SOUNDWILL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 878)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2005

RESULTS

The Board of directors (the "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 2005 which have been reviewed and approved by the Audit Committee of the Company, with comparative figures for the corresponding period in 2004 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
		2005	2004
		(Unaudited)	*(Restated)*
	Note	***HK$'000***	*HK$'000*
Revenue	5	**74,425**	63,214
Cost of sales		**(9,191)**	(4,922)
Gross profit		**65,234**	58,292
Other income	6	**1,735**	1,788
Administrative expenses		**(23,738)**	(17,973)
Other operating expenses		**(2,451)**	(270)
Changes in fair value of investment properties		**200,360**	—
Profit from operations	7	**241,140**	41,837
Finance costs	8	**(17,966)**	(19,607)
Share of profits less losses of associates		**(61)**	(19)
Profit before taxation		**223,113**	22,211
Taxation	9	**(40,256)**	(6,407)
Profit for the period		**182,857**	15,804
Attributable to:			
Equity holders of the Company		**183,065**	15,832
Minority interests		**(208)**	(28)
Profit for the period		**182,857**	15,804
Earnings per share for profit attributable to the equity holders of the Company			
— basic	10	**HK$1.21**	HK$0.15
— diluted	10	**HK$0.99**	HK$0.15

CONDENSED CONSOLIDATED BALANCE SHEET

	30 June 2005 (Unaudited) HK$'000	31 December 2004 (Restated) HK$'000
ASSETS		
Non-current assets		
Investment properties	**3,242,707**	3,011,636
Property, plant and equipment	**23,727**	22,346
Prepaid leasehold land	**43,812**	41,584
Interests in associates	**2,844**	2,910
Available-for-sale financial assets	**11**	11
Intangible assets	**4,092**	3,643
Goodwill	**1,314**	1,314
	3,318,507	3,083,444
Current assets		
Inventories	**33,322**	28,076
Debtors, prepayments and deposits	**42,661**	39,011
Instalments receivable	**—**	66
Cash and cash equivalents	**35,799**	46,724
	111,782	113,877
Current liabilities		
Creditors, accruals and deposits received	**90,833**	80,672
Borrowings — current portion	**76,805**	100,124
Taxation	**4,246**	3,142
	171,884	183,938
Net current liabilities	**(60,102)**	(70,061)
Total assets less current liabilities	**3,258,405**	3,013,383
Non-current liabilities		
Borrowings	**1,049,189**	1,051,252
Deferred tax	**400,736**	361,422
Convertible bonds	**93,081**	147,961
	1,543,006	1,560,635
NET ASSETS	**1,715,399**	1,452,748
EQUITY		
Share capital	**16,495**	12,116
Reserves	**1,687,832**	1,429,952
Total equity attributable to the Company's equity holders	**1,704,327**	1,442,068
Minority interests	**11,072**	10,680
TOTAL EQUITY	**1,715,399**	1,452,748

Notes:

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and methods of computation used in the preparation of these condensed 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 ("new HKFRS") which are effective for accounting period commencing on or after 1 January 2005.

These interim financial statements have been prepared in accordance with those HKFRS issued and effective as at the time of preparing these information. The new HKFRS that will be applicable at 31 December 2005, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these interim financial statements.

The changes to the Group's accounting policies and the effect of adopting these new policies are set out below:

Presentational changes

The adoption of HKAS 1 "Presentation of Financial Statements" has affected the presentation of minority interests and share of after-tax results of associates. In the consolidated balance sheet, minority interests are now shown within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit for the period.

Share-based Payments

The adoption of HKFRS 2 "Share-based Payment" 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, the Group did not recognize the financial effect of these share options until they were exercised. According to the transitional provision of HKFRS 2, the share options granted after 7 November 2002 that had not yet vested at the first application of this standard are required to be recognised retrospectively in the Group's financial statements.

Investment Properties

In the current period, the Group has, for the first time, applied HKAS 40 "Investment Property". 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 period in which they arise. In previous periods, 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 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 in HKAS 40 as a result of which, the amount held in investment property revaluation reserve at 1 January 2005 has been transferred to the Group's accumulated losses.

