新鴻基地產發展有限公司
Sun Hung Kai Properties Limited

(Incorporated in Hong Kong with limited liability)
(Stock Code: 16)

2010 / 11 Annual Results

CHAIRMAN'S STATEMENT

I am pleased to present my report to the shareholders.

RESULTS

The Group's underlying profit attributable to the Company's shareholders for the year ended 30 June 2011, excluding the effect of fair-value changes on investment properties, was HK$21,479 million, an increase of 55 per cent from last year. Underlying earnings per share were HK$8.36, an increase of 55 per cent from last year.

Reported profit attributable to the Company's shareholders was HK$48,097 million, compared to HK$30,039 million last year. Earnings per share were HK$18.71, an increase of 60 per cent from last year. The reported profit for the year included a revaluation surplus (net of deferred taxation) on investment properties of HK$26,996 million compared to a revaluation surplus (net of deferred taxation) of HK$17,005 million last year.

DIVIDEND

The directors have recommended the payment of a final dividend of HK$2.40 per share for the year ended 30 June 2011. Together with the interim dividend of HK$0.95 per share, the dividend for the full year will be HK$3.35, an increase of 24 per cent over last year.

BUSINESS REVIEW

Property Sales and Rental Income

Property Sales

Revenue from property sales for the year as recorded in the accounts, including revenue from joint-venture projects, was HK$46,478 million, an increase of 209 per cent over last year. Profits generated from property sales also increased 152 per cent to HK$16,647 million. The Group's performance in the pre-sale market was also highly encouraging, having sold or pre-sold a record HK$39,148 million worth of properties in attributable terms during the year.

Rental Income

Robust rental income growth for the year was derived from higher rents for new leases, continued positive rental reversions and increased contributions from new properties such as International Commerce Centre (ICC) in Hong Kong and Shanghai IFC in mainland China. Gross rental income, including contributions from joint-venture projects rose 14 per cent to HK$12,609 million and net rental income increased 14 per cent to HK$9,511 million.

Property Business – Hong Kong

Land Bank

The Group held a total land bank of 44.2 million square feet in Hong Kong as at June 2011. This included 27.7 million square feet of premium completed investment properties. The other 16.5 million square feet were properties under development.

The Group added four new sites to its development land bank during the year through various means, including land use conversion and public auction. The total developable gross floor area amounted to 2.7 million square feet in attributable terms.

Location	**Usage**	**Group's Interest** (%)	**Attributable Gross Floor Area** (square feet)
Lot 1927 in DD107 Yuen Long	Residential / Shopping Centre	100	2,333,000
Inland Lot 8963, Stubbs Road Mid-Levels East	Residential	100	181,000
Fanling Sheung Shui Town Lot 202 Fanling	Residential / Shops	100	140,000
157 Shau Kei Wan Road Island East	Residential / Shopping Centre	92	53,000
Total			**2,707,000**

The Group acquired two residential sites subsequent to the end of the financial year, which will be developed into high-quality residential premises, mainly small-to-medium sized units. The 1.4-million-square-foot development on the waterfront of Tung Chung in the New Territories will enjoy marvellous sea views, and the other one by an MTR station in Tseung

Kwan O town centre will have a gross floor area of nearly 800,000 square feet. This will be connected to the Group's nearby residential and integrated projects under construction to build synergy.

The Group holds over 26 million square feet of farmland in terms of site area. Most of this is along existing or planned rail lines in the New Territories and is under land use conversion. Several pieces of farmland in particular are in the advanced stage of the conversion process. The Group will replenish its development land bank via various means when appropriate opportunities arise.

Property Development

Activity in Hong Kong's residential market has been constrained by further government cooling measures and tightened mortgage financing, while positive factors including still low mortgage interest rates and continuing income growth remained in place. Although transactions in the secondary market slowed in recent months, sales in the primary market were generally good. This activity slowdown should be a natural adjustment conducive to a sustainable and healthy market.

