

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



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## 業績及股息

中國內地法律規定，所有有限責任公司均須以曆年的年終日作為財政年度結算日。由於本集團在過往十年的新項目大部分均在內地，佔集團業務比重與日俱增，因此把財政年結日由六月三十日改為十二月三十一日，乃合理之舉，可省卻大量繁瑣而昂貴的會計及行政工作。故此，儘管本報告涵蓋期僅為六個月，但亦可視為二零一一年財政年度的總結。

我們長期聘用的核數師畢馬威會計師事務所已核實所有數字。為了提供更貼切的比較，亦基於良好企業管治，我們額外要求畢馬威會計師事務所審核集團由二零一零年七月一日至二零一零年十二月三十一日期內的業績，並收錄在本報告後部章節。本人下次向股東致函的時間，將是在截至二零一二年六月三十日的中期業績公佈後。

與去年同期比較，本期截至二零一一年十二月三十一日止六個月的營業額上升百分之二十二，至港幣三十億六千九百萬元；股東應佔純利下降百分之二十六，至港幣二十五億一千六百萬元；每股盈利為港幣五角六仙，下跌百分之三十。倘扣

## Results and Dividend

The law in Mainland China dictates that all limited liability companies have the calendar year end as financial year end. Since the majority of our new projects of the past decade are on the Mainland, resulting in an increasing percentage of our business there, it makes eminent sense to change our financial year-end date from June 30 to December 31. It will eliminate much unnecessary accounting translations and administrative work which are tedious and costly. As such, this report can be considered the financial year end of 2011 although it only covers a six-month period.

Numbers are fully audited by our long-standing auditor KPMG. For a more meaningful comparison and for good corporate governance, we have additionally requested KPMG to audit our historic results for the period July 1, 2010 to December 31, 2010. They are incorporated into this report as you shall read later. The next time that I write to shareholders will be after the interim results of June 30, 2012.

Compared to the last corresponding period, turnover for the present six months ended December 31, 2011 increased 22% to HK\$3,069 million. Net profit attributable to shareholders fell 26% to HK\$2,516 million; earnings per share was HK\$0.56 representing a drop of 30%. When excluding the effect of revaluation gains, the underlying net profit attributable to shareholders



除重估收益影響，股東應佔基本純利增長百分之二十九，至港幣十六億五千萬元；每股基本盈利上升百分之二十三，至港幣三角七仙。

董事局建議派發末期股息每股港幣三角六仙。截至二零一零年十二月三十一日的半年度股息為每股港幣一角七仙，而六個月後於該財政年度完結時則派發股息每股港幣五角四仙，故全年度股息為每股港幣七角一仙，亦即平均每六個月派發股息每股港幣三角五仙五，是為本期建議派發的股息金額基礎。此金額有待股東於即將舉行的股東大會上批准作實。

### 業務回顧

自中央政府長時間以多項市場及行政措施遏抑房價後，交易量終於在去年八月左右萎縮；其後不久，價格開始下跌。待至去年第四季時，許多房地產商均出現財困，包括小型及部分大型房地產公司。這是我們意料之內，但或許來得較我們預期為快。

對此，我們還是感到欣喜，因為熊市到來之際，本集團仍坐擁豐厚財力。一直以來，我們是財力最強的地產公司之一。二零一零年十一月，集團配股集資港幣一百一十億

grew 29% to HK\$1,650 million and the underlying earnings per share rose 23% to HK\$0.37.

The Board recommends a final dividend of HK\$0.36 per share. For the half year to December 31, 2010 we paid HK\$0.17 per share and six months later, HK\$0.54 per share at then fiscal year end, making a full year payout of HK\$0.71 per share. That means on average we paid HK\$0.355 per share for each six-month period, hence the present recommendation. This amount is subject to approval by shareholders at the forthcoming general meeting of shareholders.

### Business Review

After a considerable time of managing down Mainland residential prices by the Central Government employing many market and administrative measures, transaction volume finally shrank around August. Soon thereafter, prices began to fall. By the fourth quarter of last year, many real estate companies - - not only the smaller players but also some major ones - - were experiencing financial difficulties. We were expecting this development but it came perhaps earlier than we would have thought.

We were nevertheless pleased, for once again we were in a great financial state as the bear market descended upon us. We were, and probably still are, financially speaking one of the strongest real estate companies anywhere. When we placed shares and raised HK\$11

元，其時頗多人質疑，甚或譏諷說：「你們已有大量現金，還要那麼多錢幹啥？」提出此問題的人，明顯並非地產專家，至少不是好的地產專家，否則應知熊市遲早會重臨，而我們乃作好準備以便趁低價買地。手頭有充裕的現金，可讓我們更放心出價。

此外，即使我們不增加土地儲備，現有項目於未來數年的施工費亦將不菲。事實上，我們今天持有的淨現金已少於十四個月前的集資額，說明了集團當時若無集資，現已處於淨負債狀況，然而我們也許正貼近下一輪的買地良機。

事實正是如此。去年九月底，本集團在西南地區的最大城市昆明購入其中一幅地點最佳的黃金地塊。該幅土地於六月首次推出拍賣，當時有四家內地公司和包括本集團在內的兩家外商參與競投。坦白說，我們認為勝算不高，因為我們從未在激烈競價中勝出。幸好，由於技術性原因，當地政府在開始前已取消有關拍賣。待至九月底該幅土地再次推出時，所有內地地產商均消聲匿跡。市場開始下挫，融資轉趨緊張，僅有一家新加坡公司和本集團留在戰團。因此，我們知道勝算有

billion in November 2010, there were plenty of skeptics. Being already cash rich, why do you need more, they sneered. Anyone who asked such a question was obviously not a real estate professional, at least not a good one. One should know that the bear will sooner or later return and we want to be prepared to buy land on the cheap. Having more money on hand will give us a psychological edge as we go to bid.

Moreover, even if we do not add to our land bank, construction costs from existing projects in the coming years will not be inconsequential. The fact that today we have less net cash than the amount raised 14 months ago, means that without that exercise, we would already be in a net debt position. Yet we may be at the cusp of another round of good land purchase opportunities.

