland grew 16% to HK\$1,328 million and 13% to HK\$1,064 million, respectively. The Mainland accounted for 48% of the Group's total rental turnover.

## PROPERTY SALES

Other than the sale of a few car parking spaces, which generated income of HK\$3 million, there were no property sales transactions.

## PROPERTY DEVELOPMENT

Construction work at Parc 66 in Jinan has approached its completion stage. Pre-leasing activities have received encouraging market responses. Preparations for the opening of this property in 2011 are well underway.

The ground breaking ceremony for Olympia 66 at Dalian was held on September 27, 2010. The development of our other projects on the Mainland is progressing well.

## PROPERTY REVALUATION

The Hong Kong Institute of Certified Public Accountants has amended the Hong Kong Accounting Standard 12 (HKAS 12), Income Taxes, regarding deferred tax provision in respect of property valuation gain. Given the Hong Kong income tax system, we consider it appropriate to adopt the amended HKAS 12 early as allowed. As a result, we have ceased providing for deferred tax on valuation gain in respect of our Hong Kong investment properties effective from this period. The relevant amounts of deferred tax previously provided have been reversed and the comparative figures are also restated for comparison purposes.

For the six months ended December 31, 2010, Hong Kong's investment properties recorded a valuation gain of HK\$1,881 million compared to HK\$4,911 million in the corresponding period of last year.

Our portfolio of completed investment properties on the Mainland recorded a total valuation gain of HK\$441 million against HK\$4,199 million in the comparable period in 2009.

For those investment properties under development on the Mainland, a total revaluation gain of HK\$35 million was recorded. This was significantly lower than the one-off cumulative gain of HK\$7,331 million for various projects under development recorded in the previous year due to the adoption of a new accounting standard.

Overall, investment properties including those under development on the Mainland recorded a total valuation gain of HK\$2,357 million compared to HK\$16,441 million in the comparable period in 2009.

## FINANCE

In November 2010, the Group's listed subsidiary, Hang Lung Properties Limited, expanded its capital base by placement of 293.9 million shares to institutional investors at a price of HK\$37.48 per share. Net proceeds of HK\$10,896 million were generated.

Our balance sheet strengthened further with the share placement. As at December 31, 2010, the Group had net cash of HK\$9,341 million at the balance sheet date. Together with committed undrawn banking facilities of HK\$15,057 million, it had ample financial resources to meet payment obligations of projects under development on the Mainland.

## OUTLOOK

With our strong balance sheet, abundant financial capacity together with a highly skilled and experienced team, the Group is well positioned to complete existing development projects and seize attractive investment opportunities for future growth.

The Group will continue to maximize shareholders' wealth by seeking land acquisition opportunities and releasing further residential units for sale when appropriate. Furthermore, the opening of Parc 66 in Jinan in 2011 will provide further impetus to grow our rental income base on the Mainland.

We are committed to maintaining a high standard of corporate governance. During the six-month period ended December 31, 2010, we adopted corporate governance principles that 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.

### BOARD

The Board currently consists of nine members, comprising four Executive Directors, one Non-Executive Director and four 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, constantly seeking to improve the Group’s corporate governance procedures in accordance with international best practices. An updated list of the Board members, together with biographical details, is included on our website.

### NOMINATION AND REMUNERATION COMMITTEE

Our Nomination and Remuneration Committee, which is chaired by an Independent Non-Executive Director, currently consists of three 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 services affecting Directors and senior management. They also conduct regular reviews of the Board’s structure and composition, and make recommendations to the Board regarding any proposed change, appointment or re-appointment, succession planning of Directors, etc. The 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 three 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 Group's internal controls. The 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 December 31, 2010, and has recommended their adoption by the Board.

This 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 15 of this interim report.

## COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

During the six-month period ended December 31, 2010, 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 MODEL CODE CONTAINED IN APPENDIX 10 TO 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"). The Company has made specific enquiries to all Directors and confirmed that they have complied with the required standard set out in the Code and the Code of Conduct throughout the six months ended December 31, 2010.

