



# 董事長致股東函 CHAIRMAN'S LETTER TO SHAREHOLDERS



陳啟宗  
董事長  
Ronnie C. Chan  
Chairman

## 業績及股息

如股東所知，我們在二零一一年把財政年度年結日改為曆年年終日。基於良好的企業管治及更適切地比較二零一一年和二零一二年的表現，我們要求畢馬威會計師事務所審核二零一一年十二個月的業績。以該兩個曆年相比，營業額增長百分之二十九，至港幣七十三億七千二百萬元；股東應佔純利銳升百分之七十二，至港幣八十三億九千五百萬元；每股盈利亦相應上升至港幣一元八角八仙。

倘扣除重估收益影響，股東應佔基本純利上升百分之九十八，至港幣六十一億七千八百萬元；每股基本盈利躍升百分之九十七，至港幣一元三角八仙。

董事局建議派發末期股息每股港幣五角七仙。如獲股東批准，截至二零一二年十二月三十一日止年度的股息總額為每股港幣七角四仙。二零一一年七月一日至十二月三十一日止六個月期內，每股派息額為港幣三角六仙。

## 業務回顧

從本集團的業務角度看來，過去六個月內，環球經濟環境並無大變。歐洲仍然一蹶不振，美國縱使步向復甦，其步伐依然蹣跚。中國的增長率從每年百分之九至十的高位回落，亦難以預測其去向及何時重拾升軌。

## RESULTS AND DIVIDEND

As shareholders know, in 2011 we changed our fiscal year end to coincide with calendar year end. For good corporate governance and a more meaningful comparison of performance between 2011 and 2012, we requested KPMG to audit historic results covering the twelve months of 2011. Comparing the two calendar years, turnover increased 29% to HK\$7,372 million, net profit attributable to shareholders leaped 72% to HK\$8,395 million, and earnings per share similarly to HK\$1.88.

When excluding all effects of revaluation gain, the underlying net profit attributable to shareholders rose 98% to HK\$6,178 million. Underlying earnings per share jumped 97% to HK\$1.38.

The Board recommends a final dividend of HK\$0.57 per share. If approved by shareholders, total dividends per share for the year ended December 31, 2012 will be HK\$0.74. For the six-month period from July 1 to December 31, 2011, we paid HK\$0.36 per share.

## BUSINESS REVIEW

From the perspective of our business, global economic conditions have not changed substantially in the past six months. Europe remains in the doldrums and America's recovery, while progressing, is still somewhat tenuous. China's growth rate has moderated from the high 9-10% per annum and it is difficult to predict if and when it will pick up.





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浪澄灣  
The Long Beach

儘管如此，我們仍能把握機會出售香港數項成熟的非核心投資物業。連同已落成的住宅單位銷售及租金收入增長在內，營業額及股東應佔純利均遠勝去年。

凡此種種，當屬股東意料中事，皆因我們一直枕戈待發，抓準良機出售物業。此外，本人曾屢次指出，旗下租賃物業組合的每半年度重估頗為保守，新近交易足證此言非虛，銷售收益比估值超出百分之七十四。該等售出物業約佔我們香港租金收入百分之十一，有關交易有助我們提升旗下投資物業組合的平均質量。

未來一年，此類交易縱不會完全停止亦將明顯減少。我們打算長期持有手上較優質的投資物業。

售出浪澄灣一百零八個單位錄得邊際利潤百分之六十三，君臨天下九個單位則為百分之七十三，兩者均創歷史新高。如本人之前所述，我們非常樂意於相若價格水平出售更多單位，但這需要市況配合。

中國內地零售業持續疲弱，並於年內每況愈下。奢侈品環節是我們的強項，惟其銷售增長的放緩程度遠超一般消費品。

儘管環境欠佳，但仍有令人振奮之處。舉例說，港匯恒隆廣場由於引進更高檔次的品牌，其零售額錄得增長。上海的恒隆廣場於去年首六個月的商場租金收入僅上升百分之二，但全年度則上升百分之四，亦即下半年的租金收入增長約百分之六。原因之一，乃商場的三家主要租戶完成商舖的擴充及翻新工程。事實上，多家世界頂級時裝品牌擴充業務，證明該商場充滿朝氣與活力。

Nevertheless we took advantage of opportunities to part with several mature, non-core investment properties in Hong Kong. Together with the sales of completed apartments and increase in rental income, we produced turnover and net profit attributable to shareholders which were much higher than those of a year ago.

None of these should be surprising to our shareholders, as we have for some time been waiting for an auspicious moment to sell. Moreover, I had repeatedly pointed out that semi-annual revaluations of our rental portfolio were rather conservative. Latest transactions have proven those words correct – we achieved a surplus of sales proceeds over valuation of 74%. Buildings sold accounted for about 11% of our Hong Kong rents. These efforts have had the effect of enhancing the average quality of our investment portfolio.

In the coming year, such activities will slow down considerably if not altogether. We have all intentions to keep the better investment properties in our fold in the long haul.

Sales of 108 apartments of The Long Beach achieved a profit margin of 63% while that of 9 units of The HarbourSide was 73%. Both are historic highs. As mentioned before, we are more than happy to sell a lot more flats at similar price levels. The market however will have to cooperate.

Mainland China's retail business remained weak. As the year progressed, it had gotten worse. Deceleration in sales growth of luxury goods in which we are strong far exceeded that of general consumer products.

