

Operations Review and Prospects



Business in Hong Kong

Property Leasing

Soundwill Plaza, the Group's flagship property, is one of the well-established Grade A commercial buildings in Hong Kong. It operates under the concept of upper-floor retailing. Soundwill Plaza houses more than 50 retail tenants targeting female customers which accounted for approximately 80% of its total tenants.

Soundwill Plaza achieved satisfactory performance with average occupancy rate close to 100% during the year. Situated at the prime retail location of Causeway Bay, Hong Kong, Soundwill Plaza offers Grade A property management services and attracted a number of large corporate retail tenants which opened branches or even headquarters in the building. By the fourth quarter of 2003, Soundwill Plaza was fully leased, registering almost the highest occupancy rate among Grade A commercial buildings in the district.

In the course of SARS outbreak in March and April 2003, the Hong Kong retail market was adversely affected. Soundwill Plaza not only stepped up sanitary measures, but also implemented promotional campaigns for tenants and allocated resources to different kinds of promotional facilities, such as installation of outdoor light boxes as well as signages inside elevators. Since these measures were well received and provided a hygienic and user-friendly environment for customers, the Plaza saw no rental refund, reduction and traffic decline during the outbreak.

In the wake of the rise in tourist arrivals from mainland China with the introduction of the Individual Visit Scheme and the signing of CEPA, investor demand for Grade A office and commercial properties in prime retail locations grows substantially. Capitalizing on its prime geographical location and its value-added services, Soundwill Plaza will continue to enjoy its advantage as one of the Grade A commercial buildings with the highest occupancy rate in the district, and generate stable rental revenues for the Group.



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Property Management

Goldwell Property Management Company Limited ("Goldwell") is a subsidiary of the Group, which specializes in providing property and facility management services. Goldwell achieved international ISO9001:2000 certification, and is a full member of The Hong Kong Associate of Property Management Companies Limited.



The professional qualifications obtained by Goldwell were attributable to the company's quality management services and the expertise of its professional staff. Currently, Goldwell and its affiliates provide management services to 40 buildings – which occupy a total floor area of over 2 million square feet – and around 1,500 residents/tenants.

Though Goldwell has been involving in large-scale property management projects for years, the Company also keeps a close watch on the tremendous potential in property management of small-and-medium-sized developments. To further enhance its profit contribution, The Group set up Strong Well Property Management Limited ('Strong Well') during the year with the intention to explore market potential in this area. Strong Well obtained management contracts of more than 16 housing estates just in a year, most of which are residential properties.

Mainland Business

Urban Infrastructure Development

Entering the twenty-first century, mainland China becomes much stronger and its economy continues to be in a good shape. China's entry into the World Trade Organization brings tremendous business and investment opportunities. Quality of urban infrastructure facilities in the mainland has to be improved so as to cope with the mounting business demand. To make use of this immense potential for business development, the Group formed a wholly-owned subsidiary – Soundwill (China) Limited ("Soundwill (China)") – with the intention to grasp market share of the urban infrastructure development in the mainland's major cities and provinces.



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Soundwill (China)'s core business is investment and management of urban infrastructure development in the mainland. Soundwill (China) was granted exclusive agreements at more than 10 mainland locations, including Jiangxi, Guangdong, Guangxi, Shandong, Chongqing and Jilin etc.. Soundwill (China) will expand the urban infrastructure development by working together with more mainland provinces and cities in the coming year, making contribution to the economic development of the homeland.

Financial Position

During the year, the Group achieved profit resumption, posting a net profit of approximately HK\$61,806,000 and earnings per share of approximately HK\$0.98. Bank balances and cash of the Group as at 31 December 2003 was approximately HK\$36,039,000, and its financial position remained healthy.

The Group's agreements with major creditor banks on re-financing arrangement at the end of 2002 lowered its borrowing interest rate by a wide margin and reduced its interest expenses substantially. Positive impact of these arrangements was reflected clearly in the 2003 figures. Profit contribution from rental revenue and the Group's mainland business laid down a solid financial foundation for the Group's long-term and steady-growing revenue sources.

Prospects

As a result of the mutual co-operation between the Central Government and the Hong Kong SAR Government, Hong Kong's economy experienced a strong rebound in the second half of 2003, improving general sentiment and driving recovery in the retail sector. Targeting the enormous development potential of the retail market and thanks to the increased spending power of mainland tourists, the Group aims at establishing Soundwill Plaza as the center of upper-floor high-end retail shops, providing one-stop shopping and personal care services for tourists and local shoppers who treasure life-style and quality attributes.

Propelled by the vigorous economy, China experiences rapid development and as such, well-established urban infrastructure is essential for the trend to continue. Urban infrastructure development in the mainland represents vast potential and offers high investment returns. Looking ahead, the Group will focus on the urban infrastructure development in the mainland, and attain more exclusive agreements for relevant projects in hope of broadening the Group's earning base.