We began to do exactly that. In late September, we bought one of the best located plots in Kunming, the biggest city in the southwest. When it was first put up for auction in June, four local and two overseas firms including ourselves signed up for the fight. Frankly we did not think that we could win, for we never won when there was serious competition. Fortunately for technical reasons the municipal government cancelled the auction before it began. By the end of September when the piece was again made available, all the local players were gone. The market had begun to fall and financing became tight. Only a Singaporean entity and ourselves were left in the fray. With that, we knew that we had a fair chance although the eventual deal, if



望，但亦知道即使成功投得地塊，價錢亦不算便宜。倘再遲一點，例如數個月後才舉行拍賣，那麼唯一的競爭對手亦可能會退出，該項交易會更加相宜。但賣地時間不由我們決定，乃由擁有該幅土地由政府操控。

該幅土地其中一個吸引之處，就是不存在土地拆遷的風險。該處原為市政府辦公大樓，現已他遷。再者，我們留意該地塊已有多年，對其所知甚詳。事實上，董事局兩年前在昆明開會時，本人亦曾向董事局成員介紹該地塊。昆明是一個經濟蓬勃的城市，而該地塊堪稱瑰寶，倘我們不掌握時機，有可能永遠失之交臂。因此我們出價競投，並以可接受的價錢投得。

部分股東可能對昆明不太熟悉。首先，它是中國西南地區的經濟中心；正如瀋陽是東北地區最重要的城市，昆明在西南地區亦同樣位居要津。其作為戰略重地，位置舉足輕重。對中國來說，與東南亞國家保持友好關係，在政治和經濟上均屬要務，況且中國與鄰近國家的貿易現正急速增長。在不久將來，人們可從新加坡駕車或乘坐火車到達

won, would not be a steal. If the auction had been held several months later, the only other bidder might have disappeared as well thus yielding an even better deal. But the timing was not up to us; the government which owned the land dictated it.

One attraction of this tract is that it does not have a land clearance risk. It was home to the municipal government which had already relocated. Moreover, we know the plot well; we have been eyeing it for many years. In fact about two years ago, your Board met in Kunming and I had shown it to the Directors. Such a gem in an economically exciting city like Kunming would have forever been alienated from us if we had not gotten it at that time. So we bid and we won, at a price which was quite acceptable.

Some shareholders may not be familiar with Kunming. First, it is the economic center of the southwestern part of the country. Just as Shenyang is the most significant city in the northeast, Kunming occupies that position in the southwest. The strategic significance of its location cannot be overstated. To keep a friendly relationship with Southeast Asian nations is politically and economically critical to China. Trade with neighboring countries is growing very fast. In the not too distant future, one can drive a car or take a train from Singapore





阿姆斯特丹，而途經中國境內的首個大城市便是昆明市這個重要樞紐。

昆明除了是鐵路和公路的交匯點外，亦是一個航運中心。在全國最繁忙的機場中，昆明機場名列第七位；待新機場於今年稍後啟用時，其排名可望上升至第四位。據說，中央政府已把昆明劃定為中國四大國際空運樞紐城市之一，其餘三地為北京、上海及廣州。

昆明氣候宜人，在中國主要城市中獨具特色，素以「春城」著稱，四時花開，因而成為旅遊熱點，也是富人喜建別院之地。

昆明是雲南省省會。該地區因氣候和地質結構獨特，形成無與倫比的多元生態，並擁有全國五成三的動物品種和四成八的植物品種。因此，該省吸引了某些行業和研究所落戶。雲南省是全國各省中少數民族比重最高的省份之一，歷來民族彼此和平共處。

說到底，一切畢竟還需以實際價值來衡量。我們支付的地價頗可接受。集團六年前為瀋陽的皇城恆隆廣場地塊付出的價錢，是過往我們在內地最昂貴的購入價；與之相比，今次的單位成本增加了百分之二十。鑑於過去六年來，土地價

to Amsterdam and the first major city within China's border is Kunming. It is truly an important gateway city.

Besides being a rail and highway crossroads, Kunming is also an air hub. It already has the seventh busiest airport in the country. Once the new airport is opened later this year, it will likely become the fourth. It is said that Kunming has been designated by the Central Government as one of four major international air transport gateway cities of China, with the other three being Beijing, Shanghai and Guangzhou.

Kunming is unique among major Chinese cities in that the weather is mild. From time immemorial, it has been called the Spring City where flowers bloom year round. That makes it a vibrant tourist destination and a choice location for second homes for the well-to-do.

Kunming is the capital of Yunnan Province. Due to the weather and geological formation, its biodiversity is unmatched. 53% of the country's fauna and 48% of the flora can be found in this region. As a result, certain industries and research institutions like to be located there. It is also one of the provinces which have the highest percentage of ethnic minorities who historically have lived peacefully with each other.

When all is said and done, everything must be translated into dollars and cents. The price we paid was quite acceptable. Compared to the land underneath Palace 66 in Shenyang purchased six years ago that was at its time the most expensive purchase we ever made on the Mainland, the unit cost is now 20% higher. In the past six years, land value, inflation, retail sales volume

值、通脹、零售銷量及租金等均大幅急升，我們現時支付的價格尚算合理。

該地塊的價格約為港幣四十三億元，可建面積連地庫約為四十三萬平方米，總投資額估計約港幣一百二十五億元。

我們初步計劃興建一座大型商場、最少一座辦公樓，以及六萬平方米的住宅樓宇，餘下可興建辦公樓及／或酒店。現時，我們正進行國際性建築設計招標。集團興建的每項商用物業都是一項美學與功能兼備的公共藝術品，昆明項目亦會如是。我們有信心，該項目的財務回報應相當愜意。

多年來，不少投資者對恒隆為何只在沿岸城市興建物業感到疑惑；如今他們又可能會問，為何我們終於進軍內陸城市昆明。事實上，當我們在二零零零年代初開始計劃在上海以外發展時，我們並沒有排除非沿海的城市，只不過由於東部沿海地區是改革開放的先驅，當時那些地方的市長和其他領導人不僅受過

as well as rental have all risen sharply. In that light, the price we now pay is reasonable.

Our price is HK\$4.3 billion and the piece has an allowable buildable space of about 430,000 square meters including the basement. Estimated total investment is around HK\$12.5 billion.

Preliminary plans call for a sizable mall, at least one office tower, and 60,000 square meters of residential blocks. The rest of the space can be offices and/or hotels. At present, we are conducting an international architectural competition. Every commercial complex we build is a piece of public art which combines aesthetics and functionality, and it should be the same in Kunming. We are confident that the financial return from the project should be quite pleasing.

