



# SOUNDWILL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 June 2002

### RESULTS

The Board of directors of Soundwill Holdings Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2002 which have been reviewed and approved by the Audit Committee of the Company, with comparative figures for the corresponding period in 2001 as follows:

	<b>30 June 2002</b> <i>(Unaudited)</i> <b>HK\$'000</b>	30 June 2001 <i>(Unaudited)</i> <b>HK\$'000</b>
Turnover ( <i>note 2</i> )	<b>67,337</b>	43,922
Cost of sales	<u><b>(17,307)</b></u>	<u>(9,625)</u>
Gross profit	<b>50,030</b>	34,297
Other revenue	<b>6,990</b>	8,010
Other net income	<b>723</b>	1,263
Administrative expenses	<b>(24,938)</b>	(16,281)
Other operating expenses ( <i>note 2</i> )	<u><b>(84,159)</b></u>	<u>(8,527)</u>
Operating (loss)/profit	<b>(51,354)</b>	18,762
Finance costs	<b>(48,663)</b>	(73,404)
Gain on deemed disposal of interest in a subsidiary	<u><b>4,712</b></u>	<u>—</u>
Loss from ordinary activities	<b>(95,305)</b>	(54,642)
Share of profits less losses of associates	<u><b>(15)</b></u>	<u>—</u>
Loss from ordinary activities before taxation	<b>(95,320)</b>	(54,642)
Taxation ( <i>note 3</i> )	<u><b>(105)</b></u>	<u>—</u>
Loss from ordinary activities after taxation	<b>(95,425)</b>	(54,642)
Minority interests	<u><b>323</b></u>	<u>912</u>
Net loss for the period	<u><u><b>(95,102)</b></u></u>	<u><u>(53,730)</u></u>
Loss per share ( <i>note 4</i> )		
— basic	<u><u><b>3.05 cents</b></u></u>	<u><u>1.72 cents</u></u>
— diluted	<u><u><b>N/A</b></u></u>	<u><u>N/A</u></u>

## 1 BASIS OF PREPARATION

The Interim Financial Report has been prepared in accordance with the Statement of Standard Accounting Practice 25 “Interim Financial Reporting” (“SSAP 25”) issued by the Hong Kong Society of Accountants and with the Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies, methods of computation and basis of preparation used in the preparation of these Interim Financial Statements are consistent with those used in Group’s Annual Financial Statements for the year ended 31 December 2001, except the adoption of the following Statements of Standard Accounting Practice (“SSAP”) issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January 2002.

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 25 (revised)	:	Interim financial reporting
SSAP 33	:	Discontinuing operations
SSAP 34	:	Employee benefits

The adoption of the above standards does not have material impact on amounts reported in prior period and certain comparative figures for prior period have been restated to reflect new disclosure requirements.

## 2. SEGMENTAL INFORMATION

	Six months ended 30 June					
	2002			2001		
	External customers <i>(Unaudited)</i> <i>HK\$'000</i>	Inter- segment <i>(Unaudited)</i> <i>HK\$'000</i>	Total <i>(Unaudited)</i> <i>HK\$'000</i>	External customers <i>(Unaudited)</i> <i>HK\$'000</i>	Inter-segment <i>(Unaudited)</i> <i>HK\$'000</i>	Total <i>(Unaudited)</i> <i>HK\$'000</i>
<b>Segment revenue</b>						
Property development	—	—	—	9,534	—	9,534
Property leasing	44,313	1,803	46,116	31,294	3,457	34,751
Telecommunications	—	—	—	—	—	—
Building management services	21,866	—	21,866	1,845	—	1,845
Others	1,158	577	1,735	1,249	—	1,249
Elimination	—	(2,380)	(2,380)	—	(3,457)	(3,457)
	<u>67,337</u>	<u>—</u>	<u>67,337</u>	<u>43,922</u>	<u>—</u>	<u>43,922</u>