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 periods, property with 15% or less by area of value that was occupied by the Company or another company in the Group would normally be 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 portion of the properties could be sold separately (or leased out separately under a finance lease), an entity accounts for the portion separately. If the portion 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 period, 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. Any difference resulting between the carrying amount and the fair value of these properties is recognised in equity as a revaluation of property, plant and equipment under HKAS 16.

Deferred taxes related to investment properties

In previous periods, 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). In the current period, the Group has applied HKAS-Interpretation 21 ("INT-21") "Income Taxes — Recovery of Revalued Non-Depreciable Assets" which removes the presumption that the carrying amount of investment properties are to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in INT-21, this change in accounting policy has been applied retrospectively. Comparative figures for 2004 have been restated.

Owner-occupied leasehold interest in land

Upon 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 prepaid leasehold land, 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. Prepaid leasehold land for land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight line basis over lease term.

Convertible Bonds

The adoption of HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement" has resulted in a change in the accounting policy for recognition, measurement, derecognition and disclosure of convertible bonds.

Under HKAS 32, convertible bonds issued are split into their liability and equity components at initial recognition by recognizing the liability component at its fair value which is determined using a market interest rate for equivalent non-convertible bonds and attributing to the equity component the difference between the proceeds from the issue and the fair value of the liability component. The liability component is subsequently carried at amortised cost. The equity component is recognized in the capital reserve until the bond is either converted (in which case it is transferred to share premium) or the bond is redeemed (in which case it is released directly to retained profits). In prior year, convertible bonds were stated at face value. Retrospective application is required on adoption of HKAS 32.

Under HKAS 39, equity investments held on a continuing basis for an identifiable long-term purpose are classified as available-for-sale financial assets and are carried at fair value, with changes in fair values recognised in the equity. Prospective application is required on adoption of HKAS 39. Comparative amounts have not been restated.

Goodwill and Intangible Assets

The adoption of HKFRS 3 "Business Combinations", HKAS 36 "Impairment of Assets" and HKAS 38 "Intangible Assets" results in changes in the accounting policy for goodwill and prospective application is required. 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 were 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 and, from the year ending 31 December 2005 onwards, goodwill will be tested annually for impairment. This results in a decrease of amortisation of goodwill of approximately HK$37,000 as compared to last period.

The Group has reassessed the useful lives of its intangible assets in accordance with the provision of HKAS 38. No adjustment resulted from this reassessment.

The Group has not early applied the following new Standards or Interpretation that has been issued but are not yet effective. The Directors of the Company anticipate that the application of these Standards or Interpretation will have no material impact on the financial statements of the Group:

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKFRS-Interpretation 4	Determining whether an Arrangement Contains a Lease

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities include those related to investment properties, impairment of assets and income taxes.

4. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of changes in accounting policies described in Note 2 above on the condensed consolidated income statements for the current and prior periods are as follows:

	Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
Gain arising from fair value changes in investment properties	**200,360**	—
Increase in deferred tax liabilities arising from changes in fair value of investment properties	**(35,063)**	—
Expenses in relation to share options granted to the directors and employees	**(17)**	—
Increase in amortisation arising from prepaid leasehold land	**(7)**	(7)
Increase in depreciation arising from owner-occupied properties	**(239)**	(209)
Increase in finance costs of convertible bonds	**98**	—
Increase/(Decrease) in net profit for the period	**165,132**	(216)

The effect of changes in the accounting policies described in Note 2 above on the condensed consolidated balance sheet as at 31 December 2004 and 1 January 2005 are as follows:

	As at 31.12.2004 *(originally stated)*	Adjustments	As at 31.12.2004 *(restated)*	Adjustments	**As at 01.01.2005** ***(restated)***
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Investment properties	3,057,336	(45,700)	3,011,636	—	**3,011,636**
Property, plant and equipment	3,866	18,480	22,346	—	**22,346**
Prepaid leasehold land	—	41,584	41,584	—	**41,584**
Debtors, prepayments and deposits	39,011	—	39,011	—	**39,011**
Other assets	112,749	(30,005)	82,744	—	**82,744**
Current liabilities	(183,938)	—	(183,938)	—	**(183,938)**
Deferred tax	(13,000)	(348,422)	(361,422)	—	**(361,422)**
Borrowings	(1,051,252)	—	(1,051,252)	—	**(1,051,252)**
Convertible bonds	(148,499)	538	(147,961)	—	**(147,961)**
Net assets	**1,816,273**	**(363,525)**	**1,452,748**	**—**	**1,452,748**
Share capital	12,116	—	12,116	—	**12,116**
Share premium	84,680	—	84,680	—	**84,680**
Investment property revaluation reserve	2,003,957	(372,160)	1,631,797	(1,631,797)	**—**
Asset revaluation reserve	—	11,725	11,725	—	**11,725**
Other equity reserve	—	590	590	—	**590**
Employee share-based compensation reserve	—	517	517	—	**517**
(Accumulated losses)/ Retained earnings	(300,668)	(4,197)	(304,865)	1,631,797	**1,326,932**
Exchange reserve	(462)	—	(462)	—	**(462)**
Special reserve	5,970	—	5,970	—	**5,970**
Minority interests	10,680	—	10,680	—	**10,680**
Total equity	**1,816,273**	**(363,525)**	**1,452,748**	**—**	**1,452,748**

5. SEGMENTAL 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 organized and managed separately.

Business segments

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

The following table represents revenue and results information for the six months ended 30 June 2005 for the Group's business segments:

	Six months ended 30 June 2005						
	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*
Segment revenue							
External customers	**—**	**52,022**	**6,274**	**15,706**	**423**	**—**	**74,425**
Inter-segments	**—**	**1,889**	**—**	**—**	**—**	**(1,889)**	**—**
	—	**53,911**	**6,274**	**15,706**	**423**	**(1,889)**	**74,425**
Segment results	**(302)**	**48,296**	**3,873**	**(4,326)**	**2,059**	**—**	**49,600**
Inter-segments	**—**	**3,863**	**—**	**—**	**(1,617)**	**(2,246)**	**—**
Contribution from operations	**(302)**	**52,159**	**3,873**	**(4,326)**	**442**	**(2,246)**	**49,600**
Unallocated income and expenses							**(8,820)**
Changes in fair value of investment properties							**200,360**
Profit from operations							**241,140**
Finance costs							**(17,966)**
Operating profits							**223,174**
Share of profits less losses of associates							**(61)**
Taxation							**(40,256)**
Profit for the period							**182,857**

	Six months ended 30 June 2004 (Restated)						
	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*
Segment revenue							
External customers	—	50,047	4,516	8,419	232	—	63,214
Inter-segments	—	1,673	—	—	—	(1,673)	—
	—	51,720	4,516	8,419	232	(1,673)	63,214
Segment results	—	48,783	2,872	(2,577)	(2,432)	—	46,646
Inter-segments	—	2,057	551	—	—	(2,608)	—
Contribution from operations	—	50,840	3,423	(2,577)	(2,432)	(2,608)	46,646
Unallocated income and expenses							(4,809)
Profit from operations							41,837
Finance costs							(19,607)
Share of profits less losses of associates							(19)
Taxation							(6,407)
Profit for the period							15,804

Geographical segments

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

	Six months ended 30 June	
	2005	2004
	(Unaudited)	*(Unaudited)*
	HK$'000	*HK$'000*
Hong Kong	**58,719**	54,795
Other parts of the People's Republic of China ("PRC")	**15,706**	8,419
	74,425	63,214

6. OTHER INCOME

	Six months ended 30 June	
	2005	2004
	(Unaudited)	*(Unaudited)*
	HK$'000	*HK$'000*
Commission income	**—**	218
Interest income	**60**	28
Miscellaneous income	**1,675**	1,542
	1,735	1,788

7. PROFIT FROM OPERATIONS

Profit from operations is arrived at after charging:

	Six months ended 30 June	
	2005	2004
	(Unaudited)	*(Restated)*
	HK$'000	*HK$'000*
Depreciation	**685**	615
Staff cost (including directors' remuneration)	**8,614**	7,630
Amortisation of goodwill	**—**	37
Amortisation of prepaid leasehold land	**7**	7
Amortisation of intangible assets	**171**	100
Loss on disposal of property, plant and equipment	**196**	—
Cost of inventories recognised as expenses	**9,085**	4,378
Provision for doubtful debts	**2,141**	—
Operating lease charges	**1,052**	686

8. FINANCE COSTS

	Six months ended 30 June	
	2005	2004
	(Unaudited)	*(Unaudited)*
	HK$'000	*HK$'000*
Interest charges on:		
Bank loans	**14,855**	10,193
Other borrowings		
— wholly repayable within five years	**577**	9,160
— not wholly repayable within five years	**1,168**	240
Convertible bonds	**1,363**	—
Finance charges on finance leases	**3**	14
	17,966	19,607

9. TAXATION

	Six months ended 30 June	
	2005	2004
	(Unaudited)	*(Unaudited)*
	HK$'000	*HK$'000*
The charge comprises:		
Hong Kong profits tax		
— Current year	**1,208**	7
Deferred taxation		
— Changes in fair value of investment properties	**35,063**	—
— Other temporary differences	**3,985**	6,400
	40,256	6,407

Hong Kong profits tax is provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit arising or derived from Hong Kong.

The Group's subsidiaries established and operating in the PRC are exempted 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. For the six months ended 30 June 2005, no provision for PRC enterprise income tax has been made as the Group's PRC subsidiaries were still within the tax exemption period.

Following the adoption of INT-21, deferred tax has been provided on the fair value changes of the investment property portfolio at the current profits tax rate. Deferred tax on other temporary differences has been provided for at 17.5% that is expected to apply in the period when the liability is settled or the asset is realised.

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the unaudited consolidated profit attributable to equity holders of the Company of HK$183,065,000 (30 June 2004: HK$15,832,000 (restated)) and the weighted average of 151,479,017 shares (30 June 2004: 106,005,071 shares) in issue during the six months ended 30 June 2005.

The calculation of diluted earnings per share is based on the adjusted net profit attributable to equity holders of the Company of HK$184,094,000 (30 June 2004: HK$15,832,000 (restated)) and the weighted average of 186,867,570 shares (30 June 2004: 106,005,071 shares) in issue during the period adjusted for the effect of all dilutive shares.

The adjusted net profit attributable to equity holders of the Company is calculated on the net profit for the period of HK$183,065,000 plus the reduction in interest payable of HK$1,029,000 as a result of the deemed conversion of convertible bonds.

The weighted average number of shares used in calculation of diluted earnings per share is calculated based on the weighted average of 151,479,017 shares in issue during the period plus the weighted average of 35,388,553 shares deemed to be issued at no consideration as if all the dilutive potential shares been issued.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Underpinned by the Individual Visit Scheme, the Disneyland notion and the Closer Economic Partnership Arrangement (CEPA), Hong Kong continued to benefit from steady economic growth in the first half of 2005. As the retail and property markets remained buoyant, the property leasing market performed strongly while rental rates of shops and retail commercial buildings in prime tourist locations rose sharply. The traffic flow and occupancy of Soundwill Plaza, the Group's flagship property, remained robust benefiting from the healthy economy and its occupancy rate remains one of the highest amongst Grade A commercial buildings in Causeway Bay. The Group saw a healthy financial position with solid performance in property leasing during the period under review.

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 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 that target customers who pursue relaxation in mind and body.

Soundwill Plaza, which is held for rental purpose, recorded a steady occupancy rate of near 100% during the period. Driven by the continued improvement in market conditions, rental rates at Soundwill Plaza recorded an increment of about 10% as compared with the same period last year, generating stable and respectable rental income for the Group.

In addition, the Group adopted a proactive strategy to assist tenants in launching promotional campaigns including joint promotional activities with tenants, renowned retailers, F & B outlets, media, newspapers, magazines and travel publications, which all contributed towards increasing the exposure of Soundwill

Plaza while raising the tenants' competitive edge. Furthermore, the Group maintained close association 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.

