



完美寫照

PICTURE PERFECT

自一九九零年代起，我們在中國內地的主要城市打造世界級商業綜合項目。隨著天津的恒隆廣場於二零一四年開幕，我們的內地業務將開創另一新里程碑。

Since the 1990s, we have been branching out into mainland China with world-class commercial complexes in key cities. With the opening of Riverside 66 in Tianjin in 2014, we are poised to celebrate yet another milestone in our development on the Mainland.

恒隆廣場 • 天津

RIVERSIDE 66, TIANJIN







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

截至二零一三年十二月三十一日止年度，營業額增長百分之二十二，至港幣九十七億三千四百萬元。由於出售之非核心投資物業較去年為少，因此股東應佔純利減少百分之十三，至港幣四十五億五千七百萬元；每股盈利亦因而下降百分之十三，至港幣三元三角八仙。

倘扣除重估收益的所有影響，股東應佔基本純利減少百分之十四，至港幣三十億七千一百萬元；每股基本盈利相應下降至港幣二元二角七仙。

董事局建議派發末期股息每股港幣六角一仙。如獲股東批准，截至二零一三年十二月三十一日止年度的股息總額為每股港幣八角，較上年度增加百分之一點三。

業務回顧

世界各地之地產市場，尤其住宅細分市場，莫不深受政府政策所影響。其原因眾多且無可厚非，現略舉一二：置業安居乃社會穩定之基石，大部分人一生最大的投資乃其居所，最大的債務負擔乃其按揭，故對大部分市民來說，置業是人生大事。無論是買是租，市民視樓房為生活基本所需，亦期望政府穩保供應。而在許多地方，例如中國內地和香港，土地供應乃由政府掌控。樓房建造過程複雜並涉及大量資金，其質量監控至為重要，以確保物業結構安全兼最少可住數十年。樓房建設是經濟之重要一環，故其連鎖效應是影響整體經濟穩健的關鍵。

RESULTS AND DIVIDEND

For the year ended December 31, 2013, turnover increased 22% to HK\$9,734 million. Net profit attributable to shareholders decreased 13% to HK\$4,557 million as there were fewer disposals of non-core investment properties compared to the year before. Consequently, earnings per share also fell 13% to HK\$3.38.

When excluding all effects of revaluation gain, the underlying net profit attributable to shareholders was 14% lower at HK\$3,071 million. Underlying earnings per share retreated similarly to HK\$2.27.

The Board recommends a final dividend of HK\$0.61 per share. If approved by shareholders, total dividends per share for the year ended December 31, 2013 will be HK\$0.80, an increase of 1.3% compared to the previous year.

BUSINESS REVIEW

Real estate everywhere, especially the residential segment, is to a good extent affected by government policies. There are many reasons and they are all understandable. Just to name a few: home ownership is a cornerstone to social stability. For most people, a dwelling unit is the biggest investment in his or her life and the mortgage is the greatest debt burden. As a result, home purchase is very significant to most citizens. Whether one owns or rents, housing is a basic necessity of life and the government is expected to ensure its steady supply. In many places such as mainland China and Hong Kong, land supply is controlled by the government. Building construction is a complicated process involving big dollars. Its quality control is critical in the sense that a house should be safe and should last for at least decades. Being a major part of any economy, the knock-on effect of house building is critical to its overall health.



董事長致股東函

Chairman's Letter to Shareholders



自二零零零年代初起，上海的港匯恒隆廣場一直是集團的中流砥柱之一
Grand Gateway 66 in Shanghai has been part of the Group's foothold since the early 2000s



無怪乎各地政府均小心監察我們的地產業，而地產公司亦對政府之政策甚為敏感。本公司之業務分佈中國內地和香港，而近來兩個市場均有新政府班子上場。依我們所見，彼等與各自的上屆政府有一個重大分別：兩個新政府均作出積極領導，這意味著許多新政策的推出，部分難免會影響我們的地產業。由是觀之，發展商現在必須面對一個勇敢新世界。

