



主席報告 CHAIRMAN'S STATEMENT

陳啟宗 主席
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業績及股息

截至二零零七年六月三十日止財政年度之營業額為港幣四十三億八千九百四十萬元，上升百分之二十。股東應佔純利為港幣六十三億七千零六十萬元，增長百分之四十四點七。每股盈利為一元五角九點五仙，較去年增加百分之三十三點八。倘不計入重估盈餘及其遞延稅項，基本純利為港幣二十億四千七百九十萬元，增加百分之二十五點九；每股基本盈利為五角一點三仙，增加百分之十六點三。

董事局建議派發末期股息每股四角三仙，較去年增加百分之十三點二。如獲股東批准，全年度每股股息總額將為五角六仙，較去年增加百分之九點八。

策略性計劃

如本人過去所述，要在中國內地物業市場取得成功，兩大關鍵因素是策略和執行。就本集團所知，很少競爭對手專注於此。香港過去數十年很奏效的一套，不大可能適用於遠為巨大和多元化的內地市場，故吾等必須打造新的模式。此或許可解釋為何本公司的股價在過去數年均跑贏大市。

兩年前，本人詳細撰述集團從二零零三年起在內地實行之策略，並分析市場環境及概述集團如何行動以掌握契機。去年，本人進一步闡述

Results and Dividend

Turnover for the fiscal year ended 30 June 2007 rose 20% to HK\$4,389.4 million while net profit attributable to shareholders grew 44.7% to HK\$6,370.6 million. Earnings per share was 159.5 cents, representing an increase of 33.8% over the year before. When excluding the revaluation gain and its deferred tax, the underlying net profit advanced by 25.9% to HK\$2,047.9 million and the underlying earnings per share by 16.3% to 51.3 cents.

The Board recommends a final dividend of 43 cents per share which is 13.2% higher than last year. If approved, total dividends for the full year will be 56 cents per share, an increase of 9.8% compared to that of the year before.

Strategic Initiatives

As I have mentioned in the past, the two critical factors for success in mainland China real estate are strategy and execution. From what we can tell, few of our competitors have focused on them. What worked so well in Hong Kong in the past decades is unlikely to apply to the much bigger and diverse markets of the mainland. A new paradigm must be forged. This perhaps explains why our share price has outperformed the market in the past few years.

Two years ago I wrote extensively about our strategy on the mainland which began implementation in 2003. I analyzed the market environment and outlined what we would do to take

集團如何落實該項策略。該兩份年度報告對了解本公司之未來甚為重要。

鑑於跨出上海進軍中國內地其他城市，對集團而言乃是新舉措，兼且可供借鏡之成功模式甚少，故集團必須審慎行事。隨著時間過去，當集團對不同市場有更深的認識及在開展項目的地區吸收經驗後，吾等便可調整策略。集團之原定計劃是僅發展購物商場，每個城市以一個項目為限，及後吾等作出了修訂。本人於一年前通知股東，集團計劃發展商業綜合項目，部份項目將包括商場、寫字樓、酒店甚至高檔住宅，並有可能在部份選定城市進行超過一個項目，有關此等修訂之理據已詳盡解釋。

在過去一年，吾等之想法進一步遞進。在二零零五至二零零七之三年內，集團原預算在上海以外八至九個城市進行十二個項目，如今集團計劃在十或十一個城市進行十八個項目。倘集團進行的是較大型之綜合項目，涉及之城市數目可能會更少。同樣地，集團界定每個項目所需之投資額為人民幣二十億元至二十五億元，故總投資額約人民幣四百億元。集團希望在二零零九年底以前購入所有十八個項目之所需土地。

該等修訂是基於下列原因而作出。首先，管理層現抱有信心，原定十二個項目之數乃可行有餘。於兩至三年前，由於吾等所篤守之標準甚為嚴格，故未敢肯定能否成功購入所有土地，如今吾等肯定十八個項目乃實際可行。

其次，近數年建立團隊之努力已取得成果，集團有信心其團隊能執行為數較多的項目。

第三項原因乃機遇處處。未來數年，中國有許多充滿經濟活力的城市行將起飛。倘集團現時未能進軍該等市場及取得其最佳地塊，有可能永遠錯失良機。價格或會偏離集團意願，但更糟者乃最佳之地塊可能被他人捷足先登。故此，在購置土地方面有一定的迫切性。

advantage of it. Last year, I went further by detailing how we were executing that strategy. Those two annual statements are critical to the understanding of the Company's future.

Since expanding beyond Shanghai into other mainland Chinese cities is new to us, and there are few successful models to emulate, we must be cautious. Our strategy will be adjusted over time as we learn more about the different markets and gain experience in places where we have initiated projects. Thus, our original plan to build only shopping centers and only one development in each new city has been refined. A year ago I informed shareholders that we planned to develop commercial complexes, some of which will entail a mix of malls, offices, hotels and even high-end residences. We may also do multiple projects in selected cities. The rationale for such refinements was explained in considerable detail.

Over the past year, our thinking has further evolved. Instead of doing twelve developments in eight to nine cities outside of Shanghai in the three years between 2005 and 2007, we now plan to develop eighteen in ten or eleven cities. The number of cities may be even smaller if we undertake larger complexes. Again by defining each project as requiring RMB2 to 2.5 billion, our total investment will be around RMB40 billion. We hope to buy land for all eighteen developments before the end of 2009.

The reasons for the refinement are the following. First, management is now confident that the original number of twelve projects is more than feasible. Two to three years ago we were uncertain if we could successfully buy land for them because of our discipline of strictly adhering to a set of stringent criteria. Now we are assured that we can do eighteen.

Secondly, team building efforts in recent years have born fruit. We are confident that the enlarged number of projects is within our capability to execute.

Thirdly, opportunities are plentiful. There are so many economically vibrant cities in China that are ready to take off in the coming few years. If we do not enter those markets now and secure the best sites, promising opportunities may be lost forever. Prices may run away from us, but far worse is the prospect that the best pieces will have been snapped up by others. As such, there is a considerable urgency to land acquisitions.