Tough conditions notwithstanding, there are areas for optimism. For example, retail sales at Grand Gateway 66 increased due to the introduction of higher price point brands. For the first six months of 2012, rents at the Plaza 66 shopping center barely eked out a 2% rise. However, the full-year number was up 4% implying that rental growth for the second half was about 6%. The reopening of three major tenants after shop refurbishment and enlargement was just one reason. The fact that many top global fashion brands have expanded their operations further confirms the vibrancy of that mall.





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瀋陽的皇城恒隆廣場  
Palace 66, Shenyang

來自內地的零售租金總額上升百分之二十四。倘不計入營運少於兩年的兩項較新物業，升幅則為百分之八。連同辦公樓在內，整體租金收入較去年增長百分之十八。

所有項目及幾乎所有物業類型，均在租金邊際利潤方面錄得改善。瀋陽的皇城恒隆廣場的升幅最為明顯，由百分之十二倍升至百分之二十七，濟南的恒隆廣場亦由百分之三十四上升至百分之五十一。彼等均為較新項目，其成績乃意料中事，而未來應該會有更佳表現。

除皇城恒隆廣場外，所有項目的租出率均接近百分之一百。皇城恒隆廣場乃我們在上海以外的首個商場，其周遭道路工程於年初稍息後旋即復工，並於年內大部分時間持續不斷。如本人過往撰述，我們利用此緩衝期重整租戶組合。有關工作現已接近完成，今年稍後的租出率應可達百分之九十五至九十六。如集團其他物業一樣，該項目的單位租金正持續上升。

以投資成本的無槓桿租金回報率計算，兩項上海物業的數字約達百分之四十。瀋陽的皇城恒隆廣場經營接近兩年半後，其數據維持在百分之五，此乃十多年前我們兩項上海物業首年取得的水平。毫無疑問，其表現稍遜的主要原因，是上文所述過去兩年持續進行的道路工程所致。

相比之下，集團其他新商場的表現理想得多。濟南的恒隆廣場開業十六個月後，無槓桿租金回報率達百分之八，這比我們在上海的往績稍勝一籌。瀋陽的市府恒隆廣場更加令人鼓舞，開業僅僅三個月，其預計全年回報率接近百分之十。在上海，我們運作至第四年方見這個數字！

Total retail rents received on the Mainland rose by 24%. Taking out the two newer properties with less than two full years of operations, the increase was 8%. When offices were added in, the year-on-year growth in overall rental turnover was 18%.

In all projects and in almost all product types, rental margins have improved. The most marked change came in Shenyang Palace 66 which more than doubled from 12% to 27%, and in Jinan Parc 66 from 34% to 51%. Being newer facilities, such an outcome is to be expected, and numbers will likely get even better.

With the exception of Palace 66, occupancy everywhere approached 100%. In this first mall of ours outside Shanghai, surrounding road works stopped only for a short period at the beginning of the year, but digging soon resumed and had continued for the rest of the year. We took advantage of this slow period to revamp tenant mix as I had previously written. The process is almost complete and we should achieve 95-96% occupancy later this year. Like all our other properties, unit rents have been rising.

In terms of unleveraged gross rental yield on investment cost, the two Shanghai properties have reached approximately 40%. Shenyang Palace 66, after almost 2.5 years of operations, stayed at 5%, a level achieved in the first year of our two Shanghai properties over a decade ago. The primary reason for the underperformance is no doubt the aforementioned road works which has been ongoing for the better part of the past two years.

The picture in our other new facilities was far more positive. Sixteen months after inauguration, Jinan Parc 66 has achieved an unleveraged gross rental yield of 8%. This is slightly ahead of our corresponding experience in Shanghai. Shenyang Forum 66 was even more encouraging. Barely three months old, the projected full year is about 10%. In Shanghai, only in the fourth year did we see this figure!



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香港方面，集團投資物業組合內的所有物業均表現理想。商場的業務最為出色，其租金收入上升百分之十一，辦公樓及其他物業的租金收入分別上升百分之七及百分之二。整體租金收入表面上僅上升百分之三，但倘扣除已終止營運的物業以供同比，租金收入實質上升百分之九。除服務式寓所外，所有物業基本上全部租出。

以內地和香港合計，集團租金收入上升百分之十，經營溢利上升百分之十一。內地現佔租金收入總額百分之五十點五，佔租賃經營溢利百分之四十八點四。香港的相應數字分別為百分之四十九點五及百分之五十一點六。

過去一年，我們有兩位執行董事離職。正如集團去年初推出的主題所言，我們必須「只選好的 只做對的」。本人堅信，我們現在是一家更好更強的公司。彼等離職後的職務隨即由其以往的副手接替，公司已培育該些同事多年。當然，我們將繼續強化高級管理團隊。

### 發展策略

人們對於中國內地的購物商場業務，普遍存在著一個誤解，值得商榷。慣常的說法是：市場競爭異常激烈，日益擁擠的市場將更難應付。即使最歷練的機構投資者亦信服於這個謬誤，反映了人們對市場和業界運作缺乏認識。

事實上，約九成半稍具規模的商場都擁有多重業權。主要礙於資金不足，幾乎所有發展商均把商場分拆成為「小型」商舖出售，有時甚至在商場落成前已經這樣做。

In Hong Kong, all segments in our investment portfolio performed satisfactorily. Retail did the best where rental turnover advanced by 11%, while those for offices rose by 7% and for other miscellaneous buildings 2%. On the surface, total rents received grew only 3%, but comparing like with like by taking out discontinued properties, rent actually increased by 9%. With the exception of serviced apartments, all space is basically fully let.

