



SOUNDWILL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 878)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2006

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 2006 which have been reviewed and approved by the Audit Committee of the Company, with comparative figures for the corresponding period in 2005 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2006	2005
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue	3	93,504	74,425
Cost of sales		<u>(13,852)</u>	<u>(9,191)</u>
Gross profit		79,652	65,234
Other income	4	1,727	1,735
Administrative expenses		(23,831)	(23,738)
Other operating expenses		(283)	(2,451)
Net gain on fair value adjustment of investment properties		<u>223,868</u>	<u>200,360</u>
Profit from operations	5	281,133	241,140
Finance costs	6	(31,993)	(17,966)
Share of profits less losses of associates		5	(61)
Share of profits less losses of a jointly-controlled entity		<u>(14)</u>	<u>—</u>
Profit before income tax		249,131	223,113
Income tax expense	7	<u>(41,480)</u>	<u>(40,256)</u>
Profit for the period		<u>207,651</u>	<u>182,857</u>
Attributable to:			
Equity holders of the Company		206,904	183,065
Minority interests		<u>747</u>	<u>(208)</u>
Profit for the period		<u>207,651</u>	<u>182,857</u>
Earnings per share for profit attributable to the equity holders of the Company			
— Basic	8	HK\$0.93	HK\$1.21
— Diluted	8	HK\$0.88	HK\$0.99

CONDENSED CONSOLIDATED BALANCE SHEET

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
ASSETS AND LIABILITIES		
Non-current assets		
Investment properties	3,965,771	3,654,270
Operating lease prepayment	11,558	11,565
Property, plant and equipment	29,138	28,158
Properties held for development	32,499	31,003
Interests in associates	2,829	2,830
Interests in a jointly-controlled entity	9,962	4,802
Available-for-sale financial assets	11	11
Intangible assets	13,924	10,083
	<u>4,065,692</u>	<u>3,742,722</u>
Current assets		
Inventories	33,525	30,884
Trade and other receivables	49,743	39,851
Deposits for acquisition of investment properties	65,305	—
Cash and cash equivalents	74,364	72,196
	<u>222,937</u>	<u>142,931</u>
Current liabilities		
Trade and other payables	82,423	82,938
Borrowings — current portion	252,304	157,626
Provision for income tax	4,759	7,079
	<u>339,486</u>	<u>247,643</u>
Net current liabilities	<u>(116,549)</u>	<u>(104,712)</u>
Total assets less current liabilities	<u>3,949,143</u>	<u>3,638,010</u>
Non-current liabilities		
Borrowings	1,020,416	962,983
Deferred tax liabilities	513,239	473,782
Convertible bonds	23,501	23,355
	<u>1,557,156</u>	<u>1,460,120</u>
NET ASSETS	<u>2,391,987</u>	<u>2,177,890</u>
EQUITY		
Share capital	22,251	22,222
Reserves	2,347,379	2,138,059
Total equity attributable to the Company's equity holders	<u>2,369,630</u>	<u>2,160,281</u>
Minority interests	<u>22,357</u>	<u>17,609</u>
TOTAL EQUITY	<u>2,391,987</u>	<u>2,177,890</u>

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 interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2005.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (new “HKFRSs”) issued by the HKICPA, which are either effective for accounting periods commencing on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs had no material effect on the results for current and/or prior accounting periods. Accordingly, no prior period adjustment is required.

HKAS 39 & HKFRS 4 Amendments — “Financial Guarantee Contracts”

In prior years, financial guarantee contracts are accounted for under HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” and disclosed as contingent liabilities. In accordance with above amendments, financial guarantee contracts issued are recognized as financial liabilities in the balance sheet. Financial guarantee contracts are initially recognized at fair value and subsequently measured at the higher of (i) the amount as provisions determined in accordance with HKAS 37 and (ii) the amount initially recognized, less, when appropriate, cumulative amortisation recognized in accordance with HKAS 18 “Revenue”. This change in accounting policy has no material impact on the results of the Group for the current and prior periods. Accordingly, no prior period adjustment has been made.