Many investors over the years have wondered why Hang Lung only built in coastal cities. Now they may well ask, why finally in the inland with Kunming. The fact is that back in the early 2000's when we began to look outside of Shanghai, we did not discriminate against municipalities away from the ocean. It was just that opening and reform first took place along the eastern seaboard. At that time, mayors and other leaders there were not only better educated but also



較佳教育，思想亦較為開明，因此較容易洽商及達成交易。事實上，我們近十年來不停在華中和華西地區尋找地塊。幸好過去數年，我們察覺華西主要城市領導人的才能逐步提升，他們與本集團等外來投資者接觸而累積了經驗，令營商環境得到改善。華中地區的部分官員仍稍見落後，但情況應會隨著時間而改變，我們對此欣然期待。

上海方面，我們察覺零售銷情減弱，因此租金升勢雖仍持續但正放緩。辦公樓租金則有所改善，邊際利潤仍然處於高水平，而我們的物業基本上再次全部租出。恒隆廣場有數家主要商場租戶正擴充店舖，因此部分舖位暫時未能營業。

瀋陽的皇城恒隆廣場的營業額增長百分之十五，租金邊際利潤及營業溢利均有改善。租出率為百分之九十四，新簽訂的單位租金較以往平均高出百分之十，顯示租戶對前景充滿信心。此等佳績背後，其實面對非常艱難和不利的環境。物業所處身的位置本來四面通達，但其中人流較為暢旺的三面，當中兩面由於進行地下工程，第三面又與新的建築地盤為鄰，以致多月來行人幾乎無法通達。幸好較嚴重的問題現已解決，我們展望未來將進一步改善。

much more open-minded. As a result, it was easier to negotiate and to consummate transactions. In fact, for almost a decade we never stopped searching in the central and western parts of the country. Fortunately, over the past several years we have detected a gradual upgrade of the caliber of city leaders in major cities in western China. As they gained experience in dealing with outside investors like us, conditions for doing business have improved. Some officials in the middle part of the country are still somewhat behind but it is only a matter of time that the situation will change. We welcome that development.

In Shanghai we detected a weakening of retail sales. As a result, growth in rent, while continuing, has slowed. Office rental has improved somewhat. Margins remain high and again we are basically fully occupied. The mall in Plaza 66 has seen several major tenants expanding their shops, so some space is temporarily taken out of the market.

Turnover in Shenyang Palace 66 grew by 15%. Rental margin as well as operating profit have both improved. Occupancy is at 94% and newly signed unit rents are on average 10% better than previous ones. That shows that tenants are confident for the days ahead. All that was achieved in very tough and unfortunate circumstances. The three better sides of this island site were all but closed off to traffic for many months: two sides were due to underground road work and the third borders on a new construction site. We became almost totally inaccessible to pedestrian traffic. Fortunately the more serious of these problems are now resolved and we can look forward to further improvements.



濟南的恒隆廣場明顯是個成功例子。我們預期該物業首年度的無槓桿租金總回報率約為百分之七，遠遠超過我們最初所定的百分之四的目標。由於租金邊際利潤持續上升，來年的純利將更為可觀。

瀋陽的市府恒隆廣場應該也有同樣佳績。該物業已租出七成，大部分租戶均已繳付訂金（簽約與首期落訂的時間有輕微差距），其中包括許多國際頂級品牌。其訂約租金提供的投資回報率，應可與濟南的恒隆廣場而非瀋陽的皇城恒隆廣場看齊。該物業的購物商場預期於今年九月下旬開業，而首幢辦公樓的低層區和高層區可分別於明年和後年開業。

香港租金保持平穩，所有物業基本上全部租出。

過去六個月，我們只出售君臨天下兩個單位，但售價遠高於過往紀錄。集團仍然以租金為主要收入。該項業務表現出色，整體租金營業額上升百分之十四。香港升幅為百分之七，內地升幅為百分之二十三；基本上與去年上半年的情況相若。香港以外的物業現佔集團租金收入總額百分之四十八。

Parc 66 in Jinan is clearly a success story. We expect a first year unleveraged gross rental return of approximately 7%. This far exceeds our initial hurdle of 4%. As rental margin continues to rise, the bottom line will look even better in the coming year.

I will not be too surprised if Forum 66 in Shenyang is similarly successful. We are already 70% leased up with deposits received for a majority of them. (There is a slight time gap between signing up and the first payment of deposits). Many of the tenants are top-tier global brand names. Contracted rents should yield investment return numbers that are much more akin to Parc 66 than to Palace 66. We expect to open the shopping center in late September this year, the low-zone of the first office tower next year, and the high-zone the year thereafter.

Hong Kong rents remain steady and all properties are basically fully occupied.

We only sold two units at The HarbourSide in the past six months. Unit price was however much higher than what we had achieved before. Once again, we mainly relied on rental income which performed well. Turnover increased 14% with Hong Kong advancing 7% and the Mainland 23%. This is basically the same as in the previous six months. 48% of total rents received now come from outside of Hong Kong.

## 策略性計劃

隨著購入昆明地塊，集團在繼續發展獨立購物商場項目如瀋陽的皇城恒隆廣場、濟南的恒隆廣場、天津的恒隆廣場及大連的恒隆廣場的同時，亦將日益增建綜合發展項目，這對部分股東來說應是清晰的，對我們來說亦非新嘗試。集團在上海的首兩個項目——恒隆廣場和港匯恒隆廣場，以及現時瀋陽的市府恒隆廣場和無錫的恒隆廣場，均屬於此類別。只是在過往的致股東函內，本人從未論述有關這些項目的住宅部分。

擁有龐大人口的中國現時約有一半人口居於城市，數目之多，是中國史上前所未見的。其過去二十年的城市化規模和速度，亦是人類社會所見最大和最快的，而這個趨勢料將持續。當新城市在構建之際，現有城市的人口增長，將為環境和社會帶來各種巨大壓力。從土地應用的角度來看，建築物向上發展是無可避免的。假如做得像香港那麼妥善，能享高能源效益，這其實並非壞事。

## Strategic Initiatives

With the addition of the Kunming site, it may become clear to some shareholders that while continuing to develop stand-alone shopping center projects like Shenyang Palace 66, Jinan Parc 66, Tianjin Riverside 66 and Dalian Olympia 66, we will increasingly take on mixed-use projects. This is nothing new to us, for our first two efforts in Shanghai, Plaza 66 and Grand Gateway 66, are both of that class, as are Shenyang Forum 66 and Wuxi Center 66. What was never discussed in my previous letters is how to treat their residential elements.

Approximately half of China's vast population are now city dwellers, more so than at any time in the long history of the country. The magnitude and speed of urbanization of the past two decades were the biggest and fastest that mankind has ever seen. Yet the process is expected to continue. While new cities are being built, population growth of existing ones will exert tremendous physical and social pressure of all sorts. From a land utilization perspective, building upward becomes inevitable. This is in fact not bad for if done right like in Hong Kong, it can be very energy efficient.