## CHANGES IN INFORMATION OF DIRECTORS PURSUANT TO LISTING RULE 13.51B(1)

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There are no changes in the information of Directors since the date of the Annual Report 2009/10 of the Company or subsequent to the announcement dated September 29, 2010 regarding the appointment of Mr. H.C. Ho as a Director.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six-month period ended December 31, 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at December 31, 2010, 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>(Long Position)</i>			<i>Hang Lung Properties Limited</i> <i>(Long Position)</i>		
		No. of Shares	% of Issued Capital	No. of Shares under Option <i>(Note 1)</i>	No. of Shares	% of Issued Capital	No. of Shares under Option <i>(Note 2)</i>
Ronnie C. Chan	Personal	—	—	11,790,000	—	—	32,070,000
S.S. Yin	—	—	—	—	—	—	—
Philip N.L. Chen	Personal	—	—	—	—	—	10,000,000
Gerald L. Chan	—	—	—	—	—	—	—
H.K. Cheng	—	—	—	—	—	—	—
Laura L.Y. Chen	—	—	—	—	—	—	—
Simon S.O. Ip	—	—	—	—	—	—	—
York Liao	—	—	—	—	—	—	—
William P.Y. Ko	Personal	30,000	—	994,000	—	—	22,730,000
H.C. Ho	Personal	—	—	—	—	—	2,600,000

## Notes

## 1. Movement of Options under the Share Option Scheme of the Company

Date Granted	Name	No. of Shares under Option			Exercise Price per Share (HK\$)	Vested Dates	Expiry Date		
		As at 1/7/2010	Exercised during the Period	As at 31/12/2010					
20/5/2004	Ronnie C. Chan	5,090,000	—	5,090,000	\$9.45	20/5/2005 : 25% 20/5/2006 : 25% 20/5/2007 : 25% 20/5/2008 : 25%	19/5/2014		
	William P.Y. Ko	494,000	—	494,000					
20/11/2006	Ronnie C. Chan	6,700,000	—	6,700,000	\$20.52			20/11/2007 : 10% 20/11/2008 : 20% 20/11/2009 : 30% 20/11/2010 : 40%	19/11/2016
	William P.Y. Ko	500,000	—	500,000					

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

Date Granted	Name	No. of Shares under Option			Exercise Price per Share (HK\$)	Vested Dates	Expiry Date		
		As at 1/7/2010	Granted during the Period	Exercised during the Period				As at 31/12/2010	
20/5/2004	Ronnie C. Chan	5,090,000	—	—	\$9.20	20/5/2005 : 25% 20/5/2006 : 25% 20/5/2007 : 25% 20/5/2008 : 25%	19/5/2014		
	William P.Y. Ko	1,330,000	—	1,330,000					
1/9/2005	William P.Y. Ko	500,000	—	—	\$12.35			1/9/2006 : 25% 1/9/2007 : 25% 1/9/2008 : 25% 1/9/2009 : 25%	31/8/2015
20/11/2006	Ronnie C. Chan	2,000,000	—	—	\$17.14			20/11/2007 : 10% 20/11/2008 : 20% 20/11/2009 : 30% 20/11/2010 : 40%	19/11/2016
	William P.Y. Ko	3,700,000	—	3,700,000					
21/8/2007	Ronnie C. Chan	3,640,000	—	—	\$25.00	21/8/2008 : 10% 21/8/2009 : 20% 21/8/2010 : 30% 21/8/2011 : 40%	20/8/2017		
	William P.Y. Ko	2,600,000	—	2,600,000					
21/8/2007	Ronnie C. Chan	5,600,000	—	—	\$25.00			21/8/2009 : 10% 21/8/2010 : 20% 21/8/2011 : 30% 21/8/2012 : 40%	20/8/2017
	William P.Y. Ko	4,000,000	—	4,000,000					
1/9/2008	H.C. Ho	300,000*	—	—	\$24.20	1/9/2010 : 10% 1/9/2011 : 20% 1/9/2012 : 30% 1/9/2013 : 40%	31/8/2018		

2. Movements of Options under the Share Option Scheme of Hang Lung Properties Limited (continued)

Date Granted	Name	No. of Shares under Option				Exercise Price per Share (HK\$)	Vested Dates	Expiry Date
		As at 1/7/2010	Granted during the Period	Exercised during the Period	As at 31/12/2010			
31/12/2008	Ronnie C. Chan	9,240,000	—	—	9,240,000	\$17.36	31/12/2010 : 10%	30/12/2018
	William P.Y. Ko	6,600,000	—	—	6,600,000		31/12/2011 : 20%	
	H.C. Ho	300,000*	—	—	300,000		31/12/2012 : 30% 31/12/2013 : 40%	
8/2/2010	Ronnie C. Chan	6,500,000	—	—	6,500,000	\$26.46	8/2/2012 : 10%	7/2/2020
	William P.Y. Ko	4,000,000	—	—	4,000,000		8/2/2013 : 20%	
							8/2/2014 : 30% 8/2/2015 : 40%	
29/7/2010	Philip N.L. Chen	—	10,000,000	—	10,000,000	\$33.05	29/7/2012 : 10% 29/7/2013 : 20% 29/7/2014 : 30% 29/7/2015 : 40%	28/7/2020
29/9/2010	H.C. Ho	—	2,000,000	—	2,000,000	\$36.90	29/9/2012 : 10% 29/9/2013 : 20% 29/9/2014 : 30% 29/9/2015 : 40%	28/9/2020

