SOUNDWILL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 878)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2005

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 2005 with comparative figures for the previous year as follows:

Consolidated Income Statement

	Notes	**2005** *HK$'000*	2004 *HK$'000* (Restated)
Revenue	3	**162,631**	134,378
Cost of sales		**(27,627)**	(17,411)
Gross profit		**135,004**	116,967
Other income	4	**59,750**	8,921
Gain on fair value adjustment on investment properties		**564,921**	—
Administrative expenses		**(49,146)**	(43,633)
Other operating expenses		**(11,516)**	(7,594)
Gain on disposal of subsidiaries		**8,407**	1,053
Loss on disposal of an associate		**(63)**	—
Profit from operations		**707,357**	75,714
Finance costs	5	**(50,894)**	(36,686)
Share of profits less losses of:			
— associates		**6**	17
— a jointly-controlled entity		**(6)**	—
Profit before income tax	6	**656,463**	39,045
Income tax expense	7	**(107,831)**	(13,109)
Profit for the year		**548,632**	25,936
Attributable to:			
Equity holders of the Company		**547,423**	26,803
Minority interests		**1,209**	(867)
Profit for the year		**548,632**	25,936
Dividends		**7,788**	4,122

Earnings per share for profit attributable to the equity holders of the Company during the year			
— Basic	8	**HK$3.41**	HK$0.24
— Diluted	8	**HK$2.46**	HK$0.21

Consolidated Balance Sheet

	Notes	**2005** **HK$'000**	2004 *HK$'000* (Restated)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		**3,654,270**	3,011,636
Operating lease prepayment		**11,565**	11,579
Property, plant and equipment		**28,158**	25,866
Properties held for development		**31,003**	26,535
Interests in associates		**2,830**	2,910
Interests in a jointly-controlled entity		**4,802**	—
Available-for-sale financial assets/Other investments		**11**	11
Intangible assets		**10,083**	3,643
Goodwill		**—**	1,314
		3,742,722	3,083,494
Current assets			
Inventories		**30,884**	28,076
Trade and other receivables	9	**39,851**	39,011
Instalments receivable		**—**	66
Cash and cash equivalents		**72,196**	46,724
		142,931	113,877
Current liabilities			
Trade and other payables	10	**82,938**	80,672
Current portion of borrowings		**157,626**	100,124
Provision for income tax		**7,079**	3,142
		247,643	183,938
Net current liabilities		**(104,712)**	(70,061)
Total assets less current liabilities		**3,638,010**	3,013,433
Non-current liabilities			
Borrowings		**962,983**	1,051,252
Convertible bonds		**23,355**	147,961
Deferred tax liabilities		**473,782**	371,966
		1,460,120	1,571,179

Net assets	**2,177,890**	1,442,254
EQUITY		
Equity attributable to the equity holders of the Company		
Share capital	**22,222**	12,116
Reserves	**2,138,059**	1,419,458
	2,160,281	1,431,574
Minority interests	**17,609**	10,680
Total equity	**2,177,890**	1,442,254

Notes:

1. Basis of preparation and accounting policies

The accounting policies and methods of computation used in the preparation of these consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2004 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations ("HKFRS") which are effective for accounting period commencing on or after 1 January 2005.

The financial statements have been prepared in accordance with the HKFRS as issued by the Hong Kong Institute of Certified Public Accountants, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). They have been prepared under the historical cost convention except for the revaluation of investment properties and certain financial assets and liabilities.

2. Adoption of New/Revised HKFRS

From 1 January 2005, the Group has adopted the new and revised standards and interpretations of HKFRS, which are relevant to its operations. This includes the following new, revised and renamed standards:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HK(SIC) Int-15	Operating Leases — Incentives
HK(SIC) Int-21	Income Taxes — Recovery of Revalued Non-Depreciable Assets

All the standards have been applied retrospectively except where specific transitional provisions require a different treatment and accordingly the 2004 financial statements and their presentation have been amended in accordance with HKAS 8. Due to the change in accounting policies, the 2004 comparatives contained in the financial statements differ from the published financial statements for the year ended 31 December 2004.