Property Development

The Group has commenced development of low-density residential projects located in Yuen Long and Sai Kung in the New Territories. The projects, occupying a total site area of approximately 300,000 square feet and a gross floor area of approximately 200,000 square feet, have commenced construction and are scheduled for completion in phases from 2006.

Urban Redevelopment

Leveraging on its substantial experience in urban redevelopment accumulated over the years, the Group will continue to focus on urban redevelopment. In view of the inadequate land supply in Hong Kong, the Group is actively and prudently selecting suitable sites for redevelopment and will participate in suitable Urban Redevelopment Authority projects with a view to build on the core assets of the Group as well as contribute towards an improved environment and living conditions for people in the old districts.

Property Management, E&M and Building Maintenance

The Group's two property management companies, Goldwell Property Management Limited ("Goldwell") and Strong Well Property Management Limited ("Strong Well"), specialize in providing property and facility management services, the former for large-scale commercial buildings, residential properties and shopping malls while the latter for 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 2,000,000 square feet, with around 1,500 residents and tenants. The Group's subsidiary, Goldprofit (Consultants) Services Company Limited ("Goldprofit"), specializes in maintenance and repair of engineering and electrical systems. Goldprofit has conducted sizeable maintenance and renovation works for over 20 buildings of different types. During the first half of 2005, Goldwell, Strong Well and Goldprofit recorded an aggregate revenue of approximately HK$6,300,000, representing a 39% increase compared with the same period last year.

Goldwell is committed to provide customers with unparalleled property management service, 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. In August 2005, Goldwell has been accredited with the ISO14001:2004 Environmental Management System certification and OHSAS18001:1999 Occupational Health and Safety Management System certification — collectively known as Integrated Management System (IMS) certification. The various international qualifications obtained by Goldwell are attributable to the company's quality management services and the expertise of its professional staff.

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 the first half of 2005, the Group achieved a healthy financial position, posting a turnover of approximately HK$74,425,000, an increase of about 18% as compared with the same period in 2004. For the six months ended 30 June 2005, the Group recorded a profit attributable to equity holders of the Company of approximately HK$183,065,000, representing a sharp increase of approximately 11 times as compared with the same period last year. Earnings per share reached HK$1.21, representing a significant increase of 7 times over the same period last year. The drastic increase in profit was due to adoption of new accounting standard resulting in the recognition of gain arising from fair value change of investment properties in the consolidated income statement. Should the Group's revaluation gain on its investment properties of about HK$200,360,000 and provision for related deferred tax of approximately HK$35,063,000 be excluded, the Group also recorded positive results with underlying net profit of approximately HK$17,768,000 during the period, representing approximately 12% increase over the corresponding period last year.

The improvement on the Group's operating results was attributable to the robust growth in the Hong Kong property market during the period under review. The Group's flagship property Soundwill Plaza achieved satisfactory performance in leasing activities, with rental rates recording an upward adjustment generating stable and respectable rental revenue for the Group. With all these favourable factors, the Group's profit increased steadily and the management is optimistic that the Group will continue to perform well. Currently, the Group has adequate working capital which, coupled with a prudent financing strategy, should be sufficient for its daily operational needs.

Prospects

With the Mainland Government's continuous support of the Individual Visit Scheme and the opening of the Disneyland in September 2005, the number of visitors entering Hong Kong is expected to grow significantly, the Hong Kong tourism and retail industry are likely to remain buoyant and a robust property market is expected for the second half of 2005. Soundwill Plaza is located at prime tourist area Causeway Bay. With a vivacious tourism industry expected, traffic flow at Causeway Bay will thrive as it continues to be a leisure and shopping hot spot not-to-be-missed by either local people and tourists. The Group is determined to capture this golden opportunity by maintaining its outstanding leasing performance. A number of leasing contracts of Soundwill Plaza will be due for renewal in the second half of 2005 and given positive market conditions, rental rates are expected to rise about 15% to 20%. 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 development in Yuen Long and Sai Kung in the New Territories is scheduled for completion in phases between 2006 to 2008. These projects are expected to bring in considerable profit for the Group.

The Mainland's economy continued to record positive growth with an increase of 9.5% in GDP in the first half of 2005 portraying unlimited market prospects. The Group will continue to explore urban infrastructure and property development opportunities in the Mainland provinces to broaden the Group's earning base.

