恒隆地產
HANG LUNG PROPERTIES

2010-2011
Interim Report

恒 隆 地 產 有 限 公 司
HANG LUNG PROPERTIES LIMITED

Stock Code: 101 HK

Corporate Information

DIRECTORS

Ronnie C. Chan *(Chairman)*
S.S. Yin *(Vice Chairman)* *
Philip N.L. Chen *(Managing Director)*
Ronald J. Arculli, *GBM, CVO, GBS, OBE, JP* *
H.K. Cheng, *GBS, OBE, JP* *
Laura L.Y. Chen *
P.W. Liu, *SBS, JP* *
Dominic C.F. Ho *
William P.Y. Ko
Henry T.Y. Yiu
H.C. Ho

* *Independent Non-Executive Director*

AUDIT COMMITTEE

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

NOMINATION AND REMUNERATION COMMITTEE

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

AUTHORIZED REPRESENTATIVES

Philip N.L. Chen
Velencia Lee

COMPANY SECRETARY

Velencia Lee

REGISTERED OFFICE

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AUDITORS

KPMG
Certified Public Accountants

RESULTS AND DIVIDEND

For the six months ended December 31, 2010, turnover decreased 74% to HK$2,521 million while net profit attributable to shareholders fell 81% to HK$3,418 million. Earnings per share was HK$0.8, representing a drop of 82%.

When excluding revaluation gain and its deferred tax as well as non-controlling interests, the underlying net profit and the underlying earnings per share both retreated 77% to HK$1,275 million and HK$0.3 respectively.

The Board has declared an interim dividend of HK17 cents per share payable on February 24, 2011 to shareholders of record on February 16, 2011.

OPERATIONS REVIEW

Results are in line with expectation. Developmental profit which was huge a year ago, had disappeared since we withheld from selling Hong Kong completed apartments. Market conditions were not yet auspicious. Revaluation gain was the other reason for the lower profit. A year ago, those "profits" were enormous due to then new accounting rules. As such, the year to year comparison is not meaningful and such gains are in any event not a cash item.

Hong Kong rents increased 9%, those on the Mainland by 19%. The latter was helped by the addition of Palace 66 in Shenyang which opened last June. It has since performed acceptably. Excluding it, rents from Shanghai advanced by 11%. As in the past few years, growth rate was affected by office rents which have yet to recover. However, shopping centers, especially the top end Plaza 66, again did well. It grew 29% while that of the sub-luxury The Grand Gateway rose 11%. Blended rate was 19%. All properties in the three cities -- Hong Kong, Shanghai and Shenyang -- remained basically fully occupied.

Mainland rents now account for 45% of the total. If one looks at the group level, i.e. at Hang Lung Group where all properties are included, the number is 48%. The expected parity between Hong Kong and the Mainland is fast approaching. Given new facilities coming on stream north of the border, this may be the last year where our home market is still ahead. This is a welcomed phenomenon since growth rates on the Mainland should in the coming years be much higher.

Two highlights of the period are the ground breaking of Dalian Olympia 66 in late September and the placement of shares in early November. The former signals that all of our new projects on the Mainland are now under construction. (The second Wuxi plot, purchased in the same month in 2009 as the land in Dalian, is designed as one huge complex called Center 66 along with the first piece across the street bought in 2006. We will first complete the older and larger portion whose mall should open in 2013.) Construction progress everywhere is according to plan.

At the last writing to shareholders in July 2010, I made it clear that equity raising is a distinct possibility. That in fact is what we have always told investors over the past many years. Although already in a net cash position, commercial realities constrained us to place shares in early November. We sold 293,864,000 shares at a price of HK$37.48 each and raised slightly over HK$11 billion. The market received the approach well, and it basically took about an hour to accomplish the task. History showed that our strike day was a market high for the stock -- at least for the time being.

The rationales for the placement are straightforward and overwhelming. First, in the next two years alone, construction costs on the Mainland will approximate the sum just raised. For the three years thereafter, we may further spend a similar amount. The number may be even larger if we were to speed up the construction of offices in Shenyang Forum 66 and Wuxi Center 66. On top of all that, we expect to buy more land on the Mainland; the size of each transaction is likely to be sizeable, a point to which I will return. That means total capital expenditure can easily exceed HK$30 billion in the coming few years.