Significant effect on current, prior or future periods arising from the first-time application of the standards listed above in respect to presentation, recognition and measurement of accounts are described as follows:

Adoption of HKAS 1

The application of HKAS 1 led to an update of the presentation of financial statements. Minority interests are now included as a separate line item within equity. Profit and loss attributable to minority interests and that attributable to owners of the parent company is now presented as an allocation of the net result of the year.

Adoption of HKAS 17

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings (excepting leasehold interests in investment properties) is separated into leasehold land and leasehold buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified as operating lease prepayment, while any buildings held for own use is presented as part of property, plant and equipment and stated at fair value. The separation of the leasehold interest in land and in building is determined by the directors of the Company according to their best estimation, with the assistance of an independent professional valuer. Operating lease prepayment are initially stated at cost and subsequently amortised on a straight line basis over lease term.

Adoption of HKAS 36, HKAS 38 and HKFRS 3

These standards stipulate a prospective change to the accounting policies.

Until 31 December 2004, goodwill was amortised on a straight line basis over its useful life of 20 years and was subject to impairment testing when there was an indication of impairment. In accordance with the provisions of HKFRS 3, the Group ceased amortisation of goodwill from 1 January 2005; whilst the accumulated amortisation as at 31 December 2004 has been deducted from the cost of goodwill. From the year ending 31 December 2005 onwards, goodwill will be tested at least annually for impairment.

No adjustments to prior period financial statements were deemed to be necessary as a result of the reassessment of the useful lives of its intangible assets in accordance with the provisions of HKAS 38.

Adoption of HKFRS 2

The adoption of HKFRS 2 has resulted in a change in accounting policy for share-based payments. The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the adoption of HKFRS 2 on 1 January 2005, the Group did not recognise the financial effect of these share options until they were exercised. According to the transitional provisions of HKFRS 2, the share options granted after 7 November 2002 that had not vested at 1 January 2005 are required to be recognised retrospectively in the financial statements.

Adoption of HKAS 32 and HKAS 39

In previous years, convertible bonds were classified as liabilities in the balance sheets. Upon the adoption of HKAS 32, convertible bonds issued are split into their liability and equity components at initial recognition and these components are accounted for separately. Retrospective application is required on adoption of HKAS 32.

In previous years, investments in equity instruments (other than subsidiaries, associates and jointly-controlled entities) that were intended to be held on a continuing basis for an identified long-term purpose were stated in the balance sheet at cost less any provisions for impairment losses. Provisions were made when the fair value of such securities had declined below the carrying amounts, unless there was evidence that the decline was temporary. The amount of the reduction was recognized as an expense in the income statement.

Upon the adoption of HKAS 39, the investments are classified as available-for-sale financial assets and are carried at fair value, with changes in fair values recognised in the equity. In accordance with the transitional provisions of HKAS 39, it does not permit the recognition, derecognition and measurement of financial assets and liabilities in accordance with the standard on a retrospective basis. Accordingly, the reclassification from other investments to available-for-sale financial assets was made on 1 January 2005 and the comparative figures have not been restated.

Adoption of HKAS 40 and HK (SIC) Int-21

In the current year, the Group has, for the first time, applied HKAS 40. The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the year in which they arise. In previous years, investment properties under the Statement of Standard Accounting Practice ("SSAP") 13 were measured at open market values, with revaluation surplus or deficit credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation surplus subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions of HKAS 40 as a result of which, the amount held in investment property revaluation reserve at 1 January 2005 have been transferred to the Group's accumulated losses and the comparative figures are not required to be restated.

The adoption of HKAS 40 has resulted in a change of classification of certain properties which were previously classified as investment properties according to SSAP 13. In previous years, property with 15% or less by area or value that was occupied by the Company or another company in the Group was regarded as an investment property in its entirety even though part of it was not held for investment purposes. According to HKAS 40, if a property comprises a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes and these portions could be sold separately (or leased out separately under a finance lease), an entity accounts for the portions separately. If the portions could not be sold separately, the property is investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. In the current year, the Group applied HKAS 40 and has reclassified certain such owner-occupied properties that could be sold separately (or leased out separately under a finance lease) from investment properties to property, plant and equipment retrospectively. Comparative figures for 2004 have been restated.

