



SOUNDWILL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 878)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006

RESULTS

The board of directors (the “Directors”) of Soundwill Holdings Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2006 with comparative figures for the previous year as follows:

Consolidated Income Statement

	Notes	2006 HK\$'000	2005 HK\$'000
Turnover	3	197,464	162,631
Cost of sales		<u>(33,149)</u>	<u>(27,627)</u>
Gross profit		164,315	135,004
Other income	4	4,238	59,750
Administrative expenses		(56,608)	(49,146)
Other operating expenses		(5,433)	(11,516)
Gain on disposal of subsidiaries		624	8,407
Loss on disposal of an associate		—	(63)
Gain on fair value adjustment on investment properties		361,628	564,921
Gain on disposal of investment properties		<u>101,300</u>	<u>—</u>
Profit from operations		570,064	707,357
Finance costs	5	(70,912)	(50,894)
Share of profits less losses of:			
— associates		15	6
— a jointly-controlled entity		<u>(17)</u>	<u>(6)</u>
Profit before income tax	6	499,150	656,463
Income tax expense	7	<u>(76,045)</u>	<u>(107,831)</u>
Profit for the year		<u>423,105</u>	<u>548,632</u>

		2006	2005
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Attributable to:			
Equity holders of the Company		422,474	547,423
Minority interests		631	1,209
		<u>423,105</u>	<u>548,632</u>
Profit for the year		423,105	548,632
Dividends		11,139	7,788
Earnings per share for profit attributable to the equity holders of the Company during the year			
— Basic	8	<u>HK\$1.90</u>	<u>HK\$3.41</u>
— Diluted	8	<u>HK\$1.79</u>	<u>HK\$2.46</u>

Consolidated Balance Sheet

		2006	2005
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		4,249,670	3,654,270
Operating lease prepayment		11,551	11,565
Property, plant and equipment		31,011	28,158
Properties held for development		34,241	31,003
Interests in associates		2,831	2,830
Interests in a jointly-controlled entity		18,309	4,802
Available-for-sale financial assets		11	11
Intangible assets		13,920	10,083
Goodwill		—	—
		<u>4,361,544</u>	<u>3,742,722</u>
Current assets			
Inventories		25,895	30,884
Properties held for sale		42,705	—
Trade and other receivables	9	64,634	39,851
Deposits paid for acquisition of properties		32,678	—
Cash and cash equivalents		88,509	72,196
		<u>254,421</u>	<u>142,931</u>

	<i>Notes</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Current liabilities			
Trade and other payables	<i>10</i>	85,161	82,938
Current portion of borrowings		952,588	157,626
Provision for income tax		5,824	7,079
		<u>1,043,573</u>	<u>247,643</u>
Net current liabilities		<u>(789,152)</u>	<u>(104,712)</u>
Total assets less current liabilities		<u>3,572,392</u>	<u>3,638,010</u>
Non-current liabilities			
Borrowings		405,658	962,983
Convertible bond		23,355	23,355
Deferred tax liabilities		540,837	473,782
		<u>969,850</u>	<u>1,460,120</u>
Net assets		<u>2,602,542</u>	<u>2,177,890</u>
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital		22,266	22,222
Reserves		2,558,027	2,138,059
		<u>2,580,293</u>	<u>2,160,281</u>
Minority interests		22,249	17,609
Total equity		<u>2,602,542</u>	<u>2,177,890</u>

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 and Interpretations issued by the Hong Kong Institute of Certified Public Accountants. 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.

These financial statements have been prepared on the going concern basis which assumes the realisation of assets and satisfaction of liabilities in the ordinary course of business notwithstanding that the Group had net current liabilities of approximately HK\$789 million as at 31 December 2006. The directors consider the Group will be able to meet its obligations when they fall due for the following reasons: (i) On 19 April 2007, one of the bankers of the Group has extended its loan facilities of HK\$348 million as at balance sheet date up to April 2010 and further increased the loan facilities amount to HK\$476 million; (ii) the Group is in the ongoing renewal process with the other banker and that banker has confirmed that they are not aware of any circumstances why they would not renew the loan facilities of HK\$456 million upon maturity; (iii) a revolving credit facility has been granted by a related company to the Group and the unutilised portion as at the balance sheet date was HK\$39 million; (iv) a consistent cash inflow is generated by steady rental income; and (v) with net assets of HK\$2,603 million, the Group should be able to secure additional loan facilities, if needed, to satisfy its short term liabilities.

