



The overall performance of the Hong Kong economy maintained a steady growth in 2006. Despite a slow down in the property market at the beginning of the year as a result of interest rate hike, the market began its modest rebound approaching the end of the year. In addition, the financial market continued to prosper at an unprecedented momentum, evidenced by the Hang Seng Index's record breakthrough of 20,000 points at the end of 2006. Supported by a robust economy and highly positive consumption sentiment, the retail market in Hong Kong achieved outstanding performance. This in turn had driven up both the occupancy and rental rates of local retail properties.

The Group continued to enjoy outstanding growth in its 2006 results. During the year, the Group's revenue and profit attributable to equity holders (if excluding the gain on fair value adjustment on investment properties) increased by 21 per cent and 53 per cent respectively, providing the Group with a sufficient cash flow to support its long-term business expansion.

Apart from the impact of macroeconomic factors, the outstanding performance was also attributable to the Group's effort in broadening its income sources and earning base. Our urban redevelopment operations had begun to generate respectable returns. During the year, the Group has completed the acquisition of two sites for redevelopment, with another two sites in their final stage of acquisition. The project in Lin Fa Kung Street West/Tung Lo Wan Road has been successfully disposed of and generated a considerable amount of income for the Group. The remaining three projects are also located in Causeway Bay. Leveraging the management expertise in urban redevelopment, and its highly-flexible business setup, the Group enjoys a distinctive niche in urban redevelopment. The Group has established a department specialized in such development, and is determined to develop it into a core business of the Group. It is the intention of the Group to redevelop the projects acquired in the future and hold them as investment properties.

During the year, the Group has actively broadened its income sources from the existing business portfolio, including lifting rentals through renewing leases and adjusting its tenant mix to reflect the prevailing market trend. On the other hand, the Group has developed new sources of revenue, such as the maximum utilisation of advertising spaces throughout its core properties.

The Group's urban infrastructure development business in the PRC has achieved remarkable progress, and has begun to generate profit during the year. The Group is involved in underground pipeline construction in 18 PRC cities, and is gradually expanding its coverage. We believe our participation in urban infrastructure development in the PRC not only provides us with an additional source of revenue, but also allows us to familiarise with the PRC market and to establish our connections, which would be invaluable assets for our further business expansion in the country.

Established in 1978, Soundwill has been active in Hong Kong's property sector for a quarter of a century. Its shares commenced trading on The Stock Exchange of Hong Kong Limited in 1997; the Group is entering the tenth anniversary of its listing. In the past decade, the Group has gradually developed into an enterprise with diversified activities in the property sector. Today, Soundwill Group has a vertical integrated business portfolio comprises old-building acquisition, property redevelopment and development, property leasing and management, and urban infrastructure development in the PRC. The Group's property leasing business with a stable and strong recurring income provides an abundant cash flow for its local urban redevelopment projects and Mainland business.

In the year of the Group's tenth anniversary of listing, we strive to set a milestone in our business development. We expect to achieve a significant enhancement in the operational efficiency and the scope of our businesses over the next decade, and to ultimately improve our profitability.

Foo Kam Chu, Grace

Chairman

Hong Kong, 23 April 2007