

# 主席報告

## CHAIRMAN'S STATEMENT

### 業績及股息

截至二零零七年六月三十日止財政年度內，本集團錄得營業額港幣四十七億七千七百八十萬元，上升百分之十三點八。股東應佔純利為港幣四十七億八千五百九十萬元，增長百分之六十九。每股盈利為三元五角九點一仙，上升百分之六十八點八。扣除重估盈餘及相關遞延稅項後之基本純利為港幣十九億九千五百五十萬元，與去年之港幣九億四千九百八十萬元比較，激增百分之一百一十點一；每股基本盈利為一元四角九點七仙，增加百分之一百一十。

董事局建議派發末期股息每股四角六仙半，較去年增加百分之十三點四。如獲股東批准，全年度每股股息總額將為六角一仙，較去年增加百分之九點九。

### 業務回顧

去年本人描繪香港地產業自六十年代起之歷史，意為指出導致該行業出現基本變動之結構性轉變，從而提供本集團不再倚重本地市場之理據。在本報告內，本人欲回顧吾等作為一個集團所選取的路向，引領集團把精力集中於中國內地。在作出這項回顧前，本人會首先就香港之環境稍加補充。

位於華南海岸之香港，乃觀察中國內地巨大變化之最佳地方。十三億人邁步向前、力求置身富戶之列，這也許是千載難逢之盛事。與內地人操同一語言、共屬同一文化傳統及同一種族之香港人，實處於最佳位置，應可掌握中國崛起所帶來之商機。倘香港人未能從中受惠，只能怨怪自己而不能怪責別人。

但正如所有好東西一樣，分享中國契機亦有代價。儘管港人如能抓緊機會，香港整體經濟應可錄得強勁收益，但並非每個人及每個行業，均會同樣受惠於中國之增長；事實上，許多人及許多行業會因此而受損。舉例而言，金融服務界之專業人士將可獲得厚薪，但製造業工人卻有可能會失業。當香港零售商和酒店業忙於服務內地顧客之際，其港口工人和貨車司機會感受到來自北方的競爭壓力。

### Results and Dividend

For the fiscal year ended 30 June 2007, we reported an increase in turnover of 13.8% to HK\$4,777.8 million. Net profit attributable to shareholders grew 69% to HK\$4,785.9 million, and earnings per share was 359.1 cents, a rise of 68.8%. The underlying net profit, which excludes the revaluation gain and related deferred tax shot up 110.1% to HK\$1,995.5 million from HK\$949.8 million. Underlying earnings per share advanced by 110% to 149.7 cents.

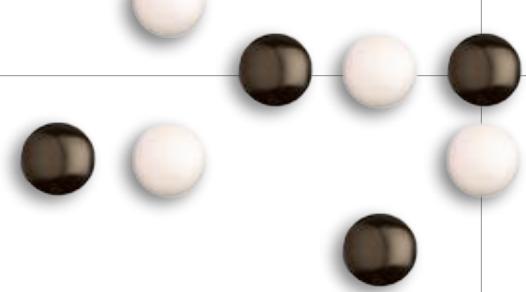
Your Board recommends a final dividend of 46.5 cents per share which is an improvement of 13.4% over last year. If approved, total dividends for the full year will be 61 cents per share, 9.9% higher compared to that of the previous year.

### Business Review

Last year I presented a historic sketch of Hong Kong's property sector since the 1960's. The idea was to show the systemic changes which had fundamentally altered the industry. That provided the rationale for our deemphasizing the local market. Here I would like to review the path we as a group have taken which led us to concentrate efforts in mainland China. Before doing so, I will first add a word about the Hong Kong environment.

Situated on the southern coast of China, Hong Kong is the best place to observe the monumental changes on the mainland. It is perhaps a once in a century event when 1.3 billion people march forward and strive to join the ranks of the affluent. Speaking the same language, sharing a common cultural heritage and being of the same race, Hong Kong citizens are in the best position to take advantage of commercial opportunities associated with China's rise. If we in this city cannot benefit therefrom, we have no one to blame but ourselves.