There are two further considerations. First, no one knows when we will again have the opportunity to sell en masse completed apartments in Hong Kong. Secondly, whereas in principle we have no objection to using debt, we can do that any time. Our strong balance sheet will ensure that. But equity raising depends altogether on market conditions which are out of our control. As such, when they are propitious, we should act. Last November was such a time.

Last July, regulations were relaxed such that corporations could acquire renminbi in Hong Kong. Given the size of the aforementioned capital expenditure on the Mainland, we have been purchasing. As our long time shareholders know, we never speculate in currencies; we only buy when there is the need.

Last month, your Board visited Abu Dhabi and Dubai. To my knowledge, the best shopping centers in the world are found in three places -- Las Vegas in the U.S., Dubai in the U.A.E. and China. I suspect that most knowledgeable and objective observers will agree that Hang Lung's malls are among the best in China and indeed in the world. Nevertheless there is much room for improvement and studying quality properties elsewhere is a great way to learn. That we have been doing and will continue to do.

PROSPECTS

In 2007 and much of 2008, many Mainland residential developers invaded the commercial real estate space. That forced us to stop buying land for almost two and a half years. The global economic crisis which started in mid 2008 reversed that, and those developers had to beat the drum of retreat as they fought for survival. In the past year or so, we have entered into another phase where competition has returned. It is fortuitous that we have had a head start in negotiating several pieces and are hopeful that some of them will materialize in the coming year or two. Nevertheless, there is no denying that just as regulations for land acquisition keep evolving, so does the competitive landscape. These dictate that our thinking and actions must adjust. I will expound more at fiscal year-end, and it suffices here to give one example.

There is a tendency for the size of each plot of city center commercial land to become bigger than those seen in the past. When we bought in 1992 the 5.1-hectare lot in Shanghai which is now The Grand Gateway, people were surprised by its huge dimensions. The 9.2-hectare Shenyang Forum 66 piece purchased in 2006 was probably among the largest at the time. Even the 5.4-hectare Wuxi Center 66 (comprising the two pieces we bought respectively in 2006 and 2009) was already considered not small.

Moving forward, however, we now regularly see land of at least that size. Moreover, such a big plot cannot be for a stand-alone; it must be for a mixed use development comprising commercial and office elements. That implies that the plot ratio is higher, often well above 4 such as between 7 and 9. Coupled with ever increasing unit land price due mainly to the cost of relocating existing tenants, the amount of money required to buy such a piece has escalated. That, I suppose, also argues for the further shoring up of our balance sheet.

Mixed used development is a model with which we are familiar. Afterall, our two projects in Shanghai both fall into that category, as do Shenyang Forum 66 and Wuxi Center 66. That however does not mean that we will not do more stand-alone malls such as Shenyang Palace 66, Jinan Parc 66, Dalian Olympia 66 and Tianjin Riverside 66. We are equally at ease with both product types.

For our rental portfolio, I expect that income in the second half of the fiscal year will be substantially similar to that of the first. As always it is hard to predict whether we will sell Hong Kong completed apartments. We will watch the market carefully and will act accordingly.

I am pleased to confirm that Jinan Parc 66 will open in late August this year. This huge mall of 170,000 square meters is already over 85% leased up and I expect full occupancy at opening.

Our new Managing Director Philip Chen has settled in well; he has quickly and successfully climbed the learning curve and has begun to significantly contribute to all aspects of the Company. It is fair to say that management has greatly strengthened under his leadership. At fiscal year end, I will provide more detail.

Ronnie C. Chan
Chairman
Hong Kong, January 26, 2011

OVERVIEW

For the six months to December 31, 2010, net profit attributable to shareholders decreased by 81% to HK$3,418 million from 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 recorded in the previous period contributed by the sale of 425 The HarbourSide units. On the other hand, our property leasing business continued to grow. Profit generated by our Mainland properties grew 15% to HK$929 million during the period while the Hong Kong portfolio achieved a profit growth of 12% to HK$1,143 million. A revaluation gain of HK$2,297 million was also recorded for the period. When excluding revaluation gain and its related deferred tax and non-controlling interests, underlying net profit attributable to shareholders decreased by 77% to HK$1,275 million.

