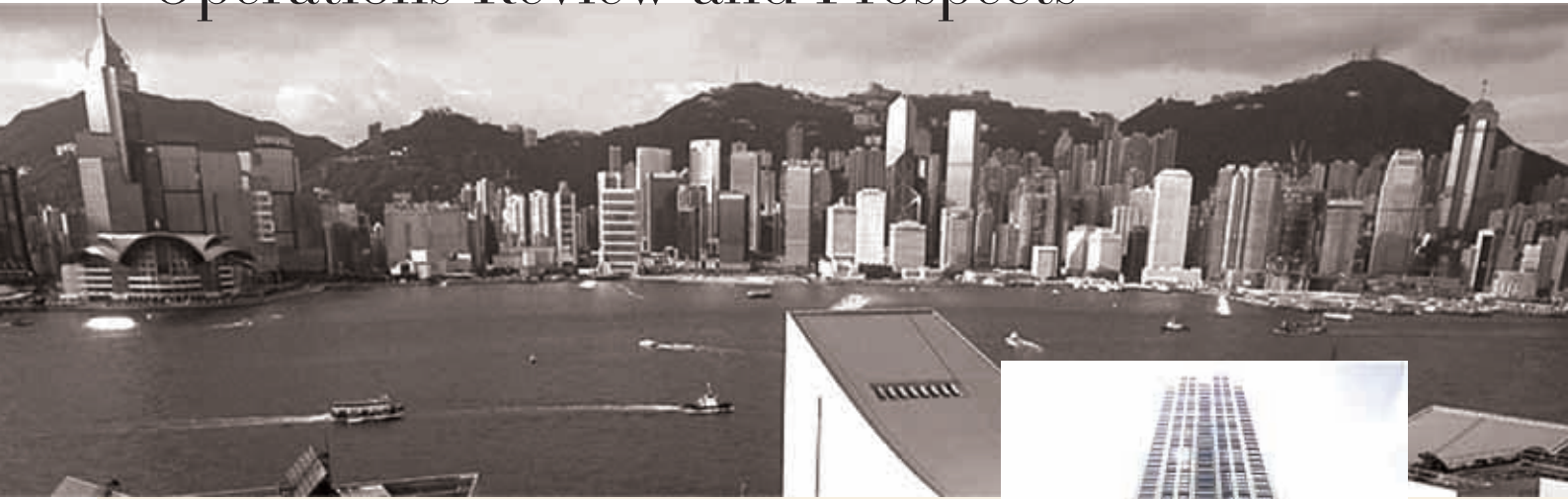


Operations Review and Prospects



Business in Hong Kong

Property Leasing

Soundwill Plaza, the Group's flagship development, is situated in a prime commercial and retail location in Causeway Bay, Hong Kong. With a gross floor area of about 250,000 square feet, Soundwill Plaza is currently one of the largest and most popular leisure and shopping hot spots operating under the concept of upper-floor retailing. It is occupied by about 50 tenants, the majority of which are high-end shops including world-renowned beauty saloons, slimming centres, spas as well as fashion, optical and accessories shops, providing first class "head-to-toe" personal care services for those who have a passion for relaxation in mind and body.

Soundwill Plaza, which is held for rental purpose with retail shops accounting for about 80% of the tenants, recorded an occupancy rate of near 100% during the year. Its occupancy rate remains one of the highest amongst Grade A commercial buildings in the district. Benefiting from improved market conditions, rental rates of Soundwill Plaza recorded an increment of about 10% to 20% when compared with 2003, thus generating stable and respectable rental income.



In addition, the Group adopted a proactive strategy to assist tenants in launching promotional campaigns, including joint promotional activities with bank credit cards, hotels, F & B outlets, renowned retailers, cinemas, newspapers, magazines and travel publications, which all helped to increase the exposure of Soundwill Plaza and to strengthen tenants' competitive advantages. Furthermore, the Group maintained close contact with its tenants to ensure a thorough understanding of their business activities and to explore joint

marketing and promotional opportunities with a view to achieve stable development.

With a superior geographical location and the provision of value-added services, Soundwill Plaza's occupancy rate is expected to remain robust, generating stable rental income for the Group.

Operations Review and Prospects



Property Development

The Group is dedicated towards developing quality real estate projects in Hong Kong. With the speedy recovery of the local property market, the Group commenced development of low-density residential projects located in Yuen Long and Sai Kung in the

New Territories towards the end of 2004. With a total site area of approximately 300,000 square feet and a gross floor area of approximately 200,000 square feet, the projects are scheduled for completion in phases between 2005 to 2008. The projects are expected to bring in substantial profit for the Group.

Urban Redevelopment

Urban redevelopment in Hong Kong continues to be one of the major activities of the Group. Over the years, the Group has successfully acquired more than 100 sites, which not only generated respectable profit for the Group but also contributed towards an improved environment and living conditions for people in the old districts. This in turn helped to shape the international cosmopolitan outlook of Hong Kong. The Group has a special department comprising professionals responsible for urban redevelopment projects. Looking forward, the Group will continue to focus on urban redevelopment by prudently selecting suitable sites for redevelopment with a view to build on the core assets of the Group.