But as for all good things, there is a cost. Not everyone and not every sector will benefit equally from China's growth. In fact many will be hurt, although overall our economy should register strong gains if we grasp the opportunities. For example, professionals in financial services will reap huge salaries, but workers in manufacturing will likely lose their jobs. While our retailers and hoteliers are busy serving mainland customers, port workers and truck drivers will feel the pressure of competition from the north.



抗拒轉變乃屬徒勞無功，最終只會損害香港整體經濟，唯一前路是停止嗟嘆命運並尋求自強之道，藉此掌握新發現的良機。內地經濟比香港大十三倍並正以香港之兩倍速度增長，香港需要適應中國而非要求對方遷就，實屬無可避免。

一向擔當香港地產業支柱之住宅發展行業，很有可能是內地持續發展下的受損範疇之一。試看下列社會實況：港人找工作日益要向北望，二十年前製造業往北移，十年前低技能服務業接踵北往，如今法律和會計等行業之高薪專業職位亦正移師彼境。

過往香港年青人在大學畢業後八或十年便會開始在本港置業，如今彼等寧願租屋，因其不知僱主何時要求他們駐職上海、北京或其他內地城市。事實上，倘彼等欲獲得一份有前途之職業，在內地有遠遠更多之機會。即使僱主不作此要求，部分人亦會請纓北往，畢竟現時這些內地城市之現時生活，與十或二十年前已截然不同，其舒適寫意之程度在各方面幾乎貼近香港，而由於其生活水平較香港為低，故同一塊錢在當地可以花得更久。

對香港較年長的退休一輩，該等內地城市亦具有上述同一吸引力。彼等賣掉香港之房子，可到內地買到面積更大的居所，而在衣、食、行各方面，內地亦較為便宜。對退休人士而言，在內地生活之唯一顧慮是醫療保健，正如年青夫婦在內地生活之唯一顧慮乃其下一代的教育，但這些並非無法解決的問題，在整體而言，許多人仍會選擇北遷。

此外，鑑於內地大量人口處於適婚年齡，在香港找不到伴侶的未婚人士，在內地有較佳機會尋獲對象。今天越境通婚十分普遍，其接受程度遠遠超過記憶所及。由於香港配偶北遷較其另一半到港來得容易，在此情況下，許多新婚夫婦均在中國內地成家。

Fighting change will be futile and in the end, hurt our economy as a whole. The only way forward is to stop bemoaning our fate and find ways to better ourselves so as to take advantage of newfound opportunities. Certain things are inevitable. With the mainland economy being 13 times bigger than ours and growing at twice the pace, Hong Kong will have to adjust to China and not the other way around.

Residential development which has been the mainstay of the local real estate sector may well be one of the areas hurt by the mainland's continued progress. Consider the following social realities. Jobs are increasingly found up north. Twenty years ago manufacturing positions moved in that direction; ten years ago low-skilled services followed suit. Now even higher paying professional jobs such as those in the legal and accounting sectors are migrating across the border.

Our young people eight or ten years out of university who formerly would begin buying apartments here are now renting instead. They never know when their employers will want them stationed in Shanghai, Beijing or other mainland cities. The truth is if they want a promising career, opportunities are far more abundant on the other side. Even if they are not required to move north, some will request to go. After all, unlike ten or twenty years ago, living there is now almost as every bit pleasant and comfortable as in Hong Kong. Since their standard of living is lower, the same dollar stretches longer.

The same appeal holds for older retired folks. Selling their Hong Kong home will buy a lot more space on the mainland where food, clothing and transportation are also cheaper. For retirees, the only worry is healthcare just as for younger couples, it is education for the next generation. But these are not irresolvable issues so on balance many will choose to migrate.

Moreover, unmarried Hong Kong residents unable to find a spouse locally will have a better chance on the mainland given the much larger pool of candidates. Today cross-border marriages are far more acceptable and prevalent than anytime in recent memory. In such cases it is easier for the Hong Kong spouse to move north than for the other to come here. Thus many newlyweds end up in mainland China.

