



Charting COURSES

揉合專注規劃，
運籌為握。



前排：集團主席陳啟宗先生
後排右至左：執行董事－袁偉良先生，何世良先生及吳士元先生

Chairman – front row: Mr. Ronnie Chichung Chan
Executive Directors – back row from right: Mr. Nelson Wai Leung Yuen,
Mr. Wilfred Sai Leung Ho and Mr. Terry Sze Yuen Ng

主席報告

Chairman's Statement

致各股東

業績及股息

截至二零零三年六月三十日止財政年度之營業額為二十一億四千二百五十萬元，減少百分之十點一；普通股股東應佔純利為十億一千零一十萬元，較上年度下降百分之十六點三。每股普通股盈利為三角五仙，較上年度減少百分之十六點三。

董事局建議派發末期股息每股普通股二角九仙，而全年度每股普通股股息總額將為四角，兩者均與上年度之股息金額相同。

業務回顧

本人在去年度致各股東之函件內，曾以頗多篇幅，論述本人對地產業短期前景之謹慎看法，以及對其較長期前景之樂觀態度。於確實黑暗之時刻中，本人提出「一線希望」，而今天本人對此看法之信心更勝一年前。本人於當時所未能預料者，乃香港及東亞其他地方會於春季時受到沙士（嚴重急性呼吸系統綜合症）之衝擊，此病毒性之傳染病進一步拖延了地產業之復蘇，幸好如今已成過去。只要沙士不會如部份衛生專家所警告於年底再度爆發，本人相信對地產業而言，最惡劣之情況經已過去。

但過去十二個月之市況仍甚為艱困。住宅價格平均下跌近兩成，而在沙士爆發期內，物業銷售確實銷聲匿跡，租金收入受損。本集團為香港最受沙士打擊之住宅區之底層商舖物業之業主，除須提供免租外，並須付出開支以抗禦該疾病及於期後振興旗下商場之生意；所有該等措施均付諸行動及卓有成效。

To Our Shareholders

Results and Dividends

For the fiscal year ended 30 June 2003, turnover decreased 10.1% to \$2,142.5 million. Net profit attributable to ordinary shareholders was \$1,010.1 million, 16.3% lower than last year. Earnings per ordinary share was 35 cents, representing a decrease of 16.3% over last year.

Your Board recommends a final dividend of 29 cents per ordinary share and total dividends for the year will be 40 cents per ordinary share. Both are the same as last year.

Business Review

In my letter to shareholders last year, I devoted considerable coverage to both my short term caution as well as longer term optimism for the real estate industry. At a time which was dark indeed, I suggested "a ray of hope". Today I am more confident of that than a year ago. What I could not have anticipated then was that during the spring, Hong Kong, together with the rest of East Asia, would be hit with SARS (Severe Acute Respiratory Syndrome). The viral epidemic has further delayed recovery of the industry but is fortunately now behind us. Provided that the outbreak does not reoccur towards the end of the year as some health experts have warned, I believe the worst should be behind us as far as the property sector is concerned.

But for the past 12 months, things were still very difficult. On average, residential prices fell by almost 20%. During the SARS outbreak, property sales were virtually non-existent and rental income was hurt. Being owner of the retail complex right below the worst hit residential estate in Hong Kong, we had to grant free rents, incur expenses to combat the disease, and afterwards to revive the shopping mall. All these were done and done well.

鑑於市道呆滯，本集團決定把所有由本集團佔大比重權益之新項目押後銷售。本集團之財政狀況穩健，並非如頗多競爭對手般持有大量虧本發展項目，故本集團並不急於作出銷售。令本集團對此進一步下定決心者，乃本集團相信樓價應已見底、或最低限度非常接近見底；近期之市況為本集團帶來更大之希望。

本集團位於香港之商舖物業之租出率為百分之九十四點三，寫字樓物業之租出率為百分之九十一點二。租金收入及利潤總額均略高於去年度之水平。位於上海之物業，其情況令人更為鼓舞，現佔本集團租金利潤總額約百分之十五。

