

# Chairman's Statement

## 主席報告

- Net profit attributable to shareholders grew 48.3% to HK\$6,845.4 million.
- Embarking on an ambitious strategy to become a leading shopping center developer and owner in China.
- 股東應佔純利增加百分之四十八點三，達港幣六十八億四千五百四十萬元。
- 展開鴻圖大計，致力成為一家在中國居於領導地位之購物商場發展商及業主。



## TO OUR SHAREHOLDERS

### Results and Dividend

Starting this year, new accounting standards dictate that revaluation surpluses or deficits of investment properties together with related deferred taxes, if applicable, must be recognized in the income statement. These are non-cash items. In the past, the former goes into a reserve account on the balance sheet so there is no issue with the latter. Given these changes, last year's accounts are restated accordingly so comparisons with latest results are meaningful.

Turnover for the fiscal year ending 30 June 2005 rose 53.4% to HK\$6,955.3 million while net profit attributable to ordinary shareholders grew 48.3% to HK\$6,845.4 million. Earnings per ordinary share was 194.8 cents, representing an increase of 27.2% over the year before. When excluding the revaluation gain and its deferred tax, the underlying net profit advanced by 23.4% from HK\$2,065.0 million to HK\$2,548.6 million and the earnings per ordinary share by 5.8% to 72.5 cents.

## 致各股東

### 業績及股息

由本年度起，新會計準則規定，收益表必須計入投資物業之重估盈餘或虧損及有關的遞延稅項（倘適用）。此等為非現金項目，前者於過去列入資產負債表之儲備賬，故以往對後者並無影響。由於該等改變，去年度之賬項已重新編列，令其與本年度之業績可作有意義之比較。

截至二零零五年六月三十日止財政年度之營業額為港幣六十九億五千五百三十萬元，上升百分之五十三點四。普通股股東應佔純利為港幣六十八億四千五百四十萬元，增加百分之四十八點三。每股普通股盈利為一元九角四點八仙，較去年上升百分之二十七點二。倘不計入重估盈餘及有關的遞延稅項，基本純利增長百分之二十三點四，由港幣二十億六千五百萬元增至港幣二十五億四千八百六十萬元；每股普通股盈利增長百分之五點八，達七角二點五仙。

The Board recommends a final dividend of 37 cents per ordinary share which is 12.1% higher than last year. If approved, total dividends for the full year will be 50 cents per ordinary share, representing an increase of 13.6% from that of the year before.

## Business Review

One effect of the new accounting standards is that there may be big swings in the reported profit from year to year. Since your Company has a significant amount of rental properties, the consequences can be stark. For this reason, results from the underlying business operations will also be presented.

### Strategic Initiative

The past year is a watershed in the history of the Company. The purchase of a huge piece of land in Tianjin in January signaled the beginning of phase two of our mainland investments. It also moves us closer to becoming a leading shopping center developer and owner in China.

Soon after taking over the chairmanship of your board of directors in January 1991, I sold off all assets outside of Hong Kong, namely North America, Southeast Asia and Australia, and concentrated on our home city. Towards the end of 1992, we bought our first piece of land on the mainland. In the ensuing twelve years, we concentrated on one city alone – Shanghai – and built up a valuable investment portfolio. In the year under review, it accounted for almost one quarter of total rental profits. (Since development gains in Hong Kong were strong, Shanghai only accounted for some 12% of total profit.)

Whereas I had stated publicly that the Company would from now on look for projects in both Hong Kong and the mainland, it was also undeniable that about two years ago, management became increasingly convinced that we must strengthen our capability on the mainland. A strategic decision was made that while concentrating so far on Shanghai alone was the right course to take, it was time to look beyond. There are two factors in our considerations – a push factor and a pull factor.

First, the push factor has two aspects relating respectively to Hong Kong and Shanghai. There is little doubt that these two cities will for decades to come remain two of the three most dynamic metropolises in China, with the other being Beijing. In Hong Kong, we are fortunate to be among the ten or twelve biggest real estate companies. In terms of both market capitalization and profitability, we rank around number three among the pure property counters. According to a study done by a leading U.S. investment bank late last year, we should retain first place in profit margins for development projects for at least a few more years to come.

董事局建議派發末期股息每股普通股三角七仙，較去年度增加百分之十二點一。如獲股東通過，全年度每股普通股股息總額將為五角，較去年度增加百分之十三點六。

## 業務回顧

新會計準則帶來的其中一項影響，乃年與年之間的呈報溢利可能大幅波動。由於本公司持有大量租賃物業，有關影響可能甚為顯著。基於此項原因，本公司會同時呈列各項業務之基本業績。

### 策略性計劃

過去一年乃本公司歷史之分水嶺。本公司於一月份購入天津一幅大型土地，為本公司第二階段之內地投資揭開序幕，並令本公司更接近目標，成為一家在中國居於領導地位之商場發展商及業主。

一九九一年一月，本人接任董事局主席，隨即悉數出售本公司在香港以外(包括北美、東南亞及澳洲等地)之資產，以香港作為本公司之基地。接近一九九二年底，本公司在內地購入首幅土地；並在其後十二年內，專注於一個內地城市——上海，在當地建立了一個珍貴的投資物業組合。回顧年度內，此項組合佔本公司整體租金溢利近四分之一。(由於香港物業發展業務之溢利強勁，故上海業務僅佔本公司整體溢利約百分之十二。)

儘管本人曾公開表示，本公司今後會同時在香港和內地尋找項目，但無可諱言，管理層約兩年前日益相信，吾等必須加強在中國的投資。管理層亦作出策略性決定；本公司過往專注於上海確為適當之舉，但現時確應擴闊視野。管理層考慮了兩大因素——其一為推因，另一為招因。

首先，我們可從香港和上海兩方面分析推因；幾無疑問，未來數十年，這兩個城市仍將為中國三大最具活力都會之二，第三位為北京。本公司有幸成為香港最具規模之十至十二家地產公司之一。按市值及盈利能力計算，本公司在香港純地產上市公司中名列約第三位。根據一家美國主要投資銀行去年年底作出的一項研究顯示，以物業發展項目之邊際利潤來看，本公司未來最少數年仍可穩居榜首。

However, the fact remains that Hong Kong is a matured economy and will in no way grow as fast as major cities on the mainland. Fierce competition here will ensure that profit margins will at best be moderate in the next few years unless a huge bear market like that of 1998-2003 reoccurs. That possibility, in our estimation, is not high. Moreover, opportunities are limited. Hong Kong is but one city, albeit with high unit property prices, and land resources are fought over aggressively by many well capitalized companies like us.