## 主席報告 CHAIRMAN'S STATEMENT

所有此等社會及經濟現象，都意味著香港潛在置業人士之數目已縮減，難怪近年之每年物業成交宗數只在低位徘徊。這在新單位方面尤其屬實，但二手市場相比下亦非處於佳景。與其在香港換樓以求較佳居所或較大單位，倒不如在內地置業。當較年長的退休一輩北遷或在內地購入第二間居所時，其子女只需遷入父母在港之單位便無須另行置業。同樣，當子女在內地找到工作時，其父母可遷往子女在港丟空的單位。

數年前，香港政府宣佈公務員無需在星期六上午上班，大部分私人機構亦予跟隨。此舉乃希望港人有較多休閒時間及增加消費，而當時被視為合理之假設是，人們會利用週末多出之空間時間進行各項消遣包括物色居所。畢竟，數十年來星期六都是地產經紀最繁忙的時間。現實情況是，港人確實紛紛在星期六物色居所，只不過地點是珠江三角洲或更北之地區，此項發展足以說明香港住宅單位之銷售境況。

此情況會否逆轉？本人對此不抱太大希望。該現象本身決非香港經濟滅亡之詛語，香港應專注於改善自己以掌握內地增長帶來的經濟擴展，徒然嗟嘆香港行業之苦況於事無補，只要吾等掌握這許多的新機會或看來無窮盡的契機，香港整體經濟應可享有理想的表現。在頗大程度上，香港的未來仍可亦應操諸我們手中，只視乎我們如何自處。

本公司過去十五年的歷史充份說明此點。在該段時期內，上海和其他內地城市的地產機會逐步超越香港，提供了更多機會及更佳的回報潛力。無可避免地，當本公司之新項目北移時，吾等之建築師和工程師亦須北移。從好的一面來看，集團在內地龐大的擴展計劃造就了大量升職機會。坦白說，集團之內地項目遠較其大部分之香港項目為大，在這情況下，香港團隊的副手很容易便可當上內地項目的主管。由於薪金因升職而上升，兼且內地城市之生活費較低，故集團之員工有能力保留其香港居所。只要香港不變成過於政治化(此危機確實存在)，該等專業人士仍

All these social and economic phenomena mean that the pool of potential homebuyers in Hong Kong has shrunk. No wonder annual property transactions in recent years have lingered at low levels. This is especially true for new units but the secondary market is not much better. Instead of trading up to better or larger units within Hong Kong, they are buying on the mainland. When older folks retire to the north or purchase a second home there, their children simply move into their Hong Kong apartment instead of buying another unit. Similarly, when sons or daughters find jobs across the border, the parents may move into the Hong Kong condos left vacant by their children.

A few years ago, the Hong Kong government announced that civil servants would no longer work on Saturday mornings. The private sector for the most part followed suit. The hope was that our citizens would have more leisure time and consume more. It seemed reasonable at the time to assume that people would, among other things, use the extra weekend free time to hunt for apartments. Afterall, for decades Saturdays have been the busiest time for estate agents. As it turned out, property hunting on Saturdays our citizens did, except that it was done in the Pearl River Delta or further north. This development amply illustrates the condition of residential sales in Hong Kong.

Will the situation reverse? I would not place too much hope. The phenomenon itself does not have to spell the death of our economy. Hong Kong should concentrate on improving ourselves to take advantage of the bigger economic pie afforded by mainland's growth. Bemoaning our sectoral woes will not change anything. As long as we seize the many new and seemingly unlimited opportunities, our economy as a whole should do satisfactorily. To a large extent our future can and should still be in our own hands. It is just what we make of it.

