



# SOUNDWILL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 878)

## ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

### RESULTS

The board of directors (the “Directors”) of Soundwill Holdings Limited (the “Company”) announces the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2008 with comparative figures for the previous year as follows:

### Consolidated Income Statement

	Notes	2008 HK\$'000	2007 HK\$'000
<b>Turnover</b>	3	338,991	464,673
Cost of sales		(72,100)	(176,000)
<b>Gross profit</b>		266,891	288,673
Other income	4	3,985	5,853
Administrative expenses		(76,579)	(77,349)
Other operating expenses		(16,293)	(9,544)
Loss on disposal of subsidiaries		—	(33)
Net (loss)/gain on fair value adjustment on investment properties		(135)	1,092,820
Provision for impairment on properties held for development		(656)	—
Write-down of properties held for sale to net realisable value		(1,143)	(4,006)
Gain on disposal of investment properties		33,601	62,552
Excess of interest in the net fair value of the identifiable assets of a subsidiary over cost of acquisition		13,269	—
Provision for impairment of intangible assets		(6,717)	—
<b>Profit from operations</b>		216,223	1,358,966
Finance costs	5	(61,419)	(88,820)
Share of profits less losses of:			
— associates		13	(11)
— a jointly-controlled entity		(31)	(27)
<b>Profit before income tax</b>	6	154,786	1,270,108
Income tax credit/(expense)	7	4,656	(207,170)
<b>Profit for the year</b>		159,442	1,062,938
<b>Attributable to:</b>			
Equity holders of the Company		162,471	1,063,285
Minority interests		(3,029)	(347)
<b>Profit for the year</b>		159,442	1,062,938
<b>Dividends</b>		16,747	15,668
<b>Earnings per share for profit attributable to the equity holders of the Company during the year</b>			
— Basic	8	HK\$0.70	HK\$4.76
— Diluted	8	HK\$0.68	HK\$4.46

## Consolidated Balance Sheet

	<i>Notes</i>	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Investment properties		6,083,771	5,380,282
Operating lease prepayment		11,523	11,537
Property, plant and equipment		39,655	31,805
Properties held for development		107,644	51,147
Interests in associates		113	100
Interests in a jointly-controlled entity		24,593	23,909
Available-for-sale financial assets		11	11
Intangible assets		7,230	14,083
Deposit for property development		10,461	—
		<u>6,285,001</u>	<u>5,512,874</u>
<b>Current assets</b>			
Inventories		32,708	24,470
Properties held for sale		279,480	637,884
Properties under development		278,616	—
Trade and other receivables	9	70,579	78,130
Available-for-sale financial assets		19,687	—
Deposits paid for acquisition of properties		19,046	66,462
Amount due from a minority shareholder		5,427	—
Bank deposit at escrow account		197,452	15,168
Cash and cash equivalents		131,470	66,052
		<u>1,034,465</u>	<u>888,166</u>
<b>Current liabilities</b>			
Trade and other payables	10	292,202	86,660
Current portion of borrowings		707,441	506,008
Convertible bond		—	23,355
Provision for income tax		19,152	10,092
		<u>1,018,795</u>	<u>626,115</u>
<b>Net current assets</b>		<u>15,670</u>	<u>262,051</u>
<b>Total assets less current liabilities</b>		<u>6,300,671</u>	<u>5,774,925</u>
<b>Non-current liabilities</b>			
Borrowings		1,712,950	1,361,276
Deferred tax liabilities		714,700	736,220
		<u>2,427,650</u>	<u>2,097,496</u>
<b>Net assets</b>		<u><u>3,873,021</u></u>	<u><u>3,677,429</u></u>

	<i>Notes</i>	<b>2008</b> <b>HK\$'000</b>	2007 HK\$'000
<b>EQUITY</b>			
<b>Equity attributable to the equity holders of the Company</b>			
Share capital		<b>23,918</b>	22,383
Reserves		<b>3,815,631</b>	3,632,994
		<b>3,839,549</b>	3,655,377
Minority interests		<b>33,472</b>	22,052
<b>Total equity</b>		<b>3,873,021</b>	3,677,429

*Notes:*

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations (“Int”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The financial statements also include the applicable 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, leasehold building and certain financial assets and liabilities which are stated in fair values.