對市政府領導人而言，由於公共財政非常仰賴土地銷售，因此較高的地積比率（即可建面積與土地面積的比值倍數）可帶來更多收入。此外，還有種種原因令他們樂見綜合發展項目內包含多座高樓大廈。很多亞洲城市的經驗說明，市民已習慣高樓，事實上亦對此情有獨鍾。

這意味著，就集團的未來而言，尋找土地以發展如瀋陽的皇城恒隆廣場或濟南的恒隆廣場等獨立購物商場的做法，將成為個別例子而非常規。我們並不介意這個改變，原因有許多。顧名思義，綜合發展項目的可建總面積龐大，土地成本必然較高，這會令小型發展商卻步。由於財力可媲美本集團的發展商不多，這類地塊亦會吸引較少競爭對手。

在這些綜合發展項目中，有些可能只涉及商場和辦公樓，上海的恒隆廣場便是一例，其他則會包括住宅大樓，如港匯恒隆廣場。

股東皆知，我們對在許多城市發展辦公樓的取態向來審慎。在美國，擁有具規模的市中心及大量辦公樓的大都會約有十個。中國勢將有更多此類城市，但我們不應對發展辦

On the part of municipal leaders, because public finance relies so much on land sales, having a higher plot ratio (i.e. allowable buildable space as a multiple of the size of the land) will yield more money. Consequently, there are multiple reasons why they like to see mixed-use projects encompassing many skyscrapers. Experiences in many Asian cities show that residents get used to them and in fact often prefer them.

All that means that for our future, finding land for stand-alone malls like Palace 66 or Parc 66 will become the exception rather than the rule. There are many reasons why we do not mind this. With mixed-use projects which are by definition large in total buildable area, the land cost will of necessity be high. That cuts out the smaller developers. In other words, such plots when sold will attract fewer competitors, for few developers will have the financial strength like us to play.

Some of these mixed-use projects will only entail retail space and offices like Plaza 66 in Shanghai. Others will have added residential blocks like Grand Gateway 66.

As our shareholders know, we have been cautious in developing office towers in many cities. In the U.S., there are about ten metropolises that have a sizable downtown with numerous high-rise offices. China will for sure have more of such cities, but we should not

公樓盲目樂觀。當我們選定了可興建這類項目的城市後，仍必須確保擁有最佳位置的地塊及世界級的出品。這正是我們在上海的既有做法；在瀋陽的市府恒隆廣場和無錫的恒隆廣場亦一脈相承，昆明也不例外。

集團認為，酒店經營對業主來說是一門糟透的生意，亦只在項目規定的情況下才會做，因此住宅單位成為我們在其他主要產品中的僅有選擇。長期股東當還記得，我過去曾撰文解釋為何本集團不從事住房開發。我們至今仍強烈認為，傳統房地產商的思維和運作模式——買入大型的地塊、興建千萬計平方米的住宅，是一門講求規模和速度的遊戲，並非集團的強項，我們只希望在質量和高單位價格方面競爭。

倘為市中心的綜合發展項目，住宅則成為我們必然之選。試想想，如果一個豪宅項目建於世界級購物商場的上蓋或毗鄰，同時又鄰近市內最優質的高層辦公樓，其單位價格會是多少？答案是高踞市內最高之列。不管是出租的服務式寓所，還是銷售住宅，我們也樂於做這門生意。

be blindly optimistic for this product type. And in the cities that we choose to construct them, we must be sure that the location is the best and the product world-class. This is exactly what we have done in Shanghai, what we are doing with Shenyang Forum 66 and Wuxi Center 66, and what we will do in Kunming.

Since we consider hotels a terrible business for the owners and will only do so when constrained by the need of the project, residential units become the only other major product class for us. Our long-term shareholders may remember my past writings explaining why we are not in residential development. We still strongly hold that view in the traditional sense of a home builder - - buy large tracks of land and build tens of millions of square meters of apartments. That is a game of size and speed which is not our forte. We only want to compete in quality and in high unit prices.

On mixed-use projects in city centers, the residential element falls squarely on our side. Consider this: what will be the unit price of luxury apartments built on top of or abutting a world-class mall and right next to the city's most prestigious office skyscrapers? The answer is: among the highest in the city. That we do not mind doing, either for rent as serviced apartments or for sale.





再從另一方面看，正如我曾撰文說，集團多年來深知發展市內最佳的購物商場，可為鄰近甚至整個地區創造巨大價值。事實上，這亦是市領導人屬意恒隆為土地買家的其中一個主因 — 鄰近我們項目的土地價值定會上升，為該市的庫房帶來更多收益。

經過多番內部討論後，我們至今一直恪守原則，專注本集團的強項，亦即商用物業項目，而增值利益留給他人享受。但時至今天，綜合發展項目已日漸成為政府規範，趨使我們兼享這些潛在增值利益，我們當然樂於聽命！畢竟，愈多人在集團的購物商場毗鄰居住，愈可帶來更多零售銷量。無論從甚麼角度來看，我們都是贏家。

然而，我們應該出售還是出租該等住宅？這需視乎項目而定。以港匯恒隆廣場為例，由於上海的黃金地塊有限，項目亦僅有六百二十四個單位，因此至少在可見的將來，我們仍會持有該等單位作為長期投資。但就瀋陽的市府恒隆廣場而言，我們的住宅面積可達三十萬至四十萬平方米，單位數目可能超過兩千個，因此出售的機會較大。

Look at it another way. Again as I have previously written, for years we recognized that by developing a city's best shopping center, we are creating tremendous value for the immediate neighborhood and indeed for the entire district. That is in fact a key reason why municipal leaders consider Hang Lung the preferred buyer of their land because the land value surrounding us will inevitably go up. That will bring further income to the city's coffers.

After much internal debate, we have hitherto decided to focus on what we do best, i.e. commercial developments, leaving the added value for others to enjoy. But now, doing mixed-use projects is increasingly becoming the government's stipulation, thus forcing us to take some of those potential values for ourselves. We will be happy to oblige! After all, having more people living right next door to our shopping center will only bring more retail sales. It seems we shall win whichever way we look.

Our question is whether we should sell or rent these apartments. It will depend on the project. Take the case of Grand Gateway 66. Because it is in Shanghai where land of superb location is limited and because we only have 624 units, we will keep them for long-term hold, at least for the foreseeable future. But in the case of Shenyang Forum 66, we may have 300,000 to 400,000 square meters with perhaps over two thousand units, so selling becomes much more likely.



此外，雖然位於北京和上海等城市的黃金地段的住宅售價近年大幅飆升，但二線城市如瀋陽、無錫及昆明等的樓價升幅較為溫和，未來數年很有可能出現大升浪，但增長未必像一線城市般可觀。因此，我們最近已重新審閱集團物業組合內的有關項目，並正制定計劃以掌握未來的機遇。

倘市況配合，我們為購物商場、辦公樓忙著的同時，也許可以完成住宅項目的所有設計工作、取得政府批文，並為某些項目完成地基工程。接著，我們便可伺機而動。一旦察覺房價出現漲風，我們可迅速完成上蓋建築，其工程並不複雜。在相對較短的時間內，我們應可在市場推售單位，並可望把握升市。

我們會付諸實行。對股東來說，此乃創值新猷，之前從未嘗試，亦未曾提及；但對管理層而言，我們對此舉了然於心。在集團現有的物業組合內，我們擁有約五十萬至六十萬平方米的可建面積。但對於何時興建以及興建多寡，尚有許多不穩定因素影響我們的決定，例如倘若其中一個城市對辦公樓需求殷切，那麼我們或會在當地多建辦公樓而少建住宅；我們只能因應市況作出決定。

Moreover, whereas top-located residences in cities like Beijing and Shanghai have in recent years witnessed substantial increase in sales price, the rise in secondary cities like Shenyang, Wuxi and Kunming has been more modest. It is quite possible that a sharper rise may be had in the coming years, although it is unlikely that the growth curve will be as steep as in the first tier cities. For that reason, we have recently reviewed all such projects in our portfolio and are making plans to capitalize on the coming opportunities.

