



SOUNDWILL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2002

RESULTS

The Board of directors (the “Directors”) of Soundwill Holdings Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2002 with comparative figures for the previous year as follows:

	Note	2002 HK\$'000	2001 HK\$'000
Turnover	2	129,410	710,776
Cost of sales		<u>(14,707)</u>	<u>(669,260)</u>
Gross profit		114,703	41,516
Other revenue		31,434	77,470
Administrative expenses		(45,631)	(43,564)
Other operating expenses		<u>(423,888)</u>	<u>(166,938)</u>
Loss from operations	3	(323,382)	(91,516)
Finance costs	4	(95,713)	(145,364)
Gain on deemed disposal of interest in a subsidiary	5	4,712	—
Share of profits less losses of associates		<u>4</u>	<u>12</u>
Loss before taxation		(414,379)	(236,868)
Taxation	6	<u>(226)</u>	<u>(3,053)</u>
Loss after taxation		(414,605)	(239,921)
Minority interests		<u>2,834</u>	<u>2,091</u>
Loss attributable to shareholders		<u>(411,771)</u>	<u>(237,830)</u>
Basic loss per share		13.21	
— basic	7	<u>cents</u>	<u>7.63 cents</u>
— diluted		<u>N/A</u>	<u>N/A</u>

Notes:

(1) Basis of preparation

In the current year, the Group has adopted, for the first time, the following new and revised Statements of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Society of Accountants:

SSAP 1 (Revised)	Presentation of financial statements
SSAP 15 (Revised)	Cash flow statements
SSAP 34	Employee benefits

The adoption of these new and revised SSAPs has resulted in a change in the format of presentation of the cash flow statement and the presentation of a statement of changes in equity instead of a statement of recognised gains and losses, but has no effect on the results for the current or prior accounting periods. Comparative amounts for the prior period have been restated in order to achieve a consistent presentation.

(2) Segment information

In accordance with the Group’s internal financial reporting, the Group has determined that business segments are its primary reporting format, with each segment organised and managed separately.

Business segments

Property development : Property development and sales of properties

Property leasing : Property rental including signage rental

Building management services : Providing property management and other repair and maintenance services

The Group’s inter-segment transactions were related to rental and management fee charges. Terms of rental charge were similar to those contracted with third parties. Management fee charges were determined by directors.

For the year ended 31 December 2002

	Segment Revenue		Segment result <i>HK\$’000</i>	Inter-segment transactions <i>HK\$’000</i>	Contribution from operation <i>HK\$’000</i>
	External customers	Inter-segment			
	<i>HK\$’000</i>	<i>HK\$’000</i>			
Property development	8,549	—	(202,089)	—	(202,089)
Property leasing	91,578	3,788	83,213	3,280	86,493
Building management services	28,450	—	7,159	—	7,159
Others	833	14,038	(229,786)	(3,280)	(233,066)
Elimination	—	(17,826)	—	—	—
Total	<u>129,410</u>	<u>—</u>	<u>(341,503)</u>	<u>—</u>	<u>(341,503)</u>
Unallocated income and expenses					<u>18,121</u>
Loss from operations					(323,382)
Finance costs					(95,713)
Gain on deemed disposal of interest in a subsidiary					4,712
Share of profits less losses of associates					4
Taxation					(226)
Minority interests					<u>2,834</u>
Loss attributable to shareholders					<u>(411,711)</u>

For the year ended 31 December 2001

	Segment Revenue		Segment result	Inter-segment transactions	Contribution from operation
	External customers	Inter-segment			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property development	612,958	—	(83,233)	—	(83,233)
Property leasing	88,285	2,445	74,897	4,195	79,092
Building management services	8,113	—	4,123	—	4,123
Others	1,420	16,295	(161,200)	(4,195)	(165,395)
Elimination	—	(18,740)	—	—	—
Total	<u>710,776</u>	<u>—</u>	<u>(165,413)</u>	<u>—</u>	<u>(165,413)</u>
Unallocated income and expenses					<u>73,897</u>
Loss from operations					(91,516)
Finance costs					(145,364)
Gain on deemed disposal of interest in a subsidiary					—
Share of profits less losses of associates					12
Taxation					(3,053)
Minority interests					<u>2,091</u>
Loss attributable to shareholders					<u>(237,830)</u>

As all the Group's business segment operations were carried out in Hong Kong, separate analysis by geographical segments is not presented.

