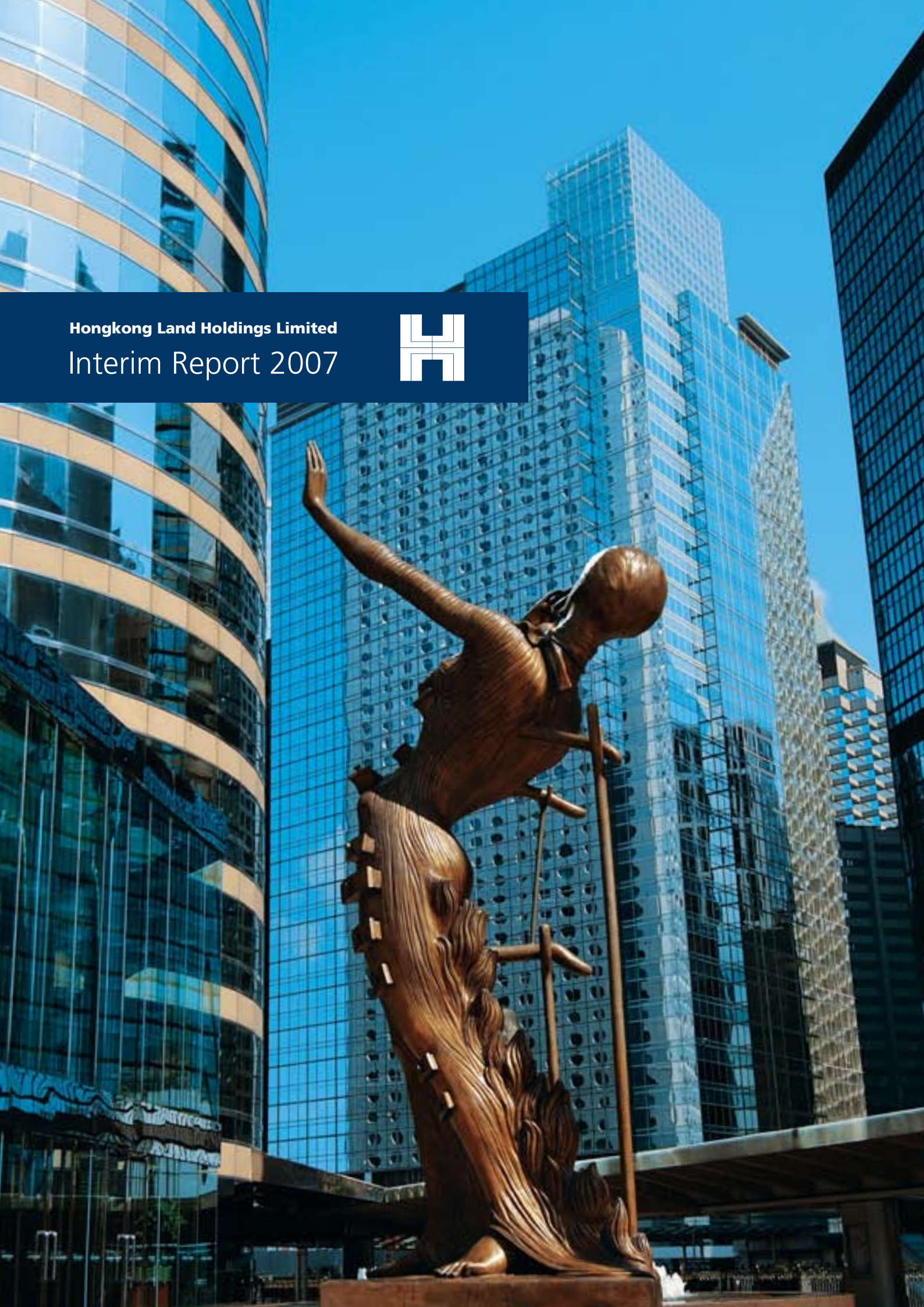


Hongkong Land Holdings Limited
Interim Report 2007





Hongkong Land is a leading property investment, management and development group with a major portfolio in Hong Kong, where it owns and manages some five million sq. ft of prime office and retail space in the heart of the Central business district. Established in 1889, the Company's business is built on partnership, integrity and excellence.