The Group has not early applied the following new standards, amendments or interpretations that have been issued but not yet effective. The directors of the Company anticipate the application of these standards, amendments or interpretations will have no impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HK(IFRIC)-Int 7	Applying the restatement approach under HKAS 29 — Financial Reporting in Hyperinflationary Economies ²
HK(IFRIC)-Int 8	Scope of HKFRS 2 ³
HK(IFRIC)-Int 9	Reassessment of embedded derivatives ⁴

¹ Effective for annual periods beginning on or after 1 January 2007

² Effective for annual periods beginning on or after 1 March 2006

³ Effective for annual periods beginning on or after 1 May 2006

⁴ Effective for annual periods beginning on or after 1 June 2006

3. 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 : Provision of property management, repair and maintenance services and other services
 Urban infrastructure : Urban infrastructure development

The following table represents revenue and results information for the six months ended 30 June 2006 for the Group's business segments:

	Six months ended 30 June 2006 (Unaudited)							Total 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		
Segment revenue								
External customers	—	63,711	7,249	22,516	28	—	—	93,504
Inter-segments	—	2,176	—	—	—	(2,176)	—	—
	<u>—</u>	<u>65,887</u>	<u>7,249</u>	<u>22,516</u>	<u>28</u>	<u>(2,176)</u>	—	<u>93,504</u>
Segment results	(423)	58,723	4,027	3,094	656	—	—	66,077
Inter-segments	—	1,092	201	—	(1,293)	—	—	—
Contribution from operations	(423)	59,815	4,228	3,094	(637)	—	—	66,077
Net gain on fair value adjustment of investment properties	—	223,868	—	—	—	—	—	223,868
	<u>(423)</u>	<u>283,683</u>	<u>4,228</u>	<u>3,094</u>	<u>(637)</u>	<u>—</u>	—	<u>289,945</u>
Unallocated income and expenses								(8,812)
Profit from operations								281,133
Finance costs								(31,993)
Operating profits								249,140
Share of profits less losses of associates								5
Share of profits less losses of a jointly-controlled entity								(14)
Profit before income tax								249,131
Income tax expense								(41,480)
Profit for the period								<u>207,651</u>

	Six months ended 30 June 2005 (Unaudited)						
	Property development <i>HK\$'000</i>	Property leasing <i>HK\$'000</i>	Building management and other services <i>HK\$'000</i>	Urban infrastructure <i>HK\$'000</i>	Others <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue							
External customers	—	52,022	6,274	15,706	423	—	74,425
Inter-segments	—	1,889	—	—	—	(1,889)	—
	<u>—</u>	<u>53,911</u>	<u>6,274</u>	<u>15,706</u>	<u>423</u>	<u>(1,889)</u>	<u>74,425</u>
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
Net gain on fair value adjustment of investment properties	—	200,360	—	—	—	—	200,360
	<u>(302)</u>	<u>252,519</u>	<u>3,873</u>	<u>(4,326)</u>	<u>442</u>	<u>(2,246)</u>	<u>249,960</u>
Unallocated income and expenses							(8,820)
Profit from operations							241,140
Finance costs							(17,966)
Operating profits							223,174
Share of profits less losses of associates							(61)
Profit before income tax							223,113
Income tax expense							(40,256)
Profit for the period							<u>182,857</u>

Geographical segments

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

	Six months ended 30 June	
	2006 (Unaudited) <i>HK\$'000</i>	2005 (Unaudited) <i>HK\$'000</i>
Hong Kong	70,988	58,719
Other parts of the People's Republic of China ("PRC")	<u>22,516</u>	<u>15,706</u>
	<u>93,504</u>	<u>74,425</u>

4. OTHER INCOME

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income	751	60
Miscellaneous income	976	1,675
	<u>1,727</u>	<u>1,735</u>