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第四項原因是，在較少數城市進行較大型項目有多項重大裨益。發展內地物業涉及大量管理時間，倘能集中在較少數城市，管理上會較為容易，因而更事半功倍。另一方面，大型項目通常分階段進行，這意味著集團可合法地囤積土地。本人預期中中國房地產價格會隨著時間上升，此現象正日漸廣為人知，亦意味著集團雖然開展十八個項目，實際動工的地塊為數較少。集團理論上可進行超過十八個項目，但遲些才會作出決定。

最後一項原因是，集團財政甚為穩健，應付逾十二個項目仍綽綽有餘。預期集團之現金流主要來自銷售香港之落成住宅項目，並應足以支付其在內地之大部分新發展項目。時間方面，有關之現金可望於未來三年內流入，而現金開支則在遠遠較長之時期內分期流出。事實上，較大型之項目可能需時超過十年完成。倘出現現金短缺，仍可採用銀行貸款或透過資本市場融資，兩者均為合適的選擇。本公司基本上並無負債，故擁有龐大的借貸能力。

中國經濟增長超凡出眾，歷史將顯示此乃二十一世紀之最大商機。上次出現此情況的時間約為一八九零至一九一零年間，其時美國西部正在開放。不同之處是，中國今天擁有十三億人口，非美國一世紀前之五千萬人口可以相比。現時，中國人民全力改善生活及掌握環球經濟一體化之契機，國家創富動力澎湃，無論從聚富金額和速度來看，也許均超越歷史上任何時間之任何一國。在不覬覦他國的天然資源下，中國人民憑著思考和勞動創富。中國並沒有像上世紀之日本非法霸佔鄰國資源，或採用西方國家之殖民政策。

鑑於中國經濟澎湃增長，其地產業定必惹人垂涎。坦白說，在此獨特之歷史時刻，本人難以想及其他更佳機會。然而，中國地產業並非所有環節均同樣吸引，故集團特意選擇了吾等認為最佳之環節。憑著明

Fourthly, doing larger projects in fewer cities has several critical benefits. Property development on the mainland is management time intensive. Concentrating on a smaller number of cities will make managing easier, so we should be able to do a better job. Larger developments on the other hand will be phased which means that we are legally land banking. Over time, I expect Chinese real estate prices to rise, a phenomenon which is increasingly clear to all. That also implies that initiating eighteen projects will only see construction start in a fewer number of sites. Theoretically we can take on more than eighteen, but this is a decision we will only make later.

Finally, our financial position is very strong and we can easily handle more than twelve projects. Expected cash flow mainly from completed Hong Kong residential developments for sale should be able to pay for much of the new activities on the mainland. Timing wise, inflow will likely take place within the coming three years while outflow will be stretched over a much longer period of time. The larger complexes will in fact take well over ten years to complete. Cash shortfall, if any, will be financed by bank loans and as appropriate, through capital markets. With the Company being basically debt free, our borrowing capacity is huge.

China's economic growth is monumental and history will show that it is the biggest commercial opportunity of the 21st century. The last time such a situation existed was probably between 1890 and 1910 when the western part of the United States was opening up. The difference is that today China has 1.3 billion people instead of the 50 million or so a century ago in the U.S. Chinese people nowadays are all striving to improve their livelihoods and are taking advantage of the globalized economy. Wealth formation is tremendous -- perhaps more than any country at any time in history. This is true both in terms of the absolute amount gained as well as the speed of accumulation. All this wealth creation is happening in the absence of natural resources except brains and muscles. Neither did China resort to illegal seizure of its neighbors' resources as Japan did in the last century and as the West did through colonization.

Given China's extraordinary economic growth, real estate must be an appealing business to be in. Frankly, I can think of few better opportunities at this unique historic juncture. Nevertheless, not all sectors of this industry are equally attractive, and we have deliberately chosen what we consider to be the best. With a wise

智決策和小心執行，本人有信心集團會成為大贏家之一。

近數年來，尤其自二零零七年初起，本公司之股價持續跑贏大市及地產分類指數。今後如何並非吾等所知，但由美國至歐洲、由享有巨大石油橫財的中東至聚富的中國，到處確實都是令人矚目的資金，許多資金均欲投資中國，而具吸引力的機會卻有限。恒隆是非常少數透過發展世界級商業綜合項目而成功創值的地產公司之一，其在香港聯交所上市地位令外國投資者有安穩的信心，加上中國內地人民快將可直接投資在香港上市公司，對股價會增添動力。所有這些因素均會對本公司的股價帶來影響。

還有數點與吾等之策略和運作有關之因素值得一提。許多人謂在中國購地乃輕而易舉，並吹噓其在中國擁有縱非千萬亦是數以百萬計平方米之土地。然而，這完全視乎其擁有的土地類別。集團之策略是在經濟蓬勃的城市的最佳地點購入最大幅的土地，並僅在最繁盛的現有商業區進行土地購置。

作為例證，假設吾等採用集團之標準在曼哈頓發展項目，吾等只會購入第四十二街與第五十九街之間的第五大街；麥迪遜大道位置好但太窄；公園大道是發展寫字樓但非商舖的好地點。嚴謹的購地紀律為集團之購地程序帶來難度，亦令其土地單位成本較大部分競爭對手為高。在某種意義上，吾等可以誇口說，集團在競爭對手中擁有也許是最昂貴的土地儲備，但吾等可拭目以待，縱使集團支付的並非最低的單位價格，集團擁有的地塊仍可帶來最佳的價值。

然而，集團所支付的價格絕非過高。事實上，透過精明的部署，集團成功地以非常合理的價格購入位置最佳的土地。佔地九點二公頃的瀋陽「斗姆宮」項目是個好例子，該幅地塊是集團在同一城市購入中街地塊後一年才購入，其土地單位成本僅約為上一幅土地之百分之十八。

strategy and careful execution, I am confident that we will be among the big winners.

In recent years, and especially since the beginning of 2007, our share price has outperformed the overall stock market and the real estate sector sub-index. Where will it lead is unbeknown to us, but what is true is that the amount of capital everywhere -- from the U.S. to Europe, and from the Middle East with its tremendous windfall in oil revenue to the accumulated wealth within China -- is mind boggling. Many funds are looking to invest in China and there are limited attractive opportunities. Hang Lung is one of the very few real estate companies which is creating value in the form of building world-class commercial complexes. Being listed on the Hong Kong Stock Exchange gives foreign investors a healthy measure of confidence. An added impetus to share price movements is mainland Chinese money which will soon be allowed to invest directly in Hong Kong's public companies. All these factors will impact our share price.

Several more points relating to our strategy and operation are worth mentioning. Many say buying land in China is easy and boast of their millions if not tens of millions of square meters. However, it all depends on the type of land one owns. Our strategy calls for the biggest piece in the best location in economically dynamic cities. We only buy in the busiest existing commercial districts.

