> Managing Director's Report

To Our Shareholders,

For FY2008, the Group recorded revenues of HK$29,360.8 million and profit attributable to shareholders amounted to HK$9,674.4 million, up 26% and 124% respectively. Contributions from operations such as property sales, rental, infrastructure, service and department stores achieved satisfactory growth. Total segment results amounted to HK$8,880.3 million, up 64%.

In the last few months, the global financial market has been overcastted by US sub-prime turmoil. Credit crunch and the worry of global economic slowdown are hammering every single economy in the world. As one of the most open markets in the world, Hong Kong is no exception. But the controls and measures imposed by local authorities ensure Hong Kong to have a concrete financial framework standing against the adversity despite Hong Kong will still unavoidably experience the drags on the economy.

Under the current circumstances, the Group will maintain its prudent approach to manage our businesses. With continuous improvement of our operations, the Group has a healthy balance sheet with a reasonable leverage. Furthermore, the Group's core businesses have been generating strong recurrent cashflow. This robust liquidity is sufficient to support our existing operations and new development plans.

Looking forward, the Group has confidence in sustaining its growth momentum with new projects in the pipeline. For the Infrastructure division, most current projects recorded stable growth and are defensive in nature while new projects will bring contributions in the near future. Some highlights include newly invested Chongqing Water Group, Guangzhou Fuel Company, Guangzhou City Nansha Port Expressway and Wenzhou Zhuangyuan Ao New World International Terminal.

As for the Service division, new operations such as Lo Wu Free Duty shop and new construction projects of Hip Hing Construction Company Limited will bring instant boost to the Group's profit. In addition, large scale projects such as HKCEC Atrium Link expansion, the China Rail Container Terminals Project and the new logistic centre in Kwai Chung under construction are expected to generate strong growth momentum in the long run.

The cooling down effect of the Central Government's tightening measures on Mainland property market has been intensified recently by the global financial turmoil. Among the economies in the world, China is widely believed to be the most robust one. In the short run, Mainland property market may experience irrational behaviours dampening its healthy growth. However, when assessing the situation, we believe China is still at the early stage of the property cycle which depicts genuine housing demand resulting from the rapid urbanization. In the long run, the market will back track to its path of healthy growth according to its fundamentals.

As growth in internal demand sustains, personal income keeps on rising, and government's inflation controls prove effective, the Group believes that both the economy and the retail sector remain in good health in Mainland China. We will continue to actively develop our China department store business, which still promises boundless opportunities. Our ultimate goal is to become a dominant department store operator in the PRC.

Overall, the Group will keep monitoring risks and adjust our plans for the best interests of our stakeholders.

Dr. Cheng Kar-Shun, Henry
Managing Director
Hong Kong, 14 October 2008