內地如此積極反腐，乃本人前所未見。而在香港，現屆政府正竭力扭轉上屆政府多年之消極怠政；一方面致力提供土地，另一方面則採取行政措施遏抑需求。雖然兩個市場之新政策均令我們的業務受創，但由於它們乃正確之舉，因此我們仍鼎力支持。

舉凡我們在內地踏足之處，針對政府官員的反腐反奢措施均正影響某些奢侈品銷售。縱使不是全部，但以往確有相當部分之高檔產品與昂貴服務之購置餽贈，乃與政府官員有關，如今此等行徑已受到嚴厲打過。

有人問我對該等政策何時放寬有何看法，本人之回應始終如一：我希望永遠不會放寬。以世界其他地方為鑑，建基於貪腐等不當消費之經濟斷難持久，其乃自掘墳墓而已。中國擁有大量合法及蓬勃的經濟活動，對這樣的國家來說，將此等如同癌細胞的貪腐之風割除實早勝於晚。長遠而言，經濟會有更健康的增長，並會創造新需求，取代不當經濟活動。

No wonder every government carefully watches our industry, and property companies are very sensitive to government policies. In both mainland China and Hong Kong, the two markets where we play, there is a new administration of late. From what we can tell, they differ from their respective predecessors in one critical respect: they both provide active leadership which means many new policies. Some of them will inevitably affect our industry. In this sense, it is a brave new world that developers must now face.

On the Mainland, I have never seen such serious efforts to curb corruption. And in Hong Kong, the present government is doing its best to reverse years of inaction on the part of the last administration. It strives to supply land on the one hand, and on the other, employs administrative measures to check demand. In both places, such new policies are hurting our business. But since they are the right things to do, we fully support them.

Everywhere we go on the Mainland, anti-corruption and anti-opulence measures targeting civil servants are affecting the sales of certain luxury goods. Previously a good portion – although to be sure not all – of the purchases of high-end products for gifting and expensive services was no doubt related to government officials. These purchases are now seriously curtailed.

Some have asked for my opinion on when these policies will be relaxed. My answer has always been: I hope they never will. As many other parts of the world have shown, economies built upon improper spending such as that relating to corruption cannot last. They are merely sowing the seeds of their own demise. It is much better that a country like China with myriads of legitimate and vibrant economic activities should sooner rather than later rid itself of such cancerous elements. In the long term, the economy will grow more healthily and will generate new demand to replace the shady ones.



董事長致股東函

Chairman's Letter to Shareholders

我們旗下的內地購物商場約一半屬高檔次，彼等之零售額尤其受到該等政策的影響。然而，在如斯不利之環境下，我們的內地租金收入仍上升百分之十三，相關營業溢利亦上升百分之十二。倘不計入瀋陽的市府恒隆廣場及無錫的恒隆廣場兩個較新物業，該兩項數字仍有分別百分之五及百分之七的升幅。

香港本土市場方面，行政長官梁振英先生領導的政府推出嚴厲措施遏抑需求。加上於可見將來之土地供應，樓價只會應聲向下。幸好我們把握時機，透過附屬公司恒隆地產，以接近過往之邊際利潤售出二百七十二個住宅單位。

另一方面，我們在香港的投資物業則受惠於政府的其他非地產政策。訪港的內地旅客絡繹不絕，為零售額帶來支持。倘不計入上年度出售之多項非核心資產的影響，租金收入及營業溢利分別上升百分之十及百分之十一，名義升幅分別為百分之一及百分之三。來自商舖的租金收入增長百分之十二，辦公樓租金收入增長百分之九。該兩類物業之租出率分別為百分之九十八及百分之九十四；整體之租金邊際利潤上升兩個基點，達百分之八十五，反映了二零一二年出售非核心物業所帶來的效益。

至於佔整體物業組合比重較小的住宅和服務式寓所，其空置率雖有輕微上升，但整體租金收入仍錄得增長。

Roughly half of our Mainland malls can be considered deluxe. Their retail sales were particularly affected by the policies. Nevertheless, in the face of such an unfavorable environment, we still managed on the Mainland to increase rents by 13% and related operating profit by 12%. When excluding the newer properties of Forum 66 and Center 66, the two numbers still advanced by 5% and 7% respectively.