The Group also develops high quality commercial and residential property projects elsewhere in Asia. It holds a 77% shareholding in Singapore-listed residential property developer, MCL Land, and is expanding its portfolio of commercial property interests in Singapore's prime business district. These assets and investments are managed from Hong Kong by Hongkong Land Limited, which provides services to Group companies.

Hongkong Land Holdings Limited is incorporated in Bermuda with its primary share listing in London. The Company's shares are also listed in Bermuda and Singapore. Hongkong Land is a member of the Jardine Matheson Group.

Salvador Dali's 'Woman Aflame' (front cover), the most recent addition to the Hongkong Land art collection, is now on display in The Landmark.



Jardines

A member of the Jardine Matheson Group

Highlights

- Positive rental reversions drive growth in earnings and assets
- High levels of pre-sales in residential projects
- Adjusted net assets per share[#] up 11%

Results

	(unaudited) Six months ended 30th June		Change %
	2007 US\$m	2006 US\$m	
Underlying profit attributable to shareholders	155	117	32
Profit attributable to shareholders	1,202	923	30
Shareholders' funds	10,209	9,197*	11
Adjusted shareholders' funds [#]	12,150	10,922*	11
Net debt	2,322	2,312*	–
	US¢	US¢	%
Underlying earnings per share	6.73	5.26	28
Earnings per share	52.35	41.49	26
Cash flow per share	10.06	1.66	506
Interim dividend per share	4.00	3.00	33
	US\$	US\$	%
Net asset value per share	4.45	4.01*	11
Adjusted net asset value per share [#]	5.29	4.76*	11

* At 31st December 2006

[#]In preparing the Group's financial statements under International Financial Reporting Standards ('IFRS'), the fair value model for investment properties has been adopted. In accordance with this model, the Group's investment properties have been included at their open market value as determined by independent valuers. As there is no capital gains tax in territories where the Group has significant leasehold investment properties, no tax would be payable if those properties were to be sold at the amounts included in the financial statements. In relation to leasehold investment properties, however, IFRS require deferred tax on any revaluation amount to be calculated using income tax rates. This is in contrast to the treatment for the revaluation element of freehold properties where IFRS require capital gains tax rates to be used.

As Management considers that the Group's long leasehold investment properties have very similar characteristics to freehold property, the adjusted shareholders' funds and adjusted net asset value per share information is presented on the basis that would be applicable if the leasehold properties were freeholds. The adjustments made add back the deferred tax provided in the financial statements as this would not have been provided if the properties were freeholds. See note 12.

Chairman's Statement

Overview

Robust commercial property markets in Hong Kong and Singapore in the first half of 2007 enabled Hongkong Land to achieve good growth in underlying earnings and to record a further increase in capital values. Progress was also made in the Group's development projects in key Asian centres.

Performance

Underlying profit rose 32% to US\$155 million in the first half of the year due to higher net rental income and reduced financing charges. The contribution from residential property, however, was marginally lower than in the first half of 2006.

The independent valuation of the Group's commercial property investment portfolio at the end of June produced a 10% increase in the value of the portfolio. The revaluation surplus net of deferred tax taken to the profit and loss account was US\$955 million, compared with US\$759 million in the first half of 2006, leading to reported profit of US\$1,202 million, up 30%.

The Directors have declared an increased interim dividend of US\$4.00 per share, up 33%.

