



力臻完美

A Feeling of Achievement

每個匠心獨運的傑作，都有賴無限創意及優秀策劃來完成，兩者相輔相成。
A masterpiece that begins with a concept and accomplishes in a development of quality and stature.



陳啟宗先生，集團主席 (右二)
Mr Ronnie Chichung Chan, *Chairman (second right)*

袁偉良先生，董事總經理 (左二)
Mr Nelson Wai Leung Yuen, *Managing Director (second left)*

何世良先生，執行董事 (左)
Mr Wilfred Sai Leung Ho, *Executive Director (left)*

吳士元先生，執行董事 (右)
Mr Terry Sze Yuen Ng, *Executive Director (right)*

主席報告

Chairman's Statement

致各股東

業績及股息

截至二零零四年六月三十日止財政年度之營業額為五十四億四千九百三十萬元，上升百分之五十九點三。股東應佔純利為九億八千六百六十萬元，每股盈利為七角四點四仙，兩者均較去年度增加百分之一百五十四點八。

董事局建議派發末期股息每股三角六仙，較去年度上升百分之十二點五。如獲股東通過，全年度每股股息總額將為四角八仙，較去年度增加百分之九點一。

業務回顧

六個月前，本人曾寫下結語：「本公司正踏入收成期，應可於本財政年度結束前獲首簇成果。」如今此已成為事實。本公司擁有大部份權益之附屬公司 - 恒隆地產有限公司(恒隆地產)，掌握了豪宅市道之強勁飆升時機，售出君臨天下一百八十一個單位，並獲利甚豐。由於該物業尚有九百四十一個單位尚未出售，故其最終帶來之利潤總額，有可能成為本集團歷來任何單一項目之冠。

截至六月三十日止財政年度之最後兩個月內，樓價稍為回軟。縱然如此，過去十二個月之整體住宅價格已上升超過兩成，其中豪宅價格之升幅更為可觀，取得逾四成即前者兩倍之增長。基於本集團之銷售物業組合中，約有八成樓面面積可列為豪宅，故本集團處於可從中受惠之優越位置。本集團各項銷售物業之土地成本均低於鄰近項目，而地點及地形亦往往較為優勝，兼且，該等鄰近項目之發展商，大多在過去兩年市道欠佳時售出縱非全部亦屬大部份之單位，故本集團面對之競爭較小。

政府近期之措施亦有幫助。《業主與租客(綜合)條例》之放寬，以及樓宇按揭上限由七成增至九成半，無疑可進一步推動置業意慾，此等效益將於來年可見。最近之政府土地拍賣亦顯示，發展商現已遠較過往進取。

TO OUR SHAREHOLDERS

RESULTS & DIVIDENDS

For the fiscal year ended 30 June 2004, turnover rose 59.3% to \$5,449.3 million. Net profit attributable to shareholders was \$986.6 million, and earnings per share 74.4 cents, both representing an increase of 154.8% over a year ago.

Your Board recommends a final dividend of 36 cents per share, or a rise of 12.5% above last year. If accepted by shareholders, total dividends for the year will be 48 cents per share which is a growth of 9.1% from the year before.

BUSINESS REVIEW

Six months ago, I wrote of "entering a harvesting phase the firstfruits of which should be seen before the fiscal year is over". That has now come to pass. Our majority owned subsidiary Hang Lung Properties (HLP) took advantage of a strong rally in luxury apartments and sold 181 units of The HarbourSide to great profit. Since 941 units remain unsold, total profit ultimately achieved may become the highest of any single project in the Group's history.

In the last two months of the fiscal year ending June 30, property prices moderated somewhat. That notwithstanding, overall residential prices rose more than 20% for the previous twelve months. The gains for luxury apartments are even more spectacular—doubling that percentage to over 40%. With some 80% of our sales portfolio by floor area being in that category, we are well positioned to benefit therefrom. Our land costs are invariably cheaper than those of our neighbours', and our sites are always better located and superbly shaped. Moreover, more often than not our fellow developers have sold most if not all of their units in the previous two years during weak market conditions, thus leaving us with less competition.

Government measures of late have been helpful. The relaxation of the Landlord and Tenant (Consolidation) Ordinance and of the 70% mortgage ceiling to 95% will no doubt further encourage property ownership. Their effects will be felt in the coming year. Recent government land auctions have also shown that developers are much more aggressive than before.