The Board of Directors has declared an interim dividend of HK17 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 income and profit growth in the improving economic climate after the financial crisis. Total rental income and profits both grew by 13% to HK$2,518 million and HK$2,072 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 grew 9% and 12% to HK$1,387 million and HK$1,143 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 the occupancy rate of the office towers at Plaza 66 maintained at 98%, their 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 19% to HK$1,131 million and 15% to HK$929 million, respectively. The Mainland now accounted for 45% 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$1,839 million compared to HK$4,734 million in the previous period.

Our Mainland portfolio of investment properties recorded a total valuation gain of HK$423 million against HK$4,094 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$2,297 million compared to HK$16,159 million in the comparable period in 2009.

FINANCE

In November 2010, the Group 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.

The Group continued to maintain a strong balance sheet. With the funds raised through the share placement exercise, the Group had net cash amounting to HK$12,481 million at the balance sheet date. Together with committed undrawn banking facilities of HK$10,207 million, it had ample capacity to finance various projects under development on the Mainland.

OUTLOOK

With our abundant financial capacity and a highly skilled and experienced team, the Group is well positioned to complete existing development projects and continue to build up its land bank on the Mainland for future growth.

The Group will continue to monitor the Hong Kong residential market closely and release 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 eleven members, comprising five Executive Directors and six Independent Non-Executive Directors. There is a clear division of responsibilities between the Chairman and the Managing Director (Chief Executive Officer). The Board continues to review its practices from time to time, 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 five Independent Non-Executive Directors. Members meet on a regular basis to review human resources issues, such as significant changes in the salary structure as well as terms and conditions of 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 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 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)

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:

		The Company (Long Position)			*Hang Lung Group Limited (Long Position)*		
Name of Directors	Capacity	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	—	—	32,070,000	—	—	11,790,000
S.S. Yin	—	—	—	—	—	—	—
Philip N.L. Chen	Personal	—	—	10,000,000	—	—	—
Ronald J. Arculli	Personal & Corporate	724,346	0.02	—	1,089,975	0.08	—
H.K. Cheng	—	—	—	—	—	—	—
Laura L.Y. Chen	—	—	—	—	—	—	—
P.W. Liu	Personal & Family	100,000	—	—	—	—	—
Dominic C.F. Ho	—	—	—	—	—	—	—
William P.Y. Ko	Personal	—	—	22,730,000	30,000	—	994,000
Henry T.Y. Yiu	Personal	—	—	4,600,000	170,000	0.01	50,000
H.C. Ho	Personal	—	—	2,600,000	—	—	—

Notes

1. Movements of Options under the Share Option Scheme of the Company

Date Granted	Name	No. of Shares under Option: As at 1/7/2010	Granted during the Period	Exercised during the Period	As at 31/12/2010	Exercise Price per Share (HK$)	Vested Dates	Expiry Date
20/5/2004	Ronnie C. Chan William P.Y. Ko Henry T.Y. Yiu	5,090,000 1,330,000 200,000	— — —	— — —	5,090,000 1,330,000 200,000	$9.20	20/5/2005 : 25% 20/5/2006 : 25% 20/5/2007 : 25% 20/5/2008 : 25%	19/5/2014
1/9/2005	William P.Y. Ko	500,000	—	—	500,000	$12.35	1/9/2006 : 25% 1/9/2007 : 25% 1/9/2008 : 25% 1/9/2009 : 25%	31/8/2015
14/11/2006	Henry T.Y. Yiu	500,000	—	—	500,000	$16.75	14/11/2007 : 10% 14/11/2008 : 20% 14/11/2009 : 30% 14/11/2010 : 40%	13/11/2016
20/11/2006	Ronnie C. Chan William P.Y. Ko	2,000,000 3,700,000	— —	— —	2,000,000 3,700,000	$17.14	20/11/2007 : 10% 20/11/2008 : 20% 20/11/2009 : 30% 20/11/2010 : 40%	19/11/2016
21/8/2007	Ronnie C. Chan William P.Y. Ko	3,640,000 2,600,000	— —	— —	3,640,000 2,600,000	$25.00	21/8/2008 : 10% 21/8/2009 : 20% 21/8/2010 : 30% 21/8/2011 : 40%	20/8/2017
21/8/2007	Ronnie C. Chan William P.Y. Ko	5,600,000 4,000,000	— —	— —	5,600,000 4,000,000	$25.00	21/8/2009 : 10% 21/8/2010 : 20% 21/8/2011 : 30% 21/8/2012 : 40%	20/8/2017
18/8/2008	Henry T.Y. Yiu	150,000	—	—	150,000	$23.72	18/8/2010 : 10% 18/8/2011 : 20% 18/8/2012 : 30% 18/8/2013 : 40%	17/8/2018
1/9/2008	H.C. Ho	300,000*	—	—	300,000	$24.20	1/9/2010 : 10% 1/9/2011 : 20% 1/9/2012 : 30% 1/9/2013 : 40%	31/8/2018
31/12/2008	Ronnie C. Chan William P.Y. Ko Henry T.Y. Yiu H.C. Ho	9,240,000 6,600,000 300,000 300,000*	— — — —	— — — —	9,240,000 6,600,000 300,000 300,000	$17.36	31/12/2010 : 10% 31/12/2011 : 20% 31/12/2012 : 30% 31/12/2013 : 40%	30/12/2018
8/2/2010	Ronnie C. Chan William P.Y. Ko Henry T.Y. Yiu	6,500,000 4,000,000 3,450,000	— — —	— — —	6,500,000 4,000,000 3,450,000	$26.46	8/2/2012 : 10% 8/2/2013 : 20% 8/2/2014 : 30% 8/2/2015 : 40%	7/2/2020
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

