

Chairman's Statement

In the year of 2000, Hong Kong's economy had experienced a myriad of changes. At the beginning of last year, the government adopted a series of measures in an attempt to stimulate the property market. At the same time, the technology sector reached a fever pitch, which became a major catalyst behind the economy's growth. Things then took a dramatic turn as we entered into the middle of the year. Property business plummeted, at one point to their nadir, and with the subsequent bursting of the technology bubble, Hong Kong once again drowned into recession.

Nonetheless, Soundwill has managed to withstand the difficulties with a series of highly adaptable plans and comprehensive strategies. Not only was the group able to stand firm on its ground, it also managed to overcome obstacles and steer our business back onto the right track.

With the gradual recovery of the local property market, there is a significant improvement in the retail and office rental market. The occupancy and rental rate in premium office districts had increased noticeably. In view of the significant improvement of the property market, the Group reached a debt restructuring agreement with the Group's banks in May, 2000 to facilitate the extension project at Soundwill Plaza, located in the prime shopping and commercial location of Causeway Bay, adjacent to Times Square. The agreement also allows the redevelopment of No. 6-16 Russell Street, where it plans to build a 27-storey Grade A commercial and shopping building. These projects are expected to generate sizeable income for the Group. At the same time, the Group has successfully managed to control its interest expense and was also able to largely reduce its operating expense.

Soundwill Group is aiming to solidify its existing business while diversifying. The Group has invested in the Dense Wavelength Division Multiplexing (DWDM) technology. The Group is developing new products to meet customers' needs and is working with a number of major telecommunications network providers towards this goal. All these have put the group in a favorable position in the optical networking industry.

As a final note, I wish to take this opportunity to thank all the directors and staff for their contributions and good performance in the past financial year.

Foo Kam Chu, Grace

Chairman

9 April, 2001, Hong Kong