經過多年萎靡不振後，物業租賃市場終於出現可觀之活力。在久被遏抑之本地消費需求及內地旅客帶動下，商舖成為首類復甦之租賃物業。地點適中之寫字樓物業亦有良好表現，但搶去了地點較次之寫字樓物業之租戶。工業及工業／寫字樓物業對本集團之重要性較小，惟其租賃情況亦屬良佳。

在此背景下，本集團主要透過恒隆地產持有之香港租賃物業組合已經扭轉頹勢，其租金總額錄得溫和增長，並可望穩步上升。

本集團之上海物業再次錄得星光熠熠之表現，但因去年已完成首輪新租約之續訂，故其增長料會放緩。然而，其租金可望於下財政年度(二零零五至二零零六年度)重拾升軌，本人將於下文論述原因。

兩項特別發展必須予以匯報。首項為持有上海港匯廣場之合營公司，已於二零零三年五月把該物業興建中之兩幢辦公室大樓其中一幢售予一名前股東。除支付現金外，該名將離開之股東在合營公司之所有股份，將由其餘股東按持股比例瓜分。因此，本集團在該項目之整體權益，已由百分之四十七點三增至百分之六十六點三，此對本集團經常性收益之增長及資本增值均有裨益，誠屬可喜可賀之事。

於財政年度結算後，本集團與本港另一家大型發展商信和置業之訴訟，獲法院裁定本集團勝訴。該項訴訟涉及本集團建於油柑頭並於一九九六年十二月售予信和之一幢酒店物業之買賣。信和可在十月初限期前決定是否上訴，倘本集團在高院仍然勝訴(此乃本集團之預期)，法官將裁定本集團應獲得之賠償金額。經過長達六年之法律爭拗後，此項迄今所得之好消息誠屬佳音。從營商角度來看，管理層於正確時間作出正確的沽售決定，其後並證明當時乃大市見頂之時。此為說明吾等營商之道之另一例子 - 準確判斷市場及按此行事。

展望

本集團過去約十年在香港之表現良佳，不僅成功渡過本港歷來所見之最大熊市，並更青出於藍。期內，本集團透過恒隆地產審慎購置土地，可帶來勝於任何大型地產發展商之最佳邊際利潤。為令邊際利潤更為豐厚，本集團採取與大部份發展商迥異之策，於過去兩年大市正

After many years in the doldrums, the rental market has finally seen some serious movement. Retail was the first to recover due to pent-up local consumer demand as well as mainland tourists. Centrally located offices did well but had taken tenants from secondary locations. Industrial and industrial/office buildings which are of less significance to us have nevertheless leased well.

Given this background, our Hong Kong rental portfolio held mainly by HLP has reversed the downward trend. Total rents received have grown marginally and are expected to slowly rise.

Our Shanghai properties have once again been the star performer. Growth rate, however, is expected to slow since the first round of lease renewals already took place last year. Rents are expected to pick up next fiscal year (2005-2006) as I will discuss later.

Two exceptional developments must be reported. First, in May 2003, the joint venture company which owned The Grand Gateway in Shanghai sold one of the two office blocks being built to a former shareholder. Besides cash payments, the departing shareholder will yield all its shares in the joint venture company to the remaining shareholders in proportion to their shareholdings. As a result, our interest in the entire project has increased from 47.3% to 66.3%. This should be highly desirable both in terms of gains in recurrent income as well as in capital value.

After financial year-end, our lawsuit against Sino Land, another major local developer, has been adjudicated in our favor. The case related to the sale of a hotel in Yau Kom Tau which we built and sold to Sino in December 1996. The other side has until early October to decide whether to appeal. If we still prevail at the higher court (which is expected), the amount of damages to be paid to us will then be determined by the judge. After six long years of legal wrangling, the good news so far is certainly welcome. From a business prospective, management made the right decision to sell at the right time at what later proved to be the height of the market. This is yet another example of how we conduct our business—by reading the market correctly and acting accordingly.

