

## Review of Operations

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### Property Development

As Hong Kong's property market gradually improves under a stable economy, the property development business of the Group has improved significantly in the past year. Moving forward, management is confident with its existing high-quality premium property development, which includes the development projects at Russell Street. When the development projects are completed, it will enhance the Group's core assets.

Despite the fierce competition in the commercial rental market, the Group has maintained a high occupancy rate with its high-quality properties. The sale of a prime commercial space in Causeway Bay last year has rejuvenated the previously lacklustre rental market in Causeway Bay.

The Group has reached an agreement with financial institutions on debt restructuring. The construction work for the extension of Soundwill Plaza has begun. It is expected that an additional 40,322 square feet of office space will be created after construction work is completed. Construction work for a 27-storey building located at Nos. 6–16 Russell Street has also commenced and an extra 102,489 square feet of office/retail space will be added for the Group. These two projects will be completed in the mid of 2001.

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The Group has continuously maintained a 95% occupancy rate at its flagship building, Soundwill Plaza, located at No. 38 Russell Street. The rental renewal rate for its retail space in 2000 has returned to the level achieved in 1997, with some cases even surpassing the 1997 level. After the completion of the extension at No. 38 Russell Street, it is expected to bring in stable rental income for the Group.

As for residential projects, the Group's 145,490 square feet residential site located in Yuen Long is strategically placed to take advantage of its proximity to the soon-to-be-built KCR West Rail line and will become the center of homebuyers' attention.

Through the disposal of some of the Group's properties, including the sale of Kimberley Plaza, the Group has been able to reduce bank borrowings by HK\$134 million in the last financial year.

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### **Soundwill Technology**

The development of information technology has accelerated in line with the rapid development of the world. The Internet has become the major medium of communication and optical networks have been dubbed the “ultimate Internet infrastructure” by many industry analysts. Soundwill has the foresight and acquired a 20% interest and a further 70% interest in Vision Telecommunications Holdings Limited in April and June 2000 respectively. Upon completion of these transactions, the Company effectively holds a 63% stake in Optilink Technologies Company Limited (“Optilink”).

In order to fulfil the insatiable demand for voice and data transmission, Optilink is dedicated to provide customized, cost-effective optical networking solutions that help telecommunications carriers maximize the potential of their networks using the dense wavelength division multiplexing (DWDM) technology.

Last year, the Company aggressively expanded Optilink’s operations. In July 2000, its PRC plant was significantly expanded in the Shenzhen High-Tech Industrial Park, which is recognized as the Silicon Valley of China with comprehensive facilities consisting of research & development, manufacturing and sales & marketing functions. Simultaneously, the Hong Kong Headquarters was also established and specializes in the design, manufacture and marketing of optical networking systems for communication services providers in the Asia Pacific region. It enables the Company to anticipate and respond to customers’ needs with its proximity to customers in the region.

During the year, Optilink aggressively launched its marketing campaign by joining various international telecommunications exhibitions such as ITU Telecom Asia 2000 and PT/Expo Comm China 2000. This together with our tailor made approach towards providing optical networking solutions have enhanced the corporate

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image of Optilink as well as strengthen customers' and investors' awareness and confidence in the Company's capability and product range. Such marketing effort has put Optilink in an advantageous position in the optical communications market.

The Company continues to work closely with leading vendors, manufacturers and traders and maintains strategic connections with them, which are prerequisites for further developing the China and Asia Pacific markets.

### **To Improve Hong Kong's Urban District Image**

Soundwill believes that in order to improve Hong Kong's urban image, it needs to speed up the process of redeveloping its old districts. This move does not only improve Hong Kong's urban image, it also indirectly assists the government to solve some of the district aging and old building maintenance issues.

Since 1979, the Group has put enormous effort into redeveloping old districts and has so far completed more than 100 sites. We believe, through old district redevelopment, we would be rewarded with reasonable profit, which also helps develop our operations. At the same time, we feel it is necessary to help those who reside in these old buildings to obtain fair and reasonable compensation and have their living conditions improved.

For the past few years, the Group has succeeded in turning No. 38 Russell Street into a first-class Grade A shopping and office building. In 2001, Nos. 6–16 Russell Street will soon become another Grade A commercial and retail building. The Group has been a major advocate in improving Hong Kong's image and will continue its effort to build a better Hong Kong.