

Chairman's Statement

主席報告

- Net profit attributable to shareholders grew 83.9% to HK\$4,677.5 million.
- Leasing and property sales performed well in Hong Kong. Major subsidiary Hang Lung Properties has been able to sell apartments at progressively higher prices.
- 股東應佔純利增加百分之八十三點九，達港幣四十六億七千七百五十萬元。
- 香港物業租賃及銷售業務表現良好，主要附屬公司恒隆地產以節節上升之價格售出物業單位。



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.

For the fiscal year ending 30 June 2005, we reported an increase in turnover of 37.1% to HK\$7,472.2 million. Net profit attributable to shareholders grew by 83.9% to HK\$4,677.5 million, and earnings per share was 352.2 cents, a rise of 83.7%. The underlying net profit, which excludes the revaluation gain and the related deferred tax, shot up 92.9% to HK\$1,903.0 million from the HK\$986.6 million of a year ago. The underlying earnings per share rose by 92.6% to 143.3 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，本集團錄得營業額港幣七十四億七千二百二十萬元，上升百分之三十七點一。股東應佔純利為港幣四十六億七千七百五十萬元，增加百分之八十三點九。每股盈利為三元五角二點二仙，上升百分之八十三點七。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九十二點九，由去年港幣九億八千六百六十萬元增至港幣十九億零三百萬元；每股基本盈利增長百分之九十二點六，達一元四角三點三仙。

Your Board recommends a final dividend of 40 cents per share which is an improvement of 11.1 % over last year. If accepted by shareholders, total dividends for the year will be 54.5 cents per share, representing an increase of 13.5%.

Business Review

In early 2004, Hong Kong's property market finally recovered after some six years of weakness due mainly to the Asian Financial Crisis. In the past twelve months or so, all doubts regarding the sustainability of that recovery have apparently been dispelled. Transaction volume and prices have both reached their highest levels since the Crisis began. Rents from all sectors grew and in some cases quite strongly. There are several phenomena worth observing.

Whereas prices for mass residential have been rising in the past year, the number of transactions for the primary market has ebbed and flowed. This is due perhaps to the speed at which luxury apartment prices have gone up, which has had a psychological effect on the market as a whole. Potential buyers do not seem convinced where the market will go.

The past year witnessed a surge in the volume of the secondary market while that of the primary market shrank. This may be due to the high prices of new apartments. Prices for older units which had not moved much began to look cheap. In the longer run, the primary market must be supported by transaction volume in the second-hand market.

Society is unclear about the future of land supply. Is the government bent on driving up prices and therefore holding supply tightly? If not, why did repeated efforts by developers to apply for land fail? The fact that almost all applicants have fast diminishing land banks does not support the suspicion that they are low balling bids.

One point, however, seems certain: government officials are afraid of being accused of selling land cheaply. Insinuations about the government's wrongdoing in this regard are, in my opinion, unreasonable if not ridiculous. In the twenty-five years that I have been in the industry, I do not recall the government ever selling land below market. Whatever the case, many people today worry that there may soon be a shortage of supply.

董事局建議派發末期股息每股四角，較上年度增加百分之十一點一。如獲股東通過，全年度每股股息總額將為五角四點五仙，較上年度增加百分之十三點五。

業務回顧

二零零四年年初，香港物業市場終於復甦，擺脫了亞洲金融風暴所帶來約六年的疲憊光景。各界就此次復甦之持續性所抱有的疑慮，於過去約十二個月似已一掃而空。物業成交宗數及價格均創出亞洲金融風暴以來之最高水平；各類物業租金普遍上揚，部份物業之租金升幅頗為強勁。然而，數項現象值得吾等探討。

儘管普羅住宅物業價格去年持續攀升，但一手市場之成交宗數卻時增時減。此或許與豪宅價格之漲升速度有關，其對整體市場帶來心理影響。潛在買家似乎未能肯定樓價何去何從。

過去一年，二手市場成交額上升，而一手市場成交額則下降。此也許由於新樓價格較高，而舊樓價格因未顯著上升，相比下顯得平宜。長期而言，一手市場成交額有賴二手市場成交額支持。

社會對未來土地供應並不清楚。政府是否由於決心推高樓價故此收緊土地供應量？倘非如此，為何發展商屢次申請土地均失敗？差不多所有申請土地之發展商，其土地儲備均正迅速減少，故質疑彼等壓低投標價並無事實支持。

然而，有一點可以肯定：政府官員恐怕被指斥為賤價沽地。本人認為，在這方面歸咎政府之明嘲暗諷，均全不合理甚至荒謬。本人從事地產業二十五年，從未見政府曾以低於市價出售土地。無論如何，許多人士現時均擔心土地供應行將出現短缺。

The completion of expansion projects at Plaza 66 and The Grand Gateway in Shanghai will boost results in 2006 and 2007.

上海恒隆廣場及港匯廣場完成擴建計劃後，可令二零零六年及二零零七年之業績更上層樓。

Nevertheless, of late the government seems to be taking steps to address the potential problem. Recent changes in the land application process should help release more sites into the market. Other government initiatives should increase transaction volume. For example, the Mortgage Corporation relaxed the mortgage ceiling to 95%. Owners of Home Ownership Scheme (HOS) units can now dispose of them after three years of ownership, instead of five. The relaxation of security of tenure for domestic tenancies should also help.

As for developers, they are hungry for land and are bidding aggressively whenever there is the chance. While expensive land does not automatically translate to higher apartment prices, the former may nevertheless have a psychological effect on potential home buyers.

Through careful timing and planning of marketing campaigns, our major subsidiary Hang Lung Properties has been able to sell apartments at progressively higher prices. According to an investment banking report which came out late last year, our profit margins rank number one in the industry. I will not be surprised if this leadership position will continue for a few more years as predicted by the same report.