We have no intention whatsoever to give up Hong Kong. Most people do not learn from history, and good buying opportunities will come once a bear market returns. We will be ready as we were in 1999-2000 to pounce on them. During those two years, we bought land that would likely produce profits of over \$10 billion. Fortunately or unfortunately, present market conditions do not seem to offer similar opportunities in the next two to three years.

Then why not invest more in Shanghai, a dynamic market that we already know well? First, we are in the process of constructing approximately 81,400 square meters of top quality offices. Add that to the 231,800 square meters of existing space and we will have a portfolio of about 313,200 square meters in two highly valued commercial projects. Their locations can hardly be surpassed and their quality of design and construction are almost unmatched. They command some of the highest rents in both offices and shopping malls.

Some may think that we are worried about prices peaking in Shanghai. That is not our primary concern. Who knows what prices will be in a few years if we were to buy land today and build. Even if cyclically prices were to peak soon, looking eight to ten years down the road and beyond, I am confident that today's "high" prices will look cheap at that time. There are, however, other considerations which concern us.

Although Shanghai is among the best regulated cities on the mainland, municipal leaders often balk at enforcing existing rules. I can sympathize with them. Shanghainese men and women are very sharp and are always ready to take advantage of opportunities for their own economic benefit.

Take for example the relocation of existing residents to clear the land. There are always families who refuse to accept the officially set compensations and cause pain to both the government and the developer. Not wanting any social disturbances, the easiest way for officials to placate them

然而，香港乃一個成熟經濟地，其增長速度斷難與內地主要城市相比，此乃實情所在。除非類似一九九八年至二零零三年間之巨大熊市重臨，否則，在激烈之競爭下，香港未來數年可提供之邊際利潤，在最佳情況下亦只能處於溫和水平；管理層估計，出現類似熊市的可能性不高。兼且，香港可提供之機會有限。儘管香港物業之單位價格頗高，但香港畢竟只是一個城市，而許多類似本公司擁有良好資金狀況之地產商，正為土地資源而龍爭虎鬥。

本公司絕無任何打算放棄香港。大部份人並沒有以史為鑑，故一旦熊市重臨，購置土地之良機便會出現，而本公司因準備就緒，屆時定可掌握良機。正如一九九九年至二零零零年之兩年內，本公司成功購置之土地，可能為本公司帶來超過一百億元之利潤。幸或不幸也好，現時之情況並未顯示，未來兩年至三年會有同類之良機湧現。

既然本公司熟悉上海，為何不在這個充滿活力之市場增加投資？首先，本公司現正在上海發展頂級寫字樓物業，其樓面面積約達八萬一千四百平方米。連同本公司現已在上海擁有之二十三萬一千八百平方米之物業在內，本公司兩大上海優質商業項目之整體樓面面積，將高達三十一萬三千二百平方米。彼等之地點無可匹敵，其設計和施工質量幾乎無出其右；而與當地同類物業尤其寫字樓和商場物業相比，彼等之租金亦位於榜首之列。

部份人士或以為本公司憂慮上海樓價見頂。此並非本公司之基本關注。倘本公司今天在上海購置土地並進行發展，誰又能知道數年後之樓價水平？縱使上海樓價因週期性因素而行將見頂，但本人有信心，放眼八至十年及更長時間後，今天之所謂「高價」，屆時亦會顯得便宜。然而，上海確有其他因素，令本公司感到關注。

雖然上海乃監管最為完善的內地城市之一，但上海市政府領導人對執行現有法規常抱猶豫態度。本人同情彼等之處境。上海之男士和女士均甚為機靈，善於掌握機會以求己身之福祉。

以清理土地所涉及的原居民拆遷為例，常有家庭拒絕接受法定賠償，令政府和發展商甚為苦惱。為免引起社會擾攘，官員最容易作出的安撫辦法，是要求發展商支付較合約規定為高的賠償；畢竟，在商家立場，時間就是金錢。然而，這些

is to ask the developer to pay more than the pre-agreed sum. After all, time is money to a businessman. However, such actions have emboldened other citizens to follow suit. Together with a number of other similar problems, clearing land becomes prohibitively expensive if not impossible.

A year or two ago, a friendly developer invited us to joint venture with him on an excellently located project. With these and other considerations in mind, we declined. It was good that we did, for we recently heard that after paying hundreds of millions of dollars, he still did not have a vacant site. He was considering to forgo the money already paid and to walk away. This is by no means an isolated case.

This does not mean that we will give up Shanghai for good. Social phenomena like these tend to move in cycles and circumstances may change in a few years. I look forward to the day when we can once again buy vacant land in that wonderful city, recognizing of course that big and well located sites are becoming increasingly rare.

Given the above factors, both Hong Kong and Shanghai seem to be pushing us to look beyond.

There is a powerful pull factor from many Chinese cities. The benefits of continued economic reforms are gradually being felt outside of traditionally prosperous cities like Shanghai, Beijing, Guangzhou and Shenzhen. Many other municipalities with populations over four or five million are poised for economic take-off. Buying land now which is still relatively inexpensive and constructing for the next four years may well bring us to the point where these cities are booming. That prospect is rather enticing to management, especially since we have already gained relevant experiences in Shanghai. Commercial opportunities in China are drawing the attention of the world, and I do not see why developers like us in Hong Kong should not take advantage of them.

Our focus will be on shopping centers to capitalize on growing consumer spending. Not every major city is a good market for high-rise offices, although when appropriate, we will not hesitate to build them. The same is true for high-end residential apartments and hotels in which we also have considerable experiences. Most of our properties will be for long term hold so we must develop products that are competitive in the long run. (That of course does not mean that we will never sell. When conditions are propitious, we will part with properties as our parent company has done in Shanghai with one of the two office towers at The Grand Gateway.)