於去年本月份，本集團向股東建議收購格蘭酒店集團所有股份，其當時為本集團之母公司恒隆集團之上市附屬公司。兩個月後，該項交易獲幾乎所有獨立股東（即恒隆集團以外之股東）一致通過。本集團於二月二十五日完成強制性收購格蘭酒店集團餘下之股份，後者成為本公司之全資附屬公司，其A股和B股股份於同日在香港聯合交易所撤銷上市。

該項收購之理念明顯。本集團一直希望能擴大旗下之租賃物業組合，但在過去十年來，礙於市場內甚少優質物業出售而未能成事。透過是項交易，本集團實質上以合理之價錢購入約六萬五千平方米之優質商業物業—寫字樓（即前身之雅蘭酒店）及服務式寓所（即康蘭酒店）。

此外，上述兩間酒店底層之購物商場本已由本集團擁有。該項交易讓本集團有機會統一兩幢大廈之全部業權，此舉可方便未來之重

Given market lethargy, we decided to hold back sales of all majority-owned new projects. With a healthy financial position, and unlike a good number of our competitors that have an abundance of money-losing developments, we are not in a hurry to sell. The resolve is further underpinned by our belief that prices should have bottomed, or are at least very close to it. Market trends of late have given us even greater hope.

Occupancy rate for our retail space in Hong Kong was 94.3% and for offices, 91.2%. Total rents collected as well as profit therefrom were both slightly above last year's levels. The picture in Shanghai was considerably more encouraging. It now accounts for about 15% of the group's total rental profit.

A year ago this month, we proposed to shareholders to acquire all the shares of Grand Hotel Holdings (GHH) which was a fellow publicly listed subsidiary of our parent Hang Lung Group. Two months later, the transaction was almost unanimously approved by independent (i.e. non Hang Lung Group) shareholders. On February 25, we completed compulsory acquisition of the remaining shares in GHH which became a wholly-owned subsidiary of the Company. On the same day, both A and B shares of GHH were withdrawn from being listed in the Hong Kong Stock Exchange.

The rationale for the acquisition was obvious—it has always been our desire to expand our rental portfolio. The frustration over the past decade was that few high quality properties were for sale. The essence of the present transaction was that we purchased at a reasonable price about 65,000 square meters of prime commercial space—offices in the case of the former Grand Tower Hotel and service apartments in the case of Grand Plaza Hotel.

Moreover, we already owned the shopping malls at the podiums of the two hotels. The transaction gave us the opportunity to unify title of both buildings. This will facilitate future redevelopment or

建或出售。現時該等酒店房間正進行改建工程，以配合其相關之新用途。

本集團之上海業務有甚大之發展。港匯廣場方面，本集團持有其商場業權作為長線投資，而另一方面，本集團之母公司恒隆集團則在其供出售之辦公室大樓及住宅物業持有股份。

該項目約一年前已決定作全面發展。這涉及興建樓面面積合共達十二萬四千平方米之兩幢辦公室大樓、達三萬二千三百平方米之另一幢住宅大廈，以及近兩萬平方米之一幢服務式寓所大廈。此等新物業加上原有之購物商場及一幢住宅大廈，將令港匯廣場之總樓面面積合共約達三十一萬平方米。

恒隆廣場現已開始興建樓面面積達八萬一千四百平方米之第二幢辦公室大樓。該物業約於三年內落成，屆時恒隆廣場將擁有近十六萬平方米、在上海首屈一指之寫字樓物業。連同現有之購物商場在內，該項目落成後之總樓面面積將達二十一萬一千平方米。

本集團位於上海之現有商舖物業基本上已全部租出。上海乃中國內地蓬勃發展之商業都會，該兩個項目均已成為上海之地標，令本集團感到欣喜。港匯廣場位於人煙稠密之浦西舊區，而浦西乃上海約八成五市民所聚居之地；港匯廣場不僅為浦西最大、更有可能是最多顧客人流之購物商場。至於恒隆廣場之購物商場，可能是全球各地著名時裝品牌最薈萃之地；該商場租戶之生意額甚為理想，這對彼等和本集團均屬重要。恒隆廣場上蓋之辦公室大樓，乃全上海最優質之寫字樓物業，其租戶陣容有如環球商界精英錄，

sale. Conversions from hotel rooms to their respective new usage are now underway.