(3) Loss from operations

	2002	2001
	HK\$'000	HK\$'000
Loss from operations is arrived at after charging:		
Amortisation of goodwill	14,921	14,921
Impairment loss on goodwill	137,451	120,000
Auditors' remuneration	593	756
Depreciation	1,888	2,251
Cost of properties sold	8,723	665,169
Provision for diminution in value of properties for sales, held for and under development	1,590	29,500
Provision for impairment loss of property, plant and equipment	5,388	—
Provision for inventories	24,612	—
Provision for doubtful debts	32,790	2,517
Staff costs (excluding directors' remuneration)	11,335	16,082
Amount recognised as expenses for defined contribution plan	416	498
Reversal of investment property revaluation deficit	<u>200,075</u>	<u>—</u>

(4) Finance costs

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Interest on bank loans and other borrowings wholly repayable within five years	66,360	133,628
Interest on other borrowings wholly repayable after five years	20,489	36,474
Charge arising from un-exercised warrants issued to bankers in connection with Debt Restructure Agreement	8,813	—
Finance charges on obligations under finance leases	<u>51</u>	<u>15</u>
Total borrowing costs	95,713	170,117
Less: Amount capitalised	<u>—</u>	<u>(24,753)</u>
	<u><u>95,713</u></u>	<u><u>145,364</u></u>

The Group has not capitalized any interest for the year (2001: 5.2% — 9.5% per annum).

(5) Gain on deemed disposal of interest in a subsidiary

The amount represented profit on deemed disposal of interest in Well Pacific Development Limited, one of the Group's subsidiaries, as a result of the issuance of new shares by Well Pacific Development Limited to other investors.

(6) Taxation in the consolidated income statement represents:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Hong Kong Profits Tax:		
Current year	226	3,794
Over provision in prior years	<u>—</u>	<u>(741)</u>
	<u><u>226</u></u>	<u><u>3,053</u></u>

Hong Kong Profits Tax has been provided at the rate of 16% (2001: 16%) on the Group's estimated assessable profit for the year.

(7) Loss per share

The calculation of basic loss per share is based on current year's loss of HK\$411,771,000.00 (2001: loss of HK\$237,830,000.00) and on the weighted average number of 3,116,402,151 shares (2001: 3,116,402,151 shares) in issue during the year.

No diluted loss per share has been presented for the two years ended 31 December 2002 because the conversion/exercise of the outstanding potential ordinary shares would have been anti-dilutive for the two financial years.

SUMMARY OF THE AUDITORS' REPORT

Grant Thornton ("the Auditors") were appointed auditors to the Company on 6 March 2003. The outgoing auditors who reported on the Company's and Group's financial statements in respect of the previous year ended 31 December 2001 qualified their opinion on those financial statements because of the limitation in evidence available to them in connection with the assessment of the carrying amount of goodwill at that date of HK\$151,172,000.00. The goodwill arose from the acquisition of a subsidiary engaged in the manufacturing and trading of telecommunication

related-equipment prior to the year ended 31 December 2001. There were no other satisfactory audit procedures the Auditors could adopt to satisfy themselves that the carrying value of goodwill at that date was fairly stated. Any adjustments found to be necessary in respect of the carrying value of goodwill at 1 January 2002 may have a consequential effect on the net assets of the Company and the Group at 31 December 2001 and the results for either or both of the years ended 31 December 2001 and 2002.

In forming their opinion, the Auditors also evaluated the overall adequacy of the presentation of information in the financial statements. The Auditors believe that their audit provides a reasonable basis for their opinion.