2. ADOPTION OF NEW AND AMENDED HKFRS

From 1 January 2006, the Group has adopted all the new and amended HKFRSs which are first effective on 1 January 2006 and relevant to the Group. The adoption of these HKFRSs has resulted in changes in the Group’s accounting policies on financial guarantee contracts.

The amendments to HKAS 39 require an entity to account for certain financial guarantee contracts in accordance with the standard. To comply with the requirements of the amended HKAS 39, the Group has adopted a new accounting policy to recognize financial guarantee contracts. On initial recognition, these contracts are measured at fair value and they are subsequently stated at the higher of:

- the amount initially recognized less where appropriate, cumulative amortisation recognized in accordance with the Group’s revenue recognition policies; and
- the amount of the obligation under the contract, as determined in accordance with HKAS 37 — “Provision, Contingent Liabilities and Contingent Assets” (“HKAS 37”).

Prior to this new accounting policy, the Group disclosed the financial guarantees issued as contingent liabilities in accordance with HKFRS 4 — “Insurance Contracts” and HKAS 37. Provisions for the Group’s liabilities under the financial guarantee contracts were made when it was more likely than not that the guaranteed party would default and the Group would incur outflow of resources embodying economic benefits.

Other than the above, other new and amended HKFRSs did not result in any significant changes in the Group’s accounting policies.

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the adoption of such HKFRSs will not result in material financial impact on the Group's financial statements.

HKAS 1 (Amendment)	Presentation of Financial Statements — 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
HK(IFRIC) — Int 10	Interim Financial Reporting and Impairment ⁵
HK(IFRIC) — Int 11	HKFRS 2 : Group and Treasury Share Transaction ⁶
HK(IFRIC) — Int 12	Service Concession Arrangement ⁷
HKFRS 8	Operating Segments ⁸

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

5 Effective for annual periods beginning on or after 1 November 2006

6 Effective for annual periods beginning on or after 1 March 2007

7 Effective for annual periods beginning on or after 1 January 2008

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

3. SEGMENT INFORMATION

Primary reporting format — business segments

The Group is organized into four main business segments:

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

Secondary reporting format — geographical segments

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

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

There are no sales between the geographical segments.

The Group's inter-segment transactions were related to rental and management fee charges. Terms of rental charge were similar to those contracted with third parties. Management fee charges were determined by directors.

(i) *Primary reporting format — business segments*

The following table presents revenue and results information for the year ended 31 December 2006 and certain assets and liabilities information as at 31 December 2006 for the Group's business segments:

For the year ended 31 December 2006

	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	—	136,057	13,628	47,725	54	—	197,464
Inter-segments	—	4,638	—	—	—	(4,638)	—
	<u>—</u>	<u>140,695</u>	<u>13,628</u>	<u>47,725</u>	<u>54</u>	<u>(4,638)</u>	<u>197,464</u>
Segment results	(885)	129,492	6,805	998	(1,033)	—	135,377
Inter-segments	—	(1,462)	403	—	1,059	—	—
Contribution from operations	(885)	128,030	7,208	998	26	—	135,377
Gain on fair value adjustment on investment properties	—	361,628	—	—	—	—	361,628
Gain on disposal of investment properties	—	101,300	—	—	—	—	101,300
	<u>(885)</u>	<u>590,958</u>	<u>7,208</u>	<u>998</u>	<u>26</u>	<u>—</u>	<u>598,305</u>
Unallocated income and expenses							(28,865)
Gain on disposal of subsidiaries							624
Loss on disposal of an associate							—
Profit from operations							570,064
Finance costs							(70,912)
Share of profits less losses of associates							15
Share of profits less losses of a jointly-controlled entity							(17)

	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>
Profit before income tax							499,150
Income tax expense							<u>(76,045)</u>
Profit for the year							<u>423,105</u>
Profit attributable to equity holders of the Company							422,474
Minority interests							<u>631</u>
Profit for the year							<u>423,105</u>
Segment assets	34,247	4,422,525	3,486	129,981	4,586	—	4,594,825
Interest in associates							2,831
Interest in a jointly-controlled entity							<u>18,309</u>
Total assets							<u>4,615,965</u>
Segment liabilities	42	591,648	8,061	21,846	33,580	—	655,177
Unallocated liabilities							<u>1,358,246</u>
Total liabilities							<u>2,013,423</u>