Much has happened to our operations in Shanghai. In The Grand Gateway, our ownership interest is in the shopping center held for long term investment. Our parent Hang Lung Group on the other hand owns shares in the offices and the residential towers which are for sale.

About a year ago, we decided to build out the project. That entails two office towers totaling 124,000 square meters, the remaining residential block of 32,300 square meters, as well as a service apartment building of almost 20,000 square meters. These will complement our existing shopping mall and one residential tower, giving the entire complex a total floor area of about 310,000 square meters.

At Plaza 66, we have started to construct the second office block of 81,400 square meters. Once completed in about three years, we will have a total of almost 160,000 square meters of the best offices in Shanghai. Adding to it the retail center, the completed project will have 211,000 square meters.

All of our existing rental space in Shanghai are basically fully let. We are gratified that both of our projects have become landmarks in that thriving commercial capital of mainland China. The Grand Gateway is not only the biggest but also likely the most frequented shopping center in all of Puxi, the crowded old part of the city where about 85% of its citizens live. The retail mall at Plaza 66 boasts the highest concentration of world renowned fashion brand names probably anywhere in the world. Our tenants are trading well, a fact which is important to both them and us. The office block above is of the highest quality in all of Shanghai and the tenant roster reads like who's-who of global business. Coupled with its prestigious location, rents received are among the highest

加上其地點優越，故其租金水平位居上海寫字樓物業最高之列。事實上，該物業之租金單位基數現已較香港可供相比之寫字樓物業為高！

同樣愜意者乃港匯廣場之控股公司基本上已鎖定其現正興建之兩幢辦公室大樓其中一幢之銷售，買家為本集團在該項目之其中一名前合作夥伴。彼將向餘下股東支付一億二千四百萬美元現金作為有關代價，該筆款項應足以支付港匯廣場完成其項目所需之費用；再者，該名將離開之夥伴已放棄其在合營公司之所有股份。因此，本公司之股權已由百分之四十七點二五增加至百分之六十六點二八，此最後一點意味著本公司可在購物商場分享更多租金收入而受惠。

在剛過去之年度，本集團亦致力改善公司管治及加強管理。董事局已在原有之執行委員會（由四名執行董事組成）及審核委員會（僅由非執行董事組成）以外，加設一個提名及薪酬委員會。董事局更決定增加非執行董事之數目，惟物色適當人選並非易事。董事局亦已增加開會次數，並會保持此項做法。

去年九月，本公司執行董事吳士元先生除原先之財務及行政管理外，亦兼任本集團所有租賃業務之管理工作；此乃管理層於吳士元先生加盟時已議定之部署。本人欣然歡迎伍綺琴女士加盟本公司為高級行政人員。伍女士前為香港聯交所上市科高級總監，現為本公司負責掌管財務之助理董事。

in the city. In fact, unit rent is at present higher than comparable space in Hong Kong!

Equally pleasing is the fact that the holding company of The Grand Gateway has basically locked in the sale of one of the two office towers being built. The purchaser is one of our former joint venture partners in the project. The consideration to be paid to the remaining shareholders is US\$124 million cash which should be sufficient to complete the project. The departing partner had further yielded all of its shares in the joint venture company. As a result, our shareholding has risen from 47.25% to 66.28%. This last point means that your Company benefits from the extra rents collected from the shopping mall.

In the past year, we have also paid much attention to improving corporate governance and strengthening management. The Board has established a Nomination and Remuneration Committee in addition to the existing Executive Committee (comprising the four executive directors) and Audit Committee (comprising only non-executive directors). The Board has further decided to increase the number of non-executive directors, although finding appropriate people is not easy. The frequency of board meetings has also risen and will remain that way.

Last September, Mr. Terry S.Y. Ng, our executive director in charge of finance and administration has taken on added responsibility to oversee all rental activities. This was a move contemplated by top management when Terry first joined. I am pleased to welcome Ms. Estella Ng to our senior management team. Coming from the Hong Kong Stock Exchange where she was Senior Vice President, Listing Division, she is now our Assistant Director in charge of finance.