Our Company's history of the past fifteen years illustrates that very point. Over that period, real estate opportunities in Shanghai and other mainland cities have gradually exceeded those in Hong Kong. They offer more and promise better returns. It is thus inevitable that as our new projects shift to the north, our architects and engineers will have to move with them. Looking at the brighter side, our huge expansion there affords tremendous possibilities for career advancement. The deputy head of a Hong Kong team can easily become a team leader in a mainland city where our projects are frankly far larger than most of the ones we have done here. With higher salaries which come with promotion and lower living costs in their adopted cities, our staff can afford to keep their Hong Kong apartments. As long as Hong Kong does not become overly politicized -- and there is definitely

會視香港為家；而只要彼等保留其香港居所，彼等便會回港消費。畢竟，香港仍擁有許多可愛和具吸引力之處。

言則，本公司之未來是建基於內地。集團分別於一九九二年及一九九三年在上海啟動其首兩個內地項目——港匯廣場和恒隆廣場，彼等落成之物業分別於一九九九年及二零零一年開業。在該期間，集團仍未肯定項目能否取得成功，但一俟完成該兩個項目之購物商場以及恒隆廣場兩幢辦公室大樓之首幢後，集團知道吾等之行動正確。往後的發展，眾所皆知，皆因該兩個項目於去年完成前，已迅速成為上海之地標。北京四家機構最近挑選中國寫字樓一百強，結果恒隆廣場獨佔鰲頭。另一家上海機構評選市內十大最佳購物商場，亞軍由港匯廣場奪得，而冠軍則除恒隆廣場捨我其誰！坦白說，香港已無機會可供發展這麼大型和具有如此質素的項目。

現讓本人轉談引領吾等專注於中國內地之路途。九十年代當本集團在上海進行試驗時，香港本土發生了很多事。集團在九十年代初期仍須掙扎，因與大部分競爭對手不同，集團當時並沒有大量土地儲備，而在那些年頭當物業價格持續攀升時，集團處於很不利的地位。然而，集團小心翼翼地踏出每一步，而與當時部分比我們大的競爭對手不同，集團並沒有犯上嚴重的錯誤。更確切地說，集團為亞洲金融風暴作出了妥善的準備。當該風暴於一九九七年中吹襲時，集團已座擁大量現金。

其後，集團持續作出正確的決定。集團錯失了少數較細小的機會，但完全掌握了那些最大和最佳的良機。集團於一九九九年及二零零零年在毫無競爭下購置的土地帶來了豐厚的利潤，而由於集團仍持有大部分在此等土地落成的住宅物業單位，故豐厚利潤仍將滾滾而來，集團亦因而享有業內最高的邊際利潤。股市對此有所留意，故本公司及附屬公司恒隆地產之股價均開始攀升。

that danger -- these professionals will still call this city their home. And as long as they keep a residence here, they will return and spend money. After all, Hong Kong still has many lovely and attractive aspects.

That said, the fact remains that our Company's future is on the mainland. Our first two projects -- The Grand Gateway and Plaza 66 -- were respectively initiated in 1992 and 1993 in Shanghai; completed buildings were opened in 1999 and 2001. During the intervening years, we were not confident of their success, but soon after completing the two shopping malls and the first of two office towers at Plaza 66, we knew that we had done the right thing. As some would say, the rest is history as both developments quickly become landmarks even before we finished building them out last year. When four Beijing institutions recently picked China's top one hundred office buildings, Plaza 66 came in number one. And when a Shanghai organization chose the city's ten best shopping malls, The Grand Gateway was the runner up. Who was the best but Plaza 66 again! The opportunity to develop projects of that magnitude and quality in Hong Kong is frankly missing.

Now let me come to the path which led us to concentrate on mainland China. While we were experimenting in Shanghai in the 1990's, much happened in our home base, Hong Kong. In the early 1990's we had to struggle because unlike most of our competitors, we did not have a large land bank. When property prices climbed as they did during those years, we were at a severe disadvantage. Nevertheless, we were careful every step of the way, and unlike some of our then bigger competitors, we did not make serious mistakes. Rather, we prepared ourselves perfectly for the Asian financial crisis. When it struck in mid-1997, we were sitting on a pile of cash.

Thereafter, we continued to make correct decisions. We missed a few smaller opportunities but took full advantage of the biggest and the best ones. Land purchased in 1999 and 2000 in the absence of competition gave us and will continue to give us, since we still own most of the completed residential units, huge profits. We also have the best profit margins in the industry. The stock market took notice and our share price as well as that of our subsidiary Hang Lung Properties (HLP) began to climb.