With short-term speculators mostly staying away from the market, demand came mainly from genuine end-users and long-term investors, including some mainland buyers. The government's efforts to increase future land supply should provide more development opportunities for the Group.

The Group achieved exceptional results in the pre-sale market for the year under review, selling or pre-selling HK$36,897 million of Hong Kong properties, up from last year's HK$20,562 million. All new projects put on sale, including Valais at Beas River, Larvotto in Island South, One Regent Place in Yuen Long, Avignon on Castle Peak Road and i・UniQ Residence in Island East, were well received by the market. The Group has also sold some non-core offices with good results. Sales since July 2011 have remained encouraging at over HK$12,000 million, coming mainly from sales of Imperial Cullinan on the West Kowloon waterfront and i・UniQ Grand in Island East.

The Group builds a wide range of premium products with diversified flat mixes to satisfy homebuyers' different aspirations. While deluxe residences with top-class finishes and facilities are built for up-market buyers, small-to-medium sized units, including modern boutique apartments with practical and efficient layouts and full-ranging services, are also available. The Group's dedication to premium quality has earned it a strong brand name, enhancing development margins and making its projects the preferred choice for buyers.

The Group completed seven projects with 2.9 million square feet of attributable gross floor area in Hong Kong during the year, of which 2.3 million square feet are residential.

Project	**Location**	**Usage**	**Group's Interest** (%)	**Attributable Gross Floor Area** (square feet)
The Latitude	638 Prince Edward Road East San Po Kong	Residential / Shopping Centre	100	1,230,000
Aria	51 Fung Shing Street Ngau Chi Wan	Residential	100	775,000
Larvotto	8 Ap Lei Chau Praya Road Ap Lei Chau	Residential / Shops	35	320,000
CEO Tower	77 Wing Hong Street Cheung Sha Wan	Industrial	100	254,000
Excel Centre	483A Castle Peak Road Cheung Sha Wan	Office	100	109,000
Lime Habitat	38 Ming Yuen Western Street North Point	Residential	100	87,000
Park Nara	88 Hung Yuen Road Hung Shui Kiu, Yuen Long	Residential	74	83,000
Total				**2,858,000**

Property Investment

The leasing market for various types of properties was buoyant over the past year. The robust demand for quality office space was driven by expansion in the corporate sector, and higher mainland visitor spending and continued local consumption growth fuelled demand for retail space. Rents continued to rise with the limited new supplies in both segments and low vacancies.

The Group owns the largest portfolio of quality investment properties in Hong Kong totalling 27.7 million square feet. It is well diversified both in terms of usage and geographic distribution. The rental portfolio recorded increased rents and higher occupancy of over 95 per cent in the year.

Office portfolio

International Finance Centre (IFC) and International Commerce Centre (ICC) form the Group's foundations as a leading office landlord with a premium portfolio of 10.1 million square feet; up meaningfully from 6.8 million square feet five years ago. These two flagship projects encompass grade-A offices, up-market shopping malls such as IFC Mall and world-class hotels including a Four Seasons and a Ritz-Carlton. They stand on opposite shores forming a marvellous gateway to Victoria Harbour in a distinctive Hong Kong landmark.

IFC remained near-fully rented. Its prime location at Hong Kong Station, spectacular harbour views and prestige attract leading international financial institutions and corporations. IFC is a preeminent symbol of Hong Kong representing the territory's vigour as an international financial centre.

ICC at Kowloon Station has become an anchor of a new business hub in West Kowloon. Its outstanding quality, high specifications, prime location and comprehensive facilities have attracted leading financial, banking and professional firms. Virtually all the office space is let. The Sky 100 observation deck on the 100th floor and restaurants on 101st floor of ICC offer panoramic views of the city and will become major attractions in the territory.