By way of illustration, suppose we were to build in Manhattan using our criteria. We would only purchase land on Fifth Avenue between 42nd Street and 59th Street. Madison Avenue is good but too narrow; Park Avenue is excellent for offices but not for shops. Strict discipline in land acquisition makes the process difficult and unit land cost higher than most. In a sense, we boast owning what is perhaps the most expensive land portfolio among our competitors. But as we shall see, the plots we own produce the best value even if we do not pay the lowest unit price.

Nonetheless, we do not overpay. In fact, through shrewd operations, we have been able to buy top located land at very reasonable prices. The 9.2 hectare "Doumugong" project in Shenyang is a case in point. Purchased a year after the Zhongjie site in the same city, the unit land cost is only about 18% that of the earlier piece.

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要集合該等地塊難度極高，當地的規劃條例亦有可能不切合集團擬興建世界級綜合項目之策略，在此情況下，集團只好引退及另往他處。幸好，集團在其屬意的都會城市均能找到足夠的機會。

集團在上海的經驗顯示，購入位置最佳的土地並在該處興建最優質的物業，在經濟上乃明智之舉。集團嚴格控制成本，但設有合理之範圍。某程度上，集團之建築費也許高於競爭對手，但集團希望確保其質量在最高者之列。

西諺有云：要知布丁味，就得親口嚐。儘管集團之土地單位價格排行最高之列，建築成本亦較別人稍高，但有誰在內地取得勝過吾等之投資回報？本人懷疑其數不多。事實上，投資者告訴本集團，彼等找不到另一家商業物業發展商兼業主，能在挑選地塊、項目規劃和物業設計、建築質量、物業和租戶管理、以及最終的投資回報等五大方面，均能做到勝人一籌。吾等按此五大基準不斷自我衡量表現，務求能持續大幅度領先競爭對手。

以下事實足以證明集團在頭四方面的領導地位。北京四家國家級機構最近挑選中國首一百幢最佳寫字樓物業，結果上海恒隆廣場獨佔鰲頭。另一家上海機構評選市內之最佳購物商場，亞軍由港匯廣場奪得，而恒隆廣場則以其商場再次奪冠。近數年來，本集團多個項目在港滬兩地贏得多項由國際知名機構頒予的設計或建築殊榮，吾等在本年報另一章首次列出部分獎項。超卓質量能確保集團之物業長期享有競爭能力，同時亦是一項有用工具，能幫助集團在吾等感興趣之城市獲其市政府領導人選為合意的土地買家。

(應當注意，本人在亞洲曾多次目睹有發展商於贊助某些國際商業雜誌舉辦的研討會後，隨即獲該等雜誌頒予此獎彼獎。吾等認為該等行為實乃弄虛作假，故拒絕參與其中。)

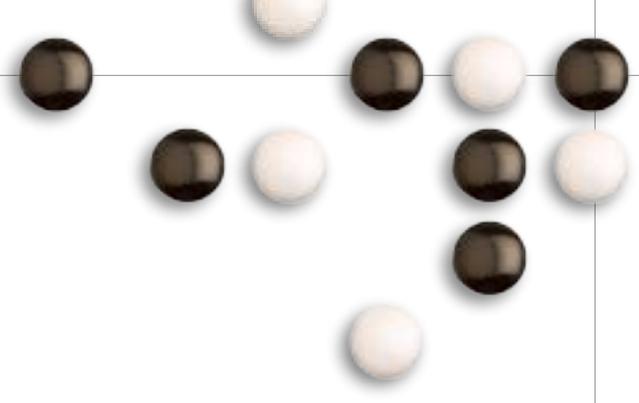
To assemble such plots is extremely difficult. Local planning regulations may not fit with our strategy of erecting world-class complexes. In such instances, we can only withdraw and go elsewhere. Fortunately we are finding sufficient opportunities in metropolises we like.

Our Shanghai experience shows that it makes economic sense to find top located plots of size and build the highest quality facilities. We rigorously control costs but within limits. Our construction expenditures may be somewhat higher than those of our competitors, but we want to make sure that our quality is also among the highest.

As the old adage goes: the proof of the pudding is in the eating. Notwithstanding having one of the highest unit land prices and a slightly higher construction cost, who has a higher return on investment than we do on the mainland? I suspect not many. In fact investors have told us that they could not find another commercial real estate developer-cum-owner which excels in all five areas – site selection, project planning and building design, construction quality, property and tenant management, and ultimately financial return. We constantly measure ourselves according to these five dimensions and want to ensure that we stay well ahead of our competitors.

Our leadership role in the first four areas is amply illustrated by the following. Four national organizations in Beijing recently chose China's top 100 office buildings. Our Shanghai Plaza 66 was picked as number one. Another institution in Shanghai ranked the city's best shopping centers. Our The Grand Gateway came in second while the mall at Plaza 66 was again number one. In recent years, both in Shanghai and in Hong Kong, several of our projects have been honored for design or technical excellence by renowned international organizations. We have for the first time listed some of these accolades in another section of this annual report. Such superior quality will ensure the competitiveness of our facilities for a long period of time. It is also a useful tool to help make us the land purchaser of choice to municipal leaders whose cities we are interested.

(It should be noted that in Asia, I have witnessed repeatedly that developers who sponsor conferences organized by certain international business magazines will soon find themselves recipients of one honor or another given by those magazines. We consider this practice a farce and refuse to participate in that game.)



集團之卓越投資回報，應從兩方面包括數量以及收入和回報質量予以理解。集團兩個上海項目落成後七或八年，已取得約達百分之十八之無槓式投資回報，可謂相當不俗。由最初起每年回報一直以雙位數字增長，此增長幅度料可再持續最少兩至三年。

同樣重要的是該等數字之質量。此乃經常性租金收入，基於集團之商場和寫字樓租戶分別仿如高檔時裝及國際商界「名人錄」，加上其租約期為兩至三年或更長，故集團應可抵禦大部份經濟放緩之衝擊而近乎安然無恙。