For the year ended 31 December 2005

	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	—	107,386	12,762	42,064	419	—	162,631
Inter-segments	—	4,360	—	—	—	(4,360)	—
	<u>—</u>	<u>111,746</u>	<u>12,762</u>	<u>42,064</u>	<u>419</u>	<u>(4,360)</u>	<u>162,631</u>
Segment results	(932)	98,694	7,267	(3,870)	3,336	—	104,495
Inter-segments	—	(1,930)	34	—	1,896	—	—
Contribution from operations	(932)	96,764	7,301	(3,870)	5,232	—	104,495

	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>
Gain on fair value adjustment on investment properties	—	564,921	—	—	—	—	564,921
	<u>(932)</u>	<u>661,685</u>	<u>7,301</u>	<u>(3,870)</u>	<u>5,232</u>	<u>—</u>	<u>669,416</u>
Unallocated income and expenses							29,597
Gain on disposal of subsidiaries							8,407
Loss on disposal of an associate							<u>(63)</u>
Profit from operations							707,357
Finance costs							(50,894)
Share of profits less losses of associates							6
Share of profits less losses of a jointly- controlled entity							<u>(6)</u>
Profit before income tax							656,463
Income tax expense							<u>(107,831)</u>
Profit for the year							<u>548,632</u>
Profit attributable to equity holders of the Company							547,423
Minority interests							<u>1,209</u>
Profit for the year							<u>548,632</u>
Segment assets	25,257	3,594,329	3,270	83,863	171,302	—	3,878,021
Interest in associates							2,830
Interest in a jointly- controlled entity							<u>4,802</u>
Total assets							<u>3,885,653</u>
Segment liabilities	9	534,138	7,444	22,970	22,593	—	587,154

	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>
Unallocated liabilities							<u>1,120,609</u>
Total liabilities							<u>1,707,763</u>

(ii) Secondary reporting format—geographical segments

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

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Hong Kong	149,739	120,567
Mainland China ("PRC")	47,725	42,064
	<u>197,464</u>	<u>162,631</u>

4. OTHER INCOME

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Bank interest income	1,529	588
Miscellaneous income	2,709	2,600
Deposit for purchase of properties recovered after settled litigation	—	44,847
Recovery of long outstanding debts written off	—	11,715
	<u>4,238</u>	<u>59,750</u>

5. FINANCE COSTS

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Interest charges on:		
Bank loans		
— wholly repayable within five years	45,682	32,962
— not wholly repayable within five years	17,867	9,746
Other borrowings wholly repayable within five years	6,211	5,132
Convertible bond	1,152	3,051
Finance charges on finance leases	—	3
	<u>70,912</u>	<u>50,894</u>

6. PROFIT BEFORE INCOME TAX

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Profit before income tax is arrived at after charging:		
Amortisation of intangible assets	659	489
Impairment loss on goodwill	—	1,314
Auditors' remuneration	1,383	1,176
Amortisation of operating lease prepayment	14	14
Amortisation of properties held for development	796	715
Depreciation	1,866	1,795
Cost of inventories recognised as expense	27,486	23,092
Loss on disposal of investment properties	—	190
Loss on disposal of property, plant and equipment	121	67
Operating lease charges in respect of premises	2,117	2,315
Provision for obsolete inventories	3,599	2,096
Provision for impairment of receivables	1,029	1,045
Bad debts written off	122	3,039
Staff costs (including directors' remuneration and defined contribution cost)	24,357	21,043
and crediting:		
Gross rental income from investment properties	115,917	89,914
Less: Outgoings	<u>(1,720)</u>	<u>(3,947)</u>
	114,197	85,967
Other rental income from other properties less outgoings	<u>4,295</u>	<u>4,129</u>
	<u>118,492</u>	<u>90,096</u>

7. INCOME TAX EXPENSE

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Hong Kong profits tax		
Tax for the year	5,356	2,595
Underprovision in prior years	<u>3,734</u>	<u>3,952</u>
	9,090	6,547
PRC tax		
Tax for the year	<u>301</u>	<u>—</u>
	9,391	6,547
Deferred tax liabilities	<u>66,654</u>	<u>101,284</u>
	<u>76,045</u>	<u>107,831</u>

Hong Kong profits tax has been provided at the rate of 17.5% (2005 : 17.5%) on the estimated assessable profit arising in Hong Kong for the year.