	Segment result		Contribution from operation	
	Six months ended 30 June		Six months ended 30 June	
	2002 <i>(Unaudited)</i> <i>HK\$'000</i>	2001 <i>(Unaudited)</i> <i>HK\$'000</i>	2002 <i>(Unaudited)</i> <i>HK\$'000</i>	2001 <i>(Unaudited)</i> <i>HK\$'000</i>
Property development	—	(276)	—	(607)
Property leasing	49,610	37,274	48,384	37,165
Telecommunications	(87,140)	(12,365)	(87,140)	(12,358)
Building management services	4,233	2,007	4,233	2,007
Others	(18,525)	(3,068)	(17,600)	(8,229)
Unallocation	—	—	769	784
	<u>(51,822)</u>	<u>23,572</u>	<u>(51,354)</u>	<u>18,762</u>

The telecommunications segment is based in the People's Republic of China, other segment are derived from and located in Hong Kong.

(a) *Loss from ordinary activities*

	<b>Six months ended 30 June</b>	
	<b>2002</b>	<b>2001</b>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Cost of properties sold (other than leasehold land and buildings)	—	9,625
Depreciation	<b>886</b>	1,221
Loss on disposal of properties	—	91
Amortisation of goodwill	<b>4,159</b>	<b>7,461</b>

(b) *Other operating expenses*

	<b>Six months ended 30 June</b>	
	<b>2002</b>	<b>2001</b>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Amortisation of goodwill	<b>4,159</b>	7,461
Impairment loss on goodwill	<b>80,000</b>	—
Debt restructuring expenses	—	1,066
	<b>84,159</b>	<b>8,527</b>

### 3. Taxation

	<b>Six months ended 30 June</b>	
	<b>2002</b>	<b>2001</b>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong taxation	<b>105</b>	—

Hong Kong profit tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profit arising in Hong Kong for the period.

### 4. Loss per share

The calculation of basic loss per share is based on current periods loss of HK\$95,102,000 (30 June 2001: loss of HK\$53,730,000) and on weighted average number of 3,116,402,151 shares (30 June 2001: 3,116,402,151 shares) in issue during the period.

No diluted loss per share has been presented for the two periods ended 30 June 2002 and 2001 because the conversion/exercise of the outstanding potential ordinary shares would have been anti-dilutive for the periods.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

Although Hong Kong's economy is unstable for a variety of external factors, there is a great demand for quality commercial properties from both buyers and tenants.

Situated at the heart of Causeway Bay, the Group's flagship property, Soundwill Plaza, enjoys an excellent geographical location. With its outstanding architectural design and quality property management, Soundwill Plaza has attracted a substantial number of large corporate tenants, including Marie France Bodyline, Angel Face Beauty Creations, Pure Yoga and Sa Sa Beauty+, etc., making it one of the largest beauty and slimming service complexes in Hong Kong. With around 90 percent occupancy and high rental rates compared with average rental rates in the vicinity, the Group will continue to enjoy sustainable and stable rental income from Soundwill Plaza.

In addition to the sale of the office portion of No. 8 Russell Street last year, the Group also sold the building's retail portion early this year. Not only has this move reduced bank borrowings and interest expenses, but also improved the Group's overall credit base.

The Group's refinancing arrangement with the banks has been confirmed in principle, under which, interest expenses will be reduced substantially, further reinforcing the Group's financial strength.

The Group is dedicated to exploring potential properties for development. It has been closely monitoring the local property market with the intention of, where appropriate, developing properties or related projects. At the same time, the Group is expanding its property management business in the hope of generating revenue from new sources and consolidating its profit contribution.

During the period, the Group together with other parties has signed a conditional memorandum of understanding with Fujian Group Ltd. ("Fujian") for the acquisition of the latter. If this acquisition materializes, the Group will inject a PRC-based telecommunications project into Fujian to take control of the latter. These two listed companies will focus on property development and other projects respectively, hence expanding the Group's corporate footprint.

