

Chairman's Statement

Undoubtedly, 2003 was a difficult year for the Hong Kong property market. The Severe Acute Respiratory Syndrome ("SARS") outbreak in the first quarter of 2003 caused a series of economic losses resulting in an adverse impact on the society. Thanks to the sound business foundation of the Group, the impact on its rental revenue was minimal. During the year, we demonstrated a steady performance in both business development and financial position. In particular, the Group achieved profit resumption, reflecting the long-term vision and pragmatic approach of senior management.

In the course of SARS outbreak, Hong Kong's property market was forced to confront unprecedented scenarios — rental refunds or reductions, and a significant drop in shopping traffic. In response, the Group reacted swiftly to address the health concerns of tenants and customers by implementing various sanitary measures and conducting promotional events to increase the exposure of its property, Soundwill Plaza, and help promote tenants' businesses. With the SARS fear over and the implementation of a number of economic measures in the second half of 2003, including Individual Visit Scheme and the Closer Economic Partnership Arrangement ("CEPA") between the mainland and Hong Kong, the local economy experienced a sharp rebound, greatly improving sentiment in the retail and servicing sectors.

In the first half of 2003, occupancy rate of the Group's flagship property, Soundwill Plaza, exceeded market standards and showed an average full-year occupancy rate close to 100% — the highest among all Grade A commercial buildings in the district. In fact, statistics suggest that the higher the quality of a commercial property, the more resilient it is to rental decline.

Mainland China's economy has continued to expand in recent years. Not only has the value of its gross domestic product increased significantly, average personal income has also reached the US\$1,000 mark. The more prosperous the society is, the higher national demand for public infrastructure facilities, such as internet and telecommunications, becomes. The Group keeping an eye on the market, has been proactive in exploring property and infrastructure projects in mainland China. During the year, the Group's subsidiary, Soundwill (China) Limited, successfully tapped the mainland market by participating in a number of urban infrastructure development projects in different major cities. The Group will strive to strengthen its competitive edge in urban infrastructure development in mainland China with a view to achieving business diversification and broadening the Group's earning base.

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In terms of financial position, the Group achieved a turnaround during the year. As at 31 December 2003, bank balances and cash of the Group reached HK\$36,039,000. The Group's success in overcoming the financial difficulties was attributable to the positive impact from factors like low interest rate and the Group's re-financing arrangement with major credit banks at the end of 2002, which effectively lowered the Group's borrowing interest rate. Apart from the reduced interest expenses and cost containment, Soundwill Plaza generated substantial rental revenues during the year, which helped strengthen the Group's financial foundation.

Since its listing, the Group has taken a committed and pragmatic approach. Not only did it achieve a turnaround, the Group is also benefited from a healthy financial position, adequate liquid capital, and a satisfactory performance in property leasing. At present, the prospect of the Group's business in Hong Kong and mainland China are gradually improving. I sincerely thank the Board of Directors and our staff for their contribution during the past year. I would also like to extend my appreciation to our major credit banks and shareholders for their continued support. Looking forward, I anticipate higher growth momentum for the Group's business. Our management would strive to enhance the shareholders' return for their continued support for the Group.

Foo Kam Chu, Grace

Chairman

Hong Kong, 21 April 2004