





Sustain the Nation's Growth

> Service

Our service businesses provide an unrivalled breadth and depth of expertise that stretches from facility management, contracting to transport and others. As we move forward, we continue to support economic development and sustain the nation's growth.

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In FY2008, there was a significant increment in the contribution from the service operations. Contracting, financial services and other businesses in service operations achieved a substantial growth in profits.

Hong Kong Convention and Exhibition Centre ("HKCEC") continued to achieve satisfactory result in FY2008 with 1,345 events held during the year serving over 4.6 million guests. AsiaWorld-Expo, Venetian Macau and other conference and exhibition facilities in Mainland China and other Asian countries have led to an increase in the competition in this market. The Atrium Link expansion of HKCEC is under construction and is due for completion in the first half of 2009. The new 19,400 sq m expansion will increase its available space for lease up to a total of 83,400 sq m and will further enhance its overall competitiveness.

ATL Logistics Centre recorded a steady profit with average occupancy rate maintaining at a high level of 98% in FY2008. It has also benefited from the increase in average rental and higher tariffs rate as the demand for storage spaces has continued to surge.

The operating environment of contracting segment has improved during the year under review although the recovery in the construction industry is still lagging behind in Hong Kong. In Mainland China, we are still cautious and selective in tendering new projects and the contribution thereof is stable. The business in Macau is very encouraging which remains as the major profit contributor to the segment.

As at 30 June 2008, the gross value of contracts on hand for the Construction Group was \$28.3 billion, representing a decrease of 10% resulting from completion of certain sizeable projects in both Hong Kong and Macau. Nevertheless, the Group has well positioned itself to take advantage of the mega size projects in Hong Kong. Through a 50/50 Joint Venture with Gammon, the Group was awarded the design and construction contract of Tamar Development Project in January 2008. The Group is also cautiously exploring business opportunities in other overseas markets like the Middle East and the South East Asia.



Despite the overall mechanical and engineering industry remains competitive together with the financial risks associated with material price fluctuation and subcontractors' repudiation, average gross profit margin of our engineering business has improved which is mainly attributable to the performance of its projects in Macau. Total contracts on hand as at 30 June 2008 amounted to \$5,971 million.

Taifook Securities achieved excellent results for FY2008. The remarkable achievement is mainly attributed to an exceptional robust stock market in 2007, in which contributions from Taifook Securities' core operations all grew substantially during the first half of FY2008. However, its businesses were affected by the drastic market downturn in second half of FY2008, triggered by deepened concerns over the US economy after the meltdown of its sub-prime mortgage market and the shakeout in investment sentiment for fears of the overvaluation of mainland stock market.

Also benefited from the booming stock market in year 2007, Tricor achieved excellent results with a growth of 18% during FY2008. Tricor had successfully expanded into the Mainland China and Singapore markets following the opening of offices in Shanghai and Beijing and the acquisition of Singapore business. In addition, new offices have been established in Barbados and England during FY2008.

The marked decrease of contributions from the Group's transport businesses was due mainly to the vastly increased fuel costs. The increase in staff wages and repairs and maintenance charges also added pressure to the overall profitability.



Free Duty engaged in duty free tobacco and liquor retail business at the Hong Kong International Airport and the ferry terminals in China Hong Kong City and Shun Tak Centre has achieved excellent result in FY2008. The Group has also commenced duty free operations in MTR Lok Ma Chau Station in August 2007 and Lo Wu Station in January 2008.

The property management business contributed a stable profit to the Group despite keen market competitions and maintained a clientele of over 108,000 residential units under management. The Group continued to explore new market opportunities in Mainland China.

The ongoing rail container terminal project in Mainland China continued to make promising headway. Terminal in Kunming commenced operation with target throughput of 150,000 TEUs in 2008 while construction work will start in Tianjin, Ningbo and Harbin in 2008. The construction of the terminals in Qingdao, Zhengzhou, Chongqing, Chengdu, Wuhan, Xian and Dalian are already well under way and scheduled to be operational in phases by 2010.