## 2. ADOPTION OF NEW AND AMENDED HKFRSs

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations (the “new HKFRSs”) issued by the HKICPA, which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 January 2008:

HKAS 39 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions

The new HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented. Accordingly, no prior period adjustment is required.

At the date of authorisation of these financial statements, the following new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>

HKAS 32, HKAS 39 & HKFRS 7 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>1</sup>
HKAS 39 (Amendments)	Eligible Hedged Items <sup>2</sup>
HKAS 39 (Amendments)	Financial Instruments: Recognition and Measurement — Embedded Derivatives <sup>6</sup>
HKFRS 1 (Amendments)	First-time Adoption of HKFRSs <sup>2</sup>
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate <sup>1</sup>
HKFRS 2 (Amendments)	Share-based Payment — Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>2</sup>
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments <sup>1</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives <sup>6</sup>
HK(IFRIC) – Int 13	Customer Loyalty Programmes <sup>3</sup>
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate <sup>1</sup>
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation <sup>4</sup>
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners <sup>2</sup>
HK(IFRIC) – Int 18	Transfer of Assets from Customers <sup>7</sup>
Various	Annual Improvements to HKFRS 2008 <sup>5</sup>

1 Effective for annual periods beginning on or after 1 January 2009

2 Effective for annual periods beginning on or after 1 July 2009

3 Effective for annual periods beginning on or after 1 July 2008

4 Effective for annual periods beginning on or after 1 October 2008

5 Generally effective for annual periods beginning on or after 1 January 2009 unless otherwise stated in the specific HKFRS

6 Effective for annual periods ending on or after 30 June 2009

7 Effective for transfer received on or after 1 July 2009

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement.

Among these new standards and interpretations, HKAS 1 (Revised) Presentation of Financial Statements is expected to materially change the presentation of the Group's financial statements. The amendments affect the presentation of owner changes in equity and introduce a statement of comprehensive income. The Group will have the option of presenting items of income and expenses and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). The amendment does not affect the financial position or results of the Group but will give rise to additional disclosures.

In addition, HKFRS 8 Operating Segments may result in new or amended disclosures. The Directors are in the process of identifying reportable operating segments as defined in HKFRS 8.

The Directors are currently assessing the impact of other new and amended HKFRSs upon initial application. So far, the Directors have preliminarily concluded that the initial application of these HKFRSs is unlikely to have a significant impact on the Group's results and financial positions.

### 3. SEGMENT INFORMATION

#### **Primary reporting format — business segments**

The Group is organized into five main business segments:

Property assembling business	:	Property assembly and trading
Property development	:	Property development and sale of properties
Property leasing	:	Property rental including signage rental
Building management and other services	:	Provision of property management, repairs and maintenance services
Urban infrastructure	:	Urban infrastructure development

#### **Secondary reporting format — geographical segments**

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

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

#### **(i) Primary reporting format — business segments**

The following table presents revenue and results information for the year ended 31 December 2008 and certain assets and liabilities information as at 31 December 2008 for the Group's business segments:

For the year ended 31 December 2008

	Property assembling business HK\$'000	Property development HK\$'000	Property leasing HK\$'000	Building management and other services HK\$'000	Urban infrastructure HK\$'000	Others HK\$'000	Elimination HK\$'000	Total HK\$'000
<b>Segment revenue</b>								
External customers	85,000	501	189,236	15,432	47,406	1,416	—	338,991
Inter-segments	6,000	—	8,982	1,532	—	979	(17,493)	—
	<u>91,000</u>	<u>501</u>	<u>198,218</u>	<u>16,964</u>	<u>47,406</u>	<u>2,395</u>	<u>(17,493)</u>	<u>338,991</u>
<b>Segment results</b>	29,412	6,644	176,699	7,261	(5,260)	(3,855)	—	210,901
Inter-segments	8,587	704	1,487	403	—	(11,181)	—	—
<b>Contribution from operations</b>	37,999	7,348	178,186	7,664	(5,260)	(15,036)	—	210,901
Loss on fair value adjustment on investment properties	—	—	(135)	—	—	—	—	(135)
Provision for impairment on properties held for development	—	(656)	—	—	—	—	—	(656)
Write-down of properties held for sales to net realisable value	(1,143)	—	—	—	—	—	—	(1,143)
Gain on disposal of investment properties	—	—	33,601	—	—	—	—	33,601
Provision for impairment of intangible assets	—	—	—	—	(6,717)	—	—	(6,717)
	<u>36,856</u>	<u>6,692</u>	<u>211,652</u>	<u>7,664</u>	<u>(11,977)</u>	<u>(15,036)</u>	<u>—</u>	<u>235,851</u>
Unallocated income and expenses								(19,628)
Profit from operations								216,223
Finance costs								(61,419)
Share of profits less losses of associates								13
Share of profits less losses of a jointly-controlled entity								(31)
Profit before income tax								154,786
Income tax credit								4,656
Profit for the year								<u>159,442</u>
Profit attributable to equity holders of the Company								162,471
Minority interests								(3,029)
Profit for the year								<u>159,442</u>
<b>Segment assets</b>	480,486	381,856	6,210,876	6,450	207,009	8,083	—	7,294,760
Interests in associates								113
Interests in a jointly-controlled entity								24,593
Total assets								<u>7,319,466</u>
<b>Segment liabilities</b>	197,552	2,978	60,033	11,715	16,350	3,574	—	292,202
Unallocated liabilities								3,154,243
Total liabilities								<u>3,446,445</u>

For the year ended 31 December 2007

	Property assembling business HK\$'000	Property development HK\$'000	Property leasing HK\$'000	Building management and other services HK\$'000	Urban infrastructure HK\$'000	Others HK\$'000	Elimination HK\$'000	Total HK\$'000
<b>Segment revenue</b>								
External customers	246,428	—	149,541	15,103	53,594	7	—	464,673
Inter-segments	—	—	5,284	240	—	—	(5,524)	—
	<u>246,428</u>	<u>—</u>	<u>154,825</u>	<u>15,343</u>	<u>53,594</u>	<u>7</u>	<u>(5,524)</u>	<u>464,673</u>
<b>Segment results</b>	93,500	(1,109)	141,554	7,081	5,533	(2,489)	—	244,070
Inter-segments	637	—	(2,064)	163	—	1,264	—	—
<b>Contribution from operations</b>	94,137	(1,109)	139,490	7,244	5,533	(1,225)	—	244,070
Gain on fair value adjustment on investment properties	9,100	—	1,083,720	—	—	—	—	1,092,820
Write-down of properties held for sale to net realisable value	(4,006)	—	—	—	—	—	—	(4,006)
Gain on disposal of investment properties	—	—	62,552	—	—	—	—	62,552
	<u>99,231</u>	<u>(1,109)</u>	<u>1,285,762</u>	<u>7,244</u>	<u>5,533</u>	<u>(1,225)</u>	<u>—</u>	<u>1,395,436</u>
Unallocated income and expenses								(36,437)
Loss on disposal of subsidiaries								(33)
Profit from operations								1,358,966
Finance costs								(88,820)
Share of profits less losses of associates								(11)
Share of profits less losses of a jointly-controlled entity								(27)
Profit before income tax								1,270,108
Income tax expense								(207,170)
Profit for the year								<u>1,062,938</u>
Profit attributable to equity holders of the Company								1,063,285
Minority interests								(347)
Profit for the year								<u>1,062,938</u>
<b>Segment assets</b>	809,499	59,793	5,358,123	3,955	142,570	3,091	—	6,377,031
Interests in associates								100
Interests in a jointly-controlled entity								23,909
Total assets								<u>6,401,040</u>
<b>Segment liabilities</b>	5,937	19	51,016	8,365	16,113	5,210	—	86,660
Unallocated liabilities								2,636,951
Total liabilities								<u>2,723,611</u>