The Group's office projects in emerging commercial areas also set new quality benchmarks in their neighbourhoods. Millennium City led the transformation of Kowloon East into a new business hub and recorded satisfactory leasing during the year. The first phase of Kowloon Commerce Centre (KCC) houses international logistics, electronics and telecommunication companies and is near-fully leased. A new air-conditioned footbridge to a nearby MTR station also increased its competitiveness, complementing the convenient road access to the airport, container terminals and the border. The Group is developing the second phase of KCC with a gross floor area of over 500,000 square feet, scheduled for completion in early 2013.

Retail portfolio

The Group is also one of the largest retail landlords in Hong Kong, with a shopping mall portfolio totalling ten million square feet. The most recent addition is Mikiki, a shopping mall exceeding 200,000 square feet that opened in August this year and is almost fully leased. Its modern interior design and tailored tenant mix provide customers, particularly young people, an enjoyable shopping experience. Mikiki will also have the added attraction of proximity to the forthcoming world-class cruise terminal in Kai Tak.

Leveraging the success of developing and leasing regional shopping centres since the opening of New Town Plaza in Sha Tin in the mid-1980s, the Group is creating another regional shopping and entertainment hub, YOHO Mall adjacent to the MTR Yuen Long Station. This YOHO Mall will comprise one million square feet of gross floor area, including a new shopping centre of over 470,000 square feet under development and two malls in the neighbourhood. It will become a major landmark, drawing the spending power in the west New Territories, particularly the younger generation, and the growing pool of mainland shoppers. Its dynamic, modern and international flair, featuring a wide variety of leading outlets including international fashions, chic accessories, the latest electronics and superb cuisine, will set a new trend for the shopping mall sector.

The construction of another shopping mall of about 270,000 square feet at the MTR Tuen Mun Station is progressing well and scheduled to finish by late 2012. This mall is designed to offer fresh, lifestyle shopping for the young middle class. Pre-leasing has been well received. Superior positioning and a prime location will make this a focal point for shopping and leisure in the district.

Shoppers' habits and preferences are constantly changing, so the Group takes steps to enhance the competitiveness of its malls with renovations, refinements to trade and tenant mixes and marketing and promotions. APM in Kowloon East is being renovated in phases to give young consumers a more interesting and spacious shopping environment. IFC mall's tenant and trade mix was also refined with the latest international luxury retailers. Various innovative promotions and marketing campaigns including e-promotions and shopping tours, particularly for mainlanders, were conducted to boost mall traffic.

Residential and serviced suites

Leasing of the Group's premium residential portfolio and serviced suites was also encouraging. The prime locations and top-quality service offered by Four Seasons Place at Hong Kong Station and The HarbourView Place at Kowloon Station appeal to guests from all over the world, and occupancy was around 90 per cent. The Group's luxury units for lease under Signature Homes such as Dynasty Court in Mid-Levels and Pacific View in Island South are over 90 per cent let.

Property Business – Mainland

Land Bank

The Group added 5.6 million square feet of gross floor area to its land bank in mainland China. Major acquisitions included a 40 per cent interest in a high-end residential development of 1.9 million square feet in the resort area of Zhijiang in Hangzhou and a 35 per cent stake in an integrated project in Minhang, Shanghai. The Minhang project will consist of more than four million square feet of high-end apartments, a shopping centre, quality offices and a five-star hotel above a regional transport interchange at Xinzhuang Station.

The Group's mainland land bank amounted to an attributable 86.1 million square feet as at June 2011. Properties under development accounted for 78.6 million square feet of this, of which over 75 per cent will be high-end residences and serviced apartments. The rest will be premium premises including offices, shopping malls and hotels. The Group also held 7.5 million square feet of completed investment properties on the mainland, comprising mainly high-quality offices and shopping centres at prime locations in Shanghai and Beijing.

Property Development

Residential markets in major mainland cities saw slow activity and softening prices amid continued tightening measures, while those in many second and third tier cities remained buoyant during the year. Additional housing measures, in particular the extension of home purchase restrictions to second and third tier cities, are likely to dampen sales, but this should be conducive to a sustainable and healthy market over the longer term.