做法鼓勵了其他居民效尤，而連同其他多項類似問題，令清理土地變成甚為昂貴甚至無法進行的工作。

約一、兩年前，一家友好發展商邀請本公司合作發展一個地點甚佳的項目。經考慮上述問題後，本公司婉拒其邀請。幸好如此，據吾等最近聽聞，該發展商支付了數以億元計的款項後，仍無法辦妥土地清理。彼正考慮放棄該項目，把已付的金錢當作白花。此斷非個別情況。

此言並非意味本公司將放棄上海另行擇木而棲。社會現象每循週期而行，環境在數年間可有改變。本人期望本公司有朝一日，可在這個多姿多采的城市再次購入空置土地，但亦明白上海黃金地段之大型土地已日益罕有。

鑑於上述各項因素，香港和上海似正推動本公司擴闊視野。

同時，許多中國城市正提供強大的招因。持續的經濟改革，為上海、北京、廣州和深圳以外之非傳統富裕城市，帶來日益彰顯的裨益。許多人口達四百萬人或五百萬人以上之其他中國城市，已具備經濟起飛的條件。彼等之土地現價相對上並不昂貴，倘現時在當地購置土地，於未來四年進行施工，可剛好配合該等城市昌盛之時。此發展前景對管理層頗具吸引力，尤其吾等已在上海取得相關之經驗。中國商機正吸引世界注意力，本人看不到有任何原因，類似本公司之香港物業發展商應放過機會。

本公司之業務重點為發展購物商場，以享有消費力持續增長所提供之裨益。高層寫字樓物業未必在每個主要城市均有市道，但倘情況適合，本公司定會發展該類物業。高層住宅物業及酒店物業亦屬同一考慮，本公司對發展該等物業亦擁有豐富經驗。由於本公司擬長線持有大部份有關物業，故必須確保彼等長期享有競爭優勢。(這當然不代表本公司永不出售有關物業。倘條件甚佳，本公司樂意出售，正如母公司把上海港匯廣場兩幢辦公室大樓之其中一幢出售。)

We will invest in at least ten major population centers that have strong purchasing power. In each city, we will identify the biggest piece of land in the best of locations with the lowest possible plot ratio. The combination of these factors, together with world-class design, superior construction, and experienced operational management, should give our developments a good chance of maintaining a leadership position in each place.

There are usually only a few good locations in each city, so we must act now and act fast. In fact, our stringent site selection criteria almost invariably demand that we work closely with local officials to identify, or more likely, assemble plots. From the decision to invest in a city to the time we take possession of the land usually requires one to two years. This highly complicated process demands many skill sets which scares off most domestic and outside developers. However, our experiences of the past two years have shown that it can be done. It is hard work but management believes that the rewards can be very attractive.

Given this strategy and as few auctioned plots meet our minimum criteria, buying vacant land at government auctions is an unlikely alternative. Developing commercial space, especially shopping centers, requires the strictest discipline in site selection which must be considered in conjunction with the design of the superstructure and future operations.

For similar reasons, buying existing buildings is also not our preference. I can hardly think of one completed development in the country that meets our standard. However, we are not religious about this. If cheap enough, we may purchase built out projects which are less than ideal. Ultimately, it is the return on investment that counts, although the long term competitiveness of our portfolio is also extremely important to us.

As in Shanghai, we will engage world-class architects to design visually attractive and even spectacular buildings. We will also engage first rate designers for the interior layout. Since these professionals are more often than not foreigners, we will make use of their expertise but will also add our own local knowledge. After all, we have better in-depth understanding of local market conditions. The formula has worked well for us in Shanghai and should work elsewhere in China.

本公司將在最少十個人口眾多及購買力強勁之主要內地城市作出投資。在每個城市，本公司將找出地點最佳、面積最大及地積比率最低之土地。揉合這些元素，加上世界級設計、卓越施工及富有經驗之運作管理，應可讓本公司之項目有良好機會在每個城市保持領導地位。

每個城市通常僅有少數地點甚佳之土地，故本公司現時必須迅速採取行動。事實上，本公司之嚴謹選地標準，往往決定了本公司須與市政府領導層緊密合作，以物色或更有可能須組合土地。由決定在一個城市作出投資至收取土地，通常需要一至兩年時間。這個過程甚為複雜，要求許多不同技巧，故令大部份本地及外資發展商卻步。然而，本公司過去兩年之經驗顯示此乃可行；工夫雖然吃力，但管理層相信，回報應甚為可觀。

基於此項策略，加上很少供拍賣之土地符合本公司之最低標準，在政府拍賣土地場合購入空置土地乃不可行之選擇。發展商用物業尤其購物商場，須嚴謹選地及一併考慮有關項目之上層結構設計及未來運作。

基於類似原因，本公司亦不優先考慮購入現有物業。本人未能想起中國有一項落成物業能符合本公司之標準。然而，本公司在這方面並非墨守成規；倘該等落成物業之價格確實便宜，其質量雖非十全十美，本公司亦會考慮購入。最終而言，投資回報乃決定性因素，但本公司亦極為重視旗下物業組合之長線競爭力。

正如上海項目之做法，本公司將聘請世界級建築師設計外觀吸引甚至可稱壯觀之建築物，並僱用頂級顧問負責內部設計。然而，由於這些外聘專家多為外籍人士，本公司會採用其知識並加入吾等對當地之專業認知。畢竟，本公司對當地市場之狀況有更深入之認識。本公司此項方程式在上海甚為奏效，亦應可在中國其他地方帶來效益。

## Plan to build world-class commercial complexes in ten major Chinese cities within the next three years. The first will be Tianjin.

未來三年內，計劃在中國十個主要城市發展世界級商場物業，首個城市為天津。

With all this in mind, we started over two years ago to research thirty some major mainland cities, almost all of them having a minimum population of four to five million. In that period, there was hardly a week that went by when our staff were not visiting one or more cities. We need to buy three to four big pieces of land annually from 2005 to 2007 in order to build at least ten more large complexes outside of Shanghai. This is a daunting target that I have set for my team.

Financially we are well prepared for this strategic initiative. Ten such shopping centers costing say between \$2 to \$2.5 billion each will require \$20 to \$25 billion total. Our cash inflow from Hong Kong development projects alone in the coming four years should more than cover the entire amount. Moreover, because the Company is very low geared, we have tremendous debt capacity that will enable us to pay dividend, take on new developments in Hong Kong, and if appropriate, do even more projects on the mainland. The fact that the expected cash inflow should arrive before outflows, will put us in an even more enviable financial position.