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

8. EARNINGS PER SHARE

The calculation of basic earnings per share are based on current year's profit attributable to equity holders of the Company of HK\$422,474,000 (2005: HK\$547,423,000) and the weighted average of 222,520,080 shares (2005: 160,429,944 shares) in issue during the year.

The calculation of diluted earnings per share is based on the adjusted net profit attributable to equity holders of the Company of HK\$423,626,000 (2005: HK\$549,981,000) and the weighted average of 237,019,737 shares (2005: 223,674,732 shares) in issue during the year, adjusted for the effect of all dilutive potential shares.

The adjusted net profit attributable to equity holders of the Company is calculated on the net profit attributable to equity holders of the Company for the year of HK\$422,474,000 plus the reduction in interest payable of HK\$1,152,000 as a result of the deemed conversion of convertible bond.

The weighted average number of shares used in the calculation of diluted earnings per share is calculated based on the weighted average of 222,520,080 shares in issue during the year plus the weighted average of 14,499,657 shares deemed to be issued at no consideration if all the dilutive potential shares been issued.

9. TRADE AND OTHER RECEIVABLES

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Trade receivables, net	59,766	33,585
Deposit and prepayment	4,868	6,266
	64,634	39,851

The credit terms of the Group range from 30 to 90 days. At 31 December 2006, the ageing analysis of the trade receivables was as follows:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
0 – 30 days	32,846	16,448
31 – 90 days	6,684	4,329
91 – 180 days	2,850	2,374
Over 180 days	17,386	10,434
Total trade receivables	59,766	33,585

10. TRADE AND OTHER PAYABLES

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Trade payables	27,183	29,755
Receipt in advance	8,467	8,596
Rental and other deposits received	40,202	39,073
Accrued expenses and other payables	9,309	5,514
	<u>85,161</u>	<u>82,938</u>

At 31 December 2006, the ageing analysis of the trade payables was as follows:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
0 – 30 days	12,970	14,048
31 – 90 days	1,764	1,926
Over 90 days	12,449	13,781
	<u>27,183</u>	<u>29,755</u>

SUMMARY OF THE AUDITORS' REPORT

The Company's auditors have issued an unqualified opinion on the financial statements for the year ended 31 December 2006.

REVIEW BY AUDIT COMMITTEE

The audited consolidated results of the Group for the year ended 31 December 2006 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 2006 have been agreed by the Group's auditors, Grant Thornton, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Grant Thornton in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Grant Thornton on the preliminary announcement.

DIVIDEND

The Board recommends a payment of a final dividend of HK\$0.05 (2005: HK\$0.035) per share for the year ended 31 December 2006, subject to the approval of the shareholders at the forthcoming annual general meeting. The final dividend will be payable on or about 11 July 2007 to shareholders whose names appear on the register of members on 29 May 2007.

CLOSURE OF REGISTER OF MEMBER

The register of members of the Company will be closed from Tuesday, 22 May 2007 to Tuesday, 29 May 2007 (both dates inclusive), during which no transfer of share will be registered. In order to qualify for the final dividend, all transfer of shares accompanied by the relevant share certificates and transfer form must be lodged with the Company's branch share registrar in Hong Kong, Standard Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Monday, 21 May 2007.

FINANCIAL REVIEW

For the year ended 31 December 2006, the Group has achieved a profit attributable to equity holders of the Company of approximately HK\$422,474,000 (2005: HK\$547,423,000), a decrease of 23% as compared with last year. The decrease was mainly due to a decrease of HK\$167,717,000 on net gain on fair value adjustment on investment properties (net of deferred tax) as compared with last year. Earnings per share was HK\$1.90 (2005: HK\$3.41), representing a decrease of 44% over last year.

If the gain on fair value adjustment on investment properties (net of deferred tax) were to be excluded, the Group's profit for the year would be approximately HK\$124,132,000 (2005: HK\$81,361,000), representing an increase of about 53% as compared with last year.

For the year ended 31 December 2006, the Group has recorded a turnover of approximately HK\$197,464,000, representing an increase of about 21% over last year. The increase in turnover was mainly due to higher rental income contribution. The Group's gross profit for the year amounted to approximately HK\$164,315,000, representing a 22% increase as compared with last year.

OPERATION REVIEW

Urban Redevelopment

During the year, the Group completed the acquisition of two sites for redevelopment with another two sites in their final stage of acquisition. One of the acquired sites at Lin Fa Kung Street West/Tung Lo Wan Road was disposed of during the year and generated a profit of approximately HK\$101 million, which was booked into the accounts for the year under review. The other three sites are also located in Causeway Bay.

The shortage of land supply in the urban area, in particular, the densely-populated and established districts, has set the scene for over-due urban redevelopment. Capitalising on its extensive experience, the Group had been actively seeking opportunities for redevelopment in vibrant urban districts during the year. It has commenced acquisition of property units in several specific sites, which has the potential for redevelopment. The Group's professional team of property experts is designated to identify acquisition opportunities, of particular prime sites on the Hong Kong Island. Given the Group's competitive edge in the industry, we believe the urban re-development operation will become a profit growth engine of the Group.

Property Leasing

With a prospering retail market and a growing demand for retail property, the rental of Hong Kong's major shopping areas in Hong Kong, particularly those on the Hong Kong Island experienced a dramatic upsurge. Located in a prime location in Causeway Bay, Soundwill Plaza, the Group's flagship property, generated satisfactory return to the Group during the year under review. Soundwill Plaza enjoyed an occupancy rate of almost 100 per cent. The Group's income from property leasing of Soundwill Plaza rose by 23 per cent to HK\$109 M. The Group capitalised on the expiry of certain tenancy agreements to adjust the portfolio of its tenants. It has introduced a number of world renowned international brandnames to the commercial building's retail spaces, resulting in an enhanced image and overall value of Soundwill Plaza. International brandnames added to Soundwill Plaza's tenant list during the year, included Samsung and Nokia. The Group also leased out the building roof top advertising space, for the first time, to Toshiba for its giant neon sign display, in December 2006. Such a move served to bring in considerable additional rental income and broaden the income source of the building.

During the year, approximately 30 per cent of the leases of Soundwill Plaza expired. Since most of these leases were signed between 2003 and 2004, the Group was able to make upward adjustment to the rental according to the prevailing market level when renewing the leases. The new leases represented an average increase in rental of around 70 per cent, with the maximum increase of 145 per cent.

During the year, the Group has organised a range of promotional campaigns, including, the "Wedding in Guam" jointly organized with Guam Visitors Bureau, to assist the building's tenants to attract higher customer traffic and to enhance their turnover.

Property Development

During the year under review, the Group has two property development projects located in Sai Kung and Yuen Long respectively. The Group's joint venture project in Sai Kung will be developed into low-rise semi-detached and detached luxurious residential blocks. The project, which features a relaxing living environment, is unique in its own right in the area. The project is expected to be completed and launched for sale in the second or third quarter of 2007.

The Yuen Long project is wholly-owned by the Group and is currently under architectural planning. It is intended to develop the project into a large-scale, low density residential community, with comprehensive facilities and a luxurious clubhouse. The project will commence development at the end of 2007.

Business in the Mainland China

The Group's urban infrastructure development operation in the PRC began to generate profit in the year under review. The Group is currently undertaking the laying of underground communication ducts in almost 18 cities in the PRC. The urban infrastructure development operation is becoming mature and is expected to gradually increase in its profit contribution to the Group.

Property Management, E&M and Building Maintenance

The Group has three property management and maintenance entities under its control. The entities are engaged in property and facility management services for large-scale commercial buildings, small and medium-sized residential properties, and shopping malls, and maintenance services for the properties under management. Revenue from these three entities during the year amounted to approximately HK\$13,628,000.

Corporate Citizen

During the year, the Group actively involved in community activities by offering advertising spaces of Soundwill Plaza, the Group's landmark property, and its adjacent buildings to charity organizations for fund-raising and promotional campaigns. The Group's assistance to Senior Citizen Home Safety Association, Society for the Prevention of Cruelty to Animals and Mercy Corps resulted in considerable amount of fund raised. We will continue to actively participate in charity and community events and to keep up our social responsibility as a corporate citizen.

PROSPECTS

The Hong Kong economy continued to grow in the past three years, while the local unemployment rate plummeted to a record low in six years. The market sentiment, in general, remains optimistic about the economy's outlook.

The Group believes the local property market will maintain steady with modest upsurge in 2007. Prices of high-end residential property with unique features and limited supply are expected to grow further.

The Group's low-density residential development in Sai Kung and Yuen Long are unique in the market. The recent enthusiastic market response to similar development launched in Yuen Long, proved that there was a substantial demand for high-end low-density residences in the market. The Sai Kung

project, which will be launched in the second or the third quarter of 2007, is expected to generate favorable sales revenue and profit to the Group in the financial year of 2007. The Yuen Long project is scheduled for construction at the end of 2007.

The Group expects to complete acquisition of two to three additional redevelopment projects, which are all in prime locations of the Hong Kong Island, in 2007. It is the intention of the Group to redevelop the projects acquired in the future and hold them as investment properties. In the long-run, this operation will provide the Group with the necessary land bank at a relatively lower cost, as well as potential for capital appreciation.

There is a pressing market demand for commercial and office spaces in Causeway Bay. The Group's Soundwill Plaza will, therefore, continue to generate stable recurrent income for the Group. Approximately one-third, on average, of the leases of the building expire every year. It is estimated there will be a 10 to 20 percentage points of increase in rental for 2007. The Group will also carry on the fine-tuning of its retail tenant mix by introducing more well-recognized brands to the Soundwill Plaza.

For its business in the Mainland China, the Group has entered into new contracts in Yubei District in Chongqing, Xian and Jinan which will start to operate in 2007, it is expected that revenue generated from the Group's Mainland businesses will be further enhanced in 2007. In addition, according to the relevant co-operation agreements with the local authorities, the Group can participate in the construction of other piping networks for the provision of water, power and gas according to the development plans set out by respective municipal governments. The Group will further study the feasibility of providing such services.

The year 2007 is expected to be a fruitful year for all of the Group's business divisions. It will further intensify its business diversification by leveraging on its healthy financial position and strong cash flow, in order to develop a more diversified earning base for the Group.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2006, the Group's bank and other borrowings and convertible bond amounted to HK\$1,381,601,000 (2005: HK\$1,143,964,000). Cash and bank balances amounted to HK\$88,509,000 (2005: HK\$72,196,000) and net borrowings amounted to HK\$1,293,092,000 (2005: HK\$1,071,768,000).

The Group's gearing ratio (which was expressed as a percentage of bank and other borrowings over the shareholders' funds) has remained steady at 53% which was the same ratio in last year.

Interest expenses for the year amounted to HK\$70,912,000 (2005: HK\$50,894,000) mainly due to higher interest rate environment during the year. The average cost of borrowings over the year was 5.75% (2005: 4.18%) 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 Group currently does not have a foreign currency hedging policy. In order to mitigate the foreign currency risk, the management closely monitors such risks and will consider hedging significant foreign currency exposure should the need arises.

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 2006, all the Group's borrowings were on a floating rates basis.

As at 31 December 2006, the Group's total net assets amounted to approximately HK\$2,602,542,000 (2005: HK\$2,177,890,000), an increase of HK\$424,652,000 or 19% when compared with last year. With the total number of ordinary shares in issue of 222,657,816 as at 31 December 2006, the net asset value per share was HK\$11.69 (2005: HK\$9.80).

DETAILS OF MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

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

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2006.

POST BALANCE SHEET EVENT

On 18 April 2007, two wholly-owned subsidiaries of the Company entered into a sale and purchase agreement to dispose of certain properties situated at Bowrington Road, Causeway Bay (the "Properties") which were held by the Group at a substantial gain. The Properties were acquired by the Group at a cost of HK\$136,595,000 and disposed of at a consideration of HK\$230,000,000. The expected net gain to the Group will be approximately HK\$90,605,000.

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

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

CORPORATE GOVERNANCE

In the opinion of the directors save that, non-executive directors are not appointed for a specific term but are subject to retirement by rotation in accordance with the bye-laws of the Company, 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.

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

APPRECIATION

As a final note, I wish to take this opportunity to thank all the directors and staff for their contributions and good performance in the past financial year.

By order of the Board
Foo Kam Chu Grace
Chairman

Hong Kong, 23 April 2007

As at the date of this announcement, the Board of Directors of the Company comprise (i) Executive Directors: Foo Kam Chu Grace, Chan Wai Ling, Tse Chun Kong Thomas, Kwan Chai Ming; (ii) Non-Executive Directors: Liang Yanfeng, Meng Qinghui; and (iii) Independent Non-Executive Directors: Heng Kwo Seng, Kwan Kai Cheong and Ho Suk Yin.

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