Accordingly, the amount previously held in investment property revaluation reserve relating to these owner-occupied properties has been reclassified to the Group's asset revaluation reserve.

In previous years, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor interpretation (SSAP-Interpretation 20). The adoption of revised HK(SIC) Int-21 has resulted in a change in the accounting policy relating to the deferred taxation of the Group's investment property. In accordance with the provision of HK(SIC) Int-21, the deferred tax liability arising from the revaluation of investment properties is measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. In previous years, the carrying amount of that asset is expected to be recovered through sale. This change in accounting policy has been applied retrospectively. Comparative figures for 2004 have been restated.

Other standards adopted

Saved as disclosed above, the adoption of other standards and interpretations did not result in significant alterations to the Group's accounting policies. The specific transitional provisions contained in some of these standards were considered. The adoption of these other standards did not result in any material changes to the amounts or disclosures in these financial statements.

2.1 The effect of changes in the accounting policies on consolidated income statement is summarised below:

	Effect of adopting				
	HKAS 17	**HKFRS 2**	**HKAS 32 & HKAS 39**	**HKAS 40 & HK(SIC) INT 21**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2005					
Increase in staff costs	—	(1,291)	—	—	(1,291)
Increase in amortisation of operating lease prepayment	(14)	—	—	—	(14)
Increase in amortisation of properties held for development	(715)	—	—	—	(715)
Increase in depreciation	—	—	—	(440)	(440)
Decrease in finance costs	—	—	52	—	52
Increase in gain on fair value adjustment on investment properties	—	—	—	564,921	564,921
Increase in deferred tax liabilities arising from gain on fair value adjustment on investment properties	—	—	—	(98,640)	(98,640)
Net increase in profit	(729)	(1,291)	52	465,841	463,873
Year ended 31 December 2004					
Increase in staff costs	—	(519)	—	—	(519)
Increase in amortisation of operating lease prepayment	(14)	—	—	—	(14)
Increase in amortisation of properties held for development	(574)	—	—	—	(574)
Increase in depreciation	—	—	—	(372)	(372)
Increase in finance costs	—	—	(52)	—	(52)
Net decrease in profit	(588)	(519)	(52)	(372)	(1,531)

2.2 The effect of changes in the accounting policies on consolidated balance sheet is summarised below:

	Effect of adopting				
	HKAS 17	HKFRS 2	HKAS 32 & HKAS 39	HKAS 40 & HK(SIC) INT 21	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2004 (Equity only)					
<u>Increase/(Decrease) in equity</u>					
Asset revaluation reserve	—	—	—	11,616	11,616
Investment property revaluation reserve	(2,712)	—	—	(230,405)	(233,117)
Retained profits	(2,991)	—	—	(2,604)	(5,595)
At 31 December 2004					
<u>Increase/(Decrease) in assets</u>					
Property, plant and equipment	(23,700)	—	—	45,700	22,000
Investment properties	—	—	—	(45,700)	(45,700)
Operating lease prepayment	11,579	—	—	—	11,579
Properties held for development	(3,470)	—	—	—	(3,470)
<u>Increase/(Decrease) in liabilities</u>					
Convertible bonds	—	—	(538)	—	(538)
Deferred tax liabilities	—	—	—	358,966	358,966
<u>Increase/(Decrease) in equity</u>					
Asset revaluation reserve	—	—	—	14,702	14,702
Investment property revaluation reserve	(12,012)	—	—	(370,692)	(382,704)
Employee share-based equity reserve	—	519	—	—	519
Other equity reserve — convertible bonds	—	—	590	—	590
Retained profits	(3,579)	(519)	(52)	(2,976)	(7,126)
At 31 December 2005					
<u>Increase/(Decrease) in assets</u>					
Property, plant and equipment	(23,700)	—	—	45,700	22,000
Investment properties	—	—	—	(45,700)	(45,700)
Operating lease prepayment	11,565	—	—	—	11,565
Properties held for development	(4,185)	—	—	—	(4,185)
<u>Increase/(Decrease) in liabilities</u>					
Convertible bonds	—	—	(538)	—	(538)
Deferred tax liabilities	—	—	—	458,138	458,138
<u>Increase/(Decrease) in equity</u>					
Asset revaluation reserve	—	—	—	14,610	14,610
Investment property revaluation reserve	(12,012)	—	—	(935,613)	(947,625)
Employee share-based equity reserve	—	1,810	—	—	1,810
Other equity reserve — convertible bonds	—	—	538	—	538
Retained profits	(4,308)	(1,810)	—	462,865	456,747