發展供銷售物業之短期回報，有可能高於集團之出租及持有策略。然而，前者要支付遠遠較高的稅項，而這只是該策略的弊端之一。當售出物業後，其發展商便要為下一個項目尋找土地。鑑於土地單位成本即使未超逾亦正快速迫近落成物業之單位售價，此等發展商能否持續獲利實屬疑問，更遑論能否取得豐厚的利潤。本集團並沒有這個問題，無論陰晴圓缺，集團供出租之落成物業均會提供利潤。憑集團經過驗證的投資回報能力，無論大部份其他發展商藉出售物業可取得之淨回報為何，集團在短短數年內亦可迎頭趕上，之後集團仍持有可提供收入之物業，而其他發展商則要爭相尋找新的收入來源。此情況最低限度在理論上會更為嚴重，皆因在中國等國家，倘發展商購入土地後兩年內仍未動工，按照規例政府可從業主手上收回土地。政府今天確實沒有嚴格執行此項規定，但這並不代表政府明天也不會。集團的策略避開了所有該等問題，並提供更安穩和更具質量的收益。

現在讓本人轉到有點利他主義的話題。本人並不純然視集團為地產發展商，亦視集團為公眾教育者。約兩百年來，中國一直是個積弱的、掙扎求存的國家，其中大部分人民倘能找到足夠食物及棲身之所便已自幸，焉會奢望妥善的健康護理和教育。在此情況下，美學備受忽視。對一個在各類藝術包括從詩

Our superior financial return should be viewed two ways – in numerical terms and in the quality of income and return. Having approximately 18% unleveraged return on investment for our two Shanghai projects seven or eight years after their completion seems respectable. Annual returns have been growing at double digits from the beginning and are expected to continue for at least another two or three years.

Equally important is the quality of these numbers. They come from rental income which is recurrent. With tenants for our malls and offices reading like “who’s who” in high fashion and in international business respectively, and given tenancies of two to three years or longer, we should be able to withstand most economic downturns almost unaffected.

Building to sell may in the short term yield a higher return than our rent-and-hold strategy. Paying much higher taxes is however but one negative of that strategy. Once they sell, they will have to find land for the next project. With unit land cost fast approaching if not already exceeding the unit sale price of the completed building, the ability of those developers to consistently turn out profit, let alone rich profit, is questionable. We do not have that problem. Our completed facilities for rent will bring us profit come rain or shine. Given our proven return on investment mentioned above, whatever most other developers can achieve in net return from selling properties can be duplicated by us in a few short years. Thereafter we will still own our income producing complexes while others will have to scramble to find new sources of income. This situation is at least theoretically more serious in places like China where according to regulations the government can take back land from owners if they do not start construction two years after acquisition. The fact that the government does not strictly enforce this rule today does not mean that it will not tomorrow. Our strategy avoids all those problems and gives more consistent quality income.

Now let me turn to something which is somewhat altruistic. I do not see ourselves only as a real estate developer but also as a public educator. For about two hundred years, China has been a weak and struggling nation. Most citizens counted themselves fortunate if they found adequate food and shelter let alone proper healthcare and education. In such conditions, aesthetics are ignored. For a civilization with a long and glorious history in the arts from poetry to

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詞至陶瓷及從繪畫至書法均擁有悠遠輝煌歷史的文明來說，此情景令人神傷。如今，在超過一個世紀以後，中國人首次享有一個相對上長久的繁盛期，但其美學觀念卻需更長時間來重建。作為物業發展商，本人視集團為公眾藝術之創作人，以設計和建造上乘的建築物作為作品。隨著時間過去，這些建築物會令數以百萬計每天與其接觸的普羅大眾提高美學觀念，令他們逐漸擁有辨別質量的能力。

正如所料，像許多發展中國家的城市一樣，中國內地城市遍佈低質素的建築物，尤以其摩天大樓為甚。令人沮喪的是，該等建築物落成後便會耽在該處五十年甚或一百年，唯一好處是在這個景觀下，集團之建築物輕易便可脫穎而出，集團兩個上海項目從容摘冠便是一例。然而，集團並不希望稍稍勝人一籌，而是要打造出即使放諸紐約市、倫敦、巴黎或東京等環球都會亦能鶴立雞群之世界級項目。唯有這樣，集團方能達至吾等教育普羅大眾之願望。

最終而言，該等努力亦會令集團本身受惠。類似集團物業之地標式建築物往往更受租戶和潛在租戶歡迎，亦確有世界級公司和著名品牌正等候租用集團的寫字樓和商場。現時恒隆本身在內地已是知名品牌，其未來項目之卓越質量定可令恒隆更上層樓，故此這是雙贏策略。

一年前，本人曾撰述有關節能之概況。事實上，集團對擴闊推行可持續發展已關注多時，不久前更成立了一支員工隊伍負責研究和制定各項改革，迄今已取得可觀成果。該團隊之啟動者和領導人直接來自本公司最高層，亦即本公司之董事局執行委員會。

為何集團應關注節能？首先，此等行動合乎經濟原則。集團在物業租賃業務所花的每一元，約有二角二仙乃花在電力，因此節能之好處甚為明顯，但尚有其他令人信服的原因。中國欠缺石

porcelain and from painting to calligraphy, this situation is sad. Now for the first time in over a century, the Chinese people are enjoying a relatively prolonged period of prosperity, but the sense of aesthetics will take longer to rebuild. As a property developer, I see ourselves as creator of public art in the form of superbly designed and constructed buildings. Over time, these structures will heighten the sense of beauty for millions of ordinary citizens who encounter them daily. Gradually, a discernment for quality will result.

As expected, mainland Chinese cities like many in other developing economies are filled with inferior buildings, especially skyscrapers. The sad thing is that once constructed, they will last for fifty if not a hundred years. The only silver lining is that it is easy to differentiate ourselves in such a landscape, with our two Shanghai projects easily winning top honors as an example. However, we do not want to be merely marginally better than the rest. We build world-class developments which will excel even if they are located in global metropolises such as New York City, London, Paris or Tokyo. Only in doing so will we adequately fulfill our desire to educate the general public.

In the end, such efforts are beneficial to ourselves as well. Landmark buildings like ours are more desirable to tenants and potential tenants, and we have a waiting list of world-class companies for our offices and leading brands for our malls. Hang Lung itself is now a brand name on the mainland and the superior quality of all our coming developments will only strengthen that position. It is a win-win strategy.

A year ago I wrote briefly about energy conservation. Indeed the broader need for sustainable development has been our concern for some time. A while ago a staff team was formed to study and implement changes, and considerable achievements have since been attained. The initiative and its leadership however come from the very top of the Company -- the Executive Committee of the Board.