After much hard work, in January this year we landed our first project in Tianjin, a metropolis of over 10 million people. It is only one of four cities in the country that enjoys the status of a province and reports directly to the Central Government. The two other cities in which we have identified the very best sites are close to fruition. They should come through before the year is over, thus meeting the minimum target that I have set for management. We are already working on the three or four cities for 2006.

Critical to the success of this strategy is human resources. In the past year, we have hired experienced teams for Tianjin and for one other city. The process is ongoing and we should have a third team ready soon. By the middle of next year, the expansion of The Grand Gateway in Shanghai belonging to our parent company Hang Lung Group Limited should be completed. That will free up some seasoned staff. By the beginning of 2007, the second office block at Plaza 66, also in Shanghai, will be finished and the manpower there can

秉持上述信念，本公司兩年多前開始，在約三十個內地主要城市進行研究；彼等幾乎全部擁有最少四百萬人至五百萬人之人口。在這段期間，本公司之同事穿梭於該等城市，幾乎每星期均有一個或多個城市在彼等實地考察之列。本公司須在二零零五年至二零零七年內，每年購入三幅至四幅大型土地，方可達至在上海以外合共發展最少十個大型物業項目之目標，而此乃本人為管理隊伍所定下的嚴格要求。

財政方面，本公司已準備就緒，可實施此項策略性計劃。以十個購物商場每個成本為二十億元至二十五億元計算，本公司合共需要二百億元至二百五十億元資金。單計本公司香港物業發展項目未來四年之現金進賬，應足以應付所需有餘。再者，本公司現時之負債率甚低，故借貸能力極高，足可供派發股息、在香港進行新項目、及在內地更進一步作出投資（倘條件適合）。事實上，本公司預期現金進賬會先於現金開支，令本公司享有令人更欣羨之財政狀況。

經過努力不懈，本公司於一月份購入首個上海以外之內地項目。該項目位於天津，此乃一個大都會，其人口超過一千萬人，並為中國僅四個中央直轄省級市之一。本公司並已在兩個其他內地城市，找到上佳之土地，並即將達成協議。兩者均可望在今年年底前落實，符合本人為管理層所設定的目標。吾等並已就二零零六年在三至四個城市之投資項目展開工作。

此項策略之成功關鍵，取決於人力資源。過去一年，本公司為天津項目和另一城市之項目，分別聘用了兩支經驗豐富之專業隊伍。有關工作將持續進行，第三支專業隊伍即將準備就緒。到明年年中，由母公司恒隆集團有限公司持有之上海港匯廣場，應可完成擴建計劃，屆時該批訓練有素之員工，部份可投入新項目之工作。於二零零七年年初，另一項上海物業恒隆廣場將完成其第二幢辦公室大樓，其人力可被調往其他項目。本公

be deployed elsewhere as well. Our experience is that many qualified professionals are happy to work for a company like us.

### Share Placement

Another major event of the past fiscal year – placement of 370 million shares last November at \$12 per share yielding cash of about \$4.4 billion – bears some comments. The first question often asked by investors and potential investors is: why do you do it when you are expecting a huge cash flow and have plenty of borrowing capacity? After all, loans are cheap these days given relatively low interest rates. The answer is simple: company size matters greatly in a capital intensive industry like ours.

For the past decade and more, our track record for equity raising exercises – convertible preference shares in 1993, warrants due in 1995, share placement in 1996, convertible bonds in 2002 and again share placement in 2004 – has shown that we have put the money to good use each time and have greatly enhanced shareholders' value. In each case, those suspicious at first have been converted to supporters within a relatively short period. I am confident that this time it will be the same.

The history of Hong Kong's property cycles shows that great land acquisition opportunities occur in distinct spurts. They may only come once every five to six years as in 1986-1988, 1992-1994 and 1999-2000. When they arrive, developers are usually given little chance to raise equity at desirable prices. Consequently, one has to be financially prepared at each land purchasing opportunity and one must take advantage of every equity raising opportunity. Loans can of course be employed, but given severe property price volatility which has been the norm, their risks are high. Remember the serious downturns of 1983-1985, 1991-1992 and 1998-2003. Each time a number of developers bankrupted and they were invariably heavily laden with debts.

Moreover, equity can only be satisfactorily raised when the international capital market cooperates. That too is sporadic and unpredictable, thus strengthening our belief that we must catch every opportunity. So far our timing has been excellent. Since the Company came under my watch in 1991, we had taken almost every opportunity to raise equity and to subsequently buy land to great profits.

There are two other important reasons for raising equity. First, Hong Kong land transactions have become very expensive over the past decade. Since 1997, there were fourteen major deals with prices ranging from \$2.43 billion to \$11.82 billion. Raising three or four billion dollars every few years will only

司經驗所得，許多合資歷的專業人士均樂意為本公司服務。

### 股份配售

過去之財政年度內，另一重大事項乃本公司於去年十一月配售三億七千萬股股份，每股作價十二元，集資所得約四十四億元。此項行動值得詳述。許多投資者和潛在投資者常提出的首項問題是：恒隆地產既然預期有大量現金進賬，並擁有充裕的借貸能力，為何還要配股？既然利息相對上仍處於低水平，現時借貸不化算嗎？答案很簡單：地產業是資本密集行業，地產公司的規模對其發展舉足輕重。

過去十多年來，本公司曾進行多項股份集資，包括一九九三年發行之可換股優先股、於一九九五年到期之認股權證、一九九六年之配股、二零零二年發行之可換股債券、以及二零零四年之配股，本公司每次均證明能善用所得之現金，大幅增加股東價值。最初抱懷疑態度之人士，在相對短暫之時間內，均變成鼎力支持者。本人有信心，今次的配股亦會同樣取得支持。

過往香港地產業週期顯示，購置土地的最佳時機往往一閃即逝。這些機會每隔五年至六年才出現一次，例如一九八六年至一九八八年後，須待一九九二年至一九九四年，之後須待一九九九年至二零零零年。當時機湧現時，發展商罕能有機會按理想價格在股市集資。因此，發展商須在每次購置土地的時機出現時，已在財政方面準備就緒，故必須掌握每次股份集資機會。發展商當然可利用借貸，但鑑於香港樓價歷來甚為波動，故借貸風險頗高。尤記一九八三年至一九八五年、一九九一年至一九九二年、以及一九九八年至二零零三年之地產業低潮，每次均有多家發展商倒閉，彼等無不負債纍纍。

此外，股份集資需國際資本市場配合方可成事。此非常罕有之機會，亦頗難預測，因而令本公司增強信念：本公司必須抓緊每項時機。迄今，本公司均能掌握極佳時機。自一九九一年本人統領本公司起，吾等抓緊幾乎每一次的股份集資機會，並於其後購入土地及獲利甚豐。

尚有兩項重要原因支持本公司進行股份集資。首先，香港土地交易於過去十年所涉及之金額日益高昂。自一九九七年以來，共有十四項重大土地交易，所涉及之金額介乎二十四億三千萬元至一百一十八億二千萬元。本公司每數年集資三、

allow us to keep up with the market. In other words, company size is critical to our long term survival.