The Group continued to apply its Hong Kong expertise to develop high-end residences on the mainland despite a challenging market environment. It recorded satisfactory property sales of over HK$2,000 million on the mainland in the year, including sales of the second phase of Lake Dragon in Guangzhou. Homebuyers have generally been impressed with the outstanding quality and designs of the Group's projects.

Seven projects with 5.6 million square feet of attributable gross floor area were completed on the mainland during the year, of which 3.6 million square feet are residential for sale.

Project	**Location**	**Usage**	**Group's Interest** (%)	**Attributable Gross Floor Area** (square feet)
Shanghai IFC Phase 2	8 Century Avenue Lujiazui, Shanghai	Office	100	1,326,000
The Arch, Huadu	Sandong Avenue Huadu, Guangzhou	Residential	95	1,090,000
Jovo Town Phase 1A	Shuangliu County Chengdu	Residential	91	1,055,000
Lake Dragon Phase 1	Dragon Lake Community Huadu, Guangzhou	Residential	60	772,000
Shanghai ICC Phase 1	999 Huai Hai Zhong Road Shanghai	Office	100	666,000
Taihu International Community Phase 3	Taihu New City Wuxi	Residential	40	559,000
The Woodland Lake	Zhongshan Wu Road, Zhongshan	Residential	Joint Venture	139,000
Total				**5,607,000**

Property Investment

The grade-A office markets in prime mainland cities saw rising rents driven by growing demand from the corporate sector. The demand for quality retail space was also on the rise.

The Group's rental income from mainland properties saw decent growth during the year. Average rents rose and there were increased contributions from new investment properties, notably Shanghai IFC. The recent completions of the second phase of Shanghai IFC and the first phase of Shanghai ICC provide a foothold for establishing the Group's solid brand on the mainland.

Shanghai IFC is at the heart of the Pudong Lujiazui Finance and Trade Zone and has a direct connection to a metro station. Its high-end positioning following the success of the first tower has attracted international corporations and financial institutions. The second tower with 1.3 million square feet of space was completed recently and has been leasing well. The up-market Shanghai IFC Mall features a vast array of high-street retailers and renowned restaurants. The mall is near-fully leased and visitor traffic is increasing. The last phase of Shanghai IFC will include 413,000 square feet of top-class suites in IFC Residence and 180,000 square feet retail space in Shanghai IFC Mall Phase 2. This will signal full completion of the Shanghai IFC complex when it is finished in 2012.

Shanghai ICC is another major project in the core of Puxi above a metro interchange station of three lines. The 600,000 square feet of office space in the newly-completed Tower One has drawn keen demand from professional firms and international companies and is expected to be fully leased over the next twelve months. Construction works of Tower Two will soon commence. Preliminary marketing of the 1.3-million-square-foot, up-market International APM shopping mall has been encouraging. This mall's concept will be similar to that of APM in Hong Kong, offering fashionable, luxurious, late-night shopping and entertainment when it opens in late 2012.

The new integrated project above Xinzhuang Station in Minhang, Shanghai, in which the Group has a 35 per cent stake, will include a regional shopping mall of 1.8 million square feet. The prime location will increase its attractiveness to consumers. This together with other new malls under development will further enhance the Group's shopping mall network on the mainland.

Shanghai Central Plaza recorded high occupancy during the year. Beijing APM in Wangfujing is a leading shopping and entertainment centre in the city. The mall was repositioned with a refined trade mix to offer a fresh look and appeal to visitors with a wide collection of international retailers and food and beverage outlets.

Other Businesses

Hotel

The Group's hotel portfolio continued to expand with the rapid growth in the number of tourists and business travellers in the region. The Group currently owns over seven hotels with more than 3,100 rooms in attributable terms in Hong Kong and on the mainland, up from about four hotels with just 1,800 rooms five years ago.