Why should we be concerned? First, such efforts make economic sense. For every dollar we spend operating our rental properties, approximately 22 cents goes toward electricity. The benefit is thus obvious. But there are other compelling reasons. China is short of oil and gas as well as water and forests. The country's top leaders

油、煤氣、水和森林，國家領導人深明中國污染問題嚴重，並就可持續發展設定及強制施行更多目標。過往，地方官員罔顧一切為其省市尋求經濟增長，這帶來稅收以及個人擢升等非即時但同樣實質之利益。如今，中央政府已修訂其衡量成功的尺度，「綠色發展」正漸成氣候，北京最高領導人明白，彼等不可盲目追求增長而禍延下一代。

本人長久以來相信，政府不久便會就節能和限制污染物向地產發展商和業主施壓。此乃正確做法，在美國，建築物佔其整體能源消耗之百分之三十八；世界平均數約為百分之三十二；該數字現時在中國可能較低。然而，中國有十三億人口，並正進行世界前所未有的最大規模城市化。摩天大樓正在中國到處崛起，今年五月，八個部聯合組成特別調查小組，前往全國查察大耗能量及高排污量行業。坦白說，本人對地產業不被包括在內感到詫異，但這一天定必來臨。公共大廈已在查察之列，私人大廈未必可長久置身事外。

另一方面，鑑於環球大勢所趨，全球許多公司均正訂立自我約束之環保標準。在不久將來，除非建築物合乎一定的環保標準，否則潛在租戶不獲業主與其簽訂租約。這涉及原則事宜，集團歡迎該等標準，其對本地許多擁有低質素物業的競爭對手會帶來影響。

換句話說，發展商將面臨來自政府和租戶兩方面的壓力。撇開個人對此課題的興趣，為了節省成本或其他利己之原因，恒隆亦必須在該方面成為領導者，而吾等已默默邁進多時。

吾等致力於兩方面：翻新集團在香港的現有物業及在內地設計環保新物業，整體上吾等正研究數十個計劃。由於科技配套完備，集團在物業翻新方面已取得可觀成果，其中包括節能、減少用水、廢物管

are keenly aware of all the immense pollution problems in China. Sustainable development targets are increasingly set and enforced. In the past, local officials ruthlessly sought economic growth for their cities and provinces. It generated tax revenues as well as less immediate but equally tangible benefits like personal promotion. Now the Central Government has adjusted the yardstick to measure success. "Green development" is gradually coming into the picture. Beijing's top leaders know they cannot compromise their children's future by blindly seeking progress.

I have long believed that the government will soon clamp down on property developers and owners to conserve energy and limit pollutants. This is the right thing to do. In the U.S., buildings account for 38% of all energy consumption; the world's average is approximately 32% and the number for China is probably less. Yet, China has 1.3 billion people and is undergoing the greatest urbanization the world has ever seen. Skyscrapers are going up everywhere. In May of this year, eight ministries jointly organized special inspection teams to go around the country checking on violations in energy-intensive and high-polluting industries. I was frankly surprised that our sector was not included, but that day will surely come. Public buildings are already coming under scrutiny and the private sector cannot expect to be exempted for too long.

On the other hand, given global trends many corporations around the world are setting self imposed green standards. The day will soon arrive when a potential tenant cannot sign a lease with a landlord unless the building meets certain environmental benchmarks. As a matter of principle, we welcome such standards. They will affect many of our local competitors who have inferior products.

In other words, pressure will pile up on developers from both directions -- government and tenants. Even putting aside personal interest on the subject, Hang Lung must for our own good -- cost savings or otherwise -- be a leader in this regard. For some time now we have been quietly making strides.

Our efforts have focused on two areas: retrofitting existing premises in Hong Kong and designing environmentally friendly new buildings on the mainland. In all, we are looking into several dozen programs. Given readily available technology, considerable achievements have been made in retrofitting. They entail energy saving, water reduction,

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理及空氣質量監控等。內地新項目方面，集團正研究多項簡單至尖端的選擇。上述舉措須成為集團公司文化的一部分，有關的培訓和教育應在某些時間後延伸到租戶去。

不用說，在尋求環保與經濟原則之間必須取得均衡，皆因到了某個地步，邊際回報便會逐漸下降，而吾等亦須把建築物的美學及其他商業因素考慮在內。無論如何，集團定會時常尋找方法以保持高質量的持續發展。集團矢志創造一個給予用家優質經驗的建築環境，但絕不為了現在而預支未來。

業務回顧

集團在內地的購地工作繼續取得成果。財政年度內，集團完成三宗交易，而由於其規模故可視為六個項目，此外集團有兩幅土地動土。

於二零零六年八月，集團購入瀋陽斗姆宮地塊，現時計劃在該幅佔地九點二公頃之土地上興建八十萬平方米樓面面積。其總投資額估計為人民幣八十億元，按照集團的定義可視為三或四個項目，而集團則以其作為三個項目計算。其甚為相宜的土地單位成本，乃集團兩項上海世界級項目的優良成績以及管理層處理首個瀋陽項目的手法所帶來的直接成果。此幅宏大地塊於簽訂買地合約後八個月內，經已完成土地清理及進行建築，市政府領導人實在功不可沒。

該項目之土地位置無與倫比，位於瀋陽市商業中心區內市政府廣場南面、市內主要街道青年大街旁，西面為屬於歷史建築物之市政府辦公大樓，東面為遼寧大劇院和遼寧省博物館，北面為高層商業區，其背面為瀋陽市主要火車站。

十二月份，我們完成斗姆宮項目之環球建築師甄選工作。得勝者為紐約市KPF公司，彼擊敗來自大西洋兩岸各一家世界知

waste management, and air quality control among others. For our new mainland projects, we are studying many alternatives from the simple to the cutting edge. Such endeavors must become part of our corporate culture, and training and education should over time be extended to our tenants.

Needless to say, a balance needs to be struck between such green pursuits and economics. Up to a certain point, diminishing marginal return sets in. We also need to take into account building aesthetics and other business considerations. Whatever the case, we will always look for ways to maintain a high standard of sustainability. We are committed to creating a built environment which at once gives end-users quality of experience but without unnecessarily borrowing from the future.

Business Review

Our efforts to purchase land in the mainland have continued to bear fruit. Within the fiscal year, we concluded three transactions which due to their size, are considered six projects. We have also broken ground on two sites.

In August 2006, we bought the Doumugong plot in Shenyang. The present plan calls for about 800,000 square meters to be constructed on this 9.2 hectare piece. Total investment is estimated at RMB8 billion which means that it can be considered as three or four projects, using our definition. In this case, we will count it as three. The exceptionally favorable unit land cost is the direct result of our track record in the form of our two world-class Shanghai developments and of our management style in handling our first Shenyang project. To the credit of municipal leaders, such a huge site was cleared for construction within eight months from the signing of the land purchase agreement.