\* representing the outstanding share options held by Mr. H.C. Ho on September 29, 2010 as he was appointed as director of the Company on that date.

Save as disclosed above, none of the Directors of the Company or any of their associates had, as at December 31, 2010, 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 period ended December 31, 2010 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

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As at December 31, 2010, 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	1	498,428,580	—	36.97	—
Cole Enterprises Holdings Limited	1	498,428,580	—	36.97	—
Merssion Limited	1	498,428,580	—	36.97	—
Kingswick Investment Limited	2	97,965,000	—	7.32	—
Aberdeen Asset Management Plc and its Associates	3	161,651,454	—	12.01	—
Davis Selected Advisers, L.P.	3	66,870,000	—	5.01	—

### Notes

1. 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 was the trustee of the trust.  
  
Merssion Limited held 498,428,580 shares, of which 97,965,000 shares were held by its subsidiary, Kingswick Investment Limited.
2. 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.
3. These shares were held in the capacity of investment managers.

Save as disclosed above, as at December 31, 2010, 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

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*(Incorporated in Hong Kong with limited liability)*

### INTRODUCTION

We have reviewed the interim financial report set out on pages 16 to 36 which comprises the consolidated balance sheet of Hang Lung Group Limited (“the Company”) as of 31 December 2010 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 2010 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

26 January, 2011

## CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2010 (Unaudited)

(Expressed in Hong Kong dollars)

	Note	2010 \$Million	2009 \$Million (Restated)
Turnover	3	2,789	9,994
Other income		93	20
Direct costs and operating expenses		(528)	(2,641)
Administrative expenses		(351)	(307)
Operating profit before change in fair value of investment properties		2,003	7,066
Increase in fair value of investment properties	8(b)	2,357	16,441
Operating profit after change in fair value of investment properties		4,360	23,507
Finance costs	4	(66)	(53)
Share of profits of jointly controlled entities		88	141
Profit before taxation	3(a) & 4	4,382	23,595
Taxation	5(a)	(552)	(4,178)
Profit for the period		3,830	19,417
Attributable to:			
Shareholders		1,901	10,036
Non-controlling interests		1,929	9,381
		3,830	19,417
Earnings per share	7(a)		
Basic		\$1.41	\$7.51
Diluted		\$1.40	\$7.42

The accompanying notes form part of the interim financial report. Details of dividends payable to equity shareholders of the Company attributable to the profit for the period are set out in note 6.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2010 (Unaudited)

(Expressed in Hong Kong dollars)

	Note	2010 \$Million	2009 \$Million (Restated)
Profit for the period		3,830	19,417
Other comprehensive income	5(b)		
Increase in fair value of listed investments		2	10
Exchange difference arising from translation of overseas subsidiaries		1,474	(24)
		1,476	(14)
Total comprehensive income for the period		5,306	19,403
Total comprehensive income attributable to:			
Shareholders		2,558	10,035
Non-controlling interests		2,748	9,368
		5,306	19,403

The accompanying notes form part of the interim financial report.

# CONSOLIDATED BALANCE SHEET

At 31 December 2010 (Unaudited)

(Expressed in Hong Kong dollars)

	Note	31/12/2010 \$Million	30/6/2010 \$Million (Restated)
<b>Non-current assets</b>			
Fixed assets			
Investment properties	8	91,903	88,633
Investment properties under development	8	19,056	15,326
Other fixed assets		180	170
		111,139	104,129
Interest in jointly controlled entities		1,832	1,804
Other assets	9	2,119	1,269
Deferred tax assets		39	40
		115,129	107,242
<b>Current assets</b>			
Cash and deposits with banks	11	24,903	11,852
Trade and other receivables	10	380	1,532
Properties for sale		5,930	5,886
		31,213	19,270
<b>Current liabilities</b>			
Bank loans	12	9,100	3,180
Trade and other payables	13	3,797	3,483
Taxation payable		1,147	1,191
		14,044	7,854
<b>Net current assets</b>		<b>17,169</b>	<b>11,416</b>
<b>Total assets less current liabilities</b>		<b>132,298</b>	<b>118,658</b>