5. PROFIT FROM OPERATIONS

Profit from operations is arrived at after charging:

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	651	685
Staff cost (including directors' remuneration)	10,159	8,614
Amortisation of operating lease prepayment	7	7
Amortisation of intangible assets	276	171
Amortisation of properties held for development	376	—
Loss on disposal of property, plant and equipment	—	196
Cost of inventories recognised as expenses	12,450	9,085
Provision for impairment of receivables	7	2,141
Operating lease charges	1,040	1,052

6. FINANCE COSTS

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest charges on:		
Bank loans	28,542	14,855
Other borrowings		
— wholly repayable within five years	2,891	577
— not wholly repayable within five years	—	1,168
Convertible bonds	560	1,363
Finance charges on finance leases	—	3
	<u>31,993</u>	<u>17,966</u>

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong profits tax	2,303	1,208
Deferred tax	<u>39,177</u>	<u>39,048</u>
	<u>41,480</u>	<u>40,256</u>

Hong Kong profits tax is provided at the rate of 17.5% (2005: 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 2006, no provision for PRC enterprise income tax has been made as the Group's PRC subsidiaries were still within the tax exemption period.

8. 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 approximately HK\$206,904,000 (30 June 2005: approximately HK\$183,065,000) and the weighted average of 222,410,803 shares (30 June 2005: 151,479,017 shares) in issue during the six months ended 30 June 2006.

The calculation of diluted earnings per share is based on the adjusted net profit attributable to equity holders of the Company of HK\$207,464,000 (30 June 2005: HK\$184,094,000) and the weighted average of 236,868,978 shares (30 June 2005: 186,867,570 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\$206,904,000 plus the reduction in interest payable of HK\$560,000 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 222,410,803 shares in issue during the period plus the weighted average of 14,458,175 shares deemed to be issued at no consideration as if all the dilutive potential shares been issued.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Hong Kong economy recorded steady growth for the first half of 2006. Official statistics released by the Hong Kong Government in June this year revealed that the GDP has risen by 8.2% in comparison with the same period last year. Furthermore, the retail industry's total value of sales of goods has increased by 5.2% as compared with last year while the latest unemployment rate has been lowered to 4.9%, hitting its five-year low. Benefited from encouraging economic environment and atmosphere, and growing female consuming power, Soundwill Plaza, the Group's flagship property that targets on modern female customers, has its occupancy rate continuously recorded as one of the highest among Grade A retail

commercial buildings in Causeway Bay. Rental rates are found to increase considerably in general, with those for particular tenants increased by almost twofold. Despite uncertain factors, for example, rising interest rates in the US, the local property market remain robust. Furthermore, the Group's healthy financial status and its cordial relations with the banks have kept its property leasing business and financial position at a satisfactory level during the period.

Business in Hong Kong

Property Leasing

Soundwill Plaza, the Group's flagship property, is situated in a prime commercial and retail location in Causeway Bay. Benefited from the ceaseless traffic flow, Soundwill Plaza has long been regarded as one of the most reputable ginza-type commercial buildings. With a gross floor area of about 250,000 square feet, Soundwill Plaza focuses on providing one-stop personalized services including beauty, slimming, spas as well as branded fashion and accessories.

Soundwill Plaza is solely held for rental purpose. Benefited from the prime location geographical edge, together with the professional management services provided, Soundwill Plaza has always been popular among prominent tenants and has recorded a nearly 100% occupancy rate for many years. Such continuously steady occupancy rate has led to a respectable and stable income for the Group, which recorded an increment of about 10-20%. Rental rates for particular tenants even increased by twofold, resulting in the rental to become one of the core income of the Group.

The Group will continue to adopt a proactive approach in holding promotional campaigns for tenants including joint promotional activities with high-end shops, restaurants, media, newspapers, magazines, travel publications, etc., which all contribute towards retaining the popularity of Soundwill Plaza while raising the tenants' competitive advantages.