本公司維持穩健之財務狀況，透過掌握每個機會，不僅得以降低平均借貸成本，更成功延長貸款之還款期。本公司正透過妥善部署以取得下一輪之增長。

展望

自一九九七年年中迄今，吾人經歷了六年顛簸之歲月。雖然過往吾等亦曾目睹香港出現多次之經濟下滑，但論嚴重程度和為時之長，很少能與今次相比；更糟者乃政治方面罕見如斯之持續動盪。唯一力挽狂瀾之因素乃北京不僅一直嚴守不干預香港政治及政策之立場，而國家領導人如今眼見香港之政治問題因經濟疲弱而加劇，故更加倍積極回應中港加強經濟合作之訴求。

舉例而言，作為「內地與香港關於建立更緊密經貿關係的安排」（或稱「更緊密經貿關係安排」）之一部份，過往必須參加旅行團方能來港旅行之多個中國內地富裕省市居民，如今可自行來港旅遊。彼等可隨時來港（每次行程為期七天），次數可隨彼等所喜歡，並可攜帶為過往兩倍以上之現金。正如本集團位於上海之恒隆廣場購物商場之成功所引證，中國內地實有許多富戶，彼等可來港及協助推動香港經濟。該項新政策實施僅數星期後，香港已感受其利好影響。在本集團擁有多項物業之傳統購物區例如旺角和銅鑼灣等地，其零售業特別受惠；甚至有傳言謂部份訪港中國旅客正購置物業。本人相信須進一步放寬有關條例，此項現象才會普及。

然而，吾等可預期其他即將制定之條例將對地產業帶來裨益。與內地更緊密之地理連繫亦將有助，舉例而言，連接香港西北部和邊境以北之深圳蛇口市之首條大橋已剛動工，

The Company's financial position remains healthy, as we take every opportunity not only to lower our average borrowing cost but also to lengthen loan maturity. We are positioning ourselves for the next round of growth.

Prospect

Since mid-1997, we have had six tumultuous years. Although we have seen many economic downturns, few can be compared to the present one both in terms of severity and duration. Worse yet, the prolonged political turmoil has seldom been observed in Hong Kong. The only redeeming feature is that whereas Beijing has been disciplined not to meddle in local politics and policies, it is now much more willing to yield to our requests for better economic cooperation, as national leaders watch the weak economy compound our political problems.

For example, as part of the Closer Economic Partnership Arrangement (or CEPA), Chinese citizens from several wealthy cities and provinces who previously must join groups to visit Hong Kong as tourists, can now come as individuals. They can arrive anytime (for 7 days each trip), and as often as they like. The amount of cash they can bring has been doubled and more. As success of the mall at Plaza 66 in Shanghai testifies, there are many well-to-do mainlanders who can come and help boost our economy. After only a few weeks of the new policy, Hong Kong is already feeling the impact. Retail in traditional shopping districts such as Mongkok and Causeway Bay where we have a strong presence are especially benefited. There are even rumors that some of the visitors are buying properties. I believe that regulations will have to be relaxed further before such a phenomenon can become prevalent.

Nevertheless, we can expect other legislations to be soon enacted which will be beneficial to our industry. Closer physical ties with the mainland will also help. For example, the construction of the first bridge linking our territory's northwest with Shekou in

並將於二零零五年落成。至於第二條更長之大橋，將連接香港、澳門和珠江三角洲西岸之珠海市，可能很快便會動工，其落成時間可能早至二零零八年，屆時大橋行車時間只需約二十分鐘。所有這些發展均對香港和中國之經濟有利。

然而，並非所有消息均令人贊同。本集團雖然支持政府於去年十一月公布刺激樓市之大部份措施，但該等措施亦帶來頗多不明朗因素，特別是政府停止賣地為期十三個月、至今年十二月方屆滿之措施實有問題。此舉不僅令本集團等少數未有受困於昂貴土地存貨之發展商無法補充土地儲備，亦令較長期之規劃不再可行。倘政府只消大筆一揮便可引入如此扭曲市場之措施，則其亦可同樣輕率地把該等措施延長或加入新猷。這令本集團更傾向於增加內地投資，亦是促成本集團決定全面發展上海兩個現有項目之肇因之一。於同一時間開發三幢總樓面面積合共達二十萬五千五百平方米之辦公室大樓、以及兩幢住宅大廈（如上文所述其中一幢屬服務式寓所），並非偶然之巧合。待該等項目落成後，本集團位於上海與香港之投資物業，其規模幾乎看齊，而本集團卻已在香港耕耘逾四十年。