2. Movement of Options under the Share Option Scheme of Hang Lung Group Limited

		No. of Shares under Option					
Date Granted	Name	As at 1/7/2010	Exercised during the Period	As at 31/12/2010	Exercise Price per Share (HK$)	Vested Dates	Expiry Date
20/5/2004	Ronnie C. Chan	5,090,000	—	5,090,000	$9.45	20/5/2005 : 25%	19/5/2014
	William P.Y. Ko	494,000	—	494,000		20/5/2006 : 25%	
	Henry T.Y. Yiu	50,000	—	50,000		20/5/2007 : 25%	
						20/5/2008 : 25%	
20/11/2006	Ronnie C. Chan	6,700,000	—	6,700,000	$20.52	20/11/2007 : 10%	19/11/2016
	William P.Y. Ko	500,000	—	500,000		20/11/2008 : 20%	
						20/11/2009 : 30%	
						20/11/2010 : 40%	

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

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 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:

		No. of Shares or Underlying Shares Held		% of Issued Capital	
Name	*Note*	Long Position	Short Position	Long Position	Short Position
Chan Tan Ching Fen	*1*	2,214,005,670	—	49.59	—
Cole Enterprises Holdings Limited	*1*	2,214,005,670	—	49.59	—
Merssion Limited	*1*	2,214,005,670	—	49.59	—
Hang Lung Group Limited	*2*	2,185,672,570	—	48.96	—
Prosperland Housing Limited	*3*	1,267,608,690	—	30.60	—
Purotat Limited	*3*	354,227,500	—	8.55	—
Artio Global Management LLC	*4*	228,659,000	—	5.12	—

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. Cole Enterprises Holdings Limited and Merssion Limited held 37% interests in Hang Lung Group Limited ("HLGL"). The shares held by HLGL and its subsidiaries were included in the above-mentioned number of 2,214,005,670.

2. HLGL was deemed to be interested in the shareholdings held by its subsidiaries, namely 1,267,608,690 shares held by Prosperland Housing Limited, 354,227,500 shares held by Purotat Limited, and 563,836,380 shares held by other subsidiaries.

3. The 1,267,608,690 shares held by Prosperland Housing Limited and the 354,227,500 shares held by Purotat Limited were included in the above-mentioned number of 2,185,672,570 shares held by HLGL.