	Note	31/12/2010 \$Million	30/6/2010 \$Million (Restated)
<b>Non-current liabilities</b>			
Bank loans	12	6,462	7,610
Finance lease obligations		104	168
Deferred tax liabilities		8,933	8,535
		<b>15,499</b>	<b>16,313</b>
<b>NET ASSETS</b>			
		<b>116,799</b>	<b>102,345</b>
<b>Capital and reserves</b>			
Share capital	14	1,348	1,339
Reserves		55,604	51,634
Shareholders' equity		<b>56,952</b>	<b>52,973</b>
Non-controlling interests		<b>59,847</b>	<b>49,372</b>
<b>TOTAL EQUITY</b>			
		<b>116,799</b>	<b>102,345</b>

The accompanying notes form part of the interim financial report.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2010 (Unaudited)

(Expressed in Hong Kong dollars)

		Shareholders' equity												
		Share of capital reserves of jointly controlled entities	Capital redemption reserve	Investment revaluation reserve	Exchange reserve	Employee share-based compensation reserve	General reserve	Other capital reserve	Retained profits	Total	Non-controlling interests	Total equity		
Note		\$Million	\$Million	\$Million	\$Million	\$Million	\$Million	\$Million	\$Million	\$Million	\$Million	\$Million		
	At 1 July 2010, as previously reported	1,339	2,275	1	26	15	1,126	280	275	(25)	44,918	50,230	46,935	97,165
	Impact of change in accounting policy	2	-	-	-	-	-	-	-	-	2,743	2,743	2,437	5,180
	At 1 July 2010, restated	1,339	2,275	1	26	15	1,126	280	275	(25)	47,661	52,973	49,372	102,345
	Profit for the period	-	-	-	-	-	-	-	-	-	1,901	1,901	1,929	3,830
	Increase in fair value of listed investments	-	-	-	-	2	-	-	-	-	-	2	-	2
	Exchange difference arising from translation of overseas subsidiaries	-	-	-	-	-	655	-	-	-	-	655	819	1,474
	Total comprehensive income for the period	-	-	-	-	2	655	-	-	-	1,901	2,558	2,748	5,306
	Final dividends in respect of previous year	-	-	-	-	-	-	-	-	-	(767)	(767)	-	(767)
	Issue of shares	9	120	-	-	-	-	-	-	-	-	129	-	129
	Employee share-based payments	-	35	-	-	-	-	(55)	-	-	1	(19)	86	67
	Change in non-controlling interests arising from placement of a subsidiary's shares	14	-	-	-	-	-	-	-	2,067	-	2,067	8,829	10,896
	Change in non-controlling interests arising from decrease of the Group's shareholding in a subsidiary	-	-	-	-	-	-	-	-	11	-	11	271	282
	Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(1,076)	(1,076)
	Repayment to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(383)	(383)
	At 31 December 2010	1,348	2,430	1	26	17	1,781	225	275	2,053	48,796	56,952	59,847	116,799

## Shareholders' equity

	Note	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	Other capital reserve \$Million	Retained profits \$Million	Total \$Million	Non-controlling interests \$Million	Total equity \$Million
At 1 July 2009,														
as previously reported		1,334	2,248	1	26	8	1,025	228	275	-	33,487	38,632	36,310	74,942
Impact of change in accounting policy	2	-	-	-	-	-	-	-	-	-	2,008	2,008	1,819	3,827
At 1 July 2009, restated		1,334	2,248	1	26	8	1,025	228	275	-	35,495	40,640	38,129	78,769
Profit for the period (restated)		-	-	-	-	-	-	-	-	-	10,036	10,036	9,381	19,417
Increase in fair value of listed investments		-	-	-	-	10	-	-	-	-	-	10	-	10
Exchange difference arising from translation of overseas subsidiaries		-	-	-	-	-	(11)	-	-	-	-	(11)	(13)	(24)
Total comprehensive income for the period		-	-	-	-	10	(11)	-	-	-	10,036	10,035	9,368	19,403
Final dividends in respect of previous year		-	-	-	-	-	-	-	-	-	(722)	(722)	-	(722)
Issue of shares		3	15	-	-	-	-	-	-	-	-	18	-	18
Employee share-based payments		-	-	-	-	-	-	27	-	-	2	29	25	54
Change in non-controlling interests arising from decrease of the Group's shareholding in a subsidiary		-	-	-	-	-	-	-	-	-	-	-	29	29
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	(1,030)	(1,030)
Repayment to non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	(214)	(214)
At 31 December 2009		1,337	2,263	1	26	18	1,014	255	275	-	44,811	50,000	46,307	96,307

