

# Chairman's Statement

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Mr. Deacon Chiu, J.P.

*Chairman*

**“I believe the prospects for the economy in Hong Kong and the Mainland remain bright. Therefore, the Group will capture every opportunity to invest in hotel and property projects in Hong Kong and the Mainland, so as to enhance shareholders’ returns.”**

The fallout of sub-prime crisis in the United States leads to the prolonged weakness of its economy. Such credit crisis not only causes turmoil in the global financial markets, but also economic slowdown in other developed markets like Europe. It is expected that emerging markets such as China and India will also be affected and experience slower growth.

Meanwhile, inflation pressure poses another challenge for Hong Kong. Inflation now appears to be a global phenomenon caused by elevated food prices, labour and housing costs, energy prices, as well as the weak U.S. dollars. All of these unfavorable factors resulted in a 3.5% increase in Hong Kong's CPI in the fourth quarter of 2007.

Despite the aforesaid challenges, Hong Kong still enjoyed sound economic growth in the previous year.

After the Action Agenda proposed by the Central Government in Economic Summit on "National 11th Five-Year Plan", over 110 specific measures recommended by the Action Agenda have been implemented by the end of last year. It further deepens and broadens the Closer Economic Partnership Arrangement framework which promotes economic developments between the Mainland and Hong Kong, bringing ample business opportunities in the long run.

In addition, Hong Kong further strengthens its key position as an international financial hub and a business center. According to the Census and Statistics Department, GDP in Hong Kong rose 9.5% in 2007 as compared with 2006, reflecting a steady growth of the Hong Kong economy, while the increase in labor productivity partly offsets the pressure of inflation.

As the United States economy remains weak and the global financial turbulence deepens, the Group will select development and investment projects prudently in the coming year. We are constantly monitoring the market conditions and evaluating various investment opportunities in Hong Kong and the Mainland. I believe, however, the prospects for the economy in Hong Kong and the Mainland remain bright. Therefore, the Group will capture every opportunity to invest in hotel and property projects in Hong Kong and the Mainland, so as to enhance shareholders' returns.

Finally, I would like to take this opportunity to express my sincere gratitude to all directors, senior management and staff for their contributions and hard work in the previous year and our shareholders and business partners for their invaluable support to the Group. We will encourage all staff members to continue to demonstrate their abilities and dedication to the benefit of the Company.

**Deacon Te Ken Chiu**

*Chairman*

18th July, 2008