In our home market Hong Kong, the government under Chief Executive Mr C.Y. Leung has introduced rather draconian measures to stall demand. Together with the foreseeable supply of land, residential prices have no place to go but down. As such, we, through our subsidiary Hang Lung Properties, were fortunate to have seized the window of opportunity and sold 272 units at a margin very similar to that of our previous sales.

Our Hong Kong investment properties on the other hand are a beneficiary of the government's non-real estate-related policies. The continual arrival of Mainland tourists has buoyed retail sales. Our rental turnover and operating profit respectively went up 10% and 11% after removing the effects of the sales of numerous fringe assets the year before. The nominal increases were respectively 1% and 3%. We received 12% more revenue from retail space and 9% from offices. Occupancy rates were respectively 98% and 94% for the two product types. Overall rental margin improved two points to 85% which reflected the effects of the sale of non-core properties in 2012.

For our residential and serviced apartments, which are insignificant to our overall portfolio, the vacancy rate rose a little but total rents received went up.



我們把握時機於年內售出浪澄灣住宅單位
We catch the right timing to sell the residential units of The Long Beach during the year



董事長致股東函

Chairman's Letter to Shareholders



內地訪港旅客為本港零售額帶來支持，香港投資物業的租金收入亦因而錄得升幅
Mainland tourists support the retail sales of Hong Kong and rental turnover of our investment properties in Hong Kong also records an increase

前景

未來一年，本人預期香港現行遏抑樓市需求之措施不會有所改變。然而，隨著住宅供應量遞增及樓價逐步下跌，屆時政策有望逆轉。

因此，我們在這段期間將繼續伺機出售已落成之住宅物業。情況固然不會一帆風順，但亦不需要過於悲觀。不消說，我們定必竭盡所能保持相對較高的邊際利潤。正如本人約兩年前所撰述，我們不應過於貪婪。

過去一段日子，我們見證了香港頗佳的租金收入增長。至少就今年而言，這情況理應有機會持續。

PROSPECTS

In the coming year, I do not foresee changes to the current demand-curbing measures in Hong Kong. But after home supply sets in and prices fall somewhat, it is conceivable to have a policy reversal at that time.

So in the interim, we will continue to watch out for opportunities to sell completed apartments. Things will not move briskly but neither do we need to be overly bearish. Needless to say, we will do our best to the extent possible to maintain a relatively high profit margin. As I have written almost two years ago, we should not be too greedy.

In the recent past, we have witnessed respectable rental growth in Hong Kong. There is a reasonable chance that this will continue at least for this year.



內地方面，反腐反奢行動何時告一段落實在難以預測，本人盼望其能持久，令政策效益變成常態。畢竟，恒隆是長期參與者，願意犧牲短期市場利益來換取長期經濟穩健。我們有理由相信，這個結果可望實現。

在該日子來臨前，我們會集中力量提升營運效率。為此我們須做好兩件事：優化營運系統及強化管理團隊，包括重建適切的企業文化。

過去兩至三年，我們已就前者做了大量工作。例如，我們安裝了全新的企業資源規劃（ERP）系統，進一步加強內地辦事處和香港相互的聯繫，亦強化了內部審計部，並取得成果。

同時，我們亦有逼切需要壯大和強化管理團隊。這於小型創業公司較常見，像我們一家有逾半世紀歷史的大企業則屬罕見。恒隆曾出現如此快速的擴張，只有一九六零年成立後之十年，以及一九八零年代初在香港發展逾十個鐵路上蓋物業項目之時。