Operations Review and Prospects



Property Management

The Group's wholly-owned subsidiary, Goldwell Property Management Limited ("Goldwell"), specializes in providing property and facility management services for large-scale commercial buildings, residential properties and shopping malls. Goldwell has been accredited with the international ISO9001:2000 certification and is a full member of The Hong Kong Association of Property Management Companies Limited. All the professional qualifications acquired by Goldwell are attributable to the company's quality management services and the expertise of its professional staff. To widen its income sources, the Group established Strong Well Property Management Limited ("Strong Well") which provides property management service to small-to-medium-sized residential developments. Goldwell and Strong Well provide quality management service for near 50 buildings, which occupy a total floor area of over 2 million square feet, with around 1,500 residents and tenants.



E & M and Building Maintenance

Goldprofit (Consultants) Services Company Limited ("Goldprofit") is an affiliated company of Goldwell and a wholly-owned subsidiary of the Group. Goldprofit's core activities are maintenance and repair of engineering and electrical systems, such as central air-conditioning, fire security systems, electrical systems, water supply system and drainage, backup generator systems as well as provision of comprehensive cleaning and environmental protection service for various properties. Goldprofit has conducted sizeable maintenance and renovation works for over 20 buildings of different types.

Business in the Mainland

Leveraging on the Group's healthy financial position and its solid experience in the property sector, the Group has been proactive in researching on property investment strategies and exploring business development opportunities in the urban infrastructure market of the Mainland.



Operations Review and Prospects

Financial Review

During 2004, the Group achieved a healthy financial position, posting a turnover of approximately HK\$134,378,000, representing an around 8% increase as compared with last year. During the year, the Group recorded a profit before taxation of approximately HK\$40,576,000 from which after deducting, inter alia, provision for deferred tax of about HK\$13,000,000 resulting in profit attributable to shareholders of about HK\$28,334,000. This result was better than position in 2003 with adjusted profit attributable to shareholders of approximately HK\$15,742,000 (after deducting from profit attributable to shareholders of HK\$61,806,000 an other income of HK\$46,064,000 being interest on other borrowings waived by a major shareholder). The positive operating result of the Group was attributable to its healthy financial position and good relationship with bankers. The Group benefited from the low interest rate environment that prevailed in 2004, thus lowering the interest expenses borne by the Group. Major creditor banks also lowered interest rates during the year, resulting in a considerable reduction of about 33% in interest expenses as compared with that of last year. As at 31 December 2004, the Group's net assets was approximately HK\$1,805,593,000, a significant increase of about 96% on the net assets of about HK\$921,511,000 recorded in 2003. In view of the Group's positive results and healthy financial position, the Board of Directors recommended the payment of a final dividend per share for the year ended 31 December 2004 of HK\$0.025, an increase of about 25% as compared with 2003.

Furthermore, the Group's flagship property Soundwill Plaza achieved satisfactory performance in leasing activities, with rental rates recording an upward adjustment as a result of improved market conditions. This generated stable and respectable rental revenue for the Group. With all these beneficial factors, the Group's profit increased steadily and the management is optimistic that the Group will continue to deliver remarkable performance. Currently, the Group has adequate working capital which, coupled with a prudent financing strategy, should be sufficient for its daily operational needs.

Prospects

With a surplus of HK\$12 billion recorded by the Hong Kong Government for the 2004/05 fiscal year which significantly alleviated the fiscal deficit burden and given the improved market conditions and better prospects for salary increment which stimulate higher consumer spending, Hong Kong's economy is expected to continue turning for the better in 2005. As a result of the implementation of the "Investment Facilitation Policy", which encourages and supports enterprises in the Mainland to invest in Hong Kong, demand for Hong Kong's retail shops and Grade A offices will rise, thereby bringing about optimistic prospects for Hong Kong's property market in 2005 and producing room for increment in rental rates of retail shops particularly at prime commercial locations such as Causeway Bay. Benefiting from the Individual Visit Scheme, the number of tourist arrivals to Hong Kong reached all-time high of over 20 million in 2004, bringing in considerable consumer spending. With the opening of the Disneyland in September 2005, the number of tourist arrivals to Hong Kong will grow significantly and the tourism industry and retail market are expected to thrive. The Group is determined to capture this golden opportunity by positioning Soundwill Plaza as an ideal leisure and shopping venue not-to-be-missed by local people and tourists as well as maintaining its outstanding leasing performance. Looking forward, the Group will monitor closely potential properties for urban redevelopment or investment purpose and explore property development opportunities by leveraging on its extensive experience in developing Grade A commercial and residential buildings as well as property management. The Group will continue to pursue its pragmatic and entrepreneurial vision, keep abreast of the latest market trend as well as strive to enhance profitability and returns to shareholders.