Property Development

The Group has two property projects undergoing development. The low-density residential project in Sai Kung is known for its hip and stylish design. It offers over 10 houses with a total site area of approximately 25,500 square feet, and is expected to be completed by the end of this year. The other residential development in Yuen Long with a site area of 140,000 square feet is scheduled to commence construction early next year.

Urban Redevelopment

With its substantial experience in urban redevelopment accumulated over the years, the Group has been progressing steadily in this area and has particularly established a special department for urban redevelopment. The Group continued to participate actively in urban redevelopment, and is expecting to complete the acquisition of one to two projects within this year.

Property Management, E&M and Building Maintenance

The Group holds several property management and maintenance companies with internationally recognized professional qualifications. Goldwell Property Management Limited, as a full member of The Hong Kong Association of Property Management Companies Limited, specializes in providing property and facility management services for large-scale commercial buildings, residential properties and shopping malls while Strong Well Property Management Limited specializes in providing property management services for small-to-medium-sized residential developments. Goldprofit (Consultant) Services Company Limited, on the other hand, specializes in maintenance services for the properties being managed. These three companies recorded an aggregate revenue of approximately HK\$7,249,000 during the first half of 2006, representing a 16% increase as compared to the same period last year.

Reflected from the maturing property management business and increasing demand in the local market, the Group believes that professional property management groups are becoming mainstream in the industry. The Group intends to expand its property management business and will actively research into acquiring other property management companies in order to sharpen its competitive edge in the market.

Business in The Mainland

Leveraging on its healthy financial position, the Group has been active in penetrating into the Mainland market. Among the businesses, development of urban infrastructure in Mainland cities has made remarkable progress, which has returned to the black during the first half of 2006 and is expected to make satisfactory profits at the end of the year. The Group has also been active in researching on property investment strategies and exploring related opportunities in the Mainland market.

Financial Review

For the six months ended 30 June 2006, the Group has recorded a turnover of HK\$93,504,000 (30 June 2005: HK\$74,425,000), representing an increase of 26% over the same period of last year. The increased turnover reflected the incremental growth in rental income in Hong Kong and an increase in sales revenue of urban infrastructure business in PRC.

The Group's net profit attributable to equity holders of the Company increased to HK\$206,904,000 (30 June 2005: HK\$183,065,000), representing an increase of 13% over the corresponding period of last year. Basic earnings per share was HK\$0.93 (30 June 2005: HK\$1.21).

The underlying net profit, representing the net profit attributable to equity holders of the Company excluding the net gain on fair value adjustment of investment properties of HK\$223,868,000 and its related deferred tax of HK\$39,177,000, has increased to HK\$22,213,000, representing an increase of 25% over the same period of last year.

The Group's positive operating results was attributable to the global as well as local economic conditions remained broadly favourable despite a higher interest rate during the period under review. The Group's flagship property Soundwill Plaza has achieved a stable rental growth with an upward adjustment in rental rate upon renewal which generating steady rental income and sufficient cash flows for the Group.

Prospects

The constantly rising number of visitors is expected to generate numerous opportunities for the Hong Kong retail industry. Together with the encouraging factors that local unemployment rate continues to lower while consuming sentiment continues to improve, the Hong Kong economy is stimulated as a whole. The Group believes that the local tourism and retail industry are expected to remain buoyant and robust for the second half of 2006, which in turn will be beneficial to the Hong Kong property market.

Along with the slowing down of uprising interest rates and the strong recovery of internal demand in the local economy, the Group expects continuous growth for Hong Kong's economy as a whole. The retail industry will take the lead in benefiting from the growth, in which businesses focusing on female will be particularly distinct. However, demand for quality rental sites in Causeway Bay outweighs supply. The Group is determined to capture this golden opportunity to sustain its leading position in the rental market of this district. Rental rates are estimated to rise about 10–20% for the second half of the year, and the Group's profit is expected to increase benefiting from the rental increment brought about by the new leasing contracts.