Putting Mainland and Hong Kong together, we collected 10% more rent while operating profit advanced by 11%. Mainland now accounts for 50.5% of total rental turnover and 48.4% of operating rental profits. The corresponding Hong Kong numbers were thus 49.5% and 51.6%.

In the past year, we saw the departure of two executive directors. We must always do the right thing as enshrined in the tagline adopted early last year. I firmly believe that the Company is today a better and stronger one. The two vacancies were immediately filled by former deputies to the two positions whom we have groomed for some time. Needless to say, we will continue to build out our senior management team.

### STRATEGIC CONSIDERATIONS

There is a common misunderstanding regarding Mainland China's shopping center business which warrants some discussion. It is often said that competition is extremely keen and the increasingly crowded market will be troublesome. Even the most sophisticated institutional investors succumb to this mantra which is fundamentally flawed. It shows a lack of understanding of the market as well as industry dynamics.

Consider the fact that perhaps 95% of all shopping centers of reasonable size are strata-titled. Mainly due to financial weakness, almost all developers must cut up a mall into "bite-size" shops and sell them off piecemeal, sometimes before building completion.

此等商場因而變得難以管理，質量亦無可避免地劣化。沒有人可以控制鄰家商舖賣甚麼商品，項目幾乎從開業首天起便每況愈下，更何況其設計往往乏善可陳，兼且施工倉卒及地段普通。

若有人把此等物業與擁有黃金地段、單一業權並且設計完善的購物商場相提並論，並視之為競爭對手，坦白說實在是荒謬絕倫。前者新落成時或會對正統商場的定價能力帶來影響，但此影響不會亦不能持久。

在整個內地市場裏，擁有充裕財力、毋須「分拆」商場的發展商屈指可數。他們大部分來自香港，而來自內地者均為國企，此乃可以理解。坦白說，非政府相關的發展商難有時間建立足夠財力，更遑論取得所需經驗成為稱職的商業發展商。內地市場龐大，數家發展商算甚麼？！這是為何我們在過去數年投地時只曾遇上一或兩個競爭對手。

再者，大部分內地發展商除了在設計商場方面缺乏專才，在建築方面也太急於求成。作為土地賣方的市政府官員，往往希望建築物在很短時間內落成。在市內建設摩天大樓和宏大商場，往往被視為現代化及官員能力的證明，有利於官員的未來擢升。

發展商明白政府的心態，亦樂於附和，例如承諾商場於購置土地後十八個月便可開業。任何熟悉設計程序的人士皆知，舉凡大型兼且複雜的項目，單憑這段時間根本未足以得出一個略為優質的設計，更遑論

Management of such facilities becomes difficult and quality of the facility inevitably deteriorates. No one can control what goods will be sold in the neighbor's space and degeneration happens almost the day the development opens. This is not to mention the fact that more often than not, the project is poorly designed, hastily constructed and in mediocre locations.

To regard such properties as competitors of well-designed shopping centers in top locations with a single owner is frankly ridiculous. While new, the former may for a period affect the pricing power of proper malls, but the effect will not and cannot last.

In the whole Mainland market, there are probably not more than half a dozen players who have the financial wherewithal to not "condominiumize" the malls. The majority of them are from Hong Kong, and those from the Mainland are understandably all state-owned enterprises. Frankly, hardly any non-government linked developer has had the time to build up sufficient financial strength, not to mention the necessary experience, to become proper commercial developers. And given the enormity of the Mainland market, what are half a dozen developers?! This was why in the past few years, we had only encountered one or two competitors when bidding for sites.

Moreover, besides the lack of expertise in designing retail complexes on the part of most Mainland developers, there is also the propensity to construct all too hastily. City officials as sellers of the land often want to see buildings completed in a very short period of time. The existence of numerous skyscrapers and humongous malls in their cities somehow becomes a proof of modernity and hence the officials' competency, which may in turn lead to their future career promotions.

Recognizing this mindset of the government, developers gladly oblige and promise to open malls in say 18 months from the time of land acquisitions. As anyone experienced in the design process knows, for large and otherwise complicated projects, that time period is barely sufficient to arrive at a reasonably optimal design, let alone to complete





濟南的恒隆廣場  
Parc 66, Jinan

完成施工！難怪該等物業最終都強差人意，甚或拙劣不堪。即使該等物業並非業權分散，我們亦不會視之為競爭對手。

人們亦對商場行業的運作普遍存有誤解。商場並非可替代的商品，而是具有高度特色的資產。其市場是涇渭分明的：擁有香奈兒(Chanel)和路易威登(Louis Vuitton)等品牌的高端商場，不會跟例如有沃爾瑪(Walmart)落戶的普羅商場競爭。此外，位置也是獨特賣點。當一家坐落黃金地段、設計和施工均臻上乘的商場建成及成功吸引合適租戶時，它便可留住顧客。人們對商場的忠誠程度當然及不上對高級時裝品牌般強烈，但總有一定的冀盼基準。

換句話說，一旦某個購物商場成功奠定地位後，新來者便不容易把它扳倒。當然，這是假設領先者保持警覺，會不斷因應最新的消費趨勢作出提升和改革。這是我們在上海面對的挑戰，於其他地方也行將如是。

