



# SOUNDWILL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 June 2003

### RESULTS

The Board of directors of Soundwill Holdings Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2003 which have been reviewed and approved by the Audit Committee of the Company, with comparative figures for the corresponding period in 2002 as follows:

	<b>30 June 2003 (Unaudited) HK\$'000</b>	30 June 2002 (Unaudited) HK\$'000
Turnover ( <i>note 2</i> )	<b>50,968</b>	74,327
Cost of sales	<u>(832)</u>	<u>(17,307)</u>
Gross profit	<b>50,136</b>	57,020
Other revenue	<b>10,597</b>	723
Administrative expenses	<b>(16,117)</b>	(24,938)
Other operating expenses	<u>(99)</u>	<u>(84,159)</u>
Profit/(loss) from operation ( <i>note 3</i> )	<b>44,517</b>	(51,354)
Finance costs	<b>(30,508)</b>	(48,663)
Gain on deemed disposal of interest in a subsidiary	—	4,712
Share of profits less losses of associates	<u>6</u>	<u>(15)</u>
Profit/(loss) before taxation	<b>14,015</b>	(95,320)
Taxation ( <i>note 4</i> )	<u>—</u>	<u>(105)</u>
Profit/(loss) after taxation	<b>14,015</b>	(95,425)
Minority interests	<u>164</u>	<u>323</u>
Profit/(loss) attributable to shareholders	<u><b>14,179</b></u>	<u>(95,102)</u>
Profit/(loss) per share ( <i>note 5</i> )		
— basis	<u><b>HK\$0.23</b></u>	<u>(HK\$0.03)</u>
— diluted	<u><b>HK\$0.22</b></u>	<u>N/A</u>



### 3. PROFIT/(LOSS) FROM OPERATION

Profit/(loss) from operation is arrived at after charging.

	Six months ended 30 June	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	731	886
Staff cost (including directors remuneration)	6,263	7,676
Amortisation of goodwill	99	4,159
Impairment loss on goodwill	<u>—</u>	<u>80,000</u>

### 4. TAXATION

	Six months ended 30 June	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Hong Kong taxation	<u>—</u>	<u>105</u>

Hong Kong profits tax has not been provided as the Group incurred losses for taxation purposes for the period.

### 5. PROFIT/(LOSS) PER SHARE

The calculation of basic and diluted profit per share are based on the unaudited consolidated profit attributable to shareholders of HK\$14,179,000 for the period (30 June 2002: loss of HK\$95,102,000).

The basic profit per share is based on the weighted average of 62,328,043 shares (30 June 2002: 3,116,402,151 shares) in issue during the six months ended 30 June 2003.

The diluted profit per share is based on 62,328,043 shares (30 June 2002: 3,116,402,151 shares) which is the weighted average number of shares in issue during the six months ended 30 June 2003 plus the weighted average of 1,464,000 shares (30 June 2002: 49,500,000 shares) deemed to be issued if all outstanding share options granted under the share option schemes of the Company were exercised.

No diluted loss per share has been calculated for the corresponding period ended 30 June 2002 because the conversion/exercise of the outstanding potential ordinary shares would have been anti-dilute for the period.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Severe Acute Respiratory Syndrome (“SARS”) outbreak in the first half of 2003 adversely affected Hong Kong’s economy and retail market. Nevertheless, the Group’s flagship property, Soundwill Plaza, continued to enjoy high pedestrian flow and a strong lease take-up. Its occupancy rate is one of the highest among all Grade A commercial buildings in Causeway Bay. Coupled with the signing of re-financing arrangement at the end of 2002 which would substantially reduce the Group’s interest expenses, the Group saw an outstanding performance in its property leasing and financial position during the period.

## **Financial Position**

The Group resumed profit and achieved outstanding performance in its financial position in the first half of 2003, posting a net profit of approximately HK\$14,179,000 million and basic earning per share at approximately HK\$0.23. This significant performance was attributable to the Group's agreements with major creditor banks on re-financing arrangement at the end of 2002, which lowered the Group's borrowing interest rate by a wide margin and reduced interest expenses accordingly. During the period, Soundwill Plaza recorded a remarkable growth in occupancy rates, generating a stable and substantial rental income for the Group. Underpinned by various positive factors, the Group's earnings were on a rise, and the management is optimistic about the Group's outlook. At present, the Group has a sufficient level of working capital. With a prudent finance strategy, the Group's working capital is sufficient to meet its daily operational and other development needs.

In order to enable shareholders to enjoy benefits arising from its development, the Group has decided to issue bonus warrants to its shareholders. The Group has been adopting pragmatic business approach and with the resumption of profit making during the period, the management believes that the proposed bonus issue of warrants will enable the shareholders to participate in the Group's growth and is beneficial to the Group and its shareholders as a whole.

