

# Operations Review and Prospects



## OPERATIONS REVIEW

### Property Leasing

Soundwill Plaza, the Group's flagship development, is situated in the 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 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 and slimming centers, spas, hair salons, as well as fashion, optical and accessories shops that target customers who pursue relaxation in mind and body.

Soundwill Plaza, which is held for rental purpose, recorded an outstanding occupancy rate of near 100% throughout the year. Driven by the sustained improvement in market conditions, new unit rental rates at Soundwill Plaza increased by about 20% as compared with last year. Rental rates of certain ground floor retail shops have even doubled. During the year, the Group's gross rental income remained stable and respectable, increasing by 6.8% over that of 2004.

In addition, the Group adopted a proactive strategy to assist tenants in launching various promotional campaigns which all contributed towards increasing the exposure of Soundwill Plaza while raising the tenants' competitive edges. Furthermore, the Group maintains close contact with its tenants by ensuring a thorough understanding of their business activities and exploring 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.



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## Property Development

The Group is developing its low-density residential projects located in Yuen Long and Sai Kung of the New Territories. The projects occupy a total site area of approximately 300,000 square feet and a gross floor area of approximately 200,000 square feet. The Sai Kung project is under construction and scheduled for completion in phases from the end of 2006 and onwards.



## Urban Redevelopment

Leveraging on its substantial experience in old districts redevelopment accumulated over the years, the Group is focusing on expanding its urban redevelopment business. Capitalizing on the proposed relaxation of the Hong Kong Government's existing "Land (Compulsory Sale for Redevelopment) Ordinance", the Group is prudently selecting potential sites for acquisition with a view to build on its core asset and profit.



## Property Management, E&M and Building Maintenance

The Group's Goldwell Property Management Limited which has been accredited with various international qualifications, Strong Well Property Management Limited as well as Goldprofit (Consultant) Services Company Limited which specializes in maintenance and repair of engineering and electrical systems recorded an aggregate revenue of approximately HK\$12,762,000, representing approximately 23% increase as compared with last year.



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## FINANCIAL REVIEW

For the year ended 31 December 2005, the Group has achieved a profit attributable to equity holders of the Company of approximately HK\$547,423,000 (2004: HK\$26,803,000, restated), a substantial increase of about 19 times as compared with last year. Earnings per share was HK\$3.41 (2004: HK\$0.24, restated), representing a sharp increase of 13 times over last year. The drastic increase in profit was attributable to the gain on fair value adjustment on investment properties (net of deferred tax) of approximately HK\$466 million following the adoption of new accounting standard effective from 1 January 2005 by the Group.

If the gain on fair value adjustment on investment properties (net of deferred tax) were to be excluded, the Group's profit for the year would be approximately HK\$81 million (including an amount received from a property related litigation by a subsidiary of the Group), representing an increase of about 203% as compared with last year. Underlying earnings per share would be HK\$0.51, a substantial increase of 113% over last year.

For the year ended 31 December 2005, the Group has recorded a turnover of approximately HK\$162,631,000, representing an increase of about 21% over last year. The increase in turnover was mainly due to higher rental income contribution. The Group's gross profit for the year amounted to approximately HK\$135,004,000, representing a 15% increase as compared with last year.

## PROSPECTS

Given the improved employment conditions, rise in income and the steadily expanding in-bound tourism, prospects of the local economy remain optimistic. With the Mainland Government's continuous support of the Individual Visit Scheme, the Hong Kong tourism and retail industry are likely to remain buoyant implying further increase in retail rental rates.

The Group will strive to maintain its outstanding leasing performance. A number of leasing contracts of Soundwill Plaza will be due for renewal in 2006, rental rates for both renewals and new leases should have room for increment. The Group's profit is expected to increase benefiting from the rental increment brought about by the new leasing contracts.

The Group's low-density residential project in Sai Kung, which is presently under construction, is scheduled for completion in phases from the end of 2006 and onwards. The project is expected to offer for sale in 2007, bringing in profit for the Group.

The Group will continue to proactively focus on urban redevelopment for the objective of strengthening its core asset and replenishing its land for construction.

The Group will continue its pragmatic and entrepreneurial vision, with the major premise of controlling risk and adopting a steady operation, to focus on property leasing, property development and urban redevelopment as its core businesses. Notwithstanding the repeated increase in interest rates, looking forward, the Group will endeavor to enhance its profitability and widen its income sources with a view to neutralize the risk for further rise in interest as well as increase the shareholders' returns.