



SOUNDWILL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 878)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2004

Highlights of 2004 Annual Results

- The Group's turnover amounted to HK\$134,378,000 representing an increase of 8% over last year
- Operating profit before tax amounted to HK\$40,576,000, increased by 1.5 times as compared with that of last year for HK\$15,913,000 (after deducting an amount of HK\$46,064,000, being interest on other borrowings waived by a major shareholder as included in other income in 2003)
- Profit attributable to shareholders was HK\$28,334,000
- Basic earnings per share was HK\$0.25
- The Board of Directors recommended to pay a final dividend of HK2.5 cents per share, an increase of 25% as compared with last year
- Gearing ratio has been reduced from 147% in 2003 to 72% in 2004

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 2004 with comparative figures for the previous year as follows:

	<i>Note</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Turnover	2	134,378	124,603
Cost of sales		<u>(17,411)</u>	<u>(17,115)</u>
Gross profit		116,967	107,488
Other income		8,921	51,330
Administrative expenses		(42,154)	(35,075)
Other operating expenses		<u>(7,594)</u>	<u>(6,901)</u>
Profit from operations	3	76,140	116,842
Finance costs	4	(36,634)	(54,658)
Gain/(loss) on disposal of subsidiaries		1,053	(203)
Share of profits less losses of associates		<u>17</u>	<u>(4)</u>
Profit before taxation		40,576	61,977
Taxation	5		
— Current tax		(109)	510
— Deferred tax		<u>(13,000)</u>	<u>—</u>
Profit after taxation		27,467	62,487
Minority interests		<u>867</u>	<u>(681)</u>
Profit attributable to shareholders		<u>28,334</u>	<u>61,806</u>
Dividend		<u>4,122</u>	<u>2,025</u>
Earnings per share	6		
— basic		<u>HK\$0.25</u>	<u>HK\$0.82*</u>
— diluted		<u>HK\$0.22</u>	<u>HK\$0.82*</u>

* *restated*

Notes:

(1) Basis of preparation

The financial statements have been prepared in accordance with and comply with all applicable Hong Kong Financial Reporting Standard issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The financial statements are prepared under the historical cost convention as modified by the revaluation of investment properties.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“new HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005.

The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

(2) Segment information

Primary reporting format — Business segments

The Group is organised into four main business segments:

Property leasing	:	Property rental including signage rental
Building management services	:	Providing property management and other repair and maintenance services
Property development	:	Property development and sales of properties
Urban infrastructure	:	Urban infrastructure development

For the year ended 31 December 2004

	Property leasing <i>HK\$'000</i>	Building management services <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Urban infrastructure <i>HK\$'000</i>	Others <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue							
External customers	100,580	10,403	—	22,945	450	0	134,378
Inter-segments	3,207	—	—	—	357	(3,564)	—
	<u>103,787</u>	<u>10,403</u>	<u>—</u>	<u>22,945</u>	<u>807</u>	<u>(3,564)</u>	<u>134,378</u>
Segment results	94,685	7,040	(168)	(6,702)	(1,563)	0	93,292
Inter-segment transactions	3,607	74	—	0	(3,681)	0	0
Contribution from operations	<u>98,292</u>	<u>7,114</u>	<u>(168)</u>	<u>(6,702)</u>	<u>(5,244)</u>	<u>0</u>	<u>93,292</u>
Unallocated income and expenses							<u>(17,152)</u>
Profit from operations							76,140
Finance costs							(36,634)
Gain on disposal of subsidiaries							1,053
Share of profits less losses of associates							17
Taxation							(13,109)
Minority interests							<u>867</u>
Profit attributable to shareholders							<u>28,334</u>

For the year ended 31 December 2003

	Property leasing <i>HK\$'000</i>	Building management services <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Urban infrastructure <i>HK\$'000</i>	Others <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue							
External customers	91,091	8,511	1,000	23,341	660	—	124,603
Inter-segments	<u>3,278</u>	<u>—</u>	<u>3,560</u>	<u>—</u>	<u>—</u>	<u>(6,838)</u>	<u>—</u>
	<u>94,369</u>	<u>8,511</u>	<u>4,560</u>	<u>23,341</u>	<u>660</u>	<u>(6,838)</u>	<u>124,603</u>
Segment results	85,988	5,204	(751)	552	44,146	—	135,139
Inter-segment transactions	<u>1,288</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,288)</u>	<u>—</u>	<u>—</u>
Contribution from operations	<u>87,276</u>	<u>5,204</u>	<u>(751)</u>	<u>552</u>	<u>42,858</u>	<u>—</u>	<u>135,139</u>
Unallocated income and expenses							(18,297)
Profit from operations							116,842
Finance costs							(54,658)
Loss on disposal of a subsidiary							(203)
Share of profits less losses of associates							(4)
Taxation							510
Minority interests							<u>(681)</u>
Profit attributable to shareholders							<u>61,806</u>