正如本人數年前撰述，市場參與者最終會分成贏家和輸家。在內地，後者會比前者多。這個現象在上海等一線城市已可目睹，並正在二線城市出現。我們的目標是確保旗下每項物業均成為所在城市的少數贏家之一，甚至最好的一家，皆因這可吸納最大的消費額，較高的單位租金便隨之而來。

上文得出的唯一結論，乃中國內地商業物業市場依然龐大，遠遠未達飽和。

本人欲論述的第二點，是我們和中國政府官員的關係。最近一些機構投資者向我提出此問題：就這個在內地營商的重要關鍵，以下是我們所採取的立場。

construction! No wonder the end products are suboptimal if not outright horrendous. Even if such properties are not strata-titled, they can hardly be considered as competitors.

There is also a general misunderstanding of industry dynamics. Malls are not commodities which are fungible; they are highly differentiated assets. Not only is the market highly tiered or segmented – luxury centers with the likes of Chanel and Louis Vuitton do not compete with mass facilities with say a Walmart – it is also location specific. Once a well situated, well designed and well constructed shopping center is built and succeeds in attracting the right clientele, it tends to retain customers. Loyalty is obviously not as strong as seen in high fashion brands but a good measure of it does exist.

In other words, once a shopping center is successfully established, it will not be easy for newcomers to dislodge it. That of course assumes that the leader is vigilant and continuously upgrades and changes according to the latest consumer trends. Such is our challenge in Shanghai and soon also elsewhere.

As I have written several years ago, the result of all that is the bifurcation of market participants – there will be clear winners and losers. On the Mainland, there will be far more of the latter than the former. We have seen it happen in first tier metropolises like Shanghai, and the same is emerging in tier-two cities. Our goal for each and every property of ours is to be among the very few winners in each city – in fact to be the best – for such will take the lion's share of consumer dollars. Higher unit rents will then follow.

Given the above, the conclusion can only be that the market for commercial real estate in Mainland China is wide open. It is far from being saturated.

A second issue that I would like to address relates to our relationship with Chinese government officials. Recently a few institutional investors have asked me about it and here is our position on this important aspect of doing business on the Mainland.



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中文裏的「關係」一詞現已聞名中外，被說成是在內地做生意的成功竅門。這個說法有一定的道理，但我認為它是放諸四海皆準，若在紐約市的布魯克林區、布朗克斯區，或在芝加哥，甚至任何一個地方做生意，這句話也套用得著。然而，中國是一個發展中國家，貪污現象可能比西方發達國家來得普遍，因此我們須要更加謹慎明智地使用「關係」。

我們放諸四海的大前提是：除非有合情合理的實際需要，否則我們不會主動接觸政府官員。我們在香港如是，在內地更加如是。我們絕不籠絡地方或中央領導人，亦從不送贈昂貴禮品。舉例說，我們設計了一套象棋，每隻棋子刻有「恒」或「隆」字，兩者均為中文的吉祥語。這套象棋在中國製造，價值不外乎港幣數百元。我們亦從不在昂貴的地方招待官員，只做恰當的事。我們不僅鄙棄罪惡，亦會謹慎避嫌。

幸好我們是一家有聲譽、具規模的公司，需要開啟的門總會為我們而開。過去二十年來，凡我們須要接觸的市級或省級官員，我們從沒有被拒絕。由於我們在許多城市建立了正直不阿的名聲，貪腐的官員可能不敢對我們打主意。

約於二十年前，有人曾提議我接觸一位據云有助土地交易的高級政府官員。該次會面沒有給我良好的感覺，再加上其他原因，使我們放棄了那個卓越的城市。後來，與我會面的官員因貪污被捕並監禁，可見我當時的直覺是準確的。我們其後從未成功在該城市發展，但我們絕不會為了達成交易而放棄道德原則。事實上，這對我們來說根本就不是好交易，它只會陷我們於不義，泯沒我們的良知。

It is said that the now globally famous Chinese phrase “Guanxi” or relationship is paramount to business success on the Mainland. There is certain truth to it, but I submit that the same is true for anyone wanting to do business in Brooklyn or the Bronx in New York City, in Chicago or almost anywhere else. But since it is probably correct that corruption is more prevalent in developing China than in the developed West, so much the more we have to use “Guanxi” cautiously and judiciously.

Our basic premise everywhere is that unless there is an actual legitimate need, we do not approach government officials. This is true for us in Hong Kong and especially true on the Mainland. We do not unnecessarily befriend local leaders or those in Beijing. We never give gifts except inexpensive ones. One example is that we designed a chess board with chess pieces bearing either the Chinese character for “Hang” or “Lung” – both being auspicious words in that language. Made locally in China, the value is not much more than a few hundred Hong Kong dollars. Nor do we entertain officials at expensive places; we always do what is proper and reasonable. We do not only abhor evil but also avoid the appearance of evil.

Fortunately, being a sizable company of repute, doors that we need to open are always open to us. In the past 20 years on the Mainland, we have never once failed to reach a city or provincial official whom we need to reach. Having established our reputation of being a straight shooter, corrupt officials probably know better than to ask us for favors.