Second, opportunities in mainland China are humongous and exciting. Prices are still relatively low but will not remain so for long because the economies in many cities are taking off. This is a once in a lifetime chance, and we must seize it. How much we can grow is only limited by our resolve and our finances. We are not lacking in either. Always being careful in the latter, we prefer to use equity money supplemented with debt and not vice versa. Afterall, we must be vigilant about risks such as economic downturns and other mishaps. In a big and fast developing country like China, those happenings usually have serious ramifications. We do not want to forget about defensive measures even as we go all out to secure new projects.

Nevertheless, recognizing the need for a more balanced and reasonable capital structure, we signed in June 2005 an \$8 billion syndicated loan which is partly for five years and partly for seven years. It was the single biggest borrowing we have ever done.

### Operations Review

Although the Asian Financial Crisis more or less ended in 2002, Hong Kong's real estate market did not see a strong and sustainable recovery until the beginning of 2004. Unlike most local developers, we refused to sell completed apartments until then, just as residential prices began to climb. Although the market has since gone through adjustments, we have been able to sell our products at increasingly higher prices. For example, the average price achieved at The HarbourSide during the current fiscal year was about \$12,900 per square foot which was 34% higher than those sold in the first half of 2004.

Carmel-on-the-Hill was basically sold out at an average price of approximately \$5,100 per square foot. The penthouse duplexes went for nearly \$10,000 per square foot. Almost half of all units at AquaMarine were sold at an average price of about \$4,600 per square foot. The remaining two blocks which have better views will likely go on the market towards the end of this year or early next year. The Long Beach with 1,829 flats should receive the Certificate of Compliance by the end of this year. With an impending shortage of supply, we will not be in a hurry to sell.

Hong Kong's rental market has recovered strongly. Office and retail rents have both picked up and we are beneficiaries. Last year our total rental profit grew by 13%, and overall occupancy stood at 94%, a slight improvement from the year before. As expected, shopping areas frequented by mainland

四十億元，亦僅可追及市場走勢。換句話說，本公司之長線生存乃取決於本公司之規模。

其次，中國內地提供大量可觀機會。其土地價格現時相對上仍低，但隨著中國各地經濟起飛，此情況不會長久。此可比擬為一生僅一次之機會，故本公司必須抓緊。本公司之增長會否受到局限，只在乎本公司之決心及財政，而本公司兩者兼備。吾等在財政方面一向小心謹慎，故選擇以股份資金為主借貸為輔，而非以輔為主。畢竟，吾等必須嚴防風險，這包括經濟轉弱及其他意外事件等。在中國這個龐大及發展急速的國家，此等事件通常帶來嚴重的影響。儘管本公司採取攻略以求取得新項目，但亦未忘記須防患於未然。

當然，本公司亦明白須令資本結構更為均衡及合理。因此，本公司於二零零五年六月安排了一項八十億元銀團貸款，其中部份為五年期，部份為七年期。此乃本公司有史以來作出之單一宗最大借貸。

### 業務回顧

雖然亞洲金融風暴於二零零二年大致結束，但香港地產市場直至二零零四年年初方見強勁的持續性復甦。與大部份香港物業發展商有異，本公司堅拒出售已落成之住宅物業，直至樓價開始攀升時方開始銷售。儘管市況其後出現調整，但本公司仍能以節節高升之價格出售旗下住宅物業。舉例而言，本財政年度內，君臨天下每平方呎平均售價約達一萬二千九百元，較其於二零零四年上半年開始銷售時之每平方呎平均售價，高出百分之三十四。

君逸山基本上已全數售出，其每平方呎平均售價約達五千一百元；其頂層複式單位之每平方呎平均售價接近一萬元。碧海藍天以每平方呎平均售價約四千六百元，售出近一半單位；餘下兩幢景觀較佳之大廈可能於今年年底或明年年初推出市場。擁有一千八百二十九個單位之浪澄灣，應可於今年年底獲發合格證明書。由於市場供應量快將短缺，因此本公司並不急於出售。

香港物業租賃市場強勁復甦。寫字樓和商舖租金均上升，而本公司乃受惠者。本公司去年度之整體租金利潤增長百分之十三，整體物業租出率為百分之九十四，略高於前年度。一如所料，內地旅客常前往之購物區表現較佳，地點適中之寫字

tourists did better and centrally located offices outperformed outlying ones. Our Shanghai investment properties were basically fully let, and profit grew by over 20%.

## Prospects

With hopefully three new mainland projects (including Tianjin) tied down before year-end, the Company can then be considered as a China play with two foci – Hong Kong and the mainland. Management is sanguine about the former and excited about the latter. The world has discovered mainland China and so have we. After all, we are the closest geographically and culturally. With our twelve years of successful operations, it is only reasonable that we should take advantage of present opportunities. In the long run, real estate prices everywhere follow economic development. With mainland China expecting to grow at 7% to 9% annually in the coming decade, prospects there for our industry should be better than almost anywhere including Hong Kong.

Skeptics say that not many foreign companies make money in China, and few Hong Kong developers fare better. There are certain truths to both statements, but it is also correct that like us, a good number of non-mainland firms are quietly raking in decent profits and are sending funds home regularly with little hassle. Whether one makes money in China depends largely on the industry and on the ability of management to properly understand and navigate the local system. I believe – and our past experience attests – that real estate development can be rather lucrative.