倘香港政府之政策仍然不可預測，本集團未來會在內地作出更多發展。每家公司之財政資源及風險承受力均有限度，一旦到了極限便需時予以補充。這當然並非代表本集團會在內地魯莽行事或放棄香港，曾閱讀本人過往致股東函件之人士定必知道，本人對在祖國營商甚為小心謹慎，而本集團在可見之將來仍會保持此一取向。

Shenzhen north of the border has just started. It will be completed by 2005. A second and much longer bridge connecting us to Macau and Zhuhai on the west bank of the Pearl River estuary may begin soon. Once completed possibly as early as 2008, it will only take around 20 minutes to cross it. All these are good for our economy as well as theirs.

Not all news, however, are agreeable. While we support most of the government's initiatives announced last November to lift the real estate market, considerable uncertainties have also been introduced. In particular, the decision to stop the sales of government land for 13 months until this December is problematic. Not only are the few of us not stuck with expensive inventory unable to replenish our land banks, longer term planning is also no longer possible. If the government can introduce such market-distorting measures with the stroke of a pen, it can with equal ease prolong them or add new ones. This has strengthened our leaning towards investing more in the mainland, and has contributed to our decision to build out both existing projects in Shanghai. Simultaneously starting three large office towers totaling 205,500 square meters as well as two residential blocks (one of which is a service apartment, as explained before) is not inconsequential. Once completed, we will have almost as much investment properties in Shanghai as in Hong Kong where we have labored for over four decades.

If Hong Kong government policies remain unpredictable, we may do even more in the mainland in the future. Every company has limited financial resources as well as appetite for risks. Once they are exhausted, time will be required to replenish them. This of course does not mean that we will be careless in the mainland or give up Hong Kong. Those who have read my past letters must know that I am extremely cautious in our motherland. We will remain so in the foreseeable future.

正如本人在去年所詳述，管理層對香港地產業之較長期前景抱審慎樂觀態度。管理層將一如過往，耐心等待良機，不因每次短暫之市場變化而失方寸。基於此原故，本集團年與年間之利潤可能會出現差距，但本集團在內地之業務最低限度可望填補部份之空隙。

近期而言，本集團將集中精力為香港項目爭取最佳之銷售成果。未來兩至三年應為美好之歲月，因本集團可望在升市之環境下銷售物業。在過往十年，能如本集團窺準市道變化之地產商甚少，而本集團定必全神貫注以維持此佳績。根據一項研究所得，倘九家發展商手頭上之所有物業發展項目按今天低沉之價格售出，彼等將合共錄得六百億至七百億元左右之虧損，本集團慶幸並非彼等其中之一。誠然，本集團亦有犯錯，但與其他發展商相比，程度可謂微不足道，而本集團亦已就該等錯誤完全作出撇賬。

本集團感到欣喜者，乃市場並無忽視此等事實。自地產市道於一九九七年見頂迄今，本公司之股價顯著跑贏所有大型地產股。本公司亦是所有大型地產股中，股息收益率最高者之一，僅次於母公司恒隆集團，故提供了最佳之總回報。所有此等因素應可讓股東放心，管理層於未來歲月將繼續竭盡所能為股東創值。

於結束本報告前，本人必須概述本集團之員工於今年春季沙士爆發期間之英勇表現，否則本人難辭疏忽之咎。本人於上文曾提及，由本集團管理並仍擁有其商場物業之淘大花園，乃香港住宅／商舖物業中最受沙士打擊者。釀成該悲劇之原因乃多項不幸事件之匯集，而此等事件概與該處之設計、建築或管理無關。當時之首要急務乃遏止該傳染病之

As I have written at length last year, management is cautiously optimistic about the longer term future of our industry in Hong Kong. We will as before be patient to wait for good opportunities and will not jump at every short lived market movement. As a result, there may be gaps in our profit from year to year, but hopefully our operations in the mainland will fill at least some of them.