## **Property Leasing**

Soundwill Plaza, the Group's flagship property, is the largest beauty and wellness complex in Hong Kong. The Plaza is also the first Grade A commercial building to offer complimentary assistance on promotions and marketing strategies for tenants. With a clear retail market niche, Soundwill Plaza attracts tenants from large corporations in the retail sector. During the period, Soundwill Plaza registered an occupancy rate of over 95%, and retail merchants accounted for about 80% of the tenants. The rental levels of Soundwill Plaza were similar to that in the corresponding period of the previous year, and rental revenue remained stable.

In the course of SARS outbreak, Soundwill Plaza reacted proactively to address concerns of customers and tenants, and make them rest assured by implementing various measures including comprehensive cleaning and sterilization of the building, as well as assistance on tenants' promotional campaigns. These promotional events were held in co-operation with different corporations, such as credit cards companies, hotel and high-end shops. Together with promotions like Mother's Day special offers, advertisement publication, and production of marketing communications, tenants' competitive edge is greatly improved. With a view to achieving a stable development, the Group also maintained close contact with tenants in order to understand their business development and work on advertising and promotion strategies. Rentals of some Grade A commercial buildings were subject to downward pressure in the light of external economic situation and SARS outbreak. Capitalizing on its unparalleled location and quality service, Soundwill Plaza has managed to not only maintain occupancy rates of above 95%, but also attract a number of large chain stores from the service sector in the first half year. These achievements reinforce Soundwill Plaza's leading position among the Grade A commercial buildings in the district.

## Outlook

In view of the growing number of tourists from Mainland China, and the accelerated economic integration of Hong Kong and the Pearl River Delta, it is expected that the economy and retail market in Hong Kong will be greatly improved. The Group is determined to capture this golden opportunity and develop Soundwill Plaza into a beauty kingdom where customers from Hong Kong and Mainland China should not miss. Looking forward, the Group will keep focusing on property leasing and investment, and seek business diversification potential. With its pragmatic and entrepreneurial vision, the Group strives to enhance profitability and increase shareholders' benefit in the long run.

## INTERIM DIVIDEND

The directors do not recommend the payment of interim dividend for the six months ended 30 June 2003 (2002: Nil).

## CAPITAL STRUCTURE

	<b>Six months ended 30 June 2003 (Unaudited) HK\$'000</b>	Year ended 31 December 2002 (Audited) HK\$'000
Shareholder's fund	<b>644,444</b>	320,466
Total borrowing	<b>1,439,330</b>	1,405,375
Total borrowing costs	<b>30,508</b>	95,713
Gearing ratio (included all borrowings)	<b>223%</b>	439%
Average cost of borrowing	<b>4.2%</b>	6.8%

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

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

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

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

## LIQUIDITY AND FINANCIAL RESOURCES

The Group continues to be in a stable financial position with cash and bank balances of approximately HK49,523,000 as at 30 June 2003. As at 30 June 2003, the Group's current ratio, as a ratio of current assets to current liabilities, was 1.16 (31 December 2002: 0.84) and the Group's gearing ratio, as a ratio of total borrowings to shareholder's fund, was 223% (31 December 2002: 439%).

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

There is no material acquisitions and disposals of subsidiaries and associated companies during the six months ended 30 June 2003.

## **SIGNIFICANT INVESTMENTS HELD**

There is no material change in the significant investments held by the Group during the six months ended 30 June 2003.

## **EMPLOYEES**

There is no material changes regarding the number and remuneration of the employees of the Group since the publication of the Company's 2002 Annual Report.

## **CHARGES ON GROUP ASSETS**

As at 30 June 2003, properties of the Group with an aggregate net book value of approximately HK\$2,013,412,000 (31 December 2002: approximately HK\$1,702,740,000) were pledged to secure banking facilities for the Group.

## **CONTINGENT LIABILITIES**

- (a) The property related proceedings relating to the purchase of certain properties in Yuen Long involving the deposit of HK\$65,000,000 paid by a subsidiary of the Company is still under progress. According to the legal advice taken by the Company, the shareholders of such subsidiary would not in any event, incur any further liability other than the said deposit of HK\$65,000,000 and/or costs.
- (b) At the balance sheet date, the Company had contingent liabilities not provided for in the financial statements in respect of guarantee for banking facilities utilised by subsidiaries amounting to HK\$1,060,070,000.
- (c) Save and except the aforesaid there is no material changes since the publication of the Company's 2002 Annual Report.

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

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

## **CODE OF BEST PRACTICE**

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 June 2003, in compliance with Appendix 14 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules").

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

The information required by paragraphs 46(1) to 46(6) inclusive of Appendix 16 to the Listing Rules will be published on the Stock Exchange's website in due course.

### **APPRECIATION**

As a final note, I wish to take this opportunity to thank all the directors and staff for their contributions and good performance during the period.

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

Hong Kong, 1 September 2003

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