The accompanying notes form part of the interim financial report.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2010 (Unaudited)

(Expressed in Hong Kong dollars)

	Note	2010 \$Million	2009 \$Million
Operating profit before changes in working capital		2,000	7,111
(Increase)/Decrease in properties for sale		(39)	1,881
Other changes in working capital		1,700	(3,786)
Cash generated from operations		3,661	5,206
Income tax paid		(425)	(967)
Net cash generated from operating activities		3,236	4,239
Net cash used in investing activities		(10,085)	(2,175)
Net cash generated from/(used in) financing activities		13,671	(1,137)
Increase in cash and cash equivalents		6,822	927
Effect of foreign exchange rate change		379	–
Cash and cash equivalents at 1 July		11,852	9,632
Cash and cash equivalents at 31 December	11(a)	19,053	10,559

The accompanying 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 15.

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 2010, except for the changes in accounting policies that are expected to be reflected in the 2010/11 annual financial statements. Details of these changes in accounting policies are set out in note 2.

## 2. CHANGES IN ACCOUNTING POLICIES

The HKICPA issued a number of new and revised HKFRSs and Interpretations that are first effective for the current accounting period of the Group. Of these, the issuance of HK(Int) 5, Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause, is relevant to the Group’s financial statements. However, the issuance of HK(Int) 5 has had no material impact on the Group’s financial statements as the Interpretation’s conclusions were consistent with policies already adopted by the Group.

Up to the date of issue of the financial report, the HKICPA has issued a number of amendments and Interpretations which are not yet effective for current period. These include the following which may be relevant to the Group:

		<b>Effective for accounting periods beginning on or after</b>
HKFRSs (Amendments)	Improvements to HKFRSs 2010	1 January 2011
HKAS 24 (Revised)	Related Party Disclosures	1 January 2011
HKAS 12 (Amendments)	Income taxes	1 January 2012
HKFRS 9	Financial Instruments	1 January 2013

The Group has decided to early adopt the amendments to HKAS 12, Income taxes (“HKAS 12 (amended)”), in respect of the recognition of deferred tax on investment properties carried at fair value under HKAS 40, Investment property.

## 2. CHANGES IN ACCOUNTING POLICIES (continued)

Early adoption of HKAS 12 (amended)

The change in policy arising from HKAS 12 (amended) is the only change which has had a material impact on the current or comparative periods. As a result of this change in policy, the Group now measures any deferred tax liability in respect of its investment properties with reference to the tax liability that would arise if the properties were disposed of at their carrying amounts at the reporting date, unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. Previously, where these properties were held under leasehold interests, deferred tax was generally measured using the tax rate that would apply as a result of recovery of the asset's value through use.

This change in policy has been applied retrospectively by increasing the retained profits and non-controlling interests as at 1 July 2010 by \$2,743 million (2009: \$2,008 million) and \$2,437 million (2009: \$1,819 million) respectively as a result of reduction in provision for deferred tax in respect of certain investment properties of the Group and its jointly controlled entities, with a consequential increase in the profit after tax attributable to shareholders and basic earnings per share of the Group of \$160 million (2009: \$451 million) and \$0.12 (2009: \$0.34) respectively for the period ended 31 December 2010.

## 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.

### 3. TURNOVER AND SEGMENT INFORMATION (continued)

(a) Turnover and results by segments

	Turnover		Profit before taxation	
	2010 \$ Million	2009 \$ Million	2010 \$ Million	2009 \$ Million (Restated)
<b>Segment</b>				
Property leasing				
– Hong Kong	1,458	1,335	1,195	1,069
– Mainland China	1,328	1,148	1,064	945
	2,786	2,483	2,259	2,014
Property sales				
– Hong Kong	3	7,511	2	5,339
<b>Segment total</b>	<b>2,789</b>	<b>9,994</b>	<b>2,261</b>	<b>7,353</b>
Other income			93	20
Administrative expenses			(351)	(307)
Operating profit before change				
in fair value of investment properties			2,003	7,066
Increase in fair value of investment properties			2,357	16,441
– property leasing in Hong Kong			1,881	4,911
– property leasing in Mainland China			476	11,530
Finance costs			(66)	(53)
Share of profits of jointly controlled entities			88	141
<b>Profit before taxation</b>			<b>4,382</b>	<b>23,595</b>