The location cannot be better. It is situated immediately south of the City Center Square within the Shenyang CBD along Qingnian Street, the city's main thoroughfare. To the west of the large square is the municipal government's headquarters which is housed in a historic building. To the east is the provincial museum and the opera house; to the north will be high-rise offices, beyond which is the city's main train station.

In December we concluded a global architecture competition for the Doumugong development. The winner is KPF of New York City, which beat out world renowned firms, one each from the two

名的建築師行。KPF公司是負責上海恒隆廣場及策劃中街項目的同一建築師事務所，其為天津恒隆廣場作出的設計於今年初贏得國際殊榮。斗姆宮項目之總體設計，包括高逾三百米面向市政府廣場的雙塔式建築大樓，令人嘆為觀止，並最少會有多一幢辦公室大樓、一個購物商場、一座五星級酒店、以及兩或三幢高層大廈。此等高層大廈可以是辦公室大樓或辦公室兼服務式寓所大樓，視乎市場情況而定。

斗姆宮項目於四月份動土，距二零零六年十一月中街項目之動土禮僅五個月。彼等乃集團首兩個動工項目，有理由預期兩者中之較小者將成為本公司在上海以外首個落成的內地購物商場。

十二月份，集團成功購入江蘇省無錫市一幅面積為三點七公頃的地塊。本人去年曾表示，集團正在中國南部多個沿海城市尋找土地，而無錫項目乃此項努力之可喜成果。該項目包括一個購物商場、一幢辦公室大樓及一座酒店，總樓面面積約為二十五萬五千平方米，其土地成本約為人民幣六億八千五百萬元，預期總投資額約為人民幣三十五億元，我們視之為十八個新項目的其中兩項。

二月份，我們終於完成購入山東省濟南市的地塊。

除上述六個項目外，集團於二零零六年七月簽訂臨時合約，擬購入湖南省長沙市一幅位置極佳的土地。該地塊頗為宏大，集團現正解決有關的技術細節。

不計長沙在內，集團迄今已購入土地供進行八個項目，此乃本人十二個月前向母公司恒隆集團之股東承諾之數目。未來一年，本人希望可公佈更多項土地收購。

一如所料，物業租賃再次成為上個財政年度的亮點。整體租金收入增長百分之十六，升破港幣三十億元。香港物業增長

sides of the Atlantic. It is the same firm responsible for Plaza 66 in Shanghai and for planning the Zhongjie project. KPF's design for Tianjin Hang Lung Plaza won international recognition earlier this year. The Doumugong masterplan is stunning with twin towers of over 300 meters each facing the City Center Square. There will be at least one other office block, a shopping center, a 5-star hotel, plus two or three other high-rise buildings. Depending on market conditions, they can be additional offices or a combination of office-cum-serviced apartments.

We broke ground in April, a mere five months after the same ceremony was performed for the Zhongjie site in November 2006. These are our first two projects to commence construction. It is reasonable to expect that the smaller of the two will become the first completed shopping mall owned by your Company on the mainland outside of Shanghai.

In December we concluded the acquisition of a 3.7 hectare piece in Wuxi, Jiangsu Province. Last year I indicated that we were searching for land in several cities along China's southern coast. This is a worthy answer to that effort. Besides a mall, there will be an office block and a hotel totaling some 255,000 square meters. Land cost was about RMB685 million and anticipated total investment should be around RMB3.5 billion. We consider it as two out of the eighteen new projects.

In February we finally concluded the land purchase of the development in Jinan, Shandong Province.

Besides the above six projects, in July 2006 we signed a preliminary agreement to purchase a top located piece in Changsha, Hunan Province. It is quite big and technical details are being worked out.

Not counting Changsha, we have so far purchased land for eight projects. That was the number I promised shareholders of our parent company Hang Lung Group twelve months ago. In the coming year, I hope to have more acquisitions to announce.

As expected, property leasing was once again the bright spot this past fiscal year. Overall rent revenue grew by 16% exceeding HK\$3 billion. The Hong Kong portfolio improved by 10% and

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百分之十，上海物業增長百分之三十一。後者在財政年度下半年新添恒隆廣場第二幢辦公室大樓而獲享裨益，倘不把其計入，上海物業之租金收入仍上升超過百分之二十三。上海兩年前佔集團總租金收入百分之二十三；去年幾乎為百分之二十八；現時則超過百分之三十一。

按租金收入計算，香港寫字樓物業表現理想，上升百分之二十二，商舖上升百分之六；港匯廣場購物商場較去年增長百分之二十，而恒隆廣場購物商場則增長百分之三十七。由於新辦公室大樓落成，恒隆廣場寫字樓之租金收入激增百分之四十一，倘撇除該物業之租金收入，增長率仍達百分之十七之可觀水平。由於集團在港滬兩地之商舖和寫字樓物業的租出率基本上保持不變，亦即全部或接近全部租出，故租金收入增長幾乎全部來自租金上調。

過去兩年，集團在香港之物業銷售計劃，主要集中於共有一千六百一十六個單位之碧海藍天。此項目現已近乎售罄，其顧客之收入稍高於一般中產階級。集團餘下之住宅項目均以更富裕的人士為目標，故邊際利潤應可更為理想。本人有信心，集團在所有物業類別之邊際利潤均為香港最佳之列，這在屬於豪宅類別之君臨天下和浪澄灣尤其真確。

年內碧海藍天售出四百一十個單位，較去年增加約一百個單位，並於財政年度結束後再進行銷售，現時餘下僅約六十個單位。集團亦售出少量於多年前留在物業組合的其他物業，其總數無足輕重。

展望

過去數年，本公司默默地在經濟蓬勃的中國城市購入地點適中的土地。部分交易經已完成，尚有更多交易指日可待。本人屢次提及此項舉措之難度，這一點絕無過甚其詞。集團之成功鏗鏘悅耳，背後卻有無數挫折和良機夭折。集團罕能找到一塊能合乎其嚴格要求之土地，而往往當吾等就此機會努力一或兩年並有望成功時，該交易可能由於技術細節等原因而突然告吹。因此，本人與同僚經常到訪新市場及重臨多個城市，希望有新機

Shanghai by 31%. The latter was helped by the addition of the second office tower at Plaza 66 in the second half of the fiscal year. Excluding it, rent still rose by over 23% for the Shanghai properties. Two years ago Shanghai accounted for 23% of total rents collected; last year it was almost 28%, and now it exceeds 31%.