PROSPECT

The Group has performed well in Hong Kong in the past decade or so. We have come through the biggest bear market our city has seen with flying colors. During that period, through HLP we have bought land prudently which should result in the best profit margin of any major real estate developer. To make the margin even richer, unlike most of our fellow developers, we have in the past two years withheld from

見底時拒絕出售近乎落成之樓宅，如今樓價穩步回升之際，本集團則開始沽售。

在中國內地，本集團亦有極為出色之表現。吾等之策略乃專注於內地唯一最佳之商業城市上海，並在當地之黃金地段發展最具規模及最優質之物業，此項策略帶來可觀之回報。吾等學懂了如何與政府官員和部門打交道，並同時保持我們一貫的高商業操守，而當外資商家(包括香港發展商)在表面上無限商機之國土損失慘重之故事流傳之際，吾等則默默從容地取得豐厚利潤。

土地儲備方面，本集團透過恒隆地產在香港仍持有約四十萬平方米之優質住宅樓面，將於未來三年進行銷售。恒隆地產尚持有四萬平方米之頂級樓房住宅，全部均位於港島及可供銷售。部份項目例如藍塘道物業現正施工，而部份項目例如淺水灣之濱景園則可供翻新或重建，其他項目例如御峰經已落成。倘市道進一步改善，來自該等項目之潛在利潤並非微不足道。

上海方面，本集團兩項甚為成功之項目現正增建合共約二十五萬平方米之樓面。待港匯廣場之辦公室大樓和服務式寓所大樓於二零零五年落成、其第二幢住宅大樓於二零零六年落成、以及恒隆廣場之第二幢辦公室大樓(本集團與恒隆地產共同持有)亦於二零零六年落成後，彼等所帶來之租金收入將進一步惠及本集團之溢利。此項利好影響將於二零零五至二零零六年度首現，並於二零零七至二零零八年度達至高峰。

所有上述分析帶出一個問題：本集團如何為四年後作出部署？倘本集團在未來一、兩年內，以合理價格成功地在香港購入土地，此將為可喜之事。然而，這並無必勝之把握，本人擔心競爭對手會把地價推高至超逾本集團願意支付之價格水平，故管理層於一年多前已開始執行計劃，以求顯著加大本集團在中國內地之投資。本集團現已界定約三十個內地主要城市為目標，並希望能進行七個至八個大型項目，理想數目則為九個或十個大型項目。本集團對發展大型住宅不感興趣，原因乃本集團難與當地發展商競爭，吾等擬另謀發展高檔住宅，並特別有意發展包括商場和寫字樓之高檔商業項目。此乃一項新策略性方向，對本集團今後之發展面貌將有深遠影響。中港兩地將同為本集團未來之依歸。

selling almost-completed apartments as the market was bottoming. Now that prices are recovering nicely, we are beginning to sell.

In the mainland of China, we have also done superbly. Our strategy to focus on only the best commercial city—Shanghai—and to build the biggest and highest quality products at premium locations, has paid off handsomely. We have learned to deal with government officials and departments while maintaining our usual high business ethics. Whereas we often hear of horror stories of how overseas businessmen (including Hong Kong developers) lost money in that land of apparently unlimited opportunities, we have quietly made good profits.

Land bank wise, in Hong Kong we still have about 400,000 square meters of prime residential space held through HLP which will be for sale over the coming three years. HLP has another 40,000 square meters or so of top of the line apartments and town houses, all on Hong Kong Island, which can be sold. Some of these are being constructed like on Blue Pool Road, while certain older properties can be refurbished or redeveloped such as Burnside Estate in Repulse Bay. Others like The Summit are already completed. If the market were to improve further, the potential profit from these projects are not inconsequential.

In Shanghai, we are constructing approximately 250,000 square meters as part of our two existing highly successful projects. Once completed—the office tower and the service apartment block at The Grand Gateway in 2005, plus the second residential building of the same development in 2006, as well as the second office tower at Plaza 66 (which we jointly own with HLP), also in 2006—rents received therefrom will further boost profit. The first effects will be felt in 2005-2006 and will reach full force by 2007-2008.

All these beg the question: what will we do four years hence? If the Group succeeds in buying land in Hong Kong at reasonable prices within the next year or two, that will be good. However, there is no certainty of success. I fear that our competitors may bid up prices beyond what we are willing to pay. This is why well over a year ago, management has started to execute a plan to greatly expand our presence in the mainland of China. About 30 major cities were identified with the hope to do seven or eight and preferably nine or ten sizeable projects. Mass residential will not be of interest to us for we cannot compete with local developers. We will instead do high-end residential and particularly commercial buildings, both retail and offices. This represents a new strategic direction which will have long lasting effects on the shape of the Group going forward. Our future is as much in the mainland as in Hong Kong.