As market conditions warrant, we may have all design work done, government approvals obtained, and in some cases the foundation work completed when we are doing the same for the mall and for the office towers. Then we sit and wait. Once we detect winds of rising residential prices, we can quickly do the superstructure which is not that complicated. In a relatively short period of time, we should be able to hit the market, hopefully catching an updraft.

That we will do. For our shareholders, this initiative should represent a new area of value creation that was hitherto untapped and even unspoken. Yet to your management, it represents something we have always known. In our existing portfolio, we have approximately 500,000 to 600,000 square meters that we can work with. There are as yet many uncertainties affecting our decision on how much and when to build. For example, if demand for offices in one of our cities heats up, we may build more offices and less apartments. The determination can only be made as market conditions evolve.



股東或會記得，我們過往不熱衷於興建物業供銷售的原因之一，乃此舉須付極高的稅項。然而，倘房價大幅上升並帶來豐厚的邊際利潤，那麼與政府分享一部分仍是合理之舉。一如我們的商業發展業務，我們對量大利小的生意不感興趣。

在香港方面，有些新發展亦值得匯報。正如我曾告知股東，由於獨立專業人士為集團的投資物業所作的定期估值，應該屬於業內最保守之列，因此集團在香港長期持有的租賃物業可藉著出售而釋放其隱藏價值。過去我們沒有出售該等物業，因為欲首先抓緊內地租賃業務的增長。現在我們在瀋陽及濟南的商場已成功開幕並且表現理想，故現在是時候慎重考慮是否出售該等香港項目。一如既往，我們會耐心窺準適當時機以求取得最大利潤。畢竟，我們只能把每項物業出售一次！集團現仍處於淨現金狀況，並無出售壓力，坦白說，此乃出售貴重資產的唯一方式。

## 展望

集團自二零零五年開始在上海以外拓展業務，至今在六個城市的項目投放金額約港幣六百七十億元。倘把無錫兩幅相鄰的地塊當作一個項目計算，我們合共有七個項目（兩個位於瀋陽）。集團幾近付清所有項目

Shareholders may remember that one reason we previously did not like to build properties for sale was the much higher taxes that such an activity attracts. However, if apartment prices rise substantially resulting in very rich margins, then sharing part of it with the government may still make sense to us. As in our commercial development business, we are not interested in high volume-low margin activities.

Back in Hong Kong, there are also new developments worth reporting. As I have previously told shareholders, our matured rental properties here can be sold to unlock hidden value because the periodic revaluation of our investment portfolio by third-party professionals is perhaps among the most conservative of our peers. In the past we did not sell because we wanted to first make sure that we knew how to grow the rent roll on the Mainland. Now with our Shenyang and Jinan malls successfully opened and performing well, it is time to seriously look into it. As always, we will be patient and watchful for the right moment in order to maximize profit. After all, we can only sell each property once! We are still in a net cash position and so are not under pressure to act. Frankly that is the only way to part with valuable assets.

## Prospects

Since expanding beyond Shanghai in 2005, we have so far committed about HK\$67 billion in projects in six cities. If we were to count the two adjoining plots of land in Wuxi as one, then we have seven projects (with two in Shenyang). Almost all land premiums have been paid for and construction for Shenyang Palace

的地價，而瀋陽的皇城恒隆廣場和濟南的恒隆廣場亦已經落成。除昆明項目尚在規劃階段外，其餘所有項目均正施工。迄今，尚需支付的施工費為港幣四百二十億元。

鑑於瀋陽的市府恒隆廣場和無錫的恒隆廣場同屬如昆明的大型項目，它們每項可能需時最少十年方能竣工(從買地起計)。以建築總面積(包括停車場)約二百九十萬平方米計算，未來十年將每年平均落成二十九萬平方米，其面積相等於每年落成一幢美國帝國大廈有餘。部分人謂恒隆保守，但本人認為，此舉實在頗為進取！本集團堅持財政保守，但這絕不代表策略保守。

如何在財務上持盈保泰，又同時在策略上積極進取地從迅速增長的市場中抓緊最佳機遇？這是一個有趣的問題。我們的做法是信守地產業老生常談的格言，堅持「低買高賣」。這談何容易？大部分市場參與者均以高價買入以求更高價賣出，我們不會自負如斯，皆因市道無常，一旦暴挫便殆無緩衝。過去二十年，我們不斷學

66 and Jinan Parc 66 has been completed. All other developments, with the exception of Kunming which is in the planning stage, are being built. So far HK\$42 billion of construction remains to be paid.

Given the size of Shenyang Forum 66 and Wuxi Center 66 which like Kunming are huge, each of these may take a decade (from land purchase) if not longer to complete. With a total of about 2.9 million square meters to be built (including car parks), finishing them in the next ten years will mean an average of 290,000 square meters per year. That is equivalent to completing one Empire State Building and more each year for ten years. Some say that Hang Lung is conservative but that seems quite progressive to me! Financial conservatism which we insist on does not necessarily mean strategic conservatism.

How to maintain fiscal prudence while being strategically aggressive to grasp the best opportunities in a fast expanding market is an interesting question. We do it by honoring the old adage of the real estate industry, namely, insisting to buy-low-sell-high. This is easier said than done. Most players buy high expecting to sell higher. We are not so self-confident to do that, for there is little cushion in case the often fickle market turns south. For the past two decades we have honed our skill in calling market cycles correctly and so far



習以求準確掌握市場時機，至今成績斐然。再者，我們一直奉行行內的金科玉律 — 「location, location, location」，即只買最佳位置的地塊，這亦令我們有別於大部分競爭對手。能緊守兩大基本規則的發展商何其少，這確實令人驚訝！

然而，單靠緊守該兩大金科玉律並不足以長勝，還需精明理財。在這方面，我們過去二十多年來均表現出色。事實上，在過去六年，我們均處於淨現金狀況，主要原因是我們一直以來在內地和本地市場都作出正確的判斷。相比競爭對手，我們的香港住宅銷售項目成本最低，並經常能適時推售以取得最大利潤，所帶來的現金進帳令我們處於惹人羨慕的財政狀況，並為旗下內地新項目提供充裕的資金。

部分人士質疑我們財政保守，並建議我們派發特別現金股息回饋股東。基於多個原因，管理層不應這樣做。事實上，我對這些人說，倘我們這樣做，他們應沽售本集團的股票。集團處於優越地位 — 我們具備經驗，並擁有已建立好的團隊和品牌 — 這足以讓我們好好掌握本世紀初的一個最大商機，就是在中國

we have done superbly. That, together with our utter respect for the other time honored principle in the industry of "location, location, location" (i.e. buying only the best located properties), have differentiated us from many of our competitors. It is truly amazing how few developers abide by these two cardinal rules!