One interesting case happened about 20 years ago when I was asked to approach a senior government official who supposedly could help us in a land transaction. The one meeting so arranged did not leave me with a comfortable feeling. That, together with other reasons, caused us to give up that excellent city. Later the person I met was arrested and imprisoned for corruption, so my instinct was correct. We have not been successful there ever since, but at no time would we yield on ethical principles just for a good deal. That to us is not a good deal at all for it will leave us vulnerable and, conscience-wise, compromised.



我們的道德標準並非只是迴避貪污。中國官員往往要求像我們這些商家簽署交易備忘錄，但其實無意落實計劃；這些簽署的文件僅讓該等政府領導人取悅上級。除非我們確實對項目有興趣，否則我們不會簽署備忘錄。這不僅是由於我們不願意承受政府改變主意並試圖完成交易所帶來的風險，而是由於箇中蘊含的虛偽。我們可能因而失去了一些朋友，但坦白說這些「朋友」並非我們的同路人。有一回我甚或因此而被某些領導人排斥，但我願意為秉持高道德標準而付出代價。

我相信在此點上股東會支持我，否則，請沽售恒隆股份，皆因在此立場上，我們會堅定不移。

話雖如此，我們亦並不愚昧。透過發展地標物業如上海兩個項目，和在內地作出有意義以及獨特的社會項目，我們獲得國家和省級許多最高領導人認同。凡此種種，為我們贏得地方官員的尊重，給我們開除了許多扇門。

我們在內地的處事方式，與我們在香港的一貫做法，原則上並無二致。例如，我們肯定是行內少數或唯一的公司，明文規定不僱用前政府高官的。我們並不反對別人這樣做，只要有關程序合法及透明便可。但就我們而言，公司的核心價值是堅持更高的標準。

多年來，我始終相信，我們的企業管治位居行內最佳之列。例如，恒隆的獨立非執行董事的積極性和獨立性，很難找到另一家公司可與之媲美。獨立非執行董事所行使的權力，應該沒有任何同儕可以相提並論。很少公司具有本集團的透明度，這不單在財務披露方面，在策略和管理思維方面亦然。這也是本人親筆撰寫董事長致股東函的原因，在過去十年來大部分此等函件均遠較本文為長。

Our standard of ethics goes beyond mere avoidance of corruption. At times Chinese officials would ask businessmen like us to sign MOU (memorandum of understanding) for transactions which they have no intention to proceed forward. Such signed documents are only meant to make those government leaders look good before their superiors. We always refuse to sign unless we have genuine interest in the actual project. It is not so much because we do not like the risk in case the government changes its mind and try to consummate the deal, but because of the inherent hypocrisy. As a result, we have probably lost a few friends but frankly those “friends” are not the kind we want. In one particular case, I might have been personally ostracized by certain leaders but I am willing to pay the price to maintain a high standard of ethics.

I trust that my shareholders are on my side on this point. If not, please sell Hang Lung shares, for we will not change.

That said, neither are we foolish. Through developing iconic projects such as the two in Shanghai and through a number of meaningful and even unique community services on the Mainland, we are known to many top leaders of the country and of the provinces. All these have earned us the respect of local officials and have opened many doors for us.

What we practice on the Mainland is in principle no different from what we have always done in Hong Kong. For example, we must be one of the very few companies if not the only one in our industry which have a stated policy of not hiring former senior government officials. We do not object to others doing this as long as the process is legal and transparent. But for us, it is simply in our Company genes to uphold a higher standard.

For many years I have believed that we have one of the best corporate governance in the industry. For example, it is hard to find a company that has independent non-executive directors which are as active and as independent as Hang Lung's. They probably exercise more power than most if not all their peers. Few firms are as transparent as we are not only in terms of financial disclosures but also our strategy and management thinking. This is why I personally pen all chairman's letters to shareholders, most of which of the past decade are far longer than this present writing.



昆明的恒隆廣場  
Spring City 66, Kunming



然而，我們深明集團仍有改善之處。隨著管理模式由策略性聚焦過渡至密集式營運，挑戰比比皆是。特別是對公司基層而言，在內地工作陷阱重重，我們需要強化系統，在公司所有層面建立一個更強大的道德文化。我們已經開始這項工作，並將繼續努力不懈，同時秉持管理層去年初採納的主題——「只選好的 只做對的」，這也是本人六個月前向股東匯報的理念。我們認為這是一項重要的策略性競爭優勢，必須進一步強化。

## 展望

中國官方數據顯示，二零一二年國內消費品零售額年均增長率放緩至百分之十四點三，二零一一年則為百分之十七點一；情況並於去年下半年進一步惡化。然而，與我們旗下商場業務更息息相關者乃奢侈品環節。根據一家國際著名的顧問公司於二零一二年十二月發表的報告估計，該環節的增長率由二零一一年的百分之三十跌至二零一二年的百分之七。顯而易見，整體放緩趨勢尚未逆轉。

然而，從兩個經濟現象來看，最壞的情況可能已經過去。首先，作為領先的經濟指標，股票市場在去年大部分時間一直沉寂，過去數月則持續上升。其次，近一年來乏善可陳的住宅價格和成交量，於二零一二年最後一季飆升。它們創造的財富效應，可能有助扭轉零售業的放緩銷情。此外，我們不應忘記，中國國情瞬息萬變，一旦情緒轉向，其速度可令人大感意外。

隨著昆明的恒隆廣場於十一月底舉行開工剪綵儀式，我們自二零零五年以來購置的所有七幅地塊均已動工或落成。總成本估計約為港幣七百億元，其中已投放的金額為港幣三百億元，餘額港幣四百億元應該會於未來約十年內動用。香港方面，倘我們套現手上逾港幣二百五十億元現值的已落成住宅單位，再計及已售出的非核心資產，所帶來的現金將可應付相當部分的資

Yet we are deeply aware of our need to improve further. As management transits from strategy-focused to operationally-intensive, challenges abound. Working on the Mainland, especially for the lower echelon of the Company, is fraught with pitfalls. We need to strengthen our systems and build an even stronger culture of ethics at all levels of the organization. That we have begun and will continue. We will always strive to live up to the tagline adopted by management early last year and which I communicated to shareholders six months ago, namely "We Do It Right!". We consider this as a strategically significant competitive advantage which must be further enhanced.

