

希慎興業有限公司
Hysan Development Company Limited



Peter T. C. Lee
Chairman

Economic Development & Labour Bureau,
Hong Kong SAR Government,
Central Government Offices,
2nd Floor, Main Wing,
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Attn: Mr Howard Lee

26th May 2005

Dear Mr. Lee,

“Hong Kong International Airport”

I am writing in a personal capacity and wish to express my concern and serious reservation on the proposed privatization of the Hong Kong International Airport (“HKIA”) at this time.

The airport is an important public asset of Hong Kong. All the region’s major cities are improving their own airports’ competitiveness in order to take over our position as the leading aviation hub, a position key to Hong Kong’s prosperity and economic development. The primary objective should be to make HKIA more competitive and ensure its long term benefits to Hong Kong - an IPO in the immediate future would not achieve this objective.

Firstly, an IPO would create a conflict between profit oriented shareholders and the general interests of Hong Kong. The investors would demand the maximum return on their investment; the airport would be forced to forsake long term objectives of maximizing the benefits to Hong Kong as a whole, and undertake expedient measures to boost the short term results. Any investors’ strategy would be purely and necessarily profit oriented.

Secondly, it is misleading to argue, as some do, that the IPO will solve the problem of the budget deficit. Our Financial Secretary, Mr. Henry Tang, has acknowledged that the structural deficit problems, if they exist, cannot be solved by a one-off sale of the family silver. In fact the amount of income generated by the listing of the airport at this point in time would be limited; one could argue that selling more of MTRC would generate more income for Hong Kong.

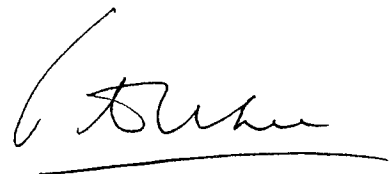
Thirdly, there is no practical need for the HKIA to go public at this stage. Sufficient access to capital already exists, and efficiency can be enhanced by further improvements to governance and management. There needs to be more convincing justifications for an IPO.

Fourthly, an airport is both a monopoly and an infrastructure project, the business model for which specifies heavy investment at the initial stage, so that real benefits can be realised at the more mature stages. HKIA, Hong Kong's only airport, is practically new. It would only be sensible to wait until it is more fully utilised, when its value as a business will be higher and its value to Hong Kong better understood before embarking on a public listing.

I sincerely hope that adequate and prudent consideration will be put into this matter. An IPO of HKIA should not be considered until the reasons for it are justified, and the conditions for listing favourable, maybe in a few years time. Ultimately, it is important that the interests of Hong Kong as a whole be put above all other interests.

With kind regards.

Yours sincerely,



Peter T. C. Lee

PTL/rc

c.c. Mr. Stephen Ip	Secretary Economic Development & Labour
Ms. Sandra Lee	Permanent Secretary EDLB
Mr. Norman Lo	Director General Civil Aviation