3. 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.

Primary reporting format — business segments

The Group is organized into four main business segments:

Property development	:	Property development and sale of properties
Property leasing	:	Property rental including signage rental
Building management services	:	Provision of property management, repair and maintenance services
Urban infrastructure	:	Urban infrastructure development

Secondary reporting format — geographical segments

The Group's four business segments operate in the following geographical areas:

Hong Kong	—	Property development and sale of properties, property rental and provision of property management, repairs and maintenance services
Mainland China	—	Urban infrastructure development

There are no sales between the geographical segments.

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.

Business segments

The following table presents revenue and results information for the year ended 31 December 2005 for the Group's business segments:

For the year ended 31 December 2005

	Property development *HK$'000*	Property leasing *HK$'000*	Building management services *HK$'000*	Urban infrastructure *HK$'000*	Others *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Segment revenue							
External customers	—	107,386	12,762	42,064	419	—	162,631
Inter-segments	—	4,360	—	—	—	(4,360)	—
	—	111,746	12,762	42,064	419	(4,360)	162,631
Segment results	(932)	98,694	7,267	(3,870)	3,336	—	104,495
Inter-segments	—	(1,930)	34	—	1,896	—	—
Contribution from operations	(932)	96,764	7,301	(3,870)	5,232	—	104,495
Gain on fair value adjustment on investment properties	—	564,921	—	—	—	—	564,921
	(932)	661,685	7,301	(3,870)	5,232	—	669,416
Unallocated income and expenses							29,597
Gain on disposal of subsidiaries							8,407
Loss on disposal of an associate							(63)
Profit from operations							707,357
Finance costs							(50,894)
Share of profits less losses of associates							6
Share of profits less losses of a jointly-controlled entity							(6)
Profit before income tax							656,463
Income tax expense							(107,831)
Profit for the year							548,632

For the year ended 31 December 2004 (restated)

	Property development *HK$'000*	Property leasing *HK$'000*	Building management services *HK$'000*	Urban infrastructure *HK$'000*	Others *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Segment revenue							
External customers	—	100,580	10,403	22,945	450	—	134,378
Inter-segments	—	3,207	—	—	357	(3,564)	—
	—	103,787	10,403	22,945	807	(3,564)	134,378
Segment results	(742)	94,299	7,040	(6,702)	(2,082)	—	91,813
Inter-segments	—	3,607	74	—	(3,681)	—	—
Contribution from operations	(742)	97,906	7,114	(6,702)	(5,763)	—	91,813
Unallocated income and expenses							(17,152)
Gain on disposal of subsidiaries							1,053
Profit from operations							75,714
Finance costs							(36,686)
Share of profits less losses of associates							17
Profit before income tax							39,045
Income tax expense							(13,109)
Profit for the year							25,936

Geographical segments

The following table shows the distribution of the Group's consolidated revenue by geographical markets:

	2005 *HK$'000*	2004 *HK$'000*
Hong Kong	**120,567**	111,433
PRC	**42,064**	22,945
	162,631	134,378