### 3. TURNOVER AND SEGMENT INFORMATION (continued)

(b) Total assets by segments

	Total assets	
	31/12/2010 \$ Million	30/6/2010 \$ Million (Restated)
<b>Segment</b>		
Property leasing		
– Hong Kong	55,295	53,331
– Mainland China	56,204	51,090
	111,499	104,421
Property sales		
– Hong Kong	5,950	7,126
Segment total	117,449	111,547
Interest in jointly controlled entities	1,832	1,804
Other assets	2,119	1,269
Deferred tax assets	39	40
Cash and deposits with banks	24,903	11,852
<b>Total assets</b>	<b>146,342</b>	<b>126,512</b>

#### 4. PROFIT BEFORE TAXATION

	2010 \$ Million	2009 \$ Million
Profit before taxation is arrived at after charging:		
Finance costs		
Interest on borrowings	98	82
Other borrowing costs	24	36
	<b>122</b>	118
Less: Borrowing costs capitalized	(56)	(65)
	<b>66</b>	53
Cost of properties sold	–	1,865
Staff costs, including contribution to retirement schemes of \$21 million (2009: \$16 million)	452	313
Depreciation	11	7
	<b>81</b>	20
and after crediting:		
Interest income	81	20

#### 5. TAXATION

- (a) Provision for Hong Kong Profits Tax is calculated at 16.5% (2009: 16.5%) of the estimated assessable profits for the period. China Income Tax mainly represents China Corporate Income Tax calculated at 25% (2009: 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 1 January 2008.

	2010 \$ Million	2009 \$ Million (Restated)
Current tax		
Hong Kong Profits Tax	110	950
China Income Tax	271	215
	<b>381</b>	1,165
Deferred tax		
Change in fair value of investment properties	120	2,883
Other origination and reversal of temporary differences	51	130
	<b>171</b>	3,013
	<b>552</b>	4,178

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

## 6. DIVIDENDS

### (a) Dividends attributable to the period

	2010 \$ Million	2009 \$ Million
Declared after the balance sheet date: 19 cents (2009: 19 cents) per share	256	254

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

	2010 \$ Million	2009 \$ Million
Final dividend in respect of the previous financial year of 57 cents (2009: 54 cents) per share	767	722

## 7. EARNINGS PER SHARE

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

	2010 \$ Million	2009 \$ Million (Restated)
Earnings for calculation of basic and diluted earnings per share (net profit attributable to shareholders)	1,901	10,036

	2010 Number of shares (Million)	2009 Number of shares (Million)
Weighted average number of shares used in calculating basic earnings per share	1,345	1,336
Effect of dilutive potential shares - share options	10	16
Weighted average number of shares used in calculating diluted earnings per share	1,355	1,352

## 7. EARNINGS PER SHARE (continued)

- (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:

	2010 \$ Million	2009 \$ Million (Restated)
Net profit attributable to shareholders	1,901	10,036
Effect of changes in fair value of investment properties	(2,357)	(16,441)
Effect of corresponding deferred tax	120	2,883
Effect of change in fair value of investment properties of jointly controlled entities	(40)	(102)
	(2,277)	(13,660)
Non-controlling interests	1,166	6,642
	(1,111)	(7,018)
Underlying net profit attributable to shareholders	790	3,018

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

	2010	2009
Basic	\$0.59	\$2.26
Diluted	\$0.58	\$2.23

## 8. INVESTMENT PROPERTIES AND INVESTMENT PROPERTIES UNDER DEVELOPMENT

- (a) Additions

During the period, additions in investment properties and investment properties under development amounted to \$3,360 million (2009: \$2,227 million).

- (b) Valuation

The investment properties and investment properties under development of the Group were revalued as at 31 December 2010 by Mr. Charles C.K. Chan, Registered Professional Surveyor (General Practice), of Savills Valuation and Professional Services Limited, on a market value basis.

During the period, an increase in fair value of investment properties and those under development of \$2,357 million (2009: \$16,441 million), including \$35 million (2009: \$7,331 million) contributed by properties under development in mainland China, is recorded.