惟本集團仍會以香港作為基地。當察覺香港出現良機時，本集團會透過恒隆地產在香港購置土地及投資物業，而本集團亦會加強現有之香港投資物業組合。整體而言，本集團對香港短至中期之經濟去向頗感安心。於一九九七年後之年代，政治噪音與日俱增，但最低限度截至現時為止，本人並不察覺其對商界有所影響，兩者似乎互不相干。最少在可見之將來，當社會步入更多元化之模式時，商業活動應可如常進行。

然而，中國內地之發展正對香港帶來與日俱增之影響，這包括正面和負面影響，但以前者佔大部份。此乃無可避免之事，中國內地人口達十三億人，幾為香港人口之二百倍；其國民生產總值為香港之八倍或九倍，並正以遠高於香港之速度增長。事實上，在人類歷史中，從未見如此眾多的人於這麼短之時間內，可就其經濟生產力作出如此可觀之躍進，而這帶來了人均收入之大幅增長，令本集團安心在中國內地廣泛增加投資。

所有這些發展對香港均為好消息。儘管部份內地城市例如上海和北京，由於其經濟基礎遠較低，故無可避免地將快速追近香港，但香港仍有很多獨特優勢；香港能否掌握此等優勢以延續其經濟增長，將取決於香港本身和內地。倘政治角力不休以至盡失方寸，有可能會開始損害香港之營商環境。香港市民必須明白，世界不會停下來等候香港解決自身的政治問題，商家可選擇其他地方作為營商棲身之所，其考慮之大前題乃何處是利之所在。倘香港經濟一蹶不振，較難擇木而棲之勞動階層將成為最大受害者；能否製造就業乃任何社會之興亡關鍵，而唯有興旺之商業環境才能確保就業。

確確實實，北京中央政府正在多方面為香港施加援手，例如與香港訂立「更緊密經貿關係的安排」（「內地與香港關於建立更緊密經貿關係的安排」）及容許內地居民以個人身份來港旅遊等。然而，所有港人均應明白，外部之援助有力不能逮之時，香港最終必須自行盡責，竭力保持其社會安定及經濟繁榮。

主席

陳啟宗

香港，二零零四年九月八日

That said, our base remains here. We will buy land as well as investment properties in Hong Kong (through HLP of course) as we see opportunities. We will also strengthen our existing investment portfolio. Overall, we are quite comfortable about the near to medium term economic future of our city. In the post-1997 era, politics is getting noisier by the day, but at least for now, I do not see it affecting business. So far, there is apparently a disconnect between the two. As society gradually moves towards more plurality, commercial activities should be able to go on as usual, at least in the foreseeable future.

Developments inside the mainland of China will, however, increasingly impact Hong Kong—both positively and negatively, but mostly the former. This is unavoidable when their population of 1.3 billion is almost 200 times that of ours. Their GDP is eight or nine times our size and is growing a lot faster. Indeed, mankind has never seen so many people improve their economic output by so much in so short a time. This translates to a huge rise in per capita income which underpins our comfort to increase investments there and here.

All that is good news to us. Whereas it is inevitable that some mainland cities like Shanghai and Beijing will quickly gain on us given their much lower economic base, Hong Kong still has tremendous advantages of our own. Whether we will capitalize on them to prolong our economic growth will depend on ourselves as much as on the mainland. It is possible that if unabated, politics can get out of hand and begin to hurt the business environment. Our fellow citizens must understand that the world will not stop and wait for us to sort out our political problems. Businessmen have choices where they do business and make their home, and in any event will go where the profit is. The working class who are not as mobile will suffer the most if our economy stagnates. Job creation is critical to any society and only a vibrant commercial environment can guarantee that.

Yes, the central government in Beijing is helping in many ways, such as granting us CEPA (Closer Economic Partnership Arrangement) and allowing individual tourists to visit our city. However, we should all understand that external assistance can only go so far. Ultimately, Hong Kong must do its part to keep our society stable and our economy strong.

Ronnie C. Chan

Chairman

Hong Kong, 8 September 2004