The Group's Hong Kong hotels did well during the past year. The average occupancy of the Four Seasons, W Hong Kong and the four Royal brand hotels was over 90 per cent. Room rates also recorded double-digit growth on average.

The Ritz-Carlton, Hong Kong at Kowloon Station held a grand opening in May this year. It is the highest hotel in the world and has spectacular views that are unique in the city. Business has gone well since opening and its restaurants quickly became popular. The Ritz-Carlton Shanghai, Pudong that commenced business last year added a new dimension to the city's hotel industry with its exceptional design and top service. Its revenue grew over the past year and occupancy increased.

The Group will continue adding new premium hotels to its portfolio. The Crowne Plaza and Holiday Inn Express above the MTR Tseung Kwan O Station in Hong Kong are scheduled to open before the end of 2012. The Group is also developing premium hotels in several major mainland cities as parts of integrated projects there. The new hotels will enhance recurrent income and help solidify the Group's hotel brand in Hong Kong and on the mainland.

Telecommunications and Information Technology

SmarTone

SmarTone has taken advantage of successive waves of industry innovations to evolve and differentiate itself from its competitors. Both customer numbers and average revenue per user continued to rise and service revenue showed healthy growth, resulting in a substantial increase in profit. SmarTone will continue to focus on extending its leadership in superior network performance, compelling and proprietary services and unrivaled customer care. The Group remains confident in SmarTone's prospects and will continue to hold the company as a long-term investment.

SUNeVision

SUNeVision saw further growth in revenue and operating profit during the year. iAdvantage kept strengthening its prominent position in the carrier-neutral data centre market in Hong Kong and achieved good occupancy. SUNeVision will build on its track record and solid financial position to further develop its core businesses in the coming year.

Infrastructure and Other Businesses

The Group's infrastructure and transport businesses in Hong Kong provide a steady stream of recurrent income through a number of subsidiaries and joint ventures. Business remained good for the Wilson Group and traffic and toll revenues on the Route 3 (Country Park Section) continued to be healthy. Business at the Air Freight Forwarding Centre also benefited from the recovery of air cargo, while throughput at the River Trade Terminal remained steady.

Corporate Finance

The Group adheres to policies of prudent financial management and low leverage. A substantial cash flow from rental income and property sales enabled its net debt to shareholders' funds to stand at 17.1 per cent.

A HK$16,750 million, five-year term loan / revolving credit syndicated facility was arranged in April 2011 at favourable rates, in keeping with the Group's policy of securing sufficient committed facilities for expansion. The Group issued ten-year bonds of HK$2,260 million and US$300 million under its Euro Medium Term Notes Programme. It issued 15-year bonds worth HK$450 million for the first time. The Group will continue to look for opportunities to extend its debt maturity profile and to diversify its sources of funds in the bond markets.

The Group did not enter into any speculative positions in relation to derivatives or structured products, and its foreign exchange exposure was small with most of its assets and financings denominated in Hong Kong dollars.

The Group's solid financial foundations and premier market leadership have earned it an A1 rating from Moody's and an A+ rating from Standard & Poor's, with stable outlooks for both. The Group consistently has the strongest credit rating among Hong Kong developers.

Customer Service

Superb customer service is one of the Group's signature hallmarks, and it is always looking for ways to improve. The Group pays close attention to what customers say and makes an extra effort to seek out different opinions about its developments in various ways, including home visits and surveys.

One of the channels for interacting with customers is the Group's Internet site. It was recently revamped to make it more user-friendly, with expanded content, interactive features and sharing functions.

The Group's SHKP Club is now 15 years old and has over 300,000 members. The Club has proven to be an effective channel for two-way communication and has established long-lasting relationships with members and potential customers with property-related benefits such as exclusive previews of the Group's new show flats and buyer-incentive programmes.