## 主席報告 CHAIRMAN'S STATEMENT

然而，最大的突破尚未出現，此乃集團在香港積存了大量現金以及在上海試驗所取得成功，集團結合兩者後愈發拓展中國內地的新策略。此策略之最新演進乃集團在上海以外約十個城市發展十八個大型商業綜合項目。經過數年積極努力及在投資界支持下，管理層有信心集團清晰闡明的策略(此乃業內罕見)可取得成功。在香港的上市地產公司中(彼等最少一半利潤須來自地產)，集團之主要附屬公司恒隆地產之市值，已由第九位或第十位升至第二位，曾經是恒隆地產市值四或五倍之競爭對手，如今除了一家的市值仍高於恒隆地產外，其他餘下者之市值均較恒隆地產為少。

集團對過往雖感興奮，但對未來仍保持審慎態度。倘若現時便肯定說集團之內地策略已經成功，似乎稍嫌過早。迄今所有跡象均屬利好，但在現金利潤正式入賬前，本人不欲過早下判語。中國經濟固然令人振奮，但其在許多方面仍然脆弱；中國仍有可能萌生事故，而其經濟倘若放緩亦可長達數載。

所有此等因素均可擾亂集團之計劃，吾等唯一能告慰的乃本公司之負債率低及恒隆地產處於淨現金狀況，並享有穩定及有質素的租金收入——這令吾等近乎絕無失誤之虞，而最終的彩池則尚未盡知。但吾等預期可把上海項目之成功複製，令集團之新項目再奏凱歌。粗略計算，當落成物業租出後，該等新項目首三年應可取得百分之五至百分之七的每年投資回報，而三年租約後的第二期租約應可每年提供百分之八至百分之十一之回報，第三期租約之回報也許可達百分之十二至百分之十八。儘管挑戰重重，但在此等預期數字鞭策下，管理層自當銳意奮力前行。

話題返回一些較當前和實務之事。去年乃本集團內地舉措享有成果之一年，恒隆地產完成三項非常重大的土地交易，涉及的項目數量達六個，包括遼寧省瀋陽市斗姆宮交易算為三個項目、江蘇省無錫市交易所增添之兩個項目，以及山東省濟南市一個項目。此外，集團就湖南省長沙市一項非常大型之項目簽訂投資意向書；同樣重要者乃瀋陽市中街項目及斗姆宮項目均已動土。

The biggest breakthrough, however, was yet to come. Namely, the combination of stockpiling cash in Hong Kong and the successful experimentation in Shanghai, provided the impetus to formulate our new mainland China strategy. Its latest evolution calls for the construction of eighteen large commercial complexes in about ten cities outside of Shanghai. After several years of intense work and with apparent consensus from the investment community, management is confident that our clearly enunciated strategy, a rarity in the industry, will be successful. The market capitalization of our major subsidiary HLP has gone from number 9 or 10 among property counters in Hong Kong to number 2 based on those firms that derive at least half of their profit from real estate. Competitors once four or five times the size of HLP are now smaller than it, with only one company still being bigger.

While we are excited about our past, we remain cautious regarding the future. It is somewhat premature to say definitively that our mainland strategy has succeeded. All indications so far are positive but until I see profit in the form of cash in our pocket, I would prefer not to prejudge too early. The Chinese economy is exciting but it is in many ways still fragile. It is subject to mishaps, and downturns can last several years.

All these can disrupt our plans. We can only take comfort in the fact that the Company is lowly geared while HLP is in a positive cash position with steady rental income of quality. That puts us almost in a no-loss situation but the size of the jackpot is not yet clear. Our expectation however is that what we have achieved in Shanghai in the past should be replicable in our new projects. Generally speaking, they should yield an annual gross return on investment of 5-7% in the first three-year lease term, 8-11% per annum in the second term, and perhaps 12-18% in the third. Challenges abound but it is these anticipated numbers which spur management on with vigor and determination.