In addition, it is expected that the two property development projects will generate a sizable profit upon completion. Concerning urban redevelopment, the special department will be striving to increase the Group's land reserves for future use. The current legislation on redevelopment of old properties are under

review for relaxation in the future. Together with the fact that interest rates have reached a stable level, the Group is very positive towards its urban redevelopment business and will cautiously consider acquiring more projects.

Looking forward, the Group will regularly review its operational strategies in order to optimize its business management, and will also diversify its leasing and property projects to continue its pragmatic and entrepreneurial vision. Furthermore, the Group will actively expand into the property and urban infrastructure market in the Mainland to further enhance the Group's profitability as well as the shareholders' returns.

INTERIM DIVIDEND

The Directors do not recommend any interim dividend for the six months ended 30 June 2006 (30 June 2005: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2006, the Group's cash and cash equivalents amounted to HK\$74,364,000 (31 December 2005: HK\$72,196,000). The Group's total borrowings (including the convertible bonds due to the major shareholder) as at 30 June 2006 were HK\$1,296,221,000 (31 December 2005: HK\$1,143,964,000).

The Group's gearing ratio, expressed as a percentage of total borrowings over total equity, was 54% as at 30 June 2006 (31 December 2005: 53%). As at 30 June 2006, the Group's total net assets amounted to HK\$2,391,987,000 (31 December 2005: HK\$2,177,890,000), representing an increase of HK\$214,097,000 or 10%. With the total number of ordinary shares in issue of 222,507,816 as at 30 June 2006, the net asset value per share was HK\$10.80 (31 December 2005: HK\$9.80).

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

The total interest expenses for the six months ended 30 June 2006 amounted to HK\$31,993,000 (30 June 2005: HK\$17,966,000), mainly due to a higher interest rate environment during the period as compared with same period of last year. The average cost of borrowings over the period was 5.51% (30 June 2005: 3.27%) which was expressed as a percentage of total interest expenses over the average total borrowings.

DETAILS OF MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no material acquisitions and disposals of subsidiaries and associated companies during the six months ended 30 June 2006.

SIGNIFICANT INVESTMENTS HELD

There was no material change in the significant investments held by the Group during the six months ended 30 June 2006.

EMPLOYEES

There was no material change regarding the number and remuneration of the employees of the Group since the publication of the Company's 2005 annual report.

PLEDGE OF ASSETS

As at 30 June 2006, investment properties of the Group with a fair value of approximately HK\$3,850,340,000 (31 December 2005: approximately HK\$3,566,730,000) were pledged to secure banking facilities for the Group.

CONTINGENT LIABILITIES

As at 30 June 2006, the Group had no material contingent liabilities.

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

During the six months ended 30 June 2006, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee comprising three independent non-executive directors has reviewed with management, the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim financial statements for the six months ended 30 June 2006.

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 during the six months ended 30 June 2006, with the following exceptions.

Code Provision A.4.1

Code provision A.4.1 provides that 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.

Code Provision A.4.2

The second part of Code Provision A.4.2 stipulates that every director including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

In order to comply with Code Provision A.4.2, amendments to the Bye-Laws of the Company have been made to reflect the requirements under the code provision on the retirement of directors by rotation at least once every three years. Such amendments were approved at the annual general meeting held on 29 May 2006. Code Provisions A.4.2 has been fully complied with thereafter.

Code Provision C.2.1

The annual review of internal controls in respect of the code provision C.2.1 of the Code will be reported in the forthcoming corporate governance report to be contained in the Company's annual report for the financial year ending 31 December 2006.

Code Provision E.1.2

Code Provision E.1.2 stipulates that the chairman of the board of directors should attend the annual general meeting of the Company. The Chairman of the Board was unable to attend the annual general meeting of the Company held on 29 May 2006 because of a business trip outside Hong Kong

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, 21 September 2006

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