Chairman's Statement

Hong Kong is facing its heavy challenge todate ever since late 1997 as a self-governing administration after a long-history of British rules. The aftermaths of Asian Financial crisis in the past six years, the "911" in New York in 2001, the US-led war in Iraq in March 2003 and the SARS-epidemics in Hong Kong, China, Singapore and Taiwan weaken the Hong Kong tourism and its related consumers and services industries at large. Internally, Hong Kong has also been suffering from falls in property prices; in local consumers spendings; in interest rates in bank deposits; in government capital expenditures and inevitably in demands and supplies of consumables and capital assets which lead to the drop in profits for companies supplying or producing these related goods and materials. This factor leads to the continuing increase in unemployment which is standing in its historical high in the last twenty years. Hong Kong is currently hard hit by this economic recession.

Hong Kong being an important city for China has the support from the Central Government to meet this challenge, particularly after the SARS-epidemics which drew Hong Kong and China closer together to resolve this crisis. During the months of June and July 2003, the Central Government make two initiatives to alleviate the economic concerns of Hong Kong by issuing the Closer Economic Partnership Arrangement ("CEPA") pact and the granting of Hong Kong visitors permit to PRC residents initially from the four most-populous cities in the Guangdong province and later on extended to the cities of Shanghai and Beijing.

The CEPA gives Hong Kong the definite competitive advantage to access the China market with free tax concession, free trade and value-added trade pact with international partners to strengthen the products and services with the Hong Kong base and branding of manufactured, made, provided and/or designed goods and services. The liberalisation of this relationship in production and manufacturing, servicing (professional or specialisation), banking and financial industries will all be benefited. This hopefully will open a new era of economic revival for Hong Kong in the next decade.

The liberalisation of exit permits to allow PRC residents to visit Hong Kong at their free wills certainly supports many industries in Hong Kong. The tourism and related businesses form a very significant critical mass in the Hong Kong economy. Hong Kong will be anticipating additional 5 to 8 millions visitors from this program annually in the forthcoming years. With the efficient and sophisticated transport system, the availability of hotel and accommodation facilities and our well-trained work force and services, Hong Kong will continue to be benefited from our tourism industry. Our hotel division has been fortunate to take this advantage of maintaining good occupancy rate. We have planned to add more 3 and 4 stars hotels in our investment portfolio to cater for this sector of business and are optimistic of its future.

Personally, I am confident that the business community and the Hong Kong Administration will make everything possible to achieve the aforesaid initiatives and to maintain the momentum to draw closer the relationship between Hong Kong and the Mainland. Hong Kong will survive with the huge emerging market of the century, China, as its driving force.

Finally, I take this opportunity to express my appreciation to all directors and colleagues for their efforts and contribution during the year and our shareholders continuing support to our Company.

Deacon Te Ken Chiu
Chairman

Hong Kong, 25th July, 2003