## PROSPECTS

Chinese government statistics show that annual growth in retail sales of consumer goods has slowed to 14.3% in 2012. The year before, it was 17.1%. The second half of last year saw further deterioration. A better approximation to our mall business however is the luxury sector. According to a December 2012 report by a reputable international consulting firm, growth has decelerated from 30% a year ago to an estimated 7% for 2012. The picture seems clear: reversal of the slow down has yet to happen.

Nevertheless, there are two economic phenomena which cause one to wonder if the worst might be behind us. First, the stock market, a leading indicator for the economy, has been rising in the past few months, after languishing for quite a long time. Secondly, residential prices and transaction volume which went nowhere for almost a year have exploded during the last quarter of 2012. The wealth effect created therefrom may help reverse the slowing retail sales. Moreover, one should be reminded that things can move very fast in China. Once sentiment changes, the speed may surprise many.

With the late November ground breaking of Kunming Spring City 66, all seven projects with land acquired since 2005 are now under construction or are already completed. Total cost is estimated to be approximately HK\$70 billion, of which HK\$30 billion have already been spent. The outstanding amount of HK\$40 billion will likely be expensed over the next decade or so. In Hong Kong, as we sell off the remaining completed apartments valued today at over HK\$25 billion, and having already parted with certain non-core assets, cash inflow will cover a good portion of the expected capital expenditures, leaving the





上海的港匯恒隆廣場  
Grand Gateway 66, Shanghai

本支出，令本公司保持財政穩健；這意味著我們可以在市況許可下在內地或香港進一步吸納項目。一如以往，我們會耐心等待良機進行購置。然而，我們不應過於執著入市時機，皆因無人能如斯聰明洞悉市場何時見底。

約十年前，本人作出一個審慎的決定，透過致股東函披露我們的策略和背後思維。當時的憂慮是：別人會仿效我們，令集團失去或已建立的競爭優勢；但好處是，唯有這樣做，我們方有機會讓股價恰當地反映我們的業績。集團股價於其時已持續三十年表現欠佳，甚至在一九九零年代作出的種種正確決定均為人忽略。

最終我們決定開誠布公，原因是我們經過評估後認為，即使我們的策略廣為人知，競爭對手也難以在短期內掌握所需專業知識。即使他們真的做得到，屆時我們已在經濟蓬勃的城市建立了位處最佳地段的土地儲備，足以確保我們蓬勃發展。一爾我們在黃金地段坐擁最佳地塊後，我們便擁有領先的競爭優勢。畢竟，內地商機無限，發展空間遠超任何公司的財政資源，因此我們可以進駐的城市有限，而與同業碰頭的機會也就不多。

在這些決定促使下，本人撰寫了多篇以我所知最長的董事長致股東函，其中創紀錄的是二零零九/二零一零年度的一篇，字數超過一萬七千五百字。本人每年均就本公司的一個或多個要點作出闡述；其不僅切合當時的情況，亦對我們的長遠發展有影響。對管理層而言，這是很有用的做法，皆因要把想法化為文字，我們不得不縝密思考市場環境和集團對策。我們當然明白，資訊的質量不能單以篇幅衡量。然而，我們很高興許多股東均讚揚我們思路清晰，而本公司的股價表現在近十年來亦跑贏同儕。本人敢說，我們由備受忽略變成一家受到尊重的公司。

Company still in a comfortable financial position. This means we can take on further projects whether they are on the Mainland or in Hong Kong as market conditions allow. As always, we will be patient and wait for an auspicious time to purchase. Nevertheless we should not try too hard to time the entry point, for no one is so smart as to know when the market will bottom.

About a decade ago I made a conscientious decision to articulate through this letter to shareholders our strategies and the thinking that led to them. The worry then was that others would imitate us, thus negating any competitive edge that we might have built. The advantage for writing however was that only by doing so would our share price have a chance of being properly reflected. At that time, our counter had had perhaps three decades of underperformance. Even all the correct decisions made in the 1990s went unnoticed.