For the rental market, retail space led the recovery almost two years ago, followed by offices. Now all sectors are performing well. Your Company together with Hang Lung Properties are prime beneficiaries. Although benefits have not yet been fully reflected in our bottom line, vacancy is down. As can be expected, retail districts where mainland tourists congregate do better. Likewise, core central offices outstripped outlying ones.

Our Shanghai operations have performed very well. Part of the sales proceeds from one office tower at The Grand Gateway has been booked with more to come in the next few months. The other office block retained by the Company has been completed and is fully let. Committed rents are rather satisfactory.

政府近期似乎正採取行動以處理此項潛在問題。其就土地申請程序作出之更改，應有助增加市場土地供應量，而政府其他措施應可增加物業成交額。舉例而言，按揭公司把樓宇按揭上限增至九成五；居者有其屋計劃(居屋)之業主現可在三年後出售其單位，以往之規定為五年；放寬住宅租賃之租住權保障亦應可帶來幫助。

發展商方面，彼等正渴求土地，每有機會便會積極出價投地。雖然地價上升不會直接推高樓價，但前者對潛在置業者確有心理影響。

本公司之主要附屬公司恒隆地產，憑著精心安排售樓時間及銷售計劃，成功地以節節上升之價格售出住宅物業單位。根據一家投資銀行去年年底發表的報告，恒隆地產之邊際利潤高踞業內榜首，並預期此領導地位將維持數年。對此本人並不感意外。

物業租賃市場方面，商舖約兩年前率先復甦，隨之為寫字樓，如今各類租賃物業均有良好表現。本公司和恒隆地產乃主要受惠者。雖然吾等之溢利尚未完全反映此等裨益，但旗下物業之空置率已下降。內地旅客常前往之購物區表現較佳，地點適中之寫字樓物業比邊陲者享有較佳之表現，此等均可謂意料中事。

本公司之上海業務表現甚佳。港匯廣場出售其一幢辦公室大樓之部份銷售收益經已入賬，未來數月將續有進賬；本公司所保留之另一幢辦公室大樓經已落成及完全租出，協定之租金頗令人愜意。

Prospects

Barring unforeseen circumstances, the next few years should be promising ones. The staged completion of The Grand Gateway in Shanghai will boost income. Both sales proceeds of one office tower and rental from the other will begin to come through in the present fiscal year. In early 2006, the serviced apartments should be ready, and the second residential block (the first was finished several years ago along with the mall which is owned by Hang Lung Properties) is expected to be completed by July 2006. Plaza 66 in which we have a 10% interest (with Hang Lung Properties owning 79%) will see a jump in income at the beginning of 2007 when the second office tower will be available for leasing.

Things in Hong Kong look promising. Completed projects of Hang Lung Properties will be gradually sold. With probably the best profit margins of all major real estate companies, there should be billions of dollars of total profit.

Investment properties are also expected to perform well. The effects of the all-round rising market, if sustained, will take about three years to come through. These past twelve months saw the beginning of it, and there should be more positive results to come.

The longer term future of the group will rest on the mainland. Hang Lung Properties is embarking on an ambitious strategy to build at least ten more sizeable commercial complexes in that many cities. The primary task for the coming three years will be to nail down huge sites in major population centers that have vibrant economies and consumer spending power. So far we have succeeded in Tianjin and are close to fruition in two other cities. In 2006 and 2007, I hope to seal another seven or eight transactions. If successful, we will gradually transform ourselves into a group with two foci of activities--Hong Kong and the mainland. Specifically, the brand name "Hang Lung Plaza" which is already well-known in Shanghai will become ubiquitous in mainland China.

Ronnie C. Chan
Chairman

Hong Kong, 31 August 2005

展望

倘無不可預見之情況出現，本公司未來數年應享有可觀成果。隨著上海港匯廣場之擴建計劃分階段完成，本公司之租金收入將可增加。港匯廣場一幢辦公室大樓之銷售收益及另一幢辦公室大樓之租金收益，可於本財政年度開始彰顯。到了二零零六年年初，港匯廣場之服務式寓所大樓應可完工，而第二幢住宅大樓預期可於二零零六年七月落成(首幢住宅大樓及購物商場於數年前落成，恒隆地產持有該購物商場)。本公司並持有恒隆廣場百分之十權益(恒隆地產持有恒隆廣場百分之七十九權益)，恒隆廣場第二幢辦公室大樓將於二零零七年年初可供出租，屆時其租金收入將可大幅增加。

香港業務之前景理想。恒隆地產將逐步出售其落成物業，彼有可能是所有大型地產公司中邊際利潤最佳之公司，而本公司應可分享數以十億元計之利潤總額。

投資物業亦可望有良好之表現。倘大市持續上升，其利好影響需三年時間方會完全彰顯。過去十二個月所見乃其開端，未來應可有更佳之成果。

本集團之長遠前景取決於內地業務。恒隆地產現正採取雄心勃勃之策略，在多個內地城市合共發展最少十個規模宏大之商用物業。吾等未來三年之主要工作，乃在各個人口眾多並具有經濟活力及消費能力之主要城市，選出可供發展之大型土地。吾等至今已在天津取得成功，在兩個其他城市亦接近成事。本人希望，吾等在二零零六年及二零零七年，可再取得七個或八個項目。倘能成功，吾等可逐步成為一個以香港和內地為兩大重點之地產集團。「恒隆廣場」這個現已在上海廣為人知的品牌，屆時將會在中國內地聲名四播。

主席
陳啟宗

香港，二零零五年八月三十一日