Besides local know-how, another critical success factor for our industry is company strategy, something seldom mentioned by developers and investment analysts alike. So far I have failed to discern the strategies of major Hong Kong developers in the mainland. They should exist but are not easily identifiable. On the other hand, Hang Lung's plans are very clear and deliberate from day one and are distinct from all our competitors. In the past twelve or thirteen years, for example, we only built huge, world-class commercial projects in one city alone – Shanghai.

Many of our fellow Hong Kong developers are constructing residential units for sale on the mainland. The only way they can make money is to acquire land inexpensively and hope for the market to soar. If not, taxes will eat up much of the profit. It seems hard to imagine that we as outsiders can buy land cheaper than the locals who have avenues which we will never know. Moreover, local players can build much cheaper than we can – cheap in terms of both dollar amount and quality. So where is our competitive advantage? As to luxury apartments and houses,

樓物業比邊陲者享有較佳之表現。本公司之上海投資物業基本上全部租出，利潤增長超過百分之二十。

## 展望

本公司今年年底前可望落實三個新內地項目(已計入天津項目在內)，屆時本公司可被視為一家以香港和內地為兩大重點之中國物業公司。管理層對香港之前景樂觀，對內地之前景感到振奮。世界發現了中國內地之潛力，香港已是先行者；畢竟，香港在地理上和 cultural 上均最接近中國內地。本公司在上海經營業務達十二年，故順理成章應可掌握現時之機會。世界各地之房地產價格，長線而言均跟隨當地之經濟發展。未來十年，中國內地經濟之年均增長料可達百分之七至百分之九，故地產業在當地應可享有較世界絕大部份地方(包括香港)優勝之前景。

抱懷疑態度之人士謂，並非許多外資公司能在中國賺錢，以及少數香港發展商能取得較佳之成果。這兩句話有若干事實根據，但事實上包括本公司在內的許多非內地公司，正不動聲色地在中國取得可觀利潤，並定期把資金匯返家土而很少遇到困難。那一家企業能在中國賺錢，取決於其從事之行業、以及其管理層對當地體制之理解及對應能力。本人相信，中國地產業可提供良好利潤，本公司的經驗即為明證。

除須對當地市場深具認識外，地產商要在中國取得成功，另一項關鍵因素是公司企業策略。這一點無論地產商和投資分析員均很少提及。迄今，本人仍未清楚明白，香港其他主要發展商在內地採取之策略。該等策略應存在，但不容易弄清楚。另一方面，恒隆之內地發展計劃從首天起便甚為明確周詳，並與所有競爭對手有別。舉例而言，過去十二年或十三年，本公司只專注於一個城市 — 上海，並在當地只發展大型世界級商用物業。

許多香港發展商正在內地發展住宅物業以供銷售。彼等獲利之唯一方法，乃以非高昂的價格購入土地並冀望市況上揚；否則，稅項會侵蝕大部份利潤。難以想像的是，既然當地發展商擁有香港發展商永不知曉的渠道，為何香港發展商能以低於當地發展商願付出的價錢購入土地？再者，當地發展商的建築成本遠較香港發展商為低，在金額和質量角度皆然，然則香港發展商有何競爭優勢？至於豪宅市場，除少數城市例如北京和上

the market is usually small except in a handful of cities such as Beijing and Shanghai. As such, I expect our mainland rental portfolio to comprise predominantly commercial space. This is not unlike our business in Hong Kong.

On local management, perhaps one word should be said. Many businessmen from the outside think that mainland China is not a well regulated place and so they think they can be lax in following rules and regulations in their dealings with various parties, including the government. Almost invariably such an attitude and approach will get them into very messy situations. Our own experiences confirm this point. Because of the very fact that the country is not well regulated, it is imperative that we be self-disciplined and cautious. Moreover, China everywhere is fast changing for the better and we do not want to have our actions, perhaps acceptable at the time under a gray legal environment, to come back and haunt us later under newer and tighter rules.

What is the worse case scenario for our strategy? China goes into prolonged economic turmoil. While management does not foresee that any time soon, it remains a possibility. Because your Company hardly has debt and expects over \$25 billion cash inflow from Hong Kong development projects alone in the coming three years, we will buckle down and ride out the storm. When circumstances justify, we may even buy more. Our history shows that the Company and its stocks both perform superbly in bear markets.

(Allow me to state an observation at this juncture. Many journalists in Hong Kong keep asking the question: how much land bank does each local developer have? What they mean is: how much do we have in Hong Kong, implying that land on the mainland is not valuable and should not be counted. Indeed, land over the border is plentiful and a good number of Hong Kong developers have bought many huge but mediocre plots. Their financial losses should not insinuate that real estate development is not a good business in China. Careful site selection can yield plots that are highly desirable both in the short and in the long term. It is high time that we view the property business just like any other industry, namely, with the mainland border being increasingly blurred.)

Our existing businesses should trade well in the coming few years. The rise in mortgage rates is expected to be mild and should not have serious effects on property sales. In Hong Kong we will continue the harvest and sell completed flats with the goal of maximizing profit. Take The HarbourSide for example. We only have 300 or so of the harbor facing units remaining so why should we sell so quickly as long as the market is steady. Prices of such unique products will rise

海外，其餘城市均市道偏窄。基於這些原因，本人預期本公司之內地租賃物業組合將以商場為主，這與本公司在香港之做法並無分別。

有關內地管理，本人或須再加一言。許多外國商家以為，中國內地是一個監管未盡完善的地方，故彼等與各方包括政府在內打交道時，對遵守法例規條可漫不經心。此種態度和取向，往往令彼等陷入極大麻煩，本公司對此屢見不鮮。正因為中國的監管未臻完善，吾等更要採取嚴謹態度。兼且，中國各地正迅速循好方面作出轉變，吾等並不希望在當時法規模糊之環境下被視為可接受之行事，到後來因新定出之更嚴謹準則而令吾等受到困擾。

本公司之策略會遇上甚麼最壞情況？答案是中國經濟陷入動盪。儘管本公司管理層並不預期此情況行將出現，但其可能性不可抹殺。由於本公司債務甚少，加上單計香港物業發展項目，本公司未來三年料可有超過二百五十億元之現金進賬，故本公司可泰然自處，安渡風浪。倘情況適合，本公司甚至可進一步購置土地。歷史顯示，本公司及其股份在熊市時均有卓越表現。