4. Other income

	2005 *HK$'000*	2004 *HK$'000*
Bank interest income	**588**	73
Miscellaneous income	**2,600**	3,308
Write back of overprovision for impairment of trade receivables	**—**	222
Write back of provision for unlisted warrants	**—**	5,318
Deposit for purchase of properties recovered after settled litigation	**44,847**	—
Recovery of long outstanding debts written off	**11,715**	—
	59,750	8,921

5. Finance costs

	2005	2004
	HK$'000	*HK$'000*
		(restated)
Interest charges on:		
Bank loans	**42,708**	20,942
Other borrowings		
— wholly repayable within five years	**2,618**	13,612
— not wholly repayable within five years	**2,514**	786
Convertible bonds	**3,051**	1,324
Finance charges on finance leases	**3**	22
	50,894	36,686

6. Profit before income tax

	2005	2004
	HK$'000	*HK$'000*
		(restated)
Profit before income tax is arrived at after charging:		
Amortisation of goodwill	**—**	73
Amortisation of intangible assets	**489**	199
Impairment loss on goodwill	**1,314**	3,714
Auditors' remuneration	**1,176**	926
Amortisation of operating lease prepayment	**14**	14
Amortisation of properties held for development	**715**	574
Depreciation		
— owned assets	**1,795**	1,637
— leased assets	**—**	25
Cost of inventories recognised as expense	**23,092**	17,217
Loss on disposal of investment properties	**190**	—
Loss on disposal of property, plant and equipment	**67**	—
Operating lease charges in respect of premises	**2,315**	2,045
Provision for obsolete inventories	**2,096**	—
Provision for impairment of receivables	**1,045**	273
Bad debts written off	**3,039**	2,055
Staff costs (including directors' remuneration and defined contribution cost)	**21,043**	16,599
and crediting:		
Gross rental income from investment properties	**89,914**	85,692
Less: Outgoings	**(3,947)**	(3,389)
	85,967	82,303
Other rental income from other properties less outgoings	**4,129**	3,728
	90,096	86,031

7. Income tax expense

	2005	2004
	HK$'000	*HK$'000*
Hong Kong Profits Tax:		
Current tax	**6,547**	109
Deferred tax	**101,284**	13,000
	107,831	13,109

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the year.

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

For the year ended 31 December 2005, no provision for enterprise income tax has been made for the operations in the Mainland China as the management consider that the Group's subsidiaries in the Mainland China were still within the tax exemption period as described above.

Following the adoption of HK(SIC) INT-21, deferred tax has been provided on the fair value changes of the investment property portfolio at the current profits tax rate.

8. Earnings per share

The calculation of basic earnings per share are based on current year's profit attributable to equity holders of the Company of HK$547,423,000 (2004: HK$26,803,000, restated) and the weighted average of 160,429,944 shares (2004: 111,487,217 shares) in issue during the year.

The calculation of diluted earnings per share is based on the adjusted net profit attributable to equity holders of the Company of HK$549,981,000 (2004: HK$27,328,000, restated) and the weighted average of 223,674,732 shares (2004: 129,994,685 shares) in issue during the year, adjusted for the effect of all dilutive potential shares.

The adjusted net profit attributable to equity holders of the Company is calculated on the net profit attributable to equity holders of the Company for the year of HK$547,423,000 plus the reduction in interest payable of HK$2,558,000 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 160,429,944 shares in issue during the year plus the weighted average of 63,244,788 shares deemed to be issued at no consideration if all the dilutive potential shares been issued.

9. Trade and other receivables

	Group	
	2005	2004
	HK$'000	*HK$'000*
Trade receivables, net	**33,585**	29,173
Deposit and prepayment	**6,266**	6,562
Loan to an outsider, net	**—**	3,276
	39,851	39,011

The credit terms of the Group range from 30 to 90 days. At 31 December 2005, the ageing analysis of the trade receivables was as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
0–30 days	**16,448**	20,944
31–90 days	**4,329**	1,751
91–180 days	**2,374**	—
Over 180 days	**10,434**	6,478
Total trade receivables	**33,585**	29,173