Being disciplined to keep to the two adages is however still not sufficient to win in the longer term unless one manages one's finances wisely. That we have done in the past two decades and more. In fact for the last six years, we have had a net cash position. The main reason for this is that we have consistently made correct decisions not only on the Mainland but also in our home market. Our Hong Kong residential developments for sale have by far the lowest cost basis compared to our competitors, and we always time our sales well to maximize profit. It is the cash therefrom that has put us in this enviable financial position and that to a good extent feeds our new Mainland projects.

Some have questioned our financial conservatism and suggest that we return money to shareholders such as in the form of a special cash dividend. For several reasons management should not do that. In fact, I have told those proponents to sell our stock if we do that. Conceptually speaking, we are in a privileged position - - having gained experience, and having built a team as well as a brand - - to take advantage of one of the biggest commercial opportunities mankind has seen





的城市化和本地消費熱潮中大展拳腳。倘把資金回饋股東，意味著管理層不能抓緊機遇，這是沽售本集團股份的有力原因！

尚有其他非常實在的因素支持我們的做法。我在一年前的致股東函（即二零一零至二零一一年度中期報告）解釋二零一零年十一月的配股行動時已列出部分原因，在此不再贅言，只想強調像中國般的發展中國家，其地產市場往往甚為波動，價格下挫走勢可以既急且狠，故手持現金方可防患於未然。反過來看，熊市的出現早晚可為持有充裕現金的地產商提供極佳的購置良機。

話雖如此，從資本結構來看，經常處於淨現金狀況非最理想的做法，此應為個別例子而非常規。我們應審慎地運用槓桿以提升投資回報。近期購置了昆明地塊後，我們於曆年底（現同樣為財政年底）前已付清地價，故集團財政於今年稍後會重現低水平的負債。該情況會持續，直至我們能透過出售香港住宅單位獲得可觀收入。

此外，在可見將來，施工費將會不菲。除非我們有很好的理由減慢項目進度，否則未來四年的施工費約達港幣二百七十億元。

in the beginning part of this century, namely to ride the wave of urbanization and domestic consumption in China. Returning money to shareholders means that management is incapable of converting those opportunities, a great reason to dump our shares!

But there are very practical reasons as well. Some of them were laid out a year ago in my letter to shareholders (i.e. the Interim Report of 2010-2011) where I gave the rationale for the share placement of November 2010. I shall not repeat them here. Suffice it to say that real estate markets in developing economies like China are more often than not volatile. Downward price movements can be sudden and sharp. Having cash on hand is essential to keeping the ship afloat in such an eventuality. Conversely, such bear markets sooner or later present excellent buying opportunities for those who have cash.

Nevertheless, from a capital structure perspective, having net cash consistently is not optimal; that position should be the exception rather than the rule. Leverage should be carefully employed so as to enhance investment return. So with the latest addition of Kunming whose land premium was paid off before calendar (and now also fiscal) year end, we will later this year return to a condition of having a low level of debt. Until we can sell Hong Kong apartments in a meaningful amount, that situation will remain.

Moreover, construction cost in the foreseeable future will be substantial. Unless we have good reasons to slow down progress, otherwise the amount needed in the coming four years will be about HK\$27 billion.



為應付業務增長，集團在香港有高達港幣二百億元的已落成或將近落成的住宅物業可供出售，但集團會秉持一貫低買高賣的原則等候善價而沽。我們旗下物業組合擁有獨特競爭優勢，幾乎所有單位均享有世界其中一個最優美的海港景色。經驗顯示，此類豪宅的價值斷難大跌。當市道如過去兩年般放緩時，交易量會減少，但價格仍能保持堅實；而當市道暢旺時，價格會有很大的上調空間。由於本地和內地的潛在買家眾多，價格上升的機會遠較下跌的為高。持有空置單位涉及的成本，與其漲價潛力相比可謂微不足道。

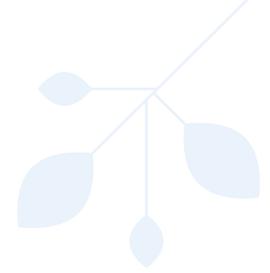
鑑於銷售時機尚未明確，我們需要另類融資途徑。集團未來數年不大可能進行配股，除了因為股市未必配合外，尚有技術原因：母公司恒隆集團並不希望其在恒隆地產的持股量攤薄至低於百分之五十。其於二零一零年十一月配股後便曾出現這個情況，之後有一段時間受證券及期貨條例所限不能購回恒隆地產的股份。

此外，本集團上次配股時股價見頂，其後大市與地產股均下調。經驗顯示，在本集團過去所有配股情況中，任何持有我們股份約三年的

To finance this growth, we have as much as HK\$20 billion worth of completed or near completed apartments in Hong Kong that can be sold. But in line with our practice to buy-low-sell-high, we will wait for higher prices. Our portfolio is unique among our competitors -- almost all units have a view of the harbor which is one of the most beautiful in the world. History shows that it is difficult for such luxury products to fall seriously in value. When market is slow such as in the past two years, transaction volume shrinks but price tends to hold up. Then when times are good, room for price hikes is plentiful. With plenty of potential buyers both locally and from the Mainland, the chance of price appreciation far exceeds that of depreciation. The cost to upkeep the empty units is miniscule compared to the upside potential.

Since the timing of sales is uncertain, we will need alternative funding sources. Placement of shares will be unlikely for the coming few years not only because the stock market may not cooperate, but also for technical reasons. Our parent Company Hang Lung Group prefers not to dilute its shareholding in us to below 50%. It did after the last placement in November 2010 and was then by Securities and Futures Ordinance barred from buying our shares for some time.