In the immediate term, we will concentrate on achieving best results in selling our Hong Kong projects. The next two to three years should be good ones as we hopefully sell into a rising market. In the past decade, few have read the market as accurately as we have, and we have every intention to continue that track record. According to one study, nine developers might have made losses totaling some \$60-70 billion if all development projects on hand are sold at today's depressed prices. We are fortunate not to be part of that group. To be sure, we too have made mistakes but the magnitude is minuscule compared to others, and we have already written them off.

We are gratified that these facts have not been lost to the market. Since the property market peaked in 1997, we have significantly outperformed every major real estate counter in terms of share price performance. We also consistently have one of the highest dividend yields of all major property companies second only to our parent Hang Lung Group, thus yielding the best total return. All that should give our shareholders comfort that your management will make every effort to continue to create value for shareholders in the years to come.

Before closing, I would be remiss not to mention the heroic performance of our staffs during the SARS outbreak last spring. As alluded to earlier, Amoy Gardens which was the hardest hit of any residential/retail complex in Hong Kong was managed by us, and we still own the shopping center. It was the convergence of several unfortunate events, none of which were specific to the design, construction or management of the place, which had

傳播及了解為何淘大花園特別受影響，而金錢方面之考慮已置諸一旁。本集團之員工由執行董事以至許多清潔工人及保安員，均日復一日、週而復始地冒着生命危險和精神困擾在該處勞碌工作。

有關之政府官員亦應記一功。本人永不會忘記該週日下午，香港行政長官董建華先生就沙士在淘大花園傳播而致電本人家中，其後本人之同事聯同衛生福利及食物局局長楊永強醫生所領導之公務人員，攜手共同找尋問題之源頭。

從所有方面而言，本集團之員工均極為稱職。於該事件結束後，彼等之盡忠職守及出色才幹深獲外界認同，吾等接獲由淘大花園業主委員會主席所發出之函件，表達其溫馨之謝忱；最值得告慰者乃本集團之僱員幸無一人感染該疾病。

當為受害者悲傷之際，吾人亦應感謝各英雄英雄。當中部份人士已獲社會嘉許，吾等對他們予以表揚。同樣，吾等亦應向許多未獲歌頌之人士致敬，其中在本公司工作者為數不少。他們或如你我一樣，不外凡夫俗子，但當面對危及生命之環境時，卻能奮勇迎抗，盡顯光輝。本人知道，列位股東會與本人一起，向彼等致以敬意及謝忱。

主席
陳啟宗

香港，二零零三年八月二十八日

caused the tragedy. Financial considerations were overshadowed by the all-consuming need to contain the epidemic and to learn why this property was particularly affected. Day after day and week after week, our staff—from executive directors to the many cleaners and security guards—labored on site under tremendous risks to life as well as mental duress.

Credit should also go to the relevant government officials. I will never forget that Sunday afternoon when, anticipating the spread of the problem at Amoy Gardens, Hong Kong's Chief Executive Mr. Tung Chee Hwa called me at home. Thereafter, my staff together with civil servants under the leadership of our Secretary for Health, Welfare and Food Dr. E.K. Yeoh worked hand in hand to identify the source of the problem.

By all accounts, our staffs have done an excellent job. External confirmation of their loyalty and competence came after the incidence when we received a warm letter of appreciation from the chairperson of Amoy Gardens Owners Committee. Ultimate gratification, however, was derived from the fact that none of our employees contracted the disease.

While mourning the victims, we should also thank the heroes and heroines. Some of them are recognized by the community and we laud them. Equally, we should salute the many unsung ones, a good number of whom are working in your Company. They may very well be ordinary folks (like you and me), but they have risen to the occasion and have shone when confronted with life threatening circumstances. I know that our shareholders will join me in paying them respect and gratitude.

Ronnie C. Chan

Chairman

Hong Kong, 28 August 2003