## 9. OTHER ASSETS

During the period, additions in other assets included investments in unlisted bonds of \$849 million which are classified as held-to-maturity investments and will be matured in 2012 - 2013.

## 10. TRADE AND OTHER RECEIVABLES

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

	31/12/2010 \$ Million	30/6/2010 \$ Million
Current and within 1 month	39	1,258
1 - 3 months	6	5
Over 3 months	2	1
	<b>47</b>	<b>1,264</b>

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 2010 and 30 June 2010 is insignificant.

## 11. CASH AND DEPOSITS WITH BANKS

Following the placement of shares of a subsidiary, Hang Lung Properties Limited ("HLP") in November 2010 which generated net proceeds of \$10,896 million, cash and deposits with banks increased substantially to \$24,903 million.

(a) Analysis of the balance of cash and cash equivalents

	2010 \$ Million	2009 \$ Million
Cash and deposits with banks in the consolidated balance sheet	24,903	10,559
Less: Bank deposits with maturity greater than three months	(5,850)	-
Cash and cash equivalents in the condensed consolidated cash flow statement	<b>19,053</b>	<b>10,559</b>

## 11. CASH AND DEPOSITS WITH BANKS (continued)

(b) At 31 December 2010, the Group had cash and deposits with banks of \$24,903 million (30 June 2010: \$11,852 million) with currency denominated in:

	31/12/2010 \$ Million	30/6/2010 \$ Million
Renminbi	16,864	1,848
Hong Kong Dollars	5,578	6,831
United States Dollars	2,461	3,173
	<b>24,903</b>	<b>11,852</b>

The Group holds Renminbi bank deposits to meet its ongoing payment obligations in relation to its development projects in mainland China.

## 12. BANK LOANS

The Group had \$15,057 million (30 June 2010: \$17,191 million) committed undrawn banking facilities at 31 December 2010.

## 13. TRADE AND OTHER PAYABLES

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

	31/12/2010 \$ Million	30/6/2010 \$ Million
Due within 1 month	1,243	1,461
Due after 3 months	557	191
	<b>1,800</b>	<b>1,652</b>

## 14. 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 2010	1,339	1,339
Shares issued under share option scheme	9	9
At 31 December 2010	1,348	1,348

### Change in non-controlling interests arising from placement of a subsidiary's shares

As a result of the placement of 294 million shares by HLP in November 2010, the Group's effective equity interests in HLP decreased from 52.4% to 49.0%. Notwithstanding the reduction in the shareholdings, the directors are of the view that the Group continued to control the financial and operating decisions of HLP. In this regard, HLP continued to be a subsidiary of the Group and the financial results of HLP continued to be consolidated into those of the Group. The changes in the Group's equity interests in HLP after the placement of shares of HLP is directly dealt with in equity of the Group.

#### 14. SHARE CAPITAL (continued)

##### Share Option Scheme

###### *The Company*

At 31 December 2010, 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 2010	Period during which options are exercisable	Exercise price (HK\$)
	Outstanding on 1 July 2010	Granted	Exercised	Lapsed			
7 December 2001	120,000	-	(120,000)	-	-	7 December 2002 to 6 December 2011	6.83
20 May 2004	10,865,000	-	(4,542,000)	-	6,323,000	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	-	(4,200,000)	-	7,200,000	20 November 2007 to 19 November 2016	20.52
<b>Total</b>	<b>22,462,000</b>	<b>-</b>	<b>(8,862,000)</b>	<b>-</b>	<b>13,600,000</b>		

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 \$46.33 (2009: \$38.84).

No share options were exercised by the directors during the period. The weighted average closing price of the shares immediately before the date of exercise by the director during the period ended 31 December 2009 was \$37.50.

The weighted average share price at the dates of exercise for share options during the period was \$46.22 (2009: \$38.15).