(容本人於此處提出一項看法。許多香港記者經常提問：每家香港物業發展商有多少土地儲備。他們所指的是：發展商在香港有多少土地儲備；其言下之意是，內地土地儲備並無價值，故不應被計入。誠然，內地的土地供應甚為充裕，而多家香港物業發展商亦確實購入了許多大型但質量平平之土地。然而，彼等遭受財務損失，並不代表在內地從事地產業務乃欠佳之生意。如能小心選擇土地，亦可在內地發展出短期和長期均令人愜意之項目。是時候我們該以同樣角度看待地產業和其他行業，即是中港邊界的劃分界線正日益模糊。)

本公司之現有業務未來數年應有理想表現。按揭利率之升幅料將溫和，預期不會對物業銷售構成重大影響。香港方面，本公司繼續收成，銷售落成單位，本公司之目標乃尋求最大利潤。以君臨天下為例，該物業面向維港之單位只餘下約三百個，只要市況保持穩定，本公司又何須急於出售。此項獨特物業於牛市時會更大幅漲價，而於熊市時價格跌幅會較小。本公司會掌握每個浪

more in bull markets and fall less during downturns. We will take advantage of each wave and sell as we deem prudent. The higher the prices of the front units, the easier it will be to part with city facing ones at the back on better terms for us.

Hong Kong's rental market is expected to firm even further in the coming year. That should translate to higher profits for us. Shanghai should once again perform satisfactorily although the big rise in rent will only come when the second office tower at Plaza 66 is completed in early 2007.

Well before we finish selling existing Hong Kong development projects, our first three or four new mainland complexes should be ready for rental. Any office and residential unit that are part of them can be sold. It is also possible that we may use capital markets to monetize our mainland China business. All said, our future, barring unforeseen circumstances, should be reasonably bright.

Before closing, I want to say a word about our stock performance. Throughout the 1990's, we underperformed our competitors because the market was skeptical about our then strategy. Starting mid 2000, they began to realize the facts and our shares started to outperform significantly.

Now we are embarking on another strategy, namely, simultaneously entering many mainland cities with force and in a deliberate fashion as outlined above. As before, our strategy is different from that of all of our competitors, and the market, once again, is not prepared for it. We will double efforts to communicate with the investment public, especially in the West. Management is confident that like the last time, the market will soon recognize the appropriateness of our latest initiative. As long as we execute it well, much value will be created for shareholders in the coming years. Consequently, it seems reasonable that our stocks should perform well.

In the past fiscal year, the Company's underlying profit rose by twenty some percent. It is hard to imagine that any Hong Kong developer will be able to consistently achieve that level of growth in the coming few years. If anyone has a chance, we should be one of them. Since the stock market in the long run is quite efficient, I expect our price earnings ratio to expand.

Today is the last day that Mr. Wilfred Ho will remain in the company's employ. Instead of retiring completely, he has kindly agreed to stay on for twenty months as a consultant to oversee the completion of our two Shanghai projects. Wilfred joined Hang Lung from the government's architectural services back in 1977. During much of that time, he was our Project

潮，審慎作出銷售。君臨天下面向維港單位之售價愈高，其面向市區之背面單位更容易銷售，價錢亦會更高。

香港物業租賃市場來年可望進一步堅穩，此會為本公司帶來更高利潤。上海項目應可再有理想之表現，但其租金收入之顯著增幅，應在二零零七年初恒隆廣場第二幢辦公室大樓落成後方會出現。

在本公司完成出售現有香港發展物業前，本公司首三個或四個內地新項目應可先行租出。彼等之部份物業例如寫字樓物業及住宅物業均可供出售，而本公司亦可考慮透過資本市場把本公司之中國內地業務證券化。總括而言，倘無不可預見之情況出現，本公司之前景應頗為璀璨。

於結束前，本人欲就本公司之股價表現略致一言。在整個九十年代，本公司之股價表現較競爭對手遜色，此乃由於市場人士對本公司當時之策略抱有懷疑。由二零零零年年中起，彼等開始明白事實所在，而本公司之股價表現亦開始顯著勝過競爭對手。

如今，本公司採取另一項策略，即上文所述以積極態度同時在多個內地城市努力發展。一如過往，本公司此項策略與所有競爭對手有異，市場人士再次未能深入了解。本公司會加倍致力與普遍投資者尤其西方投資者作出溝通。管理層有信心，一如上次之情況，市場人士很快便會認同本公司此項新計劃乃適當之舉。只要吾等執行有關策略得宜，未來數年可為股東創造可觀價值，而順理成章，本公司之股價當有良好之表現。

去年財政年度內，本公司之整體基本溢利上升約百分之二十。很難想像，未來數年那一家香港物業發展商可持續取得此水平之增長。倘有發展商有此機會，本公司應為其中之一。由於股市長期而言頗有效率，本人預期本公司股份可享有更高之市價盈利率。

今天乃何世良先生受僱於本公司之最後一日。彼已答允不全面退休，以顧問身份在本公司服務二十個月，負責監察本公司兩個上海項目之完工。彼於一九七七年由政府之建築服務部門加盟恒隆。於其任職恒隆之大部份時間內，彼擔任項目總監，並於數年前增添職務，負責管理本公司

Director. A few years ago, he took on the added responsibility of managing our then budding Shanghai operation. We have all enjoyed working with him and look forward to many more years of friendship inside and outside of the Company. On behalf of the Board and of all our staff, I want to thank him for his many contributions over the past twenty-eight years.

By order of the Board, I am pleased to announce two additions to the Board of Directors. Trained as an architect, Mr. William Ko who joined the Company twelve years ago will become Executive Director-Projects in charge of all mainland projects outside of Shanghai. Of all the senior executives, he will have to travel the most, which has already been the case of late. Fortunately his relative youthfulness (William is 46 years of age) will serve both him and the Company well. He will report to our Managing Director Mr. Nelson Yuen.

Ms. Estella Ng came to us two years ago from the Hong Kong Stock Exchange where she was in charge of listing. An accountant by profession, Estella will be our Executive Director in charge of finance and will report to Mr. Terry Ng. While we have many female executives in the Company, Estella is the first to be elevated to the main Board.

Please join me in congratulating William and Estella. I am confident that their addition will further strengthen the Company. In particular, they will help Nelson, Terry and me execute the new strategy which I have outlined above.

