

Operations Review and Prospects

Enhancing Foundations



Investment Properties

Soundwill Plaza

For a number of years, Soundwill Plaza has been attracting chain merchants which focus on delivering female customer-led services. It has now more than thirty famous retail outlets, including skincare and slimming services, yoga, hair design, personal healthcare and fashion boutiques, etc.. Soundwill Plaza enjoys a reputation as the largest beauty and slimming service complex in Hong Kong.

Facing Times Square, Soundwill Plaza situated in the heart of Causeway Bay, occupies an excellent geographical location and benefits from high traffic flow. The Plaza attracts huge numbers of Mainland tourists, making it a prime shop location for retailers. Soundwill Plaza actively assists the tenants in the implementation of a wide range of promotional activities, such as light box production, direct mailings, media interviews, website production and cooperation with banks on joint promotions. Soundwill Plaza is the first Grade-A commercial building in Hong Kong to proactively provide these value-added promotional services to its tenants.

The rental market in Hong Kong is now so stagnant that rental rates are subject to downward pressure. With remarkable foresight, the Group was able to pre-empt the market downturn by converting the usage of Soundwill Plaza, gradually introducing brands targeting female consumers. This is the reason why the building is less affected by volatile office rental market. The existing occupancy rate of Soundwill Plaza remains at over 95 percent, attracting a stable rental revenue for the Group.

No. 8 Russell Street

In mid-2001, the Group sold office portion of No. 8 Russell Street to property investors. With its excellent geographical location, the property attracted a substantial number of high-end retailers and restaurants occupying the ground floor and lower levels. Retail portion of the building, occupying approximately 26,000 square feet, was subsequently sold during the year.

Improving Competitiveness



Financial Review

During the year, the Group signed new re-financing agreements with its creditor banks. Under the new agreements, interest rates would be based on the Hong Kong Interbank Offered Rate, representing significant and satisfactory reduction in interest rate and a corresponding savings in interest expenses. The new agreements improve the Group's financial strength both on a structural and credit basis.

In light of the reduced interest expenses and re-financing costs, together with the increased rental income resulting from Soundwill Plaza's high occupancy rate, the Group's financial situation is further enhanced.

Prospects

Soundwill boasts stable revenue and professionalism in promoting the Group's business, all of which serve to build up its stable financial position.

Looking ahead, the Group will continue to maintain its quality property portfolio, reduce corporate costs and enhance operation efficiency. In addition, the Group will regularly review its business strategy and operations, and explore potential business opportunities for the best interests of shareholders.

China's accession to the World Trade Organization brings abundant opportunities and challenges. In this year's Policy Address, the Chief Executive of Hong Kong Special Administrative Region spoke encouragingly about the economic integration of Hong Kong and the Pearl River Delta. The Group is actively exploring business opportunities on the Mainland and hopes that the strengths and advantages established over the years, coupled with its business network, will take the Group to the next milestone.