



Hong Kong, as an international financial center has its fair share of negative impact on its economy for the past 5 years, from the massive Asian financial crisis in several populous countries like Japan, Korea, Philippines, Thailand, Indonesia and Malaysia concurrently from 1997 to date to the maximum impact events of “911” in New York, U.S.A. in 2002 and its aftermath, the recent failures and the inevitable bankruptcy protection actions of the two giant Corporate America. The movements in The Hang Seng Index and trading volumes in the Index Stocks in our Hong Kong Stock Exchange reflect the above said events in America in

correlation to the decline of both the Dow Jones and Nasdaq indexes to their lowest ever for the past five years. Hong Kong, however has its true colour to sustain all the negative impacts from outside and to uphold its strength and reputation as a truly international city with a well-managed and healthy foreign exchange reserve.

Locally, for the past twelve months, Hong Kong has suffered similar situations with the other major Asian cities experiencing the impacts of economic recession, slow-down of construction and infrastructure projects, increase in unemployment, and decline in consumer spending etc.. All these factors culminate to the gradual slowdown of the Hong Kong economy relative to the past 10 years. Nevertheless, Hong Kong can survive with its natural advantages, with the strengthening of a potentially resourceful and diversified market, China, coupled with its well-trained, hardworking and flexible Hong Kong workforce and the support from the Central Government in China. Hong Kong will ride with the emerging nation China under the watchful eyes of international economic, finance and political observers.

The Hong Kong Special Administration Region has proved that the policy of One Country Two Systems works successfully in the past 5 years. The public opinion polls also support a 24-hours continuous opening of the immigration control points between Shenzhen and Hong Kong for the cross-border traffic between the two cities. Both the Chinese government and state-owned enterprises have been very supportive in achieving this objective. The easing-off of exit permits to allow more inland Chinese to make traveling to or through Hong Kong helps to promote tourism and its many related services to our visitors. This increases in consumer spending in many sectors by the tourists. Many state-owned enterprises taking advantage of Hong Kong as the gateway to the international financial market to raise equity and other funding requirements. Hong Kong becomes their first port of call for equity or venture capital exercises with its high standard of international investment and commercial banking relationship. Hong Kong has served them well and been rewarded with the goodwill and international reputes both in tourism and financial services not only to China but also to our international trading, finance and commerce counter-parts.

We are committed to China and Hong Kong and our balance sheets echoed our confidence in our investments therein. Our prudent management shall continue to maintain our steady growth in assets and earnings in the years to come.

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

Deacon Te Ken Chiu
Chairman