Group Review

Hong Kong

In Hong Kong, firm demand for prime Central district office space, generated primarily by the financial services sector, remains underpinned by continuing tight supply. Vacancy in the Group's office portfolio at the end of June had fallen to 3%, and the Group's most recent development, York House, is being let progressively at premium rents in a rising market. The sale of the Group's non-core investment property at 1063 King's Road was completed in February.

Demand for prime retail space in Hong Kong is being supported by new brands entering the market and existing tenants seeking to expand. The Group's portfolio in Central is a beneficiary of this trend and is fully leased.

Construction of the Group's two residential development projects at Victoria Road and Tai Hang Road is progressing.

Singapore

The strength of the financial services sector is also driving demand for high quality office space in Singapore. One Raffles Quay, developed by a consortium in which Hongkong Land holds a one-third interest, was fully let on completion in October last year and is now established as the leading office building in Singapore's prime business district. Construction is under way at Marina Bay Financial Centre, which is being developed by the same consortium, with phased completion scheduled for 2010 and 2011 and some 45% of the Phase I office space already pre-committed.

Foundation work has been completed for Phase I of Marina Bay Residences. All 428 units have been pre-sold, and planning has started for the residential tower in Phase II.

MCL Land launched three residential projects in Singapore during the first half of 2007, and virtually all units have been pre-sold. It also secured three additional sites that have added some 522,000 sq. ft of developable gross floor area to its portfolio. The level of MCL Land's profit recognition on development projects in 2007 will depend on whether the 421-unit The Calrose completes before the year end or in early 2008.

Mainland China

The third phase of Central Park, a 40%-owned joint venture residential development in Beijing, has been completed. Pre-selling of the 490 units in the final phase, which is currently under construction, is under way. In Chongqing, site formation and foundation work for the first phase of the residential development at Bamboo Grove, a 50%-owned joint venture, has been completed and the pre-selling of the 650 units is due to begin in the second half of 2007.

Macau

Construction of One Central Macau, a retail, residential and hotel development project in which the Group has a 49% interest, is proceeding well. Pre-leasing of the retail space has met with an excellent response, and over 96% of the 796 residential units have been pre-sold. The remaining units are being held for sale closer to project completion, which is due in 2009.

Finance

Net debt at 30th June 2007 was US\$2.3 billion. Although the average net debt during the period was little changed from the first half of 2006, financing costs were lower due to higher interest income earned on US dollar cash deposits.

Outlook

The outlook for the remainder of the year is encouraging as the Group will continue to benefit from positive rental reversions in its key markets.

Simon Keswick

Chairman

7th August 2007

Consolidated Profit and Loss Account

	Note	(unaudited)		Year ended
		Six months ended 30th June		31st December
		2007	2006	2006
		US\$m	US\$m	US\$m
Revenue	2	392.9	208.0	555.9
Cost of sales		(187.3)	(48.4)	(197.5)
Gross profit		205.6	159.6	358.4
Other income		0.8	21.1	23.0
Administrative and other expenses		(20.3)	(14.9)	(33.7)
		186.1	165.8	347.7
Increase in fair value of investment properties		1,161.9	914.4	1,952.6
Asset impairment provisions, reversals and disposals	3	1.3	(6.5)	(5.8)
Operating profit	4	1,349.3	1,073.7	2,294.5
Net financing charges		(22.7)	(37.4)	(72.3)
Share of results of joint ventures excluding change in fair value of investment properties		15.8	2.3	0.9
Share of change in fair value of investment properties of joint ventures		91.9	53.7	49.8
Share of results of joint ventures	5	107.7	56.0	50.7
Profit before tax		1,434.3	1,092.3	2,272.9
Tax	6	(231.0)	(167.5)	(365.5)
Profit after tax		1,203.3	924.8	1,907.4
Attributable to:				
Shareholders of the Company		1,201.6	923.4	1,900.9
Minority interests		1.7	1.4	6.5
		1,203.3	924.8	1,907.4
		US¢	US¢	US¢
Earnings per share	7			
– basic		52.35	41.49	85.31
– diluted		50.49	39.92	82.35