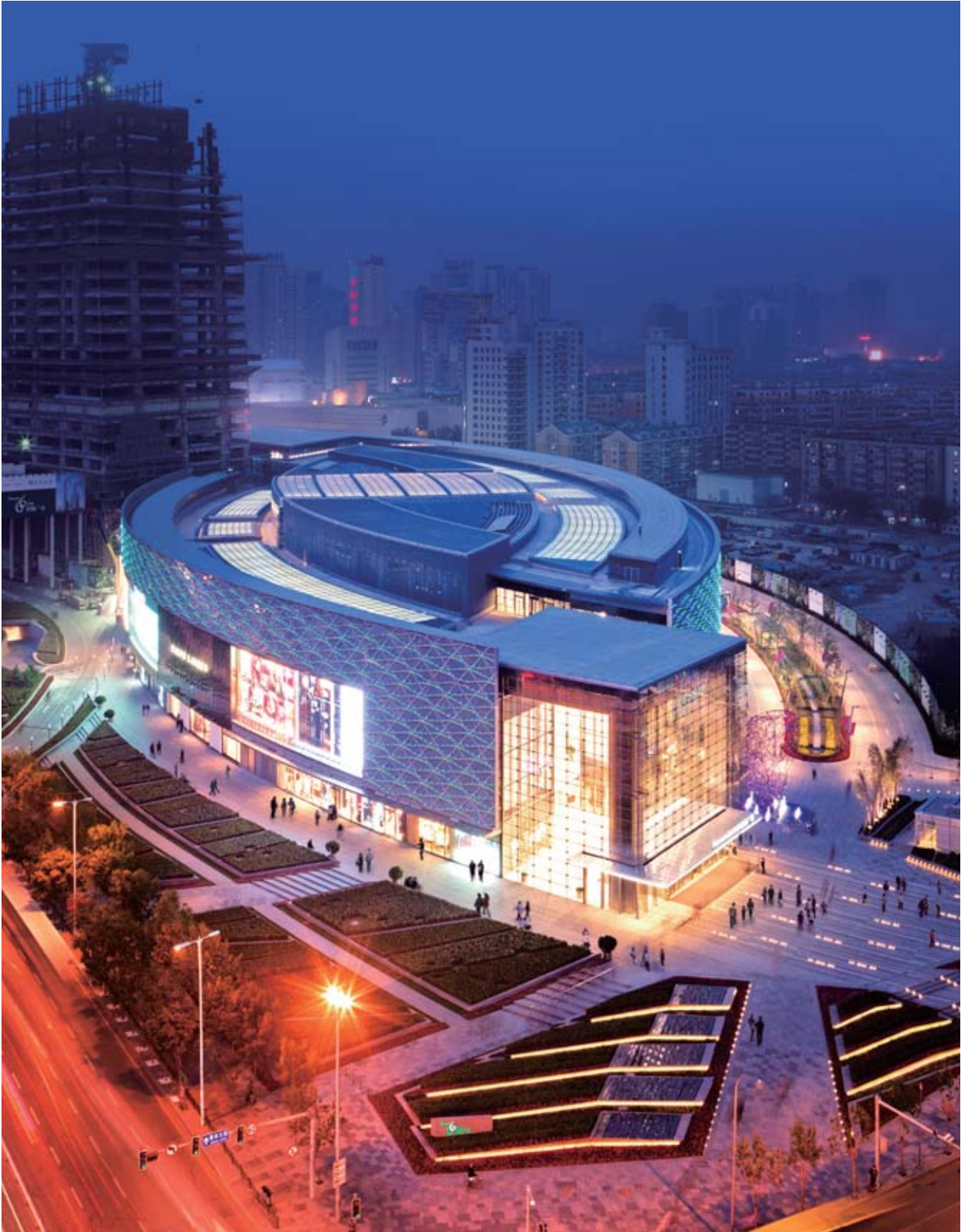
Eventually what convinced us to open up was our assessment that even if we let the world know our strategy, it would not be easy for our competitors in the near future to gain the expertise needed. By the time they do – and if they do – we would have amassed one of the best land banks in economically vibrant cities that would assure us continued success. Once we have secured the best located plots, we will have acquired a commanding competitive advantage. After all, given financial constraints we can only play in a limited number of municipalities, and opportunities on the Mainland far exceed the resources of any company. There is plenty of room for many developers, and we should not run into each other too much.

Those decisions of ours led me to write some of the longest chairman's letters I have known, the record being in 2009/2010 with over 11,000 words. Each year, I covered one or more critical aspects of the Company that were not only pertinent at the time but would also affect our long term health. For management, it was a useful exercise because putting thoughts on paper forced us to think through market conditions and our strategic response. Of course we recognize that quality of information cannot be measured only by the length of writing. Nevertheless, we are gratified that many shareholders have expressed their appreciation for the clarity of thoughts, and our share price has had an almost ten-year run of out-performance compared to our peers. We turned from being ignored to a counter which is – allow me to say – respected.





## 董事長致股東函 CHAIRMAN'S LETTER TO SHAREHOLDERS



瀋陽的市府恒隆廣場  
Forum 66, Shenyang



競爭環境方面，過去十年來內地一些商業地產商有所改進，但據我們評估，本集團仍然擁有相當的領先優勢。這當然是指我們擁有項目的城市而言，而這與我們也最息息相關。我們慶幸在此等城市成功購入一些位置最佳的地塊。只要我們按照一貫的最高標準打造各個項目，而內地市場能保持堅穩，我們應可享有燦爛的未來。

如本人過往所述，本公司現已進入一個新的增長期。未來數年，在繼續物色更多地塊的同時，我們將日益專注於營運工作。因此，本人未必需要撰寫長篇的致股東函，惟倘有需要我會毫不猶豫重拾舊習。