一九六零年代的火速增長，讓我們得以於一九七二年十月上市。從某些基準來衡量，我們當時也許是香港華資管理的最大單一地產公司，比我們更大者僅為香港置地。然而，第二趟擴張則幾乎釀成災難。當一籃子多個項目落實後，我們遇上中英兩國就香港回歸祖國進行談判所帶來的政治風暴；市場急轉直下，我們亦陷入財政危機。幸好我們挺過來，但亦需時多年方恢復元氣。這教曉我們謹慎規劃及審慎理財，此等教訓仍然刻骨銘心。

On the Mainland, it is impossible to predict how long the anti-corruption/anti-opulence campaign will last. My personal hope is that it will stay long enough to turn the effects of the policies into a normal state of affairs. After all, Hang Lung is a long-term player willing to sacrifice short-term market gains for economic health in the long run. There is reasonable hope that such an outcome will materialize.

Before that day arrives, we will focus our efforts on improving operational efficiency. For that we need to do two things: enhance our operating system, and strengthen our management team including the rebuilding of an appropriate corporate culture.

In the past two to three years, much work has been done on the former. For example, we have installed a new Enterprise Resource Planning system that further integrates our Mainland offices with Hong Kong and with each other. Our internal audit, having been fortified, has also borne fruit.

The need for a bigger and stronger management team seems relentless. This is a condition usually associated with a small start-up firm and not a sizable company like ours with over half a century of history. The only other times that Hang Lung has seen such a fast pace of expansion was the decade immediately following our founding in 1960 and in the early 1980s when we took on over ten projects atop Hong Kong's subway stations.

The explosive growth of the 1960s led to our going public in October 1972. By some measures, at that time we were perhaps the single largest Chinese-managed real estate company in Hong Kong. The only one bigger than us was Hongkong Land. The second expansion however ended in near disaster. After committing to many projects in a single basket, we ran into the political turmoil surrounding the Sino-British negotiations on Hong Kong's return to her Motherland. The market fell precipitously and we were in serious financial difficulties. Fortunately we survived but it took us years to nurse ourselves back to health. This has taught us to be strategically cautious and financially prudent. Such lessons are still ingrained in our genes.



董事長致股東函

Chairman's Letter to Shareholders

現在，本公司迎來與內地有關的第三趟大型擴張。此乃一項經過長期部署的規劃，我們首先以上海作為實驗，前後為期約十二年。在進駐之前，我們於一九九一年至一九九二年細心研究市場；一九九二年和一九九三年在上海購置兩幅地塊及開始施工；一九九九年及二零零零年港匯恒隆廣場和恒隆廣場兩座購物商場分別開業。待兩者成功營運數年，再加上進一步研究，我們方才著手拓展二線城市。從二零零五年起，我們在精挑細選之城市購入數幅土地。當首個在上海以外的購物商場於二零一零年在瀋陽開業時，距離我們首次進軍內地已十八載。

要執行上述工作，管理團隊至為重要。自二零零零年代中期，我們加強施工管理隊伍，繼而擴大租賃團隊，與此同時強化企業員工，以支援及監督壯大了的團隊。

Now we are facing the third major expansion of the Company which relates to the Mainland. Strategically it was a long time in the making. We first spent about 12 years to experiment in Shanghai. Prior to jumping in, we carefully studied the market in 1991-1992, acquired two pieces of land in 1992 and 1993, built them out and opened the two malls – Grand Gateway 66 and Plaza 66 – in 1999 and 2000 respectively. Only after successfully running them for a few years and only upon further research did we venture into second tier cities. Starting from 2005, we bought several plots of land in carefully selected cities and opened the first mall outside of Shanghai, in Shenyang in 2010, 18 years after our initial entry into the Mainland.

The management necessary to execute the above is not inconsequential. Beginning in the second half of the 2000s, we beefed up our construction management capability. This was followed by the expansion of our leasing team. All along, we enhanced our corporate staff to support and monitor the enlarged team.