4. These shares were held in the capacity of investment manager.

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 Properties Limited

(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 Properties 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	2,521	9,733
Other income		89	17
Direct costs and operating expenses		(447)	(2,561)
Administrative expenses		(327)	(280)
Operating profit before change in fair value of investment properties		1,836	6,909
Increase in fair value of investment properties	8(b)	2,297	16,159
Operating profit after change in fair value of investment properties		4,133	23,068
Finance costs	4	(43)	(29)
Share of profits of jointly controlled entities		60	116
Profit before taxation	3(a) & 4	4,150	23,155
Taxation	5(a)	(502)	(4,113)
Profit for the period		3,648	19,042
Attributable to:			
Shareholders		3,418	18,150
Non-controlling interests		230	892
		3,648	19,042
Earnings per share	7(a)		
Basic		$0.80	$4.38
Diluted		$0.79	$4.33

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		3,648	19,042
Other comprehensive income	5(b)		
Exchange difference arising from translation of overseas subsidiaries		1,352	(12)
Total comprehensive income for the period		5,000	19,030
Total comprehensive income attributable to:			
Shareholders		4,652	18,138
Non-controlling interests		348	892
		5,000	19,030

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)
Non-current assets			
Fixed assets			
Investment properties	8	84,036	80,965
Investment properties under development	8	19,056	15,326
Other fixed assets		176	163
		103,268	96,454
Interest in jointly controlled entities		968	934
Other assets	9	851	3
Deferred tax assets		26	25
		105,113	97,416
Current assets			
Cash and deposits with banks	11	24,565	11,535
Trade and other receivables	10	348	1,494
Properties for sale		5,899	5,855
		30,812	18,884
Current liabilities			
Bank loans	12	5,600	1,480
Trade and other payables	13	2,926	3,076
Taxation payable		1,100	1,132
		9,626	5,688
Net current assets		21,186	13,196
Total assets less current liabilities		126,299	110,612

	Note	31/12/2010 $Million	30/6/2010 $Million (Restated)
Non-current liabilities			
Bank loans	12	6,484	4,978
Finance lease obligations		104	168
Deferred tax liabilities		8,039	7,679
		14,627	12,825
NET ASSETS		111,672	97,787
Capital and reserves			
Share capital	14	4,468	4,159
Reserves		102,281	88,946
Shareholders' equity		106,749	93,105
Non-controlling interests		4,923	4,682
TOTAL EQUITY		111,672	97,787

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								
	Note	Share capital $Million	Share premium $Million	Capital redemption reserve $Million	Exchange reserve $Million	Employee share-based compensation reserve $Million	Retained profits $Million	Total $Million	Non-controlling interests $Million	Total equity $Million
At 1 July 2010, as previously reported		4,159	21,879	2,066	1,604	373	57,863	87,944	4,682	92,626
Impact of change in accounting policy	2	–	–	–	–	–	5,161	5,161	–	5,161
At 1 July 2010, restated		4,159	21,879	2,066	1,604	373	63,024	93,105	4,682	97,787
Profit for the period		–	–	–	–	–	3,418	3,418	230	3,648
Exchange difference arising from translation of overseas subsidiaries		–	–	–	1,234	–	–	1,234	118	1,352
Total comprehensive income for the period		–	–	–	1,234	–	3,418	4,652	348	5,000
Final dividends in respect of previous year		–	–	–	–	–	(2,252)	(2,252)	–	(2,252)
Issue of shares		309	10,869	–	–	–	–	11,178	–	11,178
Employee share-based payments		–	80	–	–	(17)	3	66	–	66
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	(4)	(4)
Repayment to non-controlling interests		–	–	–	–	–	–	–	(103)	(103)
At 31 December 2010		4,468	32,828	2,066	2,838	356	64,193	106,749	4,923	111,672

		Shareholders' equity								
	Note	Share capital $Million	Share premium $Million	Capital redemption reserve $Million	Exchange reserve $Million	Employee share-based compensation reserve $Million	Retained profits $Million	Total $Million	Non-controlling interests $Million	Total equity $Million
At 1 July 2009, as previously reported		4,146	21,721	2,066	1,397	287	38,421	68,038	3,292	71,330
Impact of change in accounting policy	2	–	–	–	–	–	3,856	3,856	—	3,856
At 1 July 2009, restated		4,146	21,721	2,066	1,397	287	42,277	71,894	3,292	75,186
Profit for the period (restated)		–	–	–	–	–	18,150	18,150	892	19,042
Exchange difference arising from translation of overseas subsidiaries		–	–	–	(12)	–	–	(12)	–	(12)
Total comprehensive income for the period		–	–	–	(12)	–	18,150	18,138	892	19,030
Final dividends in respect of previous year		–	–	–	–	–	(2,115)	(2,115)	–	(2,115)
Issue of shares		1	21	–	–	–	–	22	–	22
Employee share-based payments		–	6	–	–	43	4	53	–	53
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	(4)	(4)
Repayment to non-controlling interests		–	–	–	–	–	–	–	(34)	(34)
At 31 December 2009		4,147	21,748	2,066	1,385	330	58,316	87,992	4,146	92,138