Secondary reporting format — Geographical segments:

	Hong Kong		PRC		Consolidated	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Segment revenue	<u>111,433</u>	<u>101,262</u>	<u>22,945</u>	<u>23,341</u>	<u>134,378</u>	<u>124,603</u>
Segment assets	<u>3,136,131</u>	<u>2,314,023</u>	<u>73,921</u>	<u>55,420</u>	<u>3,210,052</u>	<u>2,369,443</u>
Capital expenditure	<u>33,851</u>	<u>2,314</u>	<u>929</u>	<u>1,153</u>	<u>34,780</u>	<u>3,467</u>

(3) Profit from operations

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Profit from operations is arrived at after charging:		
Amortisation of goodwill	73	73
Amortisation of intangible assets	199	134
Impairment loss on goodwill	3,714	5,566
Auditors' remuneration	926	716
Depreciation		
— owned assets	1,265	1,168
— leased assets	25	25
Cost of inventories recognised as expenses	17,217	14,274
Cost of properties sold	—	1,626
Operating lease charges in respect of premises	2,045	1,249
Provision for doubtful debts	273	943
Bad debt written off	2,055	—
Salaries and wages	11,469	10,663
Pension costs-defined contribution benefits schemes	438	364
	<u>438</u>	<u>364</u>

(4) Finance costs

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Interest charges on:		
Bank loans repayable within five years	20,942	30,782
Other borrowings		
— wholly repayable within five years	13,612	23,836
— not wholly repayable within five years	786	—
Convertible bonds	1,272	—
Finance charges on finance leases	22	40
	<u>22</u>	<u>40</u>
	<u>36,634</u>	<u>54,658</u>

The Group has not capitalized any interest for the year (2003: Nil).

(5) Taxation in the consolidated income statement represents:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Hong Kong Profits Tax:		
Current year	109	19
Over provision in prior years	—	(529)
Deferred taxation	13,000	—
	<u>13,000</u>	<u>—</u>
	<u>13,109</u>	<u>(510)</u>

Hong Kong Profits Tax has been provided at the rate of 17.5% (2003: 17.5%) on the Group's estimated assessable profit for the year.

Deferred tax has been provided for at the rate that is expected to apply in the year when the liability is settled or the asset is realised.

Some of the Group's subsidiaries established and operating in the PRC are exempt from PRC enterprise income tax for the first two profitable years of operations, and thereafter, are eligible for a 50% relief from PRC enterprise income tax for the following three years under the income Tax Law of the PRC.

(6) Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$28,334,000 (2003: HK\$61,806,000) and on the weighted average of 111,487,217 (2003: 75,530,691 shares, restated) shares in issue during the year.

During the year, the company made a bonus issue of shares on the basis of one new share for every five existing shares on 8 June 2004 (“Bonus Issue”). The weighted average number of shares for the year ended 31 December 2003, as if the Bonus Issue had occurred on 1 January 2003, was deemed to be 75,530,691 shares (62,942,243 shares before restatement). The calculation of diluted earnings per share for the previous year has been adjusted accordingly for this effect from 62,964,997 shares to 75,557,996 shares.

The calculation of diluted earnings per share is based on the adjusted net profit attributable to shareholders for the year of HK\$28,859,000 (2003: HK\$61,806,000) and the weighted average of 129,994,685 (2003: 75,557,996 shares, restated) shares outstanding during the year, adjusted for the effects of all dilutive potential shares.

The adjusted net profit attributable to shareholders is calculated based on the net profit attributable to shareholders for the year of HK\$28,334,000 plus the reduction in interest payable of HK\$525,000 as a result of the deemed conversion of convertible bonds.

The weighted average number of shares used in the calculation of diluted earnings per share is calculated based on the weighted average of 111,487,217 shares in issue during the year plus the weighted average of 18,507,468 shares deemed to be issued at no consideration as if all the company’s dilutive potential shares been issued.

(7) Comparative figures

Certain comparative figures have been reclassified to conform with the current year’s presentation.

REVIEW BY AUDIT COMMITTEE

The audited consolidated results of the Group for the year ended 31 December 2004 have been reviewed by the audit committee of the Company.

DIVIDEND

The Board is pleased to announce final dividend of HK\$0.025 (2003: HK\$0.02) per share for the year ended 31 December 2004 to shareholders whose names appear on the register of members on 30 May 2005 (the “Record Date”). Subject to the approval of the shareholders at the forthcoming annual general meeting, the final dividend will be dispatched on or before 17 June 2005.