儘管上海零售市場的整體銷售額下降，上海的恒隆廣場的租金收入仍錄得升幅
Rental turnover of the mall of Plaza 66 records an increase despite the decrease in sales in the overall retail market in Shanghai



儘管我們卓然有成，但在碩大無朋的中國市場，無限的機遇仍不斷向我們招手。股東皆知，我們對採納新項目極為嚴謹，但偶爾遇上特別具吸引力的項目時，仍會作出購置（自二零零五年起的九年裏，我們只在七個城市選購了八幅地塊）。因此，我們需要一支更大的團隊。我們固然希望保持一貫的精簡架構——數年前，曾有一年平均每位員工創造了高達港幣一千萬元的稅後溢利——但我們亦明白人手不足可帶來風險。今天我們的項目分佈全國各地，而中國作為正在轉型的巨大經濟體，當中存有種種具挑戰性的道德操守議題，因此風險管理變得極為重要。

本人深信，單有前述的良好制度和優質員工尚未足夠。正如本人以往撰述，我們必須建立一個企業文化來維繫制度和員工，管理基因必須健康。

Inasmuch as a lot has already been accomplished, the humongous Chinese market with practically limitless opportunities kept beckoning. As shareholders know, we are extremely careful in accepting new projects, but once in a great while a particularly attractive one comes along and we buy. (In the nine years since 2005, we have only chosen eight sites in seven cities.) All that necessitates an expanded team. Much as we would like to stick to our tradition of being a lean organization – a few years ago, there was one year when each staff member produced some HK\$10 million of after-tax profit – we also know that there can be a risk of being understaffed. Now that we have projects spread across the country, and given that a huge but transitional economy like China abounds with challenging ethical issues, risk management becomes paramount.

I am a firm believer that good systems and quality staff aforementioned alone are not sufficient. As I have previously written, we must build a corporate culture to supplement the system and the people. The genetics of management must be healthy.



瀋陽的皇城恒隆廣場在完成首個租約期後，現正重整租戶組合
Palace 66 in Shenyang is now undergoing tenant mix reshuffle after the completion of the first lease term



董事長致股東函 Chairman's Letter to Shareholders



武漢的恒隆廣場為集團在內地發展的第十個項目
Heartland 66 in Wuhan is the 10th project the Group develops on the Mainland



鑑於市道在可見未來料仍疲憊，我們將投入更多時間把該等必備元素日臻完善。有一點可以肯定：牛市遲早必會重臨。在市道暢旺時，眾人包括我們均忙於抓緊機會，其並非加強制度和管理之時。如今正是我們重整裝備，以迎接更好日子來臨之良機。

今天的情況可一言以蔽之：我們正處於一個系統性升浪裏的週期性衰退。城鎮化和個人消費蘊藏於中國崛起的大勢頭，而中國的崛起則是世界的大趨勢。本公司的定位極為優越，可在這個長期升浪中揚帆破浪。

本人抱有信心，恒隆的第三趟擴張將為公司帶來一個前所未見的黃金時代。種種跡象給予我們充分信心。試想一想：當我們所有內地項目完成後，縱使彼等表現只及上海兩個項目之一半，其所帶來的整體租金收入和投資回報將甚為可觀。

董事長

陳啟宗

香港，二零一四年一月二十三日

Since the market will likely be lethargic in the foreseeable future, we will devote more time to perfecting these necessary elements. One thing we are certain: a bull market will sooner or later return. In good times, people, ourselves included, are busy exploiting opportunities. Those will not be auspicious times to strengthen systems and management. Now is the time to tune up the engine for better days ahead.

One way to characterize today's situation is: we are in a cyclical downturn amidst a systemic upsurge. Urbanization and consumer spending are mega trends embedded in the rise of China which in itself is a mega trend of the world. We are extraordinarily well positioned to ride that long-term wave.

I am confident that the third expansion of Hang Lung will lead to a golden era that the Company has not seen before. Enough signs are there to give us due confidence. Consider this: when all the Mainland projects are completed and if they only perform half as well as our two in Shanghai, the result in terms of both total rents received and return on investment will be impressive indeed.

Ronnie C. Chan

Chairman

Hong Kong, January 23, 2014