#### 14. SHARE CAPITAL (continued)

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

At 31 December 2010, 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					Period during which options are exercisable	Exercise price (HK\$)
	Outstanding on 1 July 2010	Granted	Exercised	Lapsed	Outstanding on 31 December 2010		
20 May 2004	9,395,000	-	(1,012,000)	-	8,383,000	20 May 2005 to 19 May 2014	9.20
1 September 2005 to 1 November 2005	806,000	-	-	-	806,000	1 September 2006 to 31 October 2015	11.40 to 12.35
14 November 2006 to 19 March 2007	23,134,000	-	(10,700,000)	-	12,434,000	14 November 2007 to 18 March 2017	16.75 to 22.55
3 July 2007 to 31 December 2008	79,680,000	-	(3,591,000)	(842,000)	75,247,000	3 July 2008 to 30 December 2018	17.36 to 27.90
30 November 2009 to 1 June 2010	25,650,000	-	-	-	25,650,000	30 November 2011 to 31 May 2020	26.46 to 28.88
29 July 2010 to 29 September 2010	-	12,900,000	-	-	12,900,000	29 July 2012 to 28 September 2020	33.05 to 36.90
<b>Total</b>	<b>138,665,000</b>	<b>12,900,000</b>	<b>(15,303,000)</b>	<b>(842,000)</b>	<b>135,420,000</b>		

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 closing prices of the shares of HLP immediately before the dates of grant during the period range from \$32.60 to \$35.65 (2009: \$27.60).

The weighted average closing price of the shares of HLP immediately before the dates of exercise by the employees during the period was \$35.20 (2009: \$28.16).

The weighted average share price of HLP at the dates of exercise for share options during the period was \$35.13 (2009: \$28.38).

#### 14. SHARE CAPITAL (continued)

##### *Hang Lung Properties Limited ("HLP") (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 \$11.41. The weighted average assumptions used are as follows:

	HLP
Share price at grant date	\$33.37
Exercise price	\$33.72
Risk-free interest rate	1.37%
Expected life (in years)	6
Volatility	0.43
Expected dividend per share	\$0.71

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.

#### 15. CONTINGENT LIABILITIES

At 31 December 2010, contingent liabilities were as follows:

	Company	
	31/12/2010	30/6/2010
	\$ Million	\$ Million
Guarantees given to banks to secure credit facilities drawn by subsidiaries	3,501	4,361

## 16. COMMITMENTS

At 31 December 2010, capital commitments not provided for in the interim financial report were as follows:

	Group	
	31/12/2010 \$ Million	30/6/2010 \$ Million
Contracted for	3,879	4,167
Authorized but not contracted for	17,232	16,454
	<b>21,111</b>	<b>20,621</b>

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.

## 17. RELATED PARTY TRANSACTIONS

The Group has a 20% interest in a jointly controlled entity which participated in the development of Package One of the MTRC Tung Chung Station Development Project. At 31 December 2010, the Group advanced to this jointly controlled entity a total of \$707 million (30 June 2010: \$740 million). All advances are unsecured, non-interest bearing and repayable on demand.

## 18. RESTATEMENT OF COMPARATIVES

As a result of the adoption of HKAS 12 (amended), certain comparative figures have been restated. Further details of these changes in accounting policy are disclosed in note 2.

## 19. 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 26 January 2011.

## FINANCIAL BRIEFS

Financial Briefs as at 31 December 2010	HK\$ Million
Turnover	2,789
Net profit attributable to shareholders	1,901
Total assets	146,342
Shareholders' equity	56,952
Per share data	
Earnings – Basic	\$1.41
– Diluted	\$1.40
Interim dividend	19 ¢
Net assets (including non-controlling interests)	\$86.6
Shareholders' equity	\$42.2
Gearing ratio (note 1)	0%
Pay-out ratio	13.5%
Number of shares issued (in million)	1,348

Underlying Results as at 31 December 2010	HK\$ Million
Underlying net profit attributable to shareholders (note 2)	790
Per share data	
Underlying earnings (note 3) – Basic	\$0.59
– Diluted	\$0.58

### Notes:

- 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 non-controlling interests.
- 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 non-controlling interests be accounted for in the income statement.
- The calculation of underlying earnings per share is based on the underlying net profit attributable to shareholders.

# INFORMATION FOR INVESTORS

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## FINANCIAL CALENDAR

Financial period	July 1, 2010 to December 31, 2010
Interim results announced	January 26, 2011
Latest time to lodge transfers	4:30 p.m. on February 11, 2011
Closure of share register	February 14 to 16, 2011 (both days inclusive)
Record date for interim dividend	February 16, 2011
Interim dividend payable	February 24, 2011

## SHARE LISTING

As at December 31, 2010, 1,348,068,242 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	00010
Reuters	0010.HK
Bloomberg	10 HK
Ticker Symbol for ADR Code	HNLGY
CUSIP reference number	41043E102

## SHARE INFORMATION

Share price as at December 31, 2010: HK\$51.10  
Market capitalization as at December 31, 2010: HK\$68.89 billion

## SHARE REGISTRARS

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