Now back to the more immediate and mundane: last year was a productive one for our group's mainland endeavors. HLP closed three very significant land transactions amounting to six projects -- Doumugong in Shenyang, Liaoning Province which counted as three, Wuxi in Jiangsu Province which added two, and one in Jinan, Shandong Province. A preliminary agreement was signed for a very large project in Changsha, Hunan Province. Just as significantly, we broke ground on two developments -- Zhongjie Road and Doumugong which are both in Shenyang.

集團在上海和香港之物業租賃業務均表現理想，前者再度光芒四射。港匯廣場服務式寓所首次提供全年度租金貢獻，而第二幢寓所大樓於二零零六年年底落成，令表現更為出色。該兩項物業均由本公司直接持有。

恒隆地產本年度在香港售出之住宅單位輕微增加，連同售出部分商業物業，取得了較去年為高之利潤。鑑於環境仍然欠佳，吾等並未出售更多落成單位。吾等直至財政年度最後四個月方見市道出現一些生氣，故幾乎全數之銷售均於該段期間進行。

## 展望

透過恒隆地產，集團正就內地多項大型交易進行工作。管理層抱有希望，當中最少有部分交易可達至成果，倘幸運的話更可能是全數。倘若如此，集團可能有機會無需待至二零零九年年底便可為其十八個項目完成購地目標。但為安全計，集團仍在中國各個具有經濟活力之城市搜尋最佳交易。迄今集團並未遇上激烈競爭，但期望此可喜之情況永遠持續也許不切實際。環境現正迅速轉變。

恒隆當然並非其中一家最早進軍內地市場之公司，許多公司於八十年代中至後期已在內地購入土地及發展物業，而集團則於一九九二年方開始其首項收購。公眾人士以為集團是先行者，這個印象或源於集團可能是首家清晰闡述其鮮明策略之公司。吾等亦公開承認及透過行動表明集團之重點正日益放在邊境以北。

另一方面，集團亦肯定不是最後之來者。多家香港公司在整個九十年代，甚至新千禧年開始後好幾年內均仍對內地發展卻步。但過去兩至三年內，基於其本身之選擇或在市場力量推動下，似乎所有公司均已改弦易轍。部分比本集團更早進入內地但弄得一團糟的大型公司，經重整旗鼓後現正重新進軍內地，其他較為謹慎並在多年來在內地僅沾腳的發展商，如今公開宣告擬在內地增加投資。除一直雄據內地之香港公司外，許多海外新來客如今亦加入戰團，彼等主要為新加坡公司，部分財力雄厚。

Our property leasing business in Shanghai and in Hong Kong did well, with the former once again being the star performer. For the first time we saw full year rent contribution of the serviced apartments at The Grand Gateway. The second residential tower was completed in late 2006 which added impetus. Both of these are held directly by your Company.

This year HLP sold slightly more residential units in Hong Kong which together with the sales of certain commercial properties gave us a somewhat higher profit figure than the year before. We did not part with more completed apartments because the environment was still not auspicious. Only in the last four months of the fiscal year did we detect some life in the market, so almost all of the sales we made were done in that period.

## Prospects

Through HLP, we are working on several sizeable transactions on the mainland. Management is hopeful that at least some -- and with some luck, even all -- of them will come to fruition. If so, then we may have a chance of not needing to wait until the end of 2009 to finish buying land for the targeted eighteen projects. But to be safe, we are still scouring economically dynamic cities around the country for the best possible deals. So far we have not encountered serious competition, but it is perhaps unrealistic to expect such a desirable state to continue indefinitely. The landscape is rapidly changing.

Hang Lung was certainly not among the earliest to enter the mainland market -- many bought land and built in the mid to late 1980's whereas we only started our first acquisition in 1992. The public impression that we were the earliest might stem from the fact that we were probably the first to clearly enunciate a definite strategy. We also admitted openly by words and actions that our focus was increasingly north of the border.