(ii) *Secondary reporting format — geographical segments*

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

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Hong Kong	291,585	411,079
PRC	47,406	53,594
	<u>338,991</u>	<u>464,673</u>

**4. OTHER INCOME**

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Bank interest income	1,575	1,298
Miscellaneous income	1,886	2,859
Write-back of long outstanding payables	446	1,696
Write-back of overprovision for doubtful debts	78	—
	<u>3,985</u>	<u>5,853</u>

**5. FINANCE COSTS**

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Interest charges on:		
Bank loans		
— wholly repayable within five years	56,880	68,937
— not wholly repayable within five years	8,349	17,294
Other borrowings wholly repayable within five years	42	1,511
Convertible bond	318	1,078
	<u>65,589</u>	<u>88,820</u>
Total borrowing costs	65,589	88,820
Less: Interest capitalised in investment properties under construction	(4,170)	—
	<u>61,419</u>	<u>88,820</u>



## 6. PROFIT BEFORE INCOME TAX

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Profit before income tax is arrived at after charging:		
Amortisation of intangible assets*	897	801
Auditors' remuneration	1,677	1,657
Amortisation :		
— operating lease prepayment	14	14
— properties held for development	1,899	990
Depreciation	2,744	2,333
Cost of inventories recognised as expense	25,783	27,452
Cost of properties held for sale recognised as expense	36,940	136,657
Operating lease charges in respect of premises	2,380	2,362
Provision for obsolete inventories*	4,307	5,301
Provision for impairment of trade receivables*	4,464	144
Provision for impairment of other receivables*	1,077	—
Provision for impairment of amounts due from associates*	—	2,742
Provision for impairment of intangible assets	6,717	—
Provision for impairment of goodwill*	4,168	—
Bad debts written off*	30	7
Deposits for property acquisition written off*	1,416	543
Staff costs (including directors' remuneration and defined contribution cost)	37,517	42,704
and crediting:		
Gross rental income from investment properties	163,470	141,176
Less: Outgoings	<u>(4,000)</u>	<u>(2,874)</u>
	159,470	138,302
Other rental income less outgoings from other properties	<u>5,979</u>	<u>5,007</u>
	<u><b>165,449</b></u>	<u><b>143,309</b></u>

\* included in other operating expenses

^ included share option expenses of HK\$2,175,000 (2007: HK\$13,079,000)

## 7. INCOME TAX (CREDIT)/EXPENSE

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Hong Kong profits tax		
Tax for the year	23,567	12,073
Under/(Over) provision in prior years	67	(56)
	<u>23,634</u>	<u>12,017</u>
PRC tax		
Tax for the year	1,321	108
	<u>24,955</u>	<u>12,125</u>
Deferred tax liabilities		
Current year	9,782	195,045
Attributable to reduction in tax rate	(39,393)	—
	<u>(4,656)</u>	<u>207,170</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit arising in Hong Kong for the year. The Hong Kong SAR Government enacted a reduction in the Profits Tax rate from 17.5% to 16.5% with effect from the year of assessment 2008/2009. Accordingly, the relevant current and deferred tax liabilities have been calculated using the new tax rate of 16.5%.

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 ("tax holiday"). Certain subsidiaries were still under this tax holiday in current year.

Pursuant to the PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007, the new enterprise income tax rates for domestic and foreign enterprises are unified at 25%, effective from 1 January 2008. According to the implementation rules dated 26 December 2007 issued by State Council, the foreign enterprises are entitled to tax holidays under the old regime, if the enterprises obtained their business licenses before 16 March 2007. In this connection, the above mentioned tax holiday will continue applicable to the Group's mainland business.

## 8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on current year's profit attributable to equity holders of the Company of HK\$162,471,000 (2007: HK\$1,063,285,000) and the weighted average of 232,744,782 shares (2007: 223,426,475 shares) in issue during the year.

The calculation of diluted earnings per share is based on the weighted average of 239,084,030 shares (2007: 238,452,681 shares) in issue during the year, adjusted for the effect of all dilutive potential shares.

