

Chairman's Statement



To Our Shareholders,

Nowhere are the benefits of closer economic ties more pronounced than in Mainland China and Hong Kong. The two places have their own advantages. One has the manpower, natural resources and manufacturing might, while the other has the management skills and marketing know-how. Increasing economic links between the two places, as evidenced in the growing flows of people, goods and information across the border, have benefited both economies enormously in recent years.

Over the years, Hong Kong has been confronted with various challenges. On every occasion, we were able to rely on our unique qualities — resourcefulness, perseverance, diligence and passion for excellence — to rise above our difficulties. After a protracted period of economic slowdown, our economy has regained its growth momentum, thanks to our people's hard work and supportive government policies. The rising interest rate, high oil prices and the recent trade disputes cast a shadow over the Hong Kong economy. However, the flexibility of Hong Kong businessmen should soon twist a way to success again.

Hong Kong economy that places greater emphasis on tourism will bring direct benefit to the Group's tourism-linked businesses, such as shopping malls and hotels. With the support of the Central Government, policies like CEPA and Individual Visit Scheme are going full stream ahead, giving much needed stimulus to our trade, professional service and retail sectors in particular and our economy in general, and setting a positive tone for the Group's business development going forward.

With its well-established business network in both Mainland China and Hong Kong, the Group will be able to capture opportunities arising from the growth and integration of the two economies, and scale new heights in the years ahead.

Dr Cheng Yu-Tung

Chairman

Hong Kong, 6 October 2005