On the other hand, we are assuredly not the last. A good number of Hong Kong players stayed out of the mainland throughout the 1990's and even well into the new millennium. But within the past two to three years, it seems that all have, either by choice or by market forces, become converts. Some major players who entered earlier than we did but made a mess, have regrouped and are now renewing their attack. Other more cautious developers who for years only dipped their toes are now openly declaring their intention to increase investments. Besides Hong Kong companies which used to dominate the scene, there are now many newcomers from overseas. Chief among them are Singaporean firms, some of which are very well capitalized.

## 主席報告 CHAIRMAN'S STATEMENT

鑑於所有該等發展趨勢，可合理預期競爭將會加劇。

由於集團取得成功，許多公司正研究吾等之策略，而集團之策略有頗高的透明度。(本人兩年前就是否公開吾等之策略，曾在內心有一番掙扎，結果我們決定公開。本人在致股東之週年函件記錄了該思索過程，並詳述了吾等之計劃。)競爭對手可嘗試模仿，但本人於二零零五年時已指出，大部分(如非全部)對手均低估了箇中難度。麻煩不單來自技術問題，亦來自對該項策略欠缺適當的思維。除非擁有此等理念，否則策略難以奏效。對手會發現最令人沮喪之處是執行，正如本人一年前所撰述，集團設定適當的策略後，其未來數年之成功，取決於執行、執行，以及更多的執行。本人寄望吾等之獨特策略可作為令競爭對手卻步之首個關卡，執行則為第二個關卡。吾等深明在內地賺錢之方法甚多，而吾等之方法只是其一，但此方法合乎吾等之管理哲學和文化，同時吾等相信此乃最合適的方法。

股東現應清楚明白本人對中國市場之矛盾心情。由於吾等不知道未來數月及數年之競爭情況有多麼嚴峻，安全方法是作最壞打算。幸好吾等之對策以往已清楚表明並在多年來貫徹執行之法，即盡可能購入更多優質地塊。不要期望管理層對自行設定的購地準則作出許多妥協，但吾等也許會接受較高風險以便成事。時間是至關重要的，倘能儘快為十八個項目找到最佳土地，集團便可擁有更穩固之競爭優勢。地點仍是集團之首要考慮，面積和形狀也重要，但集團在這方面可行使的影響有限。集團只能購買可供購買之土地，唯一之「防線」(倘能這樣形容)是不購入某幅土地。然而，集團一旦購入一幅合適的土地後，本人有信心旗下團隊可發揮該幅土地之最佳長處，包括設計及建造出世界級物業設施、給予良好的管理並令其提供卓越的投資回報。

回想亞洲金融風暴前數年，市場指斥本集團「保守」，現時想起亦覺有趣；當時一家著名的國際機構投資者甚至指本人懶惰。本人沒有理

With all these new developments, to expect more competition is reasonable.

Given our success, many are studying our strategy which is quite transparent. (Two years ago I struggled with the decision to go public with our strategy. We eventually did and I documented that thought process in my annual letter to shareholders along with details of our plan.) Competitors will try to emulate, but as I alluded to in 2005, most if not all will underestimate the difficulties. Trouble will come not just from technical issues but from the lack of a proper mindset for such a strategy. Unless such a mental orientation is present, it will not work. One will find execution most frustrating. As I wrote a year ago, the key to our success in the coming years, after setting the proper strategy, would be execution, execution, and more execution. I am counting on our unique strategy as the first competitive deterrent, and execution as the second. We recognize that there are many ways to make money on the mainland and ours is but one. Nevertheless it fits our management philosophy and culture, and we believe it to be the optimal one.

My ambivalence regarding the China market should be obvious to shareholders by now. Since we do not know how serious competition will be in the coming months and years, it is safe to expect the worst. Our response in that scenario is fortunately exactly what we have stated clearly before and consistently practiced for several years. Namely, it is to purchase as much good land as soon as possible. Do not expect management to compromise too much on the land acquisition criteria we set for ourselves, although we may have to take some more risks to get the job done. Time is of the essence. By grabbing the best land for the eighteen projects, our competitive advantage will be more secure. Location is still the first consideration in this business. Size and shape are also important but we exercise limited influence in this regard. We can only buy what is available. Our only "defense", if you can call it that, is not to buy a certain piece. Once the right plot is ours, however, I am confident that my team will make the best of it -- designing and constructing world-class facilities which will be well-managed and will bring superior financial returns.