**Ronnie C. Chan**  
*Chairman*

Hong Kong, 31 August 2005

日益蓬勃之上海業務運作。吾等均享與其並肩工作，並渴望能與其在公私方面有更多歲月之友誼。本人謹代表董事局及所有員工，感謝何世良先生二十八年來為本公司作出之眾多貢獻。

本人並代表董事局欣然宣布，董事局已增添兩位新成員。高伯適先生本職為建築師，於十二年前加盟本公司。彼將出任執行董事一項目，負責主管本公司所有在上海以外之中國內地項目。此亦意味著彼將為所有高級行政人員中最奔波之一員，而近期彼確實甚為頻撲。幸好彼仍相對上年青(彼現年四十六歲)，此對其個人及本公司均屬好事。高伯適先生將向本公司董事總經理袁偉良先生匯報工作。

伍綺琴女士於兩年前由香港聯交所加盟本公司，彼在香港聯交所負責主管上市科。彼為專業會計師，將擔任執行董事，主管本公司之財務，並向吳士元先生匯報工作。本公司有多名女士擔任行政人員，但伍綺琴乃首位獲擢升為董事之女士。

謹請列位股東共與吾等歡迎高伯適先生和伍綺琴女士出任董事。本人有信心，他們加盟董事局後，可有力地促進本公司之發展。尤其彼等將協助袁偉良先生、吳士元先生及本人，落實本人上文所勾劃之新策略。

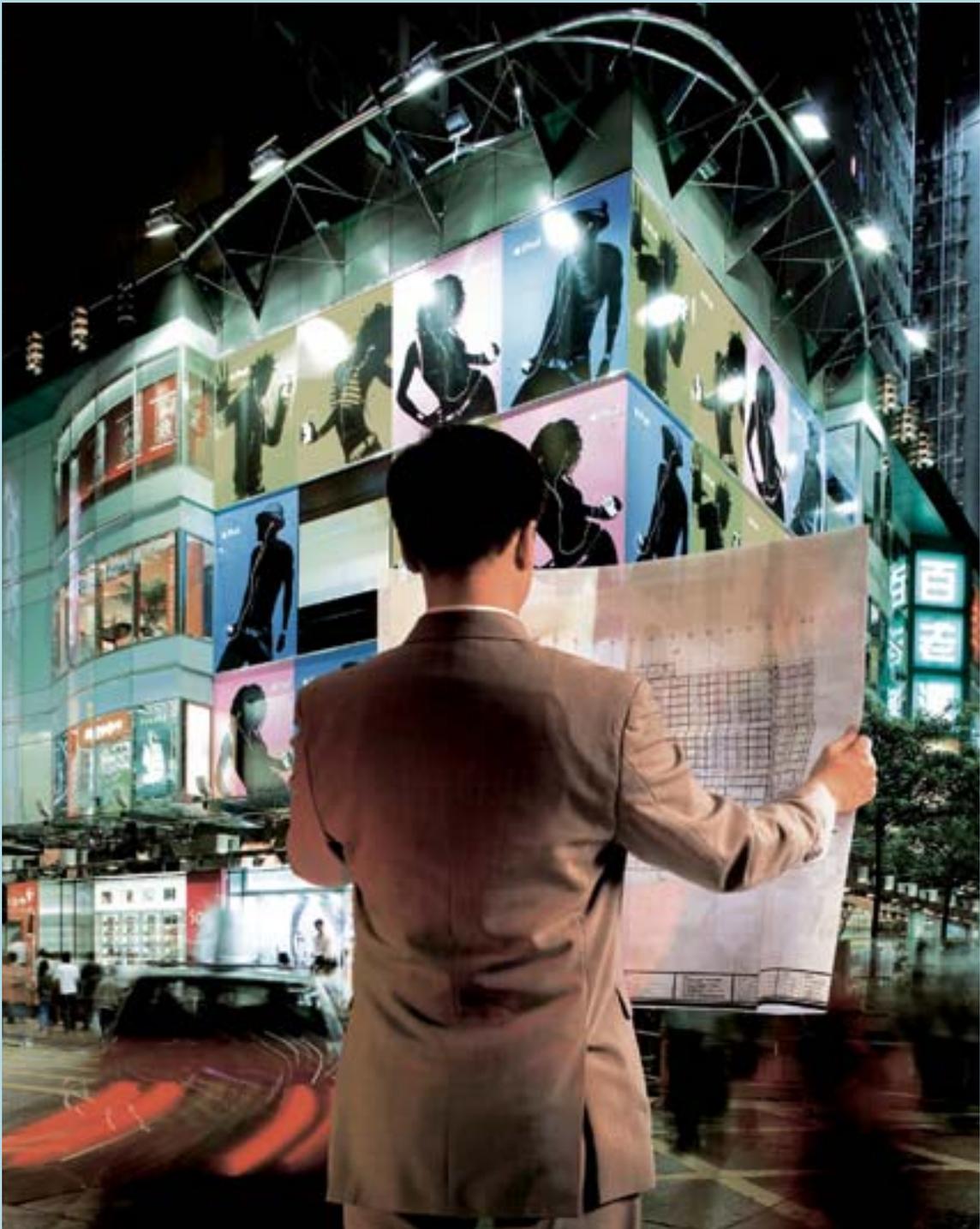
主席  
**陳啟宗**

香港，二零零五年八月三十一日

業務成功有賴適時適當之決定。  
恒隆善於審時度勢，投資及發展  
均得法，故能穩步增長。

Making the right decisions at the **right time** is the key to business success. Hang Lung's prudent approach to investment and development is the cornerstone of its steady growth.





為股東創造最大價值，乃恒隆所有業務  
決定之依歸。集團不斷提高透明度，  
開誠布公，以股東利益為重。

Maximising shareholder **value** lies at the heart of all of  
Hang Lung's business decisions. This dedication to shareholders  
drives the Group to achieve new levels of transparency and openness.

恒隆採取嚴謹專注之策略，在中港兩地  
穩步作出投資，藉以享有持續增長及  
卓越回報。

Focusing on sustainable **growth** and superior returns,  
Hang Lung is committed to steady, disciplined investment  
throughout China and Hong Kong.





資金充裕加上豐富專業管理經驗，  
令恒隆得以準備就緒，可掌握  
物業市場之良機。

Hang Lung is **well prepared** to take advantage  
of opportunities in the property market with ready capital reserves  
and professional management experience.