Consolidated Balance Sheet

		(unaudited) At 30th June	2006 US\$m	At 31st December 2006 US\$m
	Note	2007 US\$m		
Net operating assets				
Tangible assets	8			
Investment properties		12,754.9	10,752.8	11,650.7
Others		13.5	13.0	13.1
		12,768.4	10,765.8	11,663.8
Joint ventures		1,260.5	846.5	894.5
Other investments		16.1	13.4	16.1
Deferred tax assets		2.0	0.7	0.5
Pension assets		14.2	10.7	13.9
Other non-current assets		30.7	9.2	22.9
Non-current assets		14,091.9	11,646.3	12,611.7
Properties for sale		843.5	641.8	800.3
Debtors, prepayments and others		233.5	192.0	208.0
Bank balances		1,062.6	832.1	1,166.5
		2,139.6	1,665.9	2,174.8
Non-current assets classified as held for sale	9	11.3	–	188.8
Current assets		2,150.9	1,665.9	2,363.6
Creditors and accruals		(535.5)	(384.3)	(403.4)
Current borrowings	10	(113.1)	(288.6)	(116.8)
Current tax liabilities		(39.4)	(19.2)	(25.8)
		(688.0)	(692.1)	(546.0)
Liabilities directly associated with non-current assets classified as held for sale	9	(0.6)	–	(3.0)
Current liabilities		(688.6)	(692.1)	(549.0)
Net current assets		1,462.3	973.8	1,814.6
Long-term borrowings	10	(3,271.6)	(2,956.4)	(3,361.9)
Deferred tax liabilities		(1,942.6)	(1,555.6)	(1,739.6)
Other non-current liabilities		(26.4)	(5.3)	(21.3)
		10,313.6	8,102.8	9,303.5
Total equity				
Share capital		229.5	229.5	229.5
Revenue and other reserves		9,979.5	7,853.5	8,967.8
Own shares held		–	(77.7)	–
Shareholders' funds	11	10,209.0	8,005.3	9,197.3
Minority interests		104.6	97.5	106.2
		10,313.6	8,102.8	9,303.5

Consolidated Statement of Recognised Income and Expense

	(unaudited)		Year ended
	Six months ended 30th June	2006	31st December
	2007	2006	2006
	US\$m	US\$m	US\$m
Net exchange translation differences	(32.2)	6.2	22.3
Actuarial gains on defined benefit pension plans	–	–	3.5
Revaluation of other investments			
– fair value gains	–	–	2.7
– reversal of loss on business combination	–	0.6	0.6
Gains/(losses) on cash flow hedges	1.6	(13.4)	(24.7)
Tax on items taken directly to equity	(1.0)	1.6	2.4
Net (expense)/income recognised directly in equity	(31.6)	(5.0)	6.8
Transfer to consolidated profit and loss account on disposal of other investments	–	–	(3.0)
Transfer to consolidated profit and loss account in respect of cash flow hedges	2.4	5.1	9.1
Profit after tax	1,203.3	924.8	1,907.4
Total recognised income and expense for the period	1,174.1	924.9	1,920.3
Attributable to:			
Shareholders of the Company	1,172.4	923.5	1,913.8
Minority interests	1.7	1.4	6.5
	1,174.1	924.9	1,920.3