The weighted average number of shares used in the calculation of dilutive earnings per share is calculated based on the weighted average of 232,744,782 shares (2007: 223,426,475 shares) in issue during the year plus the weighted average of 6,339,248 shares (2007: 15,026,206 share) deemed to be issued at no consideration if all the dilutive potential shares have been issued.

## 9. TRADE AND OTHER RECEIVABLES

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Trade receivables, net	<b>63,073</b>	63,310
Other receivable, utility deposit and prepayment	<b>7,506</b>	14,820
	<b>70,579</b>	78,130

The credit terms of the Group's trade receivables range from 30 to 90 days. At 31 December 2008, the ageing analysis of the trade receivables was as follows:

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
0 — 30 days	<b>36,057</b>	36,324
31 — 90 days	<b>6,834</b>	6,356
91 — 180 days	<b>5,575</b>	5,834
Over 180 days	<b>14,607</b>	14,796
Total trade receivables	<b>63,073</b>	63,310

## 10. TRADE AND OTHER PAYABLES

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Trade payables	<b>21,410</b>	20,228
Receipt in advance	<b>7,085</b>	8,214
Rental and other deposits received	<b>54,968</b>	48,309
Deposits and part payments associated with disposal of properties held for sale	<b>196,709</b>	—
Accrued expenses and other payables	<b>12,030</b>	9,909
	<b>292,202</b>	86,660

The Group was granted by its supplier's credit periods from 30 to 60 days. At 31 December 2008, the ageing analysis of the trade payables was as follows:

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
0 — 30 days	<b>8,804</b>	10,935
31 — 90 days	<b>2,785</b>	1,182
Over 90 days	<b>9,821</b>	8,111
Total trade payables	<b>21,410</b>	20,228

## **REVIEW BY AUDIT COMMITTEE**

The consolidated results of the Group for the year ended 31 December 2008 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 2008 have been agreed by the Group's auditors, Grant Thornton and is in line with 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 HK0.07 (2007: HK\$0.07) per share for the year ended 31 December 2008, subject to the approval of the shareholders at the forthcoming annual general meeting. The final dividend will be payable on or about 6 July 2009 to shareholders whose names appear on the register of members on 8 June 2009.

## **CLOSURE OF REGISTER OF MEMBER**

The register of members of the Company will be closed from Monday, 1 June 2009 to Monday, 8 June 2009 (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, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Friday, 29 May 2009.

## **FINANCIAL REVIEW**

For the year ended 31 December 2008, the Group has achieved a profit attributable to equity holders of the Company of HK\$162,471,000 (2007: HK\$1,063,285,000), a decrease of 85% as compared with last year. The decrease was mainly due to a decrease of HK\$871,003,000 for net gain on fair value adjustment on investment properties (net of deferred tax) as compared with last year. Earnings per share was HK\$0.70 (2007: HK\$4.76), representing a decrease of 85% over last year.

If the net gain on fair value adjustment on investment properties (net of deferred tax) were to be excluded, the profit attributable to equity holders of the Company for the year would be HK\$131,545,000 (2007: HK\$161,708,000), representing a decrease of about 19% as compared with last year.

For the year ended 31 December 2008, the Group has recorded a turnover of HK\$338,991,000 (2007: HK\$464,673,000), representing a decrease of about 27% over last year. This was mainly due to a decrease of HK\$161,428,000 in the revenue from the property assembly business in Hong Kong. The Group's gross profit for the year amounted to HK\$266,891,000 (2007: HK\$288,673,000), representing a decrease of about 7.5% as compared with last year.

## **OPERATIONS REVIEW**

### **Property Assembling Business**

During the year, the Group aggressively developed its business in property assembling. The Group completed the disposal of 11-15A Lin Fa Kung Street East and the street-level shops at The Jolly House, 16 Lin Fa Kung Street West, Tai Hang in September last year, generating a net gain of approximately HK\$57,000,000 which was accounted for in the second half of the year. In February 2009, the Group also completed the transactions for properties on Jones Street and Warren Street in Tai Hang, and the related profits contribution will be booked into the accounts during the first half of 2009.