Offices in Hong Kong have done well with rents rising 22% and retail moving up 6%. The shopping center in The Grand Gateway did 20% better than a year ago; the one in Plaza 66 saw an increase of 37%. Office rents at Plaza 66 shot up 41% due to the new tower. Taking that out, the figure is still very respectable at 17%. Since occupancies for retail and offices in both cities have remained basically unchanged, i.e. full or nearly full, turnover increase came almost exclusively from upward rent reversion.

In the past two years, our Hong Kong sales program mainly concentrated on the 1,616 unit AquaMarine which is now almost sold out. Its clientele has slightly higher incomes than the average middle class. All of our remaining residential projects are for the even more affluent where profit margins should be even better. I am confident that in all product categories, our margin is among the best in Hong Kong. It is especially true in the luxury sector such as The HarbourSide and The Long Beach.

410 condos at AquaMarine were sold, an improvement of about 100 units from the year before. We parted with more since fiscal year end and are now left with only about 60. We also sold a smidgen of other properties left over in our portfolio from years past, the totality of which is insignificant.

Prospects

In the past few years, your Company has been quietly buying centrally located land in economically vibrant Chinese cities. Some transactions have been completed and more can be expected. I have repeatedly stated how difficult the process is, a point which cannot be overemphasized. One hears of our successes but behind them are countless frustrations and thwarted opportunities. To find a piece that meets our most stringent requirements is rare. Yet often after working on it for a year or two with increasing hopes of success, the deal suddenly dissipates for whatever reason such as a technicality.

會出現。本人可向列位股東保證，在政府拍賣土地時購地或在城市心臟區以外的地點購買大幅土地，均是遠為容易的做法。集團從不選取此等途徑，皆因吾等並不相信該等項目能提供近乎本集團已取得或有能力取得之回報。正如過往本人致股東之週年報告所解釋，集團之卓越策略是有其他原因支持的。

管理層別無他選，只能在吾等所選之路途上踏步前行。集團之成功令吾等感到鼓舞，迄今集團已取得八個項目，預算總投資額達人民幣一百九十億元。吾等仍抱有希望，到二零零九年底時，集團的項目會達到十八個。現時吾等正致力購置多幅宏大的地塊，倘成功可令吾等很快達成目標。要戰無不勝乃不切實際，但運氣偶爾會垂青辛勤之輩，而吾等確實非常辛勤！

近期具有聲譽之人士主動向我們提供看來不俗之機會，彼等總向吾等招手，皆因人們知道恒隆也許是唯一一個成績彪炳的集團。同樣重要的是此等成績乃由同一個專業團隊取得，彼等亦創造了在選地、設計、建築、物業管理及投資回報等五大方面均卓越不凡的世界級項目。

以往集團從不考慮毛遂自薦的交易，因吾等相信好交易不會如此得來，但最近一份內地主要地產雜誌的編輯告訴我，許多行家及觀察家均正研究「恒隆現象」。雖然長遠而言這可能會吸引東施效顰者甚至有一天產生具實力的競爭對手，但短期而言這或會招來毛遂自薦的良機而令集團受惠。倘其提議具有足夠的吸引力，集團甚至會考慮與其夥拍，這當然須了解其為甚麼機構及其是否願意讓集團控制項目開發及擁有最終產品的業權。倘只擔任小股東而須貢獻吾等頗為獨到之訣竅，集團對此不會有興趣。

進入中國物業市場的外資正在增加，這個現象值得留意，因其可能影響本集團之業務。該現象與大量資金流入西方私募基金

So my colleagues and I are constantly exploring new markets as well as revisiting cities with the hope that new opportunities may have arisen. I can assure you that to purchase land from government auctions or to buy large tracts outside of the very heart of a city are far easier. We have never done either because we do not believe that the returns those projects can generate will come close to what we have achieved and can achieve. As explained in past annual statements to shareholders, there are other reasons why our strategy is superior.

Management is left with no choice but to forge ahead on the course that we have chosen. We are encouraged by our successes -- eight projects so far with an anticipated total investment of RMB19 billion. The expectation remains that we will have eighteen by the end of 2009. We are at present working on several sizable pieces, the fruition of which will quickly bring us to that number. To win every case may be unrealistic, but once in a while, luck is with those who work hard -- and hard we work!

We have of late seen reputable people bringing us what appear to be fine opportunities. Invariably they approach us because people know that we are perhaps the only group that has a track record. Equally significant is that this record was achieved by the same team of professionals which created world-class developments excelling in all five areas of site selection, design, construction, property management, and financial return.

Previously we never entertained unsolicited approaches, believing that no good deal comes that way. But as a leading mainland real estate magazine editor told me recently, many industry players and watchers are now studying the "Hang Lung Phenomenon." While this may in the long run attract copycats or even one day spawn worthy competitors, in the immediate term it may bring benefits in the form of unsolicited opportunities. If it is attractive enough, we may even consider having a partner. That will of course depend on who that entity is and their willingness to let us control the development process as well as ownership of the final product. We are not interested in taking a minority position while contributing our rather unique know-how.

There is a phenomenon worth noticing for it may impact our business. Namely, the amount of foreign money entering the China property market is increasing. Not unlike the ballooning of capital

主席報告 CHAIRMAN'S STATEMENT

的情況一樣，但流入中國物業市場的外資金額雖然較小，增速卻同樣急劇。其來源並不限於美國和西歐，亦包括中東、澳洲和東南亞（主要為新加坡）。倘日本稍後也來湊熱鬧，本人也不會感意外。

且看中東的資金情況。世界正為富裕中國所產生的新現象而驚訝，十三億人從經濟開放起抵肩繭足二十八年，合力把高達二萬三千億美元的存款放進銀行體系，此外尚有公司存款以及一萬三千億美元的外匯儲備。鑑於政府條例，該等個人存款除用於置業外，僅有少數會進入物業投資。但在中東，過去三年來自高原油價和高汽油價的橫財據云已達三萬億美元，這些資金與中國的資金不同，其大部分可投資在區外的項目，而中國乃其目標。近期兩家紐約市的投資銀行進行集資以投資在亞洲房地產市場，倘大部分有關資金來自中東，本人亦不會感意外。