Consolidated Cash Flow Statement

	Note	(unaudited)		Year ended
		Six months ended 30th June	2006	31st December
		2007	2006	2006
		US\$m	US\$m	US\$m
Operating activities				
Operating profit		1,349.3	1,073.7	2,294.5
Depreciation		0.5	0.4	1.2
Negative goodwill on acquisition of a subsidiary		–	(14.1)	(14.1)
Increase in fair value of investment properties		(1,161.9)	(914.4)	(1,952.6)
Asset impairment provisions, reversals and disposals		(1.3)	6.5	5.8
Decrease/(increase) in working capital		77.3	(81.1)	(198.4)
Interest received		49.5	35.5	66.2
Interest and other financing charges paid		(65.3)	(59.6)	(121.8)
Tax paid		(5.8)	(5.4)	(12.5)
Dividends received		0.4	6.3	15.0
Cash flows from operating activities		242.7	47.8	83.3
Investing activities				
Major renovations expenditure		(11.8)	(10.9)	(33.5)
Development capital expenditure		(7.3)	(26.5)	(40.1)
Purchase of a subsidiary	14	–	(237.8)	(237.8)
Investments in and loans to joint ventures		(255.2)	(115.4)	(167.3)
Disposal of joint ventures and other investments		0.6	0.7	1.5
Disposal of an investment property		168.6	–	18.9
Cash flows from investing activities		(105.1)	(389.9)	(458.3)
Financing activities				
Drawdown of bank loans		230.3	425.7	571.5
Repayment of bank loans/notes		(309.2)	(218.8)	(193.1)
Disposal of own shares held		–	–	268.5
Dividends paid by the Company		(159.2)	(125.5)	(199.1)
Dividends paid to minority shareholders		(3.6)	(2.7)	(2.7)
Cash flows from financing activities		(241.7)	78.7	445.1
Effect of exchange rate changes		1.8	2.5	3.7
Net (decrease)/increase in cash and cash equivalents		(102.3)	(260.9)	73.8
Cash and cash equivalents at beginning of period		1,163.7	1,089.9	1,089.9
Cash and cash equivalents at end of period		1,061.4	829.0	1,163.7

Notes

1 Accounting policies and basis of preparation

The unaudited interim condensed financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting.

In 2007, the Group adopted the following Standards and interpretations to existing Standards which are relevant to its operations:

IFRS 7	Financial Instruments: Disclosures
Amendment to IAS 1	Capital Disclosures
IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 10	Interim Financial Reporting and Impairment

There have been no changes to the accounting policies described in the 2006 annual financial statements as a result of adoption of the above Standards and interpretations.

2 Revenue

	Six months ended 30th June	
	2007 US\$m	2006 US\$m
By business		
Commercial property		
Rental income	206.7	159.9
Service income	47.8	47.0
	254.5	206.9
Residential property		
Rental income	1.3	1.1
Sales of residential properties	137.1	–
	138.4	1.1
	392.9	208.0

Service income in Commercial property includes service and management charges and hospitality service income.

3 Asset impairment provisions, reversals and disposals

	Six months ended 30th June	
	2007 US\$m	2006 US\$m
Other asset impairment provision	–	(7.2)
Other asset impairment reversals	1.3	0.7
	1.3	(6.5)
By business		
Commercial property	0.7	(7.2)
Corporate	0.6	0.7
	1.3	(6.5)

4 Operating profit

	Six months ended 30th June	
	2007 US\$m	2006 US\$m
By business		
Commercial property	201.4	158.7
Residential property	0.1	17.6
Corporate	(15.4)	(10.5)
	186.1	165.8
Increase in fair value of investment properties	1,161.9	914.4
Asset impairment provisions, reversals and disposals (see Note 3)	1.3	(6.5)
	1,349.3	1,073.7

Notes

5 Share of results of joint ventures

	Six months ended 30th June	
	2007 US\$m	2006 US\$m
By business		
Commercial property	89.9	50.2
Residential property	17.8	5.8
	107.7	56.0

Results are shown after tax and minority interests.

6 Tax

	Six months ended 30th June	
	2007 US\$m	2006 US\$m
Current tax	20.6	9.8
Deferred tax		
– changes in fair value of investment properties	206.9	155.6
– other temporary differences	3.5	2.1
	231.0	167.5

Tax on profits is provided at the rates of taxation prevailing in the territories in which the Group operates. The Group has no tax payable in the United Kingdom.