二零零九年中，本人曾撰論二零一零年代是恒隆黃金時期的開始。我們至今仍然堅持這個觀點，原因是我們自二零零五年以來在內地的所有努力均開始取得成果。多年的土地購置和施工，正陸續打造出多項世界級商業綜合項目以供出租。由於各項目將於未來數年陸續開幕，而新項目尤其商場通常需要一至兩個租賃周期方趨穩定，因此這個黃金時期將在這十年逐步實現。換句話說，豐收期指日可待。

無可否認，我們現已開始看到收成。新項目順利落成，整體租金持續上升；租金邊際利潤有所改善，租金收益率穩步上揚。更豐盛的前景經已在望，只要我們穩守航程，努力執行，定能得到豐碩成果。

短期而言，來自香港的投資收益應可保持穩定。租金增長率應與去年相若，這是可以接受的。內地方面，我們希望零售額會回升，所有物業的租金可望遞增。新商場料可進一步提升營運效率，為溢利帶來裨益。

As to the competitive landscape, a few Mainland players in commercial real estate have in the past decade improved somewhat, although in our assessment we still hold a considerable lead. Naturally what is of actual significance to us are only the cities in which we have developments. Fortunately, there we were able to purchase some of the best located land. As long as we build out those projects to our highest standards and provided that the Mainland market holds up, our future should be bright.

As mentioned previously, now the Company has entered a new phase of progress. For the coming years, while continuing to hunt for more land, we will increasingly concentrate on operations. As such, there will be less need to pen lengthy pieces to shareholders although I will not hesitate to revert to my old habit when necessary.

In mid 2009, I wrote that the 2010s should herald Hang Lung's golden era. We still hold strongly to that view. The reason is that all our efforts on the Mainland since 2005 are beginning to bear fruit. Years of land acquisitions and construction have paved way for world class commercial complexes to be erected and rented. As projects will be progressively opened over the years and it usually takes one to two rental cycles to stabilize a new facility especially a mall, the golden era will dawn upon us gradually over this decade. In other words, full harvest is ahead.

There is no denying that we are beginning to taste the fruits of our efforts. New developments are being successfully completed and overall rents have been rising. Rental margin has improved and rental yield is coming through. Better yet, much more can be expected. As long as we hold our course steady and diligently execute, we shall have a bountiful harvest.

In the more immediate term, our investment income from Hong Kong should perform satisfactorily. Rental growth rate should approximate that of the past year which is quite acceptable. On the Mainland, we are hopeful that retail sales will pick up and rents from all our facilities will rise somewhat. Operational efficiencies for the newer malls are anticipated to be further enhanced thus strengthening the bottom line.



## 董事長致股東函 CHAIRMAN'S LETTER TO SHAREHOLDERS



無錫的恒隆廣場  
Center 66, Wuxi



今年九月，坐擁十二萬平方米的無錫恒隆廣場的商場將會開業。該物業的租賃活動進展順利，預期開幕時會全部租出。迄今已簽約之單位租金頗為理想。

無錫的恒隆廣場包括兩座辦公樓，第一座在落成後將是本集團在上海以外的首座辦公樓，預計可於明年第一季開幕。該辦公樓現正進行預租工作，反應令人鼓舞。

我們曾研究了一段時間，探討可否於今年底讓租戶遷入瀋陽的市府恒隆廣場首座辦公樓的較低樓層。這個將摩天大樓分階段落成的做法，在內地前所未見，涉及的實際性和技術性困難不易解決。最終，該市及本集團均認為有關的挑戰和相關風險太大，因而打消念頭。整座辦公樓現將按原定計劃於二零一五年年初啟用。

如上文所述，我們並不預期今年會出售更多香港的非核心投資物業，但我們希望可出售已落成的住宅單位。視乎市況如何，跑馬地藍塘道項目可於今年第三季推售。儘管該物業只有十八個面積各約四百五十平方米的半獨立式洋房，但由於單位價格可能頗佳，故應可帶來理想的溢利。

整體而言，二零一三年的溢利明顯取決於我們出售香港住宅單位的能力，而這亦需取決於市況。倘單看租金收入，我們頗有機會錄得穩健增長。

董事長

陳啟宗

香港，二零一三年一月三十一日

This September we should see the inauguration of the 120,000 square meter mall at Wuxi Center 66. Leasing is progressing well and we expect full occupancy at opening. Contracted unit rent so far is rather satisfactory.

Our first office building to be completed outside Shanghai, the first of two towers at Wuxi Center 66, will be handed over to tenants from the first quarter of next year. Pre-leasing has started and the signs are encouraging.

For some time we had explored the possibility of first occupying the lower floors of the first office tower at Shenyang Forum 66 later this year. Such a phased completion of a skyscraper has never been done on the Mainland, and the practical and technical difficulties are not easily overcome. At the end, challenges and associated risks prove too plentiful for the city and for us to accept, and the idea was dropped. Now the entire building is slated to open in early 2015 as originally planned.

As explained earlier, we do not foresee much selling of Hong Kong non-core investment properties this year, but we are hopeful of parting with completed apartments. Subject to market conditions, our Blue Pool Road project in Happy Valley should be ready for release by the third quarter of this year. Although only 18 semi-detached houses of some 450 square meters each, unit price may be rather pleasing resulting in good profits.

Overall results for 2013 will obviously depend on our ability to sell Hong Kong apartments which in turn will depend on market conditions. If we only look at rental income, there is reasonable anticipation that we will see some healthy increase.

**Ronnie C. Chan**

Chairman

Hong Kong, January 31, 2013