Moreover, our last issuance of scrips coincided with a peak in our share price. Thereafter, the stock market as a whole including our counter went down. History shows that in all previous share placements of ours, any



投資者應感愜意。與部分競爭對手不同，本集團每次的配股價均較以往所有的配股價為高。本集團會竭盡全力保持這項傳統，令股東稱心滿意。

因此，債務融資成為我們用以應付業務增長的唯一選擇。我們現時未動用和已動用的銀行貸款超過港幣二百六十億元，而手頭現金約為港幣二百四十億元，其中大部分為人民幣存款。

我們現時對銀行融資基本上缺乏信心。環球金融市場的境況乏善可陳，幾乎所有大型銀行均面對各式各樣的壓力。在某些時候，我們甚至對所謂「銀行承諾貸款」的「承諾」程度感到懷疑。因此，有別於以往，我們一旦獲批這些貸款便會立刻提取。事實上，把港幣貸款所得兌換為人民幣存款往往可帶來利息收入。

部分由於我們對銀行及銀行貸款失去信心，集團因此於一年多前安排了一項中期票據計劃，讓我們作為沒有評級的借貸人，待有需要時在債券市場融資。同時，鑑於金融市場的不穩定情況，我們僅對長期融資工具感興趣。由於我們財力

taker with say a three-year investment horizon is pleased with their decision. For unlike some of our competitors, each issuance was at a price higher than all previous exercises of the same kind. As much as possible, we have all intentions to maintain that tradition. We want our shareholders to be happy with us.

We are thus left with debt financing as the only alternative to fund growth. At present we have bank facilities, drawn or undrawn, of over HK\$26 billion. This is roughly matched by about HK\$24 billion of cash on hand, mostly kept as RMB deposits.

Our present basic attitude towards bank financing is one of mistrust. We do not like the way global financial markets are developing. There is hardly a bank of size which is not under pressure of one sort or another. At times we are even skeptical about how “committed” is a so-called “committed bank line”. So once such a loan is secured, we unlike in the old days right away draw down. Converting HK dollar loan proceeds to RMB deposits can at times generate an interest income.

Partly due to this mistrust for banks and bank loans, over a year ago we put in place the Medium Term Note (MTN) program so that we as an unrated borrower can tap the bond market if we so choose. Again because of concerns over the financial market, we are only interested in longer dated instruments. Given our financial strength and the fact that we do not now need

豐厚，而事實上現時亦無需有關資金，因此我們所支付的孳息率在行內應為最低之列。這項融資途徑應可為我們籌集港幣一百五十億元。

基於我們有五個大型項目正在施工，我們須加倍努力確保項目如期竣工。除保持一貫高水平的設計及建築外，項目管理方面還有地方可以做得更好。我們會致力加強物業管理，確保租戶和顧客稱心滿意。同時，我們亦銳意提升品牌價值，尤其以內地 — 新業務的所在地 — 為重點。在內地，恒隆已廣被視為中國最優秀的商業地產發展商，倘此認受性能更推而廣之，無疑是錦上添花，亦有助我們未來開拓新市場。

至於在內地增購地塊一事，現階段難以斷定未來數月會否有更好的機會。我們對現有物業組合相當滿意，除非有我們認為甚具吸引力的交易出現，方會考慮吸納。

現時市況的走勢，較數年前更大程度上取決於中央政府的施政，這亦是導致市場不穩定的主因。情況跟

the funds, the yield we have to pay should be among the lowest in the industry. From this source, we should be able to raise about HK\$15 billion.

With five sizable projects under construction, we will redouble efforts to ensure their timely completion. Besides maintaining our usual high standard of design and construction, there are areas of project management which can use improvements. We will strive to strengthen property management as well in order to maximize tenant as well as shopper satisfaction. We are also conscientious to enhance our brand equity especially on the Mainland where all of our new businesses are. Already Hang Lung is considered by many there as China's best commercial property developer. A wider acceptance should not hurt and will help us as we later move into new markets.

As to buying more land on the Mainland, it is hard to judge at this stage if there are better opportunities in the coming months. We are rather pleased with our present portfolio and will only add to it if what we consider very attractive deals come along.

The main reason for the present uncertainty is that where the market will go will more than in recent years depend on the Central Government's actions. Just like



二零零八年中之前的數年相似。中央政府於二零零九年下半年起為求遏抑房價，採取日益嚴竣的措施，終於在去年八月見效，許多內地發展商陷入困境。然而，待至十二月下旬，似乎又有放寬跡象，銀行開始重新提供借貸；但自從今年年初以來，政府領導層又多次表明維持收緊政策。換句話說，信息混亂不清。

無論如何，以現時情況看來，隨著房價升浪受控，加上政府不欲房市大幅波動，市況應該會持續平靜。交易量或會稍為回升，但價格不會大漲。再加上銀行重新提供借貸，意味著大部分內地發展商可苟延殘喘，亦暫時未會再想染指商用物業市場。前文所述的昆明土地拍賣正是一例，去年六月參與競投的其中四家是內地公司，其後有關拍賣取消，待至九月恢復拍賣時，所有內地發展商均退出競投。

這對集團來說是好消息，因為若有我們屬意的地塊推出，競爭應不會太過激烈。但至於市政府甚麼時候會因財困而推出土地，價格又在我們可以接受的水平，實在不得而知。這情況在二零零九年初曾經發

in the few years before mid-2008, the government has since the second half of 2009 been attempting to rein in residential prices. Increasingly severe measures finally took hold last August and the plights of local developers became obvious. By the second half of December, however, there seemed to be signs of relaxation as banks began to lend again. Yet since the New Year, top government officials have repeatedly stated that tightening would continue. In other words, signals are mixed.

Nevertheless, what seems likely is that now with the price hike under control and the government preferring to avoid big market swings, things will remain relatively quiet. Transaction volume may recover somewhat but prices may not rise much. That, together with renewed lending from banks, means that most major Mainland developers will survive but with some difficulties. Consequently, their ambition to enter the commercial property market will be put on hold for the time being. This is evidenced by the Kunming land auction mentioned earlier - - whereas four Mainland players were among those who signed up to bid last June which contest was later called off, they all disappeared when it eventually went ahead in September.

That is good news for us - - if there is any land we want that is up for sale, competition will not be as keen. What we do not know is when municipal governments will be financially desperate enough to sell at prices acceptable to us. That happened in early 2009 and we are hopeful that it will be repeated. However, we are



生，我們亦希望情況會重演。但作為甚有耐性的發展商，我們不會操之過急。有時候，等得愈久，價格愈佳。

香港方面，我們未來數月能否以合意價格售出大量住宅單位，實屬未知之數。不過，當有實力的買家願意就君臨天下出價時，我們便會出售該些豪宅單位。我們近數月售出該項目少量單位，邊際利潤約為百分之七十八，但我們不應期望此為常規。

在本集團的主要業務，即商用物業租賃方面，二零一二年上半年度香港的租金收入升幅，應與過去六個月的升幅相若。內地市場方面，我們察覺本土消費有放緩跡象。儘管還未影響租金收入，但這是早晚的事，除非消費意欲急速好轉。然而，有見環球經濟混沌而中國經濟只是略好，這個機會不大。租金收入升幅應與過去六個月相若。幸好瀋陽的市府恒隆廣場將於今年九月開業，我們預期該項目首年的總投資收益率約為百分之六，有助營業額增長。

長遠來看，本集團的前景一片光明。只要內地經濟保持合理增長，本地消費所佔的份額早晚會增加。

not overly eager for that to happen, for we are a very patient player. Sometimes the longer we wait, the better the price.