7 Earnings per share

Basic earnings per share are calculated on profit attributable to shareholders of US\$1,201.6 million (2006: US\$923.4 million) and on the weighted average number of 2,295.2 million (2006: 2,225.6 million which excluded 69.6 million shares in the Company held by a wholly-owned subsidiary) shares in issue during the period.

Diluted earnings per share are calculated on profit attributable to shareholders of US\$1,211.4 million (2006: US\$930.0 million), which is after adjusting for the effects of the conversion of convertible bonds, and on the weighted average number of 2,399.1 million (2006: 2,329.5 million) shares in issue during the period.

Earnings per share are additionally calculated based on underlying profit attributable to shareholders. A reconciliation of profit is set out below:

	Six months ended 30th June					
	2007			2006		
	US\$m	Basic earnings per share US¢	Diluted earnings per share US¢	US\$m	Basic earnings per share US¢	Diluted earnings per share US¢
Underlying profit attributable to shareholders	154.5	6.73		117.1	5.26	
Revaluation surpluses of investment properties	1,161.9			914.4		
Deferred tax charges on revaluation surpluses of investment properties	(206.9)			(155.6)		
Share of revaluation surpluses of investment properties of joint ventures (net of deferred tax)	91.9			53.7		
Asset impairment provisions, reversals and disposals	1.3			(6.5)		
Share of asset disposals of joint ventures	0.4			0.5		
Minority interests	(1.5)			(0.2)		
Profit attributable to shareholders	1,201.6	52.35		923.4	41.49	
Interest expense on convertible bonds (net of tax)	9.8			6.6		
Profit for calculation of diluted earnings per share	1,211.4		50.49	930.0		39.92

Notes

8 Tangible assets

	Six months ended 30th June		Year ended
	2007	2006	31st December
	US\$m	US\$m	2006
			US\$m
Net book value at beginning of period	11,663.8	9,791.0	9,791.0
Exchange rate adjustments	(61.7)	(4.1)	(0.5)
New subsidiary	–	25.9	25.9
Additions	15.9	39.3	85.2
Depreciation	(0.5)	(0.4)	(1.2)
Disposals	(1.2)	(0.3)	(0.3)
Net revaluation surplus	1,161.9	914.4	1,952.6
Classified as non-current assets held for sale	(9.8)	–	(187.8)
Transfer to properties for sale	–	–	(1.1)
Net book value at end of period	12,768.4	10,765.8	11,663.8

9 Non-current assets classified as held for sale

The non-current assets classified as held for sale at 30th June 2007 were related to an investment property situated in Malaysia, which is expected to be sold during the year.

10 Borrowings

	At 30th June		At
	2007	2006	31st December
	US\$m	US\$m	2006
	US\$m	US\$m	US\$m
Current			
Bank overdrafts	1.2	3.1	2.8
Short-term borrowings	38.4	57.9	103.2
Current portion of long-term borrowings	73.5	227.6	10.8
	113.1	288.6	116.8
Long-term borrowings			
Bank loans	1,385.3	1,108.6	1,467.7
7% United States Dollar bonds due 2011	614.0	617.1	617.2
5.5% United States Dollar bonds due 2014	474.7	467.1	487.5
3.01% Singapore Dollar notes due 2010	209.5	195.8	206.7
3.65% Singapore Dollar notes due 2015	243.2	231.4	242.2
2.75% United States Dollar convertible bonds due 2012	344.9	336.4	340.6
	3,271.6	2,956.4	3,361.9
	3,384.7	3,245.0	3,478.7
Secured	221.2	134.9	242.1
Unsecured	3,163.5	3,110.1	3,236.6
	3,384.7	3,245.0	3,478.7
Hong Kong Dollar	1,780.0	2,068.0	2,099.6
Singapore Dollar	1,257.5	837.3	1,035.4
United States Dollar	347.2	339.7	343.6
Vietnamese Dong	–	–	0.1
	3,384.7	3,245.0	3,478.7