In the Auditors' opinion, the financial statements give a true and fair view of the state of the Company's and Group's affairs as at 31 December 2002 and of the cash flows of the Group for the year then ended, and except for any adjustments that might have been found necessary had the Auditors been able to satisfy themselves as to the carrying value of goodwill at 31 December 2001 as mentioned above, give a true and fair view of the loss of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

IMPAIRMENT LOSS ON GOODWILL

The goodwill arose from the acquisition in the prior year of subsidiaries, which is engaged in the manufacturing and trading of telecommunication-related equipment. In view of the downturn of the global telecommunication market, the Directors have performed an assessment of the recoverable amount of the goodwill. As a result of this assessment, a provision for impairment of HK\$137,451,000.00 has been made for the year ended 31 December 2002.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2002 (2001: Nil).

CAPITAL STRUCTURE

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Shareholders' funds	320,466	532,162
Interest bearing borrowings	1,405,375	1,657,137
Total borrowing costs	95,713	170,117
Gearing Ratio	439%	311%
Average cost of borrowings	6.8%	11.4%

Funding and treasury policies of the Group are centrally managed and controlled in Hong Kong.

New re-financing arrangements

During the year, Debt Restructure of the Group which was made in 2000 expired and the Debt Restructure Agreement dated 10 May 2000 was cancelled. At the same time, the Group successfully entered into new re-financing arrangements with its bank creditors which include The

Hongkong and Shanghai Banking Corporation Limited, Bank of China (Hong Kong) Limited, Hang Seng Bank Limited, Nanyang Commercial Bank Limited and China Agricultural Finance Company Limited. The new re-financing arrangements comprise long term loans on normal commercial terms. As a result of the new re-finance arrangements with the bank creditors, the financial position of the Group was further improved by reduction of the interest margin substantially under the new re-financing arrangements.

The gearing ratio (interest bearing borrowings/shareholders' funds) changed from 311% in 2001 to 439% in 2002.

The Group's monetary assets, loans and transactions are principally denominated in Hong Kong Dollars. The exposure to exchange rate risk is not material.

During the year, the Group did not engage in any derivative activities or use any financial instruments to hedge its balance sheet exposures.

All the bank borrowings of the Group are at floating interest rate.

OPERATIONS REVIEW AND PROSPECTS

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 identified retail market potential and 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.

Financial Review

During the period, 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.

SIGNIFICANT INVESTMENTS HELD

During the year, the Group disposed of the Lower Level Portion of 8 Russell Street. Save as mentioned in above, there is no material change in the significant investments and properties held by the Group.

DETAILS OF MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

During the year, there was no material acquisitions and disposals of subsidiaries with the exception of issuance of new shares by Well Pacific Development Limited which was deemed as disposal of interest in a subsidiary.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continues to be in a stable financial position with cash and bank balances of approximately HK\$11,659,000.00 as at 31 December 2002 (2001: approximately HK\$12,456,000.00). As at 31 December 2002 the Group's current ratio, as a ratio of current assets to current liabilities, was 0.84 (2001: 1.17) and the Group's gearing ratio, as a ratio of interest bearing borrowings to shareholders' fund, was 439% (2001: 311%).

EMPLOYEES REMUNERATION

The Group had approximately 37 employees as at 31 December 2002 (2001: 56), Total staff costs incurred during the year amounted to approximately HK\$11,335,000.00 (2001: approximately HK\$18,850,000.00). The Group also offers its employees competitive remuneration packages. During the year, share options were granted to various directors and employees on a performance related basis.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2002, properties of the Group with an aggregate net book value of approximately HK\$1,702,740,000.00 (2001: approximately HK\$2,002,792,000.00) and no bank deposits (2001: approximately HK\$5,840,000.00) were pledged to secure banking facilities for the Group.

CONTINGENT LIABILITIES

A property related proceedings relating to the purchase of certain properties in Tuen Mun as disclosed in the Company's 2001 Annual Report was finalized during the year. According to a judgement dated 3 December 2001, it was ordered by the court that the relevant agreements be rescinded and the deposit of HK\$33,000,000.00 has been refunded. The appeal by the plaintiff against the subsidiary of the Company was dismissed by consent.