Looking forward, the Group will continue its pragmatic and entrepreneurial vision by focusing on property investment and leasing. Leveraging on its extensive experience in urban redevelopment, construction of Grade A commercial, residential buildings and property management coupled with solid financial position, the Group is optimistic towards the successful acquisition of a few sites in old districts for redevelopment in the coming year. This is expected to replenish the Group's land for construction as well as enhance the Group's profitability and the shareholders' returns.

Interim Dividend

The Directors do not recommend any interim dividend for the six months ended 30 June 2005 (30 June 2004: Nil).

FINANCIAL HIGHLIGHTS

	30 June 2005	31 December 2004
	(Unaudited)	*(Restated)*
	HK$'000	*HK$'000*
Total equity	**1,715,399**	1,452,748
Interest bearing borrowings	**1,219,075**	1,299,337
Total borrowing costs	**17,966**	36,634
Average cost of borrowings	**3.271%**	2.3%
Gearing ratio (included all borrowings)	**71%**	89%

The Group's monetary assets, loans and transactions are principally denominated in Hong Kong dollars and Renminbi, the Group believes its exposure to exchange rate risk is not material. Meanwhile, the Group is also reviewing and implementing various measures in reducing any exchange impact from the current reformation of Renminbi exchange rate mechanism and the small scale revaluation of RMB against the US dollars.

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.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continues to be in a stable financial position with cash and bank balances of approximately HK$35,799,000 as at 30 June 2005 (31 December 2004: approximately HK$46,724,000).

As at 30 June 2005, the Group's total net assets amounted to HK$1,715,399,000 as compared to HK$1,452,748,000 (restated) as at 31 December 2004. As at 30 June 2005, the Group's current ratio, expressed as a ratio of current assets to current liabilities, was 0.65 (31 December 2004: 0.62) and the Group's gearing ratio, expressed as a ratio of interest bearing borrowings to total equity, was reduced from 89% at 31 December 2004 to 71% at 30 June 2005.

DETAILS OF MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

These was no material acquisitions and disposals of subsidiaries and associated companies during the six months ended 30 June 2005.

SIGNIFICANT INVESTMENTS HELD

There was no material change in the significant investments held by the Group during the six months ended 30 June 2005.

EMPLOYEES

There was no material change regarding the number and remuneration of the employees of the Group since the publication of the Company's 2004 annual report.

PLEDGE OF ASSETS

As at 30 June 2005, investment properties of the Group with a fair value of approximately HK$3,230,941,000 (31 December 2004: approximately HK$2,999,332,000 (restated)) were pledged to secure banking facilities for the Group.

CONTINGENT ASSET

The property related proceedings as mentioned in the Company's 2004 annual report relating to the purchase of certain properties in Yuen Long by Pacific Well Realty Limited, a subsidiary of the Company is still under progress. The case is pending appeal.

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

During the six months ended 30 June 2005, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules on the Stock Exchange during the six months ended 30 June 2005, with the following exceptions.

Under code provision A.4.1 of the Code, non-executive directors should be appointed for specific term and subject to re-election. The non-executive Directors of the Company are not appointed for a specific term of office. However, the non-executive Directors of the Company are subject to retirement by rotation and re-election at annual general meetings in accordance with the Company's Bye-Laws.

Under the second part of code provision A.4.2 of the Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. All Directors, except the chairman of the Board and/or the managing director of the Company, are subject to retirement by rotation pursuant to the Company's Bye-Laws. According to the Company's Bye-Laws, one-third of the Directors for the time being, (or, if their number is not a multiple of three, then the number nearest to but not greater than one-third) shall retire from office by rotation. The relevant provisions of the Company's Bye-Laws will be reviewed and amendment will be proposed, if necessary, to ensure full compliance with code provision A.4.2 of the Code.

REVIEW BY AUDIT COMMITTEE

The 2005 interim results have been reviewed by the Company's Audit Committee which comprises three independent non-executive directors.

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

The information required by paragraphs 46(1) to 46(9) 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 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, 16 September 2005

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.

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