The Group has seen a significant improvement in its development and financial situation. Under such circumstances, the Management is optimistic of strengthening the Group's operations and further exploring business opportunities by taking advantage of the existing value-added and prudent commercial principles. Looking ahead, the Group will continue to achieve its target of 'low cost and high returns', and diversify its property business for the long-term benefits of shareholders.

## **INTERIM DIVIDEND**

The directors do not recommend the payment of interim dividend for the six months ended 30 June 2002 (2001: Nil).

## CAPITAL STRUCTURE

	<b>Six months ended 30 June 2002 (Unaudited) HK\$'000</b>	Year ended 31 December 2001 (Audited) HK\$'000
Shareholder's fund	<b>437,060</b>	532,162
Total debts	<b>1,408,349</b>	1,657,137
Total borrowing costs	<b>48,663</b>	170,117
Gearing ratio (included all borrowings)	<b>322%</b>	311%
Average cost of borrowing	<b>6.9%</b>	11.4%

The Group's monetary assets, loans and transactions are principally denominated in Hong Kong dollars and Renminbi. As there is no significant fluctuation in exchange rate between the Hong Kong dollars and Renminbi, the Group believes its exposure to exchange rate risk is not material.

During the period, the Group did not engage in any derivative activities and did not commit to any financial instruments to hedge its balance sheet exposures.

Funding and treasury policies of existing subsidiaries in the Group are centrally managed and controlled by the top management in Hong Kong.

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

## LIQUIDITY AND FINANCIAL RESOURCES

Net cash outflow from operating activities for the six months ended 30 June 2002 is approximately HK\$13,011,000 (net cash inflow for 30 June 2001: approximately HK\$21,450,000).

The Group continues to be in a stable financial position with cash and bank balances of approximately HK6,940,000 as at 30 June 2002. As at 30 June 2002, the Group's current ratio, as a ratio of current assets to current liabilities, was 1.60 (31 December 2001: 1.17) and the Group's gearing ratio, as a ratio of total debts to shareholder's fund, was 322% (31 December 2001: 311%).

## DEEMED DISPOSAL OF INTEREST IN A SUBSIDIARY

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

## SIGNIFICANT INVESTMENTS HELD

Save as the deemed disposal of interest in a subsidiary mentioned above, there is no material change in the significant investments held by the Group during the six months ended 30 June 2002.

## **EMPLOYEES**

There is no material changes regarding the number and remuneration of the employees of the Group since the publication of the Company's 2001 Annual Report.

## **CHARGES ON GROUP ASSETS**

As at 30 June 2002, properties of the Group with an aggregate net book value of approximately HK\$1,703,710,000 (31 December 2001: approximately HK\$2,002,792,000) were charged to bank creditors to secure banking facilities for the Group.

## **CONTINGENT LIABILITIES**

- (a) In the property related proceedings relating to the purchase of certain properties in Tuen Mun, judgment in favour of the subsidiary of the Company as plaintiff has been granted by the Court whereby the deposit of HK\$33,000,000.00 originally paid by this subsidiary has been refunded before the date of this announcement. By another court order, the proceedings for appeal by the defendants was dismissed.
- (b) Another property related proceedings relating to the purchase of certain properties in Yuen Long involving the deposit of HK\$65,000,000.00 paid by another subsidiary of the Company is still under progress. According to the legal advice taken by the Company, the shareholders of such subsidiary would not in any event, incur any further liability other than the said deposit of HK\$65,000,000.00 and/or costs.
- (c) At the balance sheet date, the Company had contingent liabilities not provided for in the financial statements in respect of guarantee for banking facilities utilised by subsidiaries amounting to HK\$1,067,911,000 (31 December 2001: HK\$1,325,124,000).
- (d) Save and except the aforesaid there is no material changes since the publication of the Company's 2001 Annual Report.

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

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

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

The information required by paragraphs 46(1) to 46(6) inclusive of Appendix 16 to the Listing Rules 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 during the period.

By order of the Board  
**Foo Kam Chu, Grace**  
*Chairman*

Hong Kong, 6 September 2002

*Please also refer to the published version of this announcement in the (**China Daily**)*