The Group's property-management subsidiaries Hong Yip and Kai Shing strive to offer first-class service in the residential, office and retail premises they administer. Frontline staff receive extensive professional training, and the companies have begun using mobile phone applications in some new projects to embrace service in the digital age.

Corporate Governance

The Group maintains high standards of corporate governance and constantly reviews its procedures to ensure that it remains at the forefront of general practices.

The Group has an effective board overseeing Executive, Audit, Remuneration and Nomination committees to ensure proper reporting, adequate internal controls, effective accountability and timely release of relevant information in the best interests of shareholders and the company.

The Group has received many local and overseas awards for excellence from the investment community in recognition of good corporate governance, including being named Asia's Best Real Estate Company, Hong Kong's Best Managed Company and Best for Corporate Governance by *FinanceAsia* magazine. The Group also won a platinum Excellence in Management award from *The Asset* magazine and was named Best Company in Asia for Corporate Governance by *Asiamoney* magazine and Best for Corporate Governance by *Euromoney* magazine.

Corporate Social Responsibility

Sustainable development is an integral part of the Group's 'Building Homes with Heart' philosophy, and this fits with its overall goal of offering the finest homes to customers and fulfilling its corporate social responsibility to make Hong Kong a better place for all.

The Group includes ecological considerations in the design, construction and management of its developments and encourages environmental awareness among its staff, residents and the public. These efforts include energy-saving, waste-recycling and food-waste reduction programmes in commercial and residential developments.

The 'Building Homes with Heart' Caring Initiative was set up to provide immediate assistance to help tide individuals and families over crises or tragic accidents. The Group also encourages staff to get involved in community service, and its 1,800-member SHKP Volunteer Team has been widely praised for its efforts to help the needy. The Group helps build social harmony with a wide variety of community projects.

Ongoing SHKP Book Club initiatives to promote reading include the popular Young Writers' Debut competitions, a free literary magazine and sponsoring book outings for children. The Group helps talented students in Hong Kong and on the mainland with scholarship programmes for local and overseas studies, and the SHKP-Kwok's Foundation offers a number of scholarships at different mainland universities.

The Group employs over 35,000 people. It recruits high-calibre new staff and provides extensive training to existing staff at all levels, including overseas studies. The children of Group employees can also benefit from the SHKP Group Undergraduate Scholarship scheme that provides full support for university studies and the Group's sponsorship of overseas study exchange programmes.

PROSPECTS

The global economy will continue to see various challenges in the year ahead. While the persistent European sovereign debt crisis, recession worries and the aftermath of the credit agency downgrade for the US remain key overhangs, financial market volatility and inflation in the emerging economies may also be market concerns. However, the Fed's stance of close-to-zero US policy interest rate for about two years, as well as a low-interest-rate environment in most other developed countries should help support the world economy.

Economic growth on the mainland is likely to moderate amid a tightened policy environment in the near future but remain high by international standards. The Central Government should be able to manage well economic challenges including inflation risks and weakness in external demand. The Group remains confident in mainland's long-term prospects, though the operating environment for the residential sector on the mainland is likely to remain challenging on the back of tough regulatory measures on home purchases.

Hong Kong's economic fundamentals are expected to remain healthy despite a challenging external environment. Healthy domestic demand and high visitor spending will be the key growth drivers. The latest favourable policy measures for Hong Kong enacted by the Central Government will certainly boost the territory's prospects. The move to enlarge and deepen its role as an offshore RMB centre in particular will be positive for Hong Kong's long-term development. These, together with negative real interest rates amid rising inflation, continuing income growth and interest from mainlanders should underpin residential property demand. However, recent local government measures and the likelihood of policy changes may affect Hong Kong's residential market. Nevertheless, increasing land supply and hence more housing completions should be beneficial to the residential market over medium to long term.