### **Property Leasing**

Located in the golden shopping and recreation section of Causeway Bay, Soundwill Plaza enjoys superior geographic advantages. During the year, the occupancy rate reached 99% and the rental income for the year increased by 18% as compared with last year to HK\$173,000,000. The Group also captured the opportunity to introduce internationally renowned brands, thereby upgrading the tenant portfolio, adding novel elements and expanding the customer base of Soundwill Plaza.

### **Property Development**

The Group successfully consolidated the ownership of the Hang Tang House redevelopment project at 7-19 Tang Lung Street, Causeway Bay during the first half of 2008. It is planned that the project will proceed along with the adjacent site for the construction of a new commercial building of Ginza style that will house a dining mall with international cuisines. It is also planned that trendy brands will be introduced into the shopping mall for additional attraction. The building will have a total floor area of approximately 113,700 square feet. The Group also plans to assemble and redevelop the 13-27 Warren Street project in Tai Hang into a new luxury residential building with a total floor area of approximately 81,000 square feet, which will provide a number of luxury units.

## **Business in Mainland China**

During the year under review, the Group's business in Mainland China recorded steady performance, with the urban infrastructure development business expanding into a number of cities in Mainland. In 2009, the Group also plans to cooperate with a real estate development company in Zhuhai for the joint development of a new luxury residential project in Doumen.

## **Property Management, E & M and Building Maintenance**

The Group has four property management and maintenance entities. These entities are engaged in property management and facility maintenance service for large-scale commercial buildings, small and medium-sized residential properties, estates and shopping malls, enhancing the market values of the properties with its superb property management and maintenance service. Revenue from these four entities during the year amounted to HK\$15,432,000, representing an increase of 2% as compared to that of the previous year.

## **Corporate Citizen**

During the year, in addition to its efforts in increasing the profitability and return to shareholders, the Group is also dedicated to contributing to society. The Group has helped in various charity activities, including assisting Senior Citizen Home Safety in holding a charity sale. The Group has participated in the charity fundraising of Yan Oi Tong “商界翹楚顯仁愛” and came up as the second runner-up in the fundraising competition. Upholding the principle of helping the poor and serving the community, the Group was awarded the accreditation of “Caring Company” 2008/09 for the second consecutive year, further enhancing the public image of the Group.

## **PROSPECTS**

Despite that the Hong Kong economy showed signs of recession in 2008 under the influence of the global financial tsunami, the local economic fundamentals remained sound. The promulgation of Plan Outline of Reformation and Development of the Pearl River Delta Region (《珠江三角地區改革發展規劃綱要》), an effort to promote the economic, cultural and transportation cooperation amongst Guangdong, Hong Kong and Macau, is anticipated to favour the prosperity of the three places. Although the market will continue to fluctuate in the near future, causing pressure on the rental or price levels of the Group's properties, the promulgation of favourable policies is expected to stabilize the economy in the second half of 2009 with steady activities in terms of real estate transactions.

On the other hand, the Hong Kong economy benefited from the flamboyant financial market at the beginning of last year, which in turn fueled the strong growth in the retail industry. During the year, Soundwill Plaza, flagship property of the Group, recorded satisfactory rental incomes and contributed a stable income to the Group. However, as the economy headed downwards in the third quarter, retailers experienced a comparatively difficult operating environment against weak consumer sentiments, it is anticipated that the rental increment for commercial buildings may be weakened in general. However, the Group will further stabilize its property rental income through restructuring

the tenant portfolio of Soundwill Plaza, attracting more world-renowned international brands to enhance the image and development advantages of the property. In 2009, approximately 40% of the leases will expire and it is anticipated that the rental return will remain at existing level upon lease renewal.

In the long run, the Group is optimistic for the development of the property assembling business. It is expected that the Group will complete the acquisition of individual redevelopment site in 2009, and proceed to self-redevelopment or re-sale of the projects so acquired. In the meantime, capitalizing on the investment opportunities brought by the deflating property prices, the Group will build up its land reserve at a lower cost in order to consolidate its portfolio of investment properties and enhance the profit contributions to the Group.