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		1,832	6,951
(Increase)/Decrease in properties for sale		(39)	1,881
Other changes in working capital		1,201	(3,991)
Cash generated from operations		2,994	4,841
Income tax paid		(373)	(926)
Net cash generated from operating activities		2,621	3,915
Net cash used in investing activities		(10,104)	(2,191)
Net cash generated from/(used in) financing activities		14,285	(372)
Increase in cash and cash equivalents		6,802	1,352
Effect of foreign exchange rate change		378	–
Cash and cash equivalents at 1 July		11,535	8,931
Cash and cash equivalents at 31 December	11(a)	18,715	10,283

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:

		Effective for accounting periods beginning on or after
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 at 1 July 2010 by $5,161 million (2009: $3,856 million) 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 $310 million (2009: $799 million) and $0.07 (2009: $0.19) 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	2009	2010	2009
	$ Million	$ Million	$ Million	$ Million (Restated)
Segment				
Property leasing				
– Hong Kong	1,387	1,269	1,143	1,022
– Mainland China	1,131	953	929	811
	2,518	2,222	2,072	1,833
Property sales				
– Hong Kong	3	7,511	2	5,339
Segment total	2,521	9,733	2,074	7,172
Other income			89	17
Administrative expenses			(327)	(280)
Operating profit before change in fair value of investment properties			1,836	6,909
Increase in fair value of investment properties			2,297	16,159
– property leasing in Hong Kong			1,839	4,734
– property leasing in mainland China			458	11,425
Finance costs			(43)	(29)
Share of profits of jointly controlled entities			60	116
Profit before taxation			4,150	23,155

3. TURNOVER AND SEGMENT INFORMATION (continued)

(b) Total assets by segments

	Total assets	
	31/12/2010	30/6/2010
	$ Million	$ Million (Restated)
Segment		
Property leasing		
– Hong Kong	52,849	50,927
– Mainland China	50,748	45,781
	103,597	96,708
Property sales		
– Hong Kong	5,918	7,095
Segment total	109,515	103,803
Interest in jointly controlled entities	968	934
Other assets	851	3
Deferred tax assets	26	25
Cash and deposits with banks	24,565	11,535
Total assets	135,925	116,300

4. PROFIT BEFORE TAXATION

	2010 $Million	2009 $Million
Profit before taxation is arrived at after charging:		
Finance costs		
Interest on borrowings	85	67
Other borrowing costs	14	27
Total borrowing costs	99	94
Less: Borrowing costs capitalized	(56)	(65)
	43	29
Cost of properties sold	–	1,865
Staff costs, including contribution to retirement schemes of $19 million (2009: $15 million)	430	296
Depreciation	9	6
and after crediting:		
Interest income	79	17

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	111	949
China Income Tax	230	199
	341	1,148
Deferred tax		
Change in fair value of investment properties	115	2,857
Other origination and reversal of temporary differences	46	108
	161	2,965
	502	4,113

(b) There is no tax effect relating to the component 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: 17 cents (2009: 17 cents) per share	760	705

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 54 cents (2009: 51 cents) per share	2,252	2,115

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)	3,418	18,150

	2010 Number of shares (Million)	2009 (Million)
Weighted average number of shares used in calculating basic earnings per share	4,252	4,146
Effect of dilutive potential shares - share options	61	44
Weighted average number of shares used in calculating diluted earnings per share	4,313	4,190

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	3,418	18,150
Effect of changes in fair value of investment properties	(2,297)	(16,159)
Effect of corresponding deferred tax	115	2,857
Effect of change in fair value of investment properties of jointly controlled entities	(40)	(100)
	(2,222)	(13,402)
Non-controlling interests	79	760
	(2,143)	(12,642)
Underlying net profit attributable to shareholders	1,275	5,508