Notes

11 Shareholders' funds

	Six months ended 30th June		Year ended
	2007	2006	31st December
	US\$m	US\$m	2006
			US\$m
At beginning of period	9,197.3	7,215.3	7,215.3
Recognised income and expense attributable to shareholders of the Company	1,172.4	923.5	2,104.6
Dividends (see Note 13)	(160.7)	(133.5)	(200.3)
Disposal of own shares held	–	–	77.7
At end of period	10,209.0	8,005.3	9,197.3

12 Net asset value per share

Net asset value per share is calculated on shareholders' funds of US\$10,209.0 million (2006: US\$8,005.3 million) and on 2,295.2 million (2006: 2,225.6 million which excluded 69.6 million shares in the Company held by a wholly-owned subsidiary) shares issued at the period end.

Net asset value per share is additionally calculated based on adjusted shareholders' funds. The difference between shareholders' funds and adjusted shareholders' funds is reconciled as follows:

	At 30th June		At 31st December
	2007	2006	2006
	US\$m	US\$m	US\$m
Shareholders' funds	10,209.0	8,005.3	9,197.3
Deferred tax on revaluation surpluses of investment properties	1,904.9	1,524.7	1,708.1
Share of deferred tax on revaluation surpluses of investment properties of joint ventures	35.8	17.3	16.7
Adjusted shareholders' funds	12,149.7	9,547.3	10,922.1

13 Dividends

	Six months ended 30th June	
	2007	2006
	US\$m	US\$m
Final dividend in respect of 2006 of US¢7.00 (2005: US¢6.00) per share	160.7	137.7
Less dividends paid on the shares held by a wholly-owned subsidiary	–	(4.2)
	160.7	133.5

An interim dividend in respect of 2007 of US¢4.00 (2006: US¢3.00) per share amounting to a total of US\$91.8 million (2006: US\$68.9 million) is declared by the Board and will be accounted for as an appropriation of revenue reserves in the year ending 31st December 2007.

14 Purchase of a subsidiary

Net cash outflow in 2006 was related to the acquisition of 77.4% interest in MCL Land Limited.

15 Cash flow per share

Cash flow per share is based on cash flows from operating activities less major renovations expenditure amounting to US\$230.9 million (2006: US\$36.9 million) and is calculated on the weighted average of 2,295.2 million (2006: 2,225.6 million which excluded 69.6 million shares in the Company held by a wholly-owned subsidiary) shares in issue during the period.

16 Capital commitments and contingent liabilities

	At 30th June		At 31st December
	2007	2006	2006
	US\$m	US\$m	US\$m
Capital commitments	99.1	117.2	64.6
Contribution to joint ventures	761.2	717.7	1,060.3

Various Group companies are involved in litigation arising in the ordinary course of their respective businesses. Having reviewed outstanding claims and taking into account legal advice received, the Directors are of the opinion that adequate provisions have been made in the financial statements.

Shareholder Information

Dividend

The interim dividend of US\$4.00 per share will be payable on 24th October 2007 to shareholders on the register of members at the close of business on 31st August 2007. The ex-dividend date will be on 29th August 2007, and the share registers will be closed from 3rd to 7th September 2007, inclusive. Shareholders will receive their dividends in United States Dollars, unless they are registered on the Jersey branch register where they will have the option to elect for Sterling. These shareholders may make new currency elections by notifying the United Kingdom transfer agent in writing by 5th October 2007. The Sterling equivalent of dividends declared in United States Dollars will be calculated by reference to a rate prevailing on 10th October 2007. Shareholders holding their shares through The Central Depository (Pte) Limited ('CDP') in Singapore will receive United States Dollars unless they elect, through CDP, to receive Singapore Dollars.

Press releases and other financial information of the Group can be accessed through the Internet at 'www.hkland.com'.

Hongkong Land Holdings Limited

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