Back in Hong Kong, it is doubtful if in the coming months we will be able to sell a lot of apartments at prices we want. That said, we will part with the top-end The HarbourSide units as buyers willing to pay emerge. We saw a few cases in recent months which gave us a profit margin of some 78%. We should not expect that to be the norm.

In our bread and butter business of leasing commercial space, growth in Hong Kong rent for the first half of 2012 should be similar to that of the past six months. For the Mainland market, we have detected a slowdown in domestic consumption. Although slow to be translated to rents received, sooner or later it will, unless sentiments quickly turn to the better. Given dullness in the global and to a lesser extent the Chinese economies, this is unlikely to happen. Rental increase rate should be similar to that of the past six months. Fortunately we will see the opening of Shenyang Forum 66 this September. We expect a first year gross yield on investment of around 6% which will help top line growth.

Taking a longer term view, our future should be bright indeed. As long as the Mainland economy holds up reasonably, domestic consumption will sooner or later

在美國，本地消費佔整體經濟活動逾七成；在中國則低於百分之三十五。鑑於中國經濟正在增長，若其消費所佔的份額與美國的距離能收窄一半，已可為本集團的購物商場業務帶來豐厚利潤。

從數據上分析，倘有一天我們總額達港幣六百七十億元的新投資項目，收益率能接近現時的上海項目，其每年帶來的利潤將甚為可觀。上海兩個項目約於十二年前開業，現時每年的無槓桿收益率接近百分之四十，我相信這個回報率可以重演。倘如是，上述數字顯示，隨著我們的商用物業逐一成功開業及錄得租金增長，本集團的前景將甚為輝煌。我認為，鮮有地產公司在可持續溢利增長方面，能有這樣的確定性或規模。

在執行策略方面，物業管理是本集團其中一個關鍵元素。本人欣然匯報，我們已聘請一位資深的行政人員陳碧華女士掌管有關業務。陳女士雖不是董事局的執行董事，但仍屬於董事級別。她會直接向董事總經理陳南祿先生匯報。

account for a bigger share of the pie. In the U.S., it accounts for over 70% of all economic activities while the number is less than 35% in China. If the latter were to close half of that gap in an ever expanding economy, it will be a bonanza for our mall business.

To put it in numeric terms: if one day the gross yield of the new investments of HK\$67 billion approaches what we are receiving today in Shanghai, the annual profit therefrom will be impressive indeed. Some twelve years after opening our two properties in that city, they are annually yielding on an unleveraged basis close to 40%. I believe that this level of return can be repeated. If so, then the mathematics indicates a very promising future as we successfully open new complexes one by one and grow rental. I like to think that few real estate companies anywhere have that level of certainty or of magnitude, in sustained profit growth.

To execute our strategy, property management is a critical element. I am pleased to report that we have employed a seasoned executive Ms Prudence Chan to head that activity. Although not an Executive Director of the main Board, this is a Director grade hire. She will report directly to our Managing Director Mr Philip Chen.





本人相信，集團全體董事局，包括非執行董事在內，均需在集團成功相關的重要範疇持續學習。因此，董事局於二零一零年考察迪拜，並於去年十一月考察拉斯維加斯。我們特意選擇這些地方，有以下原因。

以本人觀察，世界最優秀的商場大概在三個地方：美國，尤其拉斯維加斯；迪拜；以及今天的中國內地。拉斯維加斯有很多創新意念，經常被波斯灣地區酋長國抄襲，後者每每能青出於藍，其商場更加宏大。中國較遲參與大局，並因此具有向各方學習之優勢。舉例，大連的恒隆廣場上月奪得一項在倫敦舉行的環球設計比賽大獎。事實上，集團過去十年的所有新項目均在不同的國際比賽中奪得獎項。

更重要的是，中國的商場正享有最好的經濟條件。美國的經濟增長正在放緩，因此商場供過於求；在拉斯維加斯，是賭博為主，購物為次；因此當地多數購物商場均不太大。另一方面，迪拜極倚重遊客，單靠本地人，商場根本不夠生意。遊客縱使會重臨光顧，亦只是偶爾之事，近期區內動盪亦對其生意造成影響。

It is my belief that our entire Board including the Non-Executive Directors should continually learn in areas critical to the success of the Company. This is why we visited Dubai in 2010 and Las Vegas last November. The choices of location are deliberate and here are the reasons.

It is my observation that the best malls in the world are perhaps in three places: in the U.S. especially in Las Vegas, in Dubai, and now in Mainland China. Much of the innovative ideas come from Las Vegas which are frequently copied by the Gulf region Emirate. More often than not, the latter improves upon them and builds them bigger. With China coming to the game later, it has the benefit of learning from everyone. For example, our Dalian Olympia 66 last month won a global design competition held in London. In fact, all of our new projects of the past decade have won one contest or another in the international arena.

More significantly, the economics of the Chinese malls are by far the best. The U.S. has an oversupply of retail space in a slow growing economy. In Las Vegas, shopping will always play second fiddle to gambling. As a result, most of the shopping centers there are not that big. Dubai on the other hand relies heavily on tourists; there are just not enough locals to fill the abundance of mall space. Tourists can be repeat retail customers but only periodically if not rarely. Recent turmoil in the region also does not help business.

中國的情況遠遠令人鼓舞。社會至今保持和諧，經濟持續每年增長百分之八至十，個人收入增長強勁。去年整體本地消費上升百分之十七，與本集團息息相關的奢侈品消費則上升百分之三十。與西方不同，購物商場對大部分內地大城市來說是嶄新景象。由於人口密度高，商場往往享有大量經常光顧的穩定客群。基於這些利好因素，本集團無疑處於世上難求的市場有利位置！

未計不可預知的情況及難以預測的香港物業發展溢利，集團今年會致力爭取與過去十二個月相若的低雙位數純利增長率。

董事長

**陳啟宗**

香港，二零一二年一月十九日

The situation in China is much more encouraging. So far society has been peaceful, the economy consistently expands by 8 to 10% per annum, and personal income growth is powerful. Last year, overall domestic consumption rose by 17% and that for luxury goods which is of particular interest to us, by 30%. Unlike in the West, shopping centers are a relatively new phenomenon in most big cities. Because population density is invariably high, the pool of repeat customers is huge and consistent. Given all these favorable factors, your Company is truly in a market sweet spot, the likes of which are rare in the world!

Barring unforeseen circumstances and excluding developmental profit from Hong Kong which is unpredictable, this year we strive to produce a bottom line growth rate in the low double digits similar to that of the past twelve months.

**Ronnie C. Chan**

*Chairman*

Hong Kong, January 19, 2012