It is interesting to recall at this point that in the years leading up to the Asian financial crisis, the market accused us of being "conservative." A renowned international institutional investor

會這些說話，並相信吾等之做法乃明智之舉。部分人似乎混淆了保守和常識，事後證明吾等乃屬正確，因吾等是非常少數(倘非唯一一家)能避過浴血的香港地產公司之一。吾等在一九九九年至二零零零年積極購地，但當時無人留意，此乃由於香港其時正處於金融風暴之深谷，沒有人有心情緊貼市場。因此，在許多人心目中，恒隆仍是一家「保守」的公司。

直至最近情況有所改變。現時本地報章冠以本集團為在中國內地之最進取者。有別於一九九七年前之稱謂，本人認同此項說法。然而，有一項宗旨仍恒久不變：於當時應「保守」乃理所當然之常識，而於現時應「進取」亦為理所當然之常識。歷史顯示吾等上一趟正確，本人相信歷史亦會判斷吾等今趟亦屬正確。從本公司的強勁股價來看，投資機構看來已作出此項評定。儘管如此，本人仍暫不作出裁定，吾等仍在努力執行計劃。

香港方面，集團今年有可能開始積極銷售已落成之住宅物業。君臨天下於過去兩個月之銷情令人鼓舞，但眾所周知不可對香港市道過早下判語。除非市道沸騰，集團不會太熱衷出售已完成之物業。同一道理亦適用於擁有一千八百二十九個未售單位之浪澄灣，集團正小心密切注視其鄰近項目之成交價及成交宗數。

本人對集團之物業租賃業務有更明確之看法。由本公司直接持有及透過附屬公司恒隆地產持有之所有物業，均應有理想的表現。上海會再次成為亮點，但香港的表現亦應可接受。由於港匯廣場之第二幢寓所大樓將首次提供全年度溢利，故純利定能令人愜意。

倘無不可預見之情況發生，本人預期今年之基本純利可達理想水平。

主席  
陳啟宗

香港，二零零七年八月十五日

even called me lazy. I ignored them, believing that what we were doing was the only sensible thing. Apparently some had confused conservatism with common sense. Hindsight proved us correct as we were one of the very few (if not the only) property firms in Hong Kong to escape the blood bath. Our aggressiveness in buying land from 1999 to 2000 was never noticed since no one then -- at the depth of the crisis -- had the heart to follow the market. So in the minds of many, Hang Lung is still a "conservative" company.

That is until recently. Now the local press have dubbed us as the most aggressive in mainland China. Unlike the pre - 1997 characterization, this one I agree. One thread remains constant, however. Just as it was commonsensical to be "conservative" then, it is commonsensical to be "aggressive" now. Just as history has shown us to be right last time, I trust that in time, history will also judge us correct today. While the investment community has apparently made that determination as evidenced by our strong share price, I nevertheless would like to reserve judgement. We are still working hard to execute our plan.

Back in Hong Kong, it is likely that this year we will begin to sell completed residential flats in earnest. Sales of The HarbourSide units in the past two months have been encouraging but one learns never to make pronouncements about the Hong Kong market prematurely. Unless it heats up sufficiently, we will not be too keen to part with our products. The same is true with The Long Beach with 1,829 units all unsold. We are carefully watching both transacted prices and volume of neighboring projects.

I am much more certain about our leasing business. All properties in the portfolio -- those held directly by your Company and those through our subsidiary HLP -- should perform well. Shanghai will again be the bright spot but Hong Kong will also trade acceptably. With the second apartment block at The Grand Gateway contributing for the first time a full year's profit, the bottom line can only be pleasing.

Barring unforeseen circumstances, I expect this year's underlying net profit to be satisfactory.

**Ronnie C. Chan**  
Chairman

Hong Kong, 15 August 2007