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

	2010	2009
Basic	$0.30	$1.33
Diluted	$0.30	$1.31

8. INVESTMENT PROPERTIES AND INVESTMENT PROPERTIES UNDER DEVELOPMENT

(a) Additions

During the period, additions in investment properties and investment properties under development amounted to $3,355 million (2009: $2,225 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 $2,297 million (2009: $16,159 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	37	1,255
1 - 3 months	5	4
Over 3 months	1	1
	43	1,260

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 in November 2010 which generated net proceeds of $10,896 million, cash and deposits with banks increased substantially to $24,565 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	24,565	10,283
Less: Bank deposits with maturity greater than three months	(5,850)	–
Cash and cash equivalents in the condensed consolidated cash flow statement	18,715	10,283

(b) At 31 December 2010, the Group had cash and deposits with banks of $24,565 million (30 June 2010: $11,535 million) with currency denominated in:

	31/12/2010 $ Million	30/6/2010 $ Million
Renminbi	16,750	1,786
Hong Kong Dollars	5,547	6,773
United States Dollars	2,268	2,976
	24,565	11,535

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 $10,207 million (30 June 2010: $13,201 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	1,233	1,451
Due after 3 months	557	190
	1,790	1,641

14. SHARE CAPITAL

	Number of issued shares (Million)	Amount of share capital ($ Million)
Issued and fully paid		
Shares of $1 each		
At 1 July 2010	4,159	4,159
Issue of shares		
– from placement (Note)	294	294
– under share option scheme	15	15
At 31 December 2010	4,468	4,468

Note:

In November 2010, 294 million shares of $1 each were issued at $37.48 per share which were fully paid in cash.

14. SHARE CAPITAL (continued)

Share Option Scheme

At 31 December 2010, the directors and employees had the following interests in share options of the Company granted at nominal consideration under the share option scheme of the Company. Each share option gives the holder the right to subscribe for one share.

The movements of share options during the period are as follows:

	Number of share options						
Date granted	Outstanding on 1 July 2010	Granted	Exercised	Lapsed	Outstanding on 31 December 2010	Period during which options are exercisable	Exercise price (HK$)
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
Total	138,665,000	12,900,000	(15,303,000)	(842,000)	**135,420,000**		

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 closing prices of the shares 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 immediately before the dates of exercise by the employees during the period was $35.20 (2009: $28.16).

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

14. SHARE CAPITAL (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:

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 $ Million	30/6/2010 $ Million
Guarantees given to banks to secure credit facilities drawn by subsidiaries	12,151	6,522

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	17,230	16,452
	21,109	20,619

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

A fellow subsidiary of the Company contributed funds as capital investment to a subsidiary of the Company for the development of Plaza 66, a property in Shanghai. The amount outstanding at 31 December 2010 was $46 million (30 June 2010: $144 million).

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 as at 31 December 2010	HK$ Million
Turnover	2,521
Net profit attributable to shareholders	3,418
Total assets	135,925
Shareholders' equity	106,749
Per share data	
Earnings – Basic	$0.80
– Diluted	$0.79
Interim dividend	17¢
Net assets (including non-controlling interests)	$25.0
Shareholders' equity	$23.9
Gearing ratio (note 1)	0%
Pay-out ratio	21.3%
Number of shares issued (in million)	4,468

Underlying Results as at 31 December 2010	HK$ Million
Underlying net profit attributable to shareholders (note 2)	1,275
Per share data	
Underlying earnings (note 3) – Basic	$0.30
– Diluted	$0.30

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 non-controlling 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 non-controlling 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.

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, 4,468,334,670 shares of HK$1.00 each are listed on The Stock Exchange of Hong Kong Limited. It has a sponsored American Depositary Receipt (ADR) Program in the New York market.

STOCK CODE

The Stock Exchange of Hong Kong Limited	00101
Reuters	0101.HK
Bloomberg	101 HK
Ticker Symbol for ADR Code	HLPPY
CUSIP reference number	41043M104

SHARE INFORMATION

Share price as at December 31, 2010: HK$36.35
Market capitalization as at December 31, 2010: HK$162.42 billion

SHARE REGISTRARS

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