Another property related proceedings relating to the purchase of certain properties in Yuen Long by another subsidiary of the Company is still under progress. In such transaction, the said subsidiary has already paid a deposit of HK\$65,000,000.00. The transaction has fallen through and the said deposit of HK\$65,000,000.00 has been forfeited by the Vendor. According to the legal advice taken by the Company, the shareholders of such subsidiary would not incur any further liability apart from costs.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

The information required by paragraphs 45(1) to 45(3) inclusive of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") will be published on the Stock Exchange's website in due course.

APPRECIATION

As a final note, I wish to take this opportunity to thank all the directors and staff for their contributions and good performance in the past financial year.

By order of the Board
Foo Kam Chu Grace
Chairman

Hong Kong, 16 April 2003

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Shareholders of the Company will be held at 11th Floor, Soundwill Plaza, 38 Russell Street, Causeway Bay, Hong Kong on Thursday, 22 May 2003 at 10:00 a.m. for the following purposes:

1. To receive and consider the audited Financial Statements and the Reports of the Directors and Auditors for the year ended 31 December 2002.
2. To elect Directors.
3. To appoint Auditors and authorise the Directors to fix their remuneration.
4. As special business, to consider and, if thought fit, pass with or without amendments, the following resolutions as Ordinary Resolutions:

A. **“THAT:**

- (a) subject to paragraph (b) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of HK\$0.10 each in the capital of the Company on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) or on any other stock exchange on which the securities of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal value of the shares of the Company to be repurchased by the Company pursuant to the approval in paragraph (a) above shall not exceed 10% of the aggregate nominal value of the share capital of the Company in issue at the date of this Resolution, and the said approval shall be limited accordingly; and
- (c) for the purposes of this Resolution
“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:
 - (i) the conclusion of the next annual general meeting of the Company;

- (ii) the expiration of the period within which the next annual general meeting of the Company is required by law or the bye-laws of the Company to be held; and
- (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting of the Company.”

B. “THAT:

- (a) subject to paragraph (c) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of HK\$0.10 each in the capital of the Company and to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and any securities which carry rights to subscribe for or are convertible into shares of the Company) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the directors of the Company during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and any securities which carry rights to subscribe for or are convertible into shares of the Company) which would or might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal value of share capital allotted or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); (ii) an issue of shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into shares of the Company; (iii) an issue of shares as scrip dividends pursuant to the bye-laws of the Company from time to time; or (iv) an issue of shares upon the exercise of the subscription rights under any option scheme or similar arrangement for the grant or issue to the participants of such option scheme or similar arrangement of shares or rights to acquire shares of the Company, shall not exceed 20% of the aggregate nominal value of the issued share capital of the Company at the date of passing of this Resolution, and the said approval shall be limited accordingly; and
- (d) for the purpose of this Resolution,
“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by law or the bye-laws of the Company to be held; and

(iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting of the Company.

“Right issue” means an offer of shares open for a period fixed by the directors of the Company to the holders of shares of the Company whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company).”

- C. “**THAT** subject to the passing of Resolutions Nos. 4A and 4B set out in the notice convening this meeting, the general mandate granted to the directors of the Company to allot, issue and deal with additional shares pursuant to Resolution No. 4B set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares in the capital of the Company repurchased by the Company under the authority granted pursuant to Resolution No. 4A set out in the notice convening this meeting, provided that such amount of shares so repurchased shall not exceed 10% of the aggregate nominal value of the issued share capital of the Company at the date of passing of this Resolution.”

By Order of the Board
Kwan Chai Ming
Company Secretary

Hong Kong, 16 April 2003

Notes:

- a. Any member entitled to attend and vote at the meeting is entitled to appoint one or more than one proxy to attend and vote instead of him. A proxy need not be a member of the Company.
- b. To be valid, a form of proxy, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be lodged with the Head Office and Principal Place of Business of the company at 21st Floor, Soundwill Plaza, 38 Russell Street, Causeway Bay, Hong Kong not less than 48 hours before the time appointed for holding the meeting.
- c. An explanatory statement containing further details regarding the resolutions set out in item 4 will be sent to shareholders together with the 2002 annual report.

*Please also refer to the published version of this announcement in the (**The Standard**)*