CLOSURE OF REGISTER OF MEMBER

The register of members of the Company will be closed from Tuesday, 24 May 2005 to Monday, 30 May 2005 (both dates inclusive), during which no transfer of share will be registered. In order to qualify for the final dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Standard Registrars Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong by not later than 4:00 p.m. on Monday, 23 May 2005.

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.

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 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.

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.

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 the profit attributable to shareholders of about HK\$28,334,000. This result is better than position in 2003 with adjusted profit attributable to shareholders of approximately HK\$15,742,000 (after deducting from the profit attributable to shareholders of HK\$61,806,000 an other income of HK\$46,064,000 being a waiver of interest 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 33% reduction in interest expenses 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 96% increase 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.

SIGNIFICANT INVESTMENTS HELD

During the year, 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.

FINANCIAL RESOURCES AND LIQUIDITY

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Shareholders' funds	1,805,593	921,511
Interest bearing borrowings	1,299,875	1,356,700
Total borrowing costs	36,634	54,658
Gearing ratio	72%	147%
Average cost of borrowings	2.3%	4.0%

The gearing ratio (which is expressed as a percentage of bank and other borrowings over the shareholders' funds) has been reduced from 147% in 2003 to 72% in 2004. This improvement of gearing ratio were mainly due to an increase in total net assets which was mainly attributable from a revaluation surplus of investment properties and the profit retained for the year under review.

The Group continues to be in a stable financial position with cash and bank balances of approximately HK\$46,724,000 as at 31 December 2004 (2003: approximately HK\$36,039,000).

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

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.

EMPLOYEES REMUNERATION

The Group had approximately 31 employees and 140 employees (2003: approximately 28 employees and 130 employees) in Hong Kong and PRC respectively as at 31 December 2004. Total staff costs incurred during the year amounted to approximately HK\$11,469,000 (2003: approximately HK\$10,663,000). The Group offers its employees competitive remuneration packages. During the year, share options were granted to various directors and employees of the Group on a performance related basis.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2004, properties of the Group with an aggregate net book value of approximately HK\$3,008,976,000 (2003: approximately 2,216,046,000) were pledged to secure banking facilities for the Group.

CONTINGENT ASSET

A property related proceedings relating to the purchase of certain properties in Yuen Long by Pacific Well Realty Limited ("Pacific Well"), a subsidiary of the Company is still under progress. In such transaction, Pacific Well has already paid a deposit of HK\$65,000,000. The transaction has fallen through and the said deposit of HK\$65,000,000 has been forfeited by the Vendor. Judgement has been handed down by the High Court whereby it was ordered that out of the said sum of HK\$65,000,000, Pacific Well is entitled to a refund of HK\$45,000,000 together with interest thereon at the rate of 1% above the prime rate per annum from 8 May 1998 until 14 October 2004 and thereafter at usual rate for judgement debts and costs less the amount payable by Pacific Well to the Vendor in accordance with the terms of the supplemental agreement entered into on 31 March 1998 by way of interest and outgoings calculated from 31 March 1998 until 8 May 1998. The case is pending appeal.

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

During the year, the Company had purchased a total of 398,000 shares of the Company at an aggregate consideration of HK\$634,440 on the Stock Exchange of Hong Kong Limited ("the Stock Exchange") and all these shares were cancelled during the year, details of which were as follows:

Method of Purchase	Month of Purchase	Number of Share Purchased	Highest Price/ Share (HK\$)	Lowest Price/ Share (HK\$)	Aggregate Consideration (HK\$)
On the Stock Exchange	September 2004	232,000	1.62	1.55	369,800
	October 2004	<u>166,000</u>	1.60	1.58	<u>264,640</u>
Total		<u>398,000</u>			<u>634,440</u>

The Directors considered that the aforesaid shares were purchased at a discount to the net asset value per share and resulted in an increase in the net asset value per share then in issue. Save as disclosed herein, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the year.

CORPORATE GOVERNANCE

Save that non-executive directors are not appointed for a specific term but are subject to retirement by rotation in accordance with the Company's bye-laws, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange.

The Company has received from each of the independent non-executive directors a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors to be independent.

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 Listing Rules in force prior to 31 March 2004, which remain applicable to results announcement relating to accounting period commencing before 1 July 2004, 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.

As at the date of this announcement, the Board of Directors of the Company comprises (i) Executive Directors: Foo Kam Chu Grace, Chan Wai Ling, Tse Chun Kong Thomas, Kwan Chai Ming; (ii) Non-Executive Directors: Liu Hanbo, Meng Qinghui; and (iii) Independent Non-Executive Directors: Heng Kwoo Seng, Kwan Kai Cheong and Ho Suk Yin.

By order of the Board
Foo Kam Chu Grace
Chairman

Hong Kong, 21 April 2005

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