The Group's property business in Hong Kong will continue to grow as it bolsters its market position and competitive edge by offering buyers premium services and the best products with magnificent designs, efficient layouts and comprehensive facilities. It will also keep on acquiring new sites at the right times through various means, particularly when more land supply becomes available.

The Group will continue offering new projects for sale both in Hong Kong and on the mainland. Major residential projects in Hong Kong to go on sale include the first-class development The Wings at Tseung Kwan O town centre, Phase 1 of a high-end residence atop the MTR Tuen Mun Station, the luxury Chatham Gate in Kowloon and a low-density development in east Yuen Long. Major mainland projects that will go on sale include the luxury residences with glamorous views of the Bund in the first phase of Shanghai Arch at Lujiazui, lakefront houses in the first phase of Lake Genève in Suzhou, first phase of the Liede project and remaining batches of Lake Dragon Phase 2 both in Guangzhou.

The Group's rental income will continue to do well both in Hong Kong and on the mainland. Rents of its portfolio are likely to rise on the back of its continuous management efforts and positive leasing market conditions. Its recurrent income will be further boosted through positive rental reversions, tenants' enhanced sales performances, and additions of new investment properties, particularly prime shopping malls. In Hong Kong, the YOHO Mall under development in the west New Territories will be a regional shopping and entertainment hub comparable to New Town Plaza. Its opening by 2014 will further strengthen the Group's leading position in the shopping mall sector. On the mainland, the Group's retail portfolio will also expand with the scheduled opening of International APM at Shanghai ICC in 2012 and the second phase of Shanghai IFC Mall. All these will help build an extensive network of shopping malls across Hong Kong and the mainland.

The Group will also make its shopping malls more attractive with regular refurbishments and constant reviews of tenant and trade mixes. Focused marketing and promotions concentrating on mainland visitors will continue to boost pedestrian flows and consumer spending in Hong Kong.

The Group's premium hotel portfolio will continue to expand with several new additions providing a total of over 800 rooms in attributable terms over the next three to four years. These new hotels, being parts of integrated projects, will be at good locations in Hong Kong and key mainland cities. Earnings from this business segment are expected to rise over time.

The Group aims to achieve a balance for earnings from property sales and investment properties, both in Hong Kong and on the mainland, through enhancing asset turnover and recurrent income. The mainland investment property portfolio will further expand with the completion of new integrated projects in key mainland cities in the longer term. The Shanghai IFC and Shanghai ICC integrated projects will reinforce the visibility of its premium brand on the mainland when completed. The Group will maintain a selective strategy for mainland business when good opportunities arise, focusing on key cities including Beijing, Shanghai, Guangzhou and Shenzhen.

With all these positive developments of the Group, the results for the coming financial year are expected to be satisfactory, barring unforeseen circumstances.

DIRECTORS AND APPRECIATION

Having been the Company's Chairman since May 2008, I will retire at the Annual General Meeting on 8 December 2011 to pursue my personal and family matters. The Board has appointed Mr Thomas Kwok and Mr Raymond Kwok as joint Chairmen with effect from the close of the Annual General Meeting, and their roles as Managing Directors and Executive Directors remain unchanged. Both Thomas and Raymond have been with the Group for over 30 years, and for the past 20 years, they have been acting as Vice Chairmen and Managing Directors. I am confident that this appointment will be in the best long-term interest of the Group.

Mr Lo Chiu Chun, Clement, a Non-Executive Director of the Company, will retire from office by rotation at the Annual General Meeting and will not seek re-election. Having served as a Director of the Company since 1975, Mr Lo has been instrumental in the development and growth of the Group. I would like to take this opportunity to express my sincere gratitude to Mr Lo for his invaluable contribution to the Group over the years.

It has been my great pleasure and honour to serve as the Company's Chairman over the past three years. I would also like to take this opportunity to express my appreciation to my fellow directors for their guidance and support, and thank all staff for their dedication and hard work.

Kwong Siu-hing
Chairman

Hong Kong, 15 September 2011