該等地區基金和行業基金投資在上市地產公司例如恒隆，或直接投資在物業上。過去地產基金主要投資在前者，對我們作為上市公司有裨益，而新資金會推高地產股的市盈率及縮窄股價對資產淨值的折讓，並為市場增加流動性。至於後者，其影響乃財政薄弱的本地發展商會與一個或多個該等基金聯手，彼等會成為本集團的競爭對手，雖然當中許多家之產品均為低質素物業，但這並非全都是好消息。固然，集團的項目會因而特別突出，但隨著時間過去，部分該等對手會有所改善，而就算在此之前，整體租金會因為供應量增加而被拖低。

集團面對這個料將出現的衝擊有何對策？篤守我們的做法，但要做得更好更快，尤其是不應在購置土地發展十八個商業項目這個目標上有差誤。管理層向來重視迫切性，新的競爭環境不外令吾等進一步提高此意識。吾等所面對之引誘乃降低吾等自訂的選地準則，吾等決不會這樣做，但也許會接受稍多些風險以便如期成事。吾等會快速行事，但亦必定審慎行事。透過抓緊傑出城市的最佳地塊（按位置、面積及形狀界定），集團可穩

pouring into private equity vehicles in the West, real estate funds are mushrooming albeit in smaller amounts but growing just as fast. Sources are not limited to the U.S. and Western Europe but also include the Middle East, Australia and Southeast Asia, primarily Singapore. I would not be surprised if the Japanese soon jump in.

Consider the amount of money in the Middle East. The world is marveling at the new phenomenon of a wealthy China. 1.3 billion people toiled for 28 years since economic opening depositing US\$2.3 trillion in savings in the banking system. On top of that are corporate savings and foreign reserves; the latter number US\$1.3 trillion. Given government regulations, only a small percentage of individual savings will find their way into real estate investments other than home ownership. But in the Middle East, the windfall alone from high oil and gas prices of the past three years is said to approach US\$3 trillion. Unlike the money in China, much of it will go into investments outside of the region, and China is a target. I would not be surprised if a good proportion of the billions of US dollars raised recently for Asian real estate by two New York City investment banks came from the Middle East.

These geographic and industry specific funds are to be invested either into listed property companies like ourselves, or directly into bricks and mortar. Previously property funds mainly did the former which was beneficial to us as a public company. The new capital will raise price-earning-ratios and narrow discounts to net asset values. It will also add liquidity to the market. Now with the latter, local developers with weak finances can link up with one or more of these funds. They will become our competitors. The fact that many of them produce inferior products is not all good news. While they will make our complexes stand out, in time some of those players will improve. But even before that time, increasing supply will bring down overall rents.

What is our response to this expected onslaught? Stick strictly to what we do but do it even better and faster. In particular, our target of buying land for eighteen commercial projects should not slip. Your management has always had a keen sense of urgency and the new competitive landscape only further heightens that sense. The temptation is to lower our self-imposed standards for site selection. That we will not do, but we may have to take on slightly more risks to get the job done on time. We will act swiftly, but we will also always act cautiously. By tying down the best plots (as defined by location, size and shape) in outstanding cities, our competitiveness

擁競爭能力。少數對手能與集團的設計能力匹敵，而集團在建築以及租戶與物業管理方面，均可媲美行內任何一家公司。這意味著在集團選擇參與的市場內，縱非全無亦僅有少數對手能動搖集團之領導地位。

就此而言，品牌建設可助一臂之力，迄今業內專注此道之公司似乎甚少。毫無疑問，恒隆現為中國地產業的頂級品牌，但我們必須持續加強和更新這方面的優勢。

集團之物業租賃業務今年應可再次享有理想成績。來自恒隆廣場第二幢辦公室大樓之全年度貢獻，應可確保上海業務錄得特別愜意的數字，而即使沒有該新增加之樓面面積，單靠調升租金亦應可提供雙位數字的增長，這從集團完成兩個現有項目首天起已如是。至於香港之投資物業，鑑於香港經濟相對健康，該等物業亦應有理想表現。

由於碧海藍天已近乎售罄，集團會專注邊際利潤更高之項目，即君臨天下和浪澄灣。前者於過去兩個月已增加銷售活動，其單位價格已創出新高，集團會繼續安排銷售以爭取最大利潤。其毗鄰之環球貿易廣場即將落成，此物業樓高一百一十八層，乃香港之最高建築物，設施包括寫字樓及一座五星級酒店。此外，君臨天下背後一所佔地一百萬平方呎、名為圓方之購物中心即將開業。此乃為何集團在過去數年並不急於出售君臨天下之原因，隨著該區日益蓬勃，君臨天下之單位對潛在買家將更具吸引力。迄今，君臨天下接近百分之八十之單位尚未推出市場，至於離君臨天下不遠之浪澄灣，彼擁有一千八百二十九個單位，集團亦有可能為其開始進行銷售活動。

集團預期今年可售出更多香港住宅單位。倘無不可預見之情況發生，集團之基本純利應可較回顧期之十二個月更勝一籌。

主席
陳啟宗

香港，二零零七年八月十五日

becomes secure. Few can design as well as we can, and our quality in construction and in the management of tenants and of physical facilities is as good as any in the business. This means that in the markets which we have chosen to play, few if any can dislodge our leadership position.

What will help in this regard is brand building. Apparently few in our industry have so far focused on it. Without doubt, Hang Lung is today a top brand in China's real estate business, but this is something that we must constantly strengthen and renew.

Our property leasing business should again trade well this year. Full year contribution of the second office tower in Plaza 66 should ensure that numbers from Shanghai will be particularly pleasing. Even without the new space, rent increase alone should see double digit growth. That has been the case from the first day since we completed the two existing projects. Given the relative health of the Hong Kong economy, investment properties here should also do satisfactorily.

With AquaMarine almost sold out, we will focus on the even higher profit margin projects, namely The HarbourSide and The Long Beach. Sales activities in the former have picked up in the past two months and unit prices achieved have edged upward, reaching new heights. We will continue to manage that process to maximize profit. Hong Kong's tallest building of 118 storeys, the International Commerce Centre, housing offices and a 5-star hotel will soon be completed right next door, and the one million square feet shopping center called Elements behind us will soon commence operations. That was why we were not in a hurry to sell in the past few years. As the area matures, our units should become even more attractive to potential purchasers. So far almost 80% of the units have been held back from the market. We may also begin marketing The Long Beach with 1,829 units located not far from The HarbourSide.

Expecting to sell more Hong Kong condos this year and barring unforeseen circumstances, underlying net profit should be even better than the twelve months under review.

Ronnie C. Chan
Chairman

Hong Kong, 15 August 2007