10. Trade and other payables

	Group 2005 HK$'000	2004 HK$'000
Trade payables	**29,755**	27,588
Receipt in advance	**8,596**	7,313
Rental and other deposits received	**39,073**	31,703
Accrued expenses and other payables	**5,514**	14,068
	82,938	80,672

At 31 December 2005, the ageing analysis of the trade payables was as follows:

	Group 2005 HK$'000	2004 HK$'000
0–30 days	**14,048**	18,712
31–90 days	**1,926**	189
Over 90 days	**13,781**	8,687
Total trade payables	**29,755**	27,588

SUMMARY OF THE AUDITORS' REPORT

The Company's auditors have issued an unqualified opinion on the financial statements for the year ended 31 December 2005.

REVIEW BY AUDIT COMMITTEE

The audited consolidated results of the Group for the year ended 31 December 2005 have been reviewed by the audit committee of the Company.

SCOPE OF WORK OF GRANT THORNTON

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2005 have been agreed by the Group's auditors, Grant Thornton, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Grant Thornton in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Grant Thornton on the preliminary announcement.

DIVIDEND

The Board recommends a payment of a final dividend of HK$0.035 (2004: HK$0.025) per share for the year ended 31 December 2005, subject to the approval of the shareholders at the forthcoming annual general meeting. The final dividend will be payable on or about 6 July 2006 to shareholders whose names appear on the register of members on 29 May 2006.

CLOSURE OF REGISTER OF MEMBER

The register of members of the Company will be closed from Tuesday, 23 May 2006 to Monday, 29 May 2006 (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 and transfer form must be lodged with the Company's branch share registrar in Hong Kong, Standard Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Monday, 22 May 2006.

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.

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 (Consultants) 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.

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 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.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2005, the Group's bank and other borrowings and convertible bonds amounted to HK$1,143,964,000 (2004: HK$1,299,337,000). Cash and bank balances amounted to HK$72,196,000 (2004: HK$46,724,000) and net borrowings amounted to HK$1,071,768,000 (2004: HK$1,252,613,000).

The Group's gearing ratio (which was expressed as a percentage of bank and other borrowings over the shareholders' funds) has been reduced from 90% in 2004 to 53% in 2005. This improvement of gearing ratio was mainly due to an increase in total net assets which were mainly attributable from the revaluation surplus on investment properties and the profit retained for the year under review.

Interest expenses for the year amounted to HK$50,894,000 (2004: HK$36,686,000, restated), mainly due to a higher interest rate environment during the year. The average cost of borrowings over the year was 4.18% (2004: 2.3%) which was expressed as a percentage of total interest expenses over the average total borrowings.

The Group's exposure to foreign exchange risk is not material given that its main asset base and operational cash flow are primarily denominated in Hong Kong dollars.

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

As at 31 December 2005, 27% of the Group's borrowings were on a fixed rate basis and 73% were on a floating interest rate basis.

As at 31 December 2005, the Group's total net assets attributable to the equity holders of the Company amounted to approximately HK$2,177,890,000 (2004: HK$1,442,254,000, restated), an increase of HK$735,636,000 or 51% when compared with last year. With the total number of ordinary shares in issue of 222,222,113 as at 31 December 2005, the net asset value per share was HK$9.80.

DETAILS OF MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

During the year, there was no material acquisitions and disposals of subsidiaries.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2005.

SETTLED LITIGATION

The 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, has finally been settled. Pacific Well received a net amount of approximately HK$45 million out of the proceedings.

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

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

CORPORATE GOVERNANCE

In the opinion of the directors save as indicated below, the Company was in compliance with the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Under the present bye-laws of the Company (the "Bye-laws"), the Chairman of the Company, is not subject to retirement by rotation. While, this is not in compliance with Code provision A.4.2 of the CG Code that every director should be subject to retirement by rotation at least once every 3 years, a special resolution will be proposed to amend the relevant Bye-laws at the forthcoming annual general meeting so as to ensure the compliance of CG Code requirement.

Non-executive directors are not appointed for a specific term but are subject to retirement by rotation in accordance with the Bye-laws.

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

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 comprise (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 2006

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