Looking forward, the Group holds an optimistic view for the long-term economic growth in both Hong Kong and the PRC. It is anticipated that the market in the mainland will continue to present more business opportunities to the Group as the PRC government actively stimulates the domestic demand market. In spite of many rigorous challenges forthcoming in 2009, we believe that our solid foundation established through the years will synergize with our cautious investment strategies and diversification efforts, propelling steady growth of the Group's business under a recessive global economy.

## **FINANCIAL RESOURCES AND LIQUIDITY**

As at 31 December 2008, the Group's bank and other borrowings and convertible bond amounted to HK\$2,420,391,000 (2007: HK\$1,890,639,000). Cash and bank balances amounted to HK\$328,922,000 (2007: HK\$81,220,000) and net borrowings amounted to HK\$2,091,469,000 (2007: HK\$1,809,419,000).

The Group's gearing ratio (which was expressed as a percentage of bank and other borrowings over the shareholders' funds) has been increased from 51% in 2007 to 62% in 2008.

Although there was an increase in bank loans which were raised for property acquisitions during the year, the interest expenses for the year has been decreased from HK\$88,820,000 in 2007 to HK\$61,419,000 in 2008. This was mainly due to a lower interest rate environment during the year. The average cost of borrowings over the year was 2.85% (2007: 5.43%) which was expressed as a percentage of total interest expenses over the average total borrowings.

The Group's exposure to foreign currency risk mainly arises from the exchange rate movement between Hong Kong Dollar and Renminbi in relation to its PRC operations. The continuous appreciation of Renminbi had a positive effect to the Group's results. Save for the aforesaid, the Group has no significant exposure to foreign exchange fluctuation.



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 2008, all the Group's borrowings were on a floating rates basis.

As at 31 December 2008, the Group's total net assets amounted to approximately HK\$3,873,021,000 (2007: HK\$3,677,429,000), an increase of HK\$195,592,000 or 5.3% when compared with last year. With the total number of ordinary shares in issue of 239,184,135 (2007: 223,827,816) as at 31 December 2008, the net asset value per share was HK\$16.19 (2007: HK\$16.43).

## **DETAILS OF MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES**

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

## **CONTINGENT LIABILITIES**

The Group did not have any material contingent liabilities as at 31 December 2008.

## **POST BALANCE SHEET EVENT**

On 27 February 2009, Morich Properties Limited, wholly owned subsidiary of the Company has completed disposal of its properties at Nos. 1-11 Jones Street and Nos. 3-11 Warren Street at a total consideration of HK\$423,000,000. The Group recorded a net gain of approximately HK\$137,278,000 from the disposal. Upon completion, after repayment of HK\$160,000,000 for the mortgages on the properties, the Group retains cash of approximately HK\$252,000,000.

## **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.

## **CORPORATE GOVERNANCE**

In the opinion of the Directors, the Company was in compliance with the Code on Corporate Governance Practices 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 except that:

### **(1) Code Provision A.2.1**

Code Provision A.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.



The roles of the chairman and chief executive officer are not separated and performed by two different individuals. Madam Foo Kam Chu, Grace is the founder and the Chairman of the Group. She is responsible for the Group's overall development direction and strategies. The Chairman ensures the Board functions effectively and discharges its responsibilities. There is no chief executive officer appointed and the daily operations of the Groups are delegated to other executive directors, the management and various department heads.

**(2) Code Provision A.4.1**

Code Provision A.4.1 provides that non-executive directors should be appointed for a specific term. The non-executive directors are not appointed for a specific term as they are subject to retirement by rotation and re-election at annual general meetings in accordance with the Company's Bye-Laws.

**APPRECIATION**

As a final note, I wish to take this opportunity to thank 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 2009

*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: Liang Yanfeng, Meng Qinghui; and (iii) Independent Non-Executive Directors: Chan Kai Nang, Kwan Kai Cheong and Ho Suk Yin.*