



INTERIM REPORT
中期報告



金朝陽集團有限公司*
SOUNDWILL HOLDINGS LIMITED

於百慕達註冊成立之有限公司
Incorporated in Bermuda with limited liability

股份代號 Stock Code : 0878

*僅供識別 / for identification only

The background of the page is composed of numerous vertical bars of varying heights and colors, ranging from light beige to dark brown. These bars are arranged in a way that creates abstract, organic shapes and patterns, reminiscent of a stylized landscape or a data visualization. The bars are most densely packed on the left and right sides, with some gaps in the center.

CONTENTS

- 02 Corporate Information
- 03 Financial Highlights
- 05 Management Discussion and Analysis
- 17 Consolidated Statement of Profit or Loss and Other Comprehensive Income
- 20 Consolidated Statement of Financial Position
- 22 Consolidated Statement of Changes in Equity
- 24 Condensed Consolidated Cash Flow Statement
- 25 Notes to the Condensed Consolidated Interim Financial