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SOUNDWILL HOLDINGS' NET PROFIT EXCLUDING FAIR VALUE ADJUSTMENT EFFECT SURGED BY OVER 50 PER CENT

Soundwill Holdings Limited ("Soundwill Holdings" or the "Group"), stock code: 0878) today announced that its turnover for the year ended 31 December 2006 amounted to HK\$197 million, representing an increase of 21 per cent from that of the previous year. For the year under review, the Group's net profit, excluding the gain on fair value adjustment (net of deferred tax) on investment properties, amounted to approximately HK\$124 million, representing a substantial upsurge of 53 per cent when compared with that of the previous year.

The profit attributable to equity holders (including gain on fair value adjustment on investment properties) of Soundwill Holdings for 2006 amounted to approximately HK\$422 million, representing a decrease of 23 per cent from that of the previous year. The decline in the aforesaid net profit was mainly attributable to a decrease of HK\$167 million in the gain on fair value adjustment (net of deferred tax) on investment properties when compared with that of the previous year.

The board of directors of Soundwill Holdings recommended the payment of a final dividend of HK5 cents per share for the year ended 31 December 2006 (2005: HK3.5 cents per share).

Excluding the effect of gain on fair value adjustment on investment properties, Soundwill Holdings' net profit rose by 53 per cent from that of the previous year, mainly attributable to a rise in the rental income of leased properties and disposal of a redevelopment project. Moreover, the Group's urban infrastructure business operation in the PRC began to generate profit.

In response to the market trend, the Group made upward adjustment to its rental during the year. Income from property leasing of Soundwill Plaza rose by 23 per cent to HK\$109.23 million when compared with that of the previous year. Situated in a prime location in Causeway Bay, the Group's flagship property, Soundwill Plaza, enjoyed an occupancy rate of almost 100 per cent. During the year, approximately 30 per cent of the leases of Soundwill Plaza expired. The Group raised the rental when renewing the leases, which represented an average increase of 70 per cent, with the maximum increase of 145 per cent.



“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 expires every year. It is estimated there will be a 10 to 20 percent increase in rental when the Group renew its leases in 2007,” said Chan Wai Ling, Executive Director of Soundwill Holdings.

During the year, Soundwill Plaza entered into leasing agreement with world prestigious brands including Samsung and Nokia, which will help to enhance the building’s image and value. The Group also leased out the building’s 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, the Group completed the acquisition of two sites for redevelopment. One of these sites at Lin Fa Kung Street West was disposed of during the year and generated a profit of HK\$101 million for the Group. A sales and purchase agreement was entered into, after the Group’s book close date, for the disposal of another project on Bowrington Road, Causeway Bay, for HK\$230 million. The gain from the disposal of the project on the Bowrington Road project will be booked in 2007. During the year, the Group also had two sites in their final stage of acquisition, both of which are located in Causeway Bay.

“Capitalising on its extensive experience, the Group had been actively seeking opportunities for redevelopment in vibrant urban districts during the year. 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 projects acquired in the future and hold them as investment properties. In the long-run, this operation will provide the Group’s property development with land resources at a relatively lower cost, as well as and the potential for capital appreciation,” said Ms Chan.

With respect to property development, the Group had two residential property projects located in Sai Kung and Yuen Long respectively during the year under review. The project in Sai Kung, which will be developed into low density, semi-detached and detached luxurious residential blocks, is expected to be completed and launched for sale in the second or third quarter of 2007. The Yuen Long project will commence development at the end of 2007. This project is wholly-owned by the Group and is intended for development into a large-scale, low density residential community, with comprehensive facilities and a luxurious clubhouse.



The Group's urban infrastructure business operation in Mainland China started to generate profit in the year under review. The Group is currently undertaking the laying of underground communication ducts in about 18 cities in the Mainland China. With the addition of three more cities (Yubei District in Chongqing, Jinan and Xian) in the PRC in our business operation, it is expected that the income generated from the urban infrastructure business operation will further increase in 2007.

About Soundwill Holdings Limited

Founded in 1978, Soundwill Holdings Limited became listed on the Stock Exchange of Hong Kong Limited in 1997. The Group is a property conglomerate, with principal business activities in urban redevelopment, property leasing and management, property development, and urban infrastructure in the PRC.

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Soundwill Holdings Limited
Audited Consolidated Results
For the year ended 31 December 2006

	2006	2005
	HK\$'000	HK\$'000
Turnover	197,464	162,631
Cost of sales	<u>(33,149)</u>	<u>(27,627)</u>
Gross profit	164,315	135,004
Other income	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 properties	<u>101,300</u>	<u>—</u>
Profit from operations	570,064	707,357
Finance costs	(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	499,150	656,463
Income tax expense	<u>(76,045)</u>	<u>(107,831)</u>
Profit for the year	<u>423,105</u>	<u>548,632</u>
Attributable to:		
Equity holders of the Company	422,474	547,423
Minority interests	<u>631</u>	<u>1,209</u>
Profit for the year	<u>423,105</u>	<u>548,632</u>
Dividends	<u>11,139</u>	<u>7,788</u>
Earnings per share for profit attributable to the equity holders of the Company during the year		
— Basic	<u>HK\$1.90</u>	<u>HK\$3.41</u>
— Diluted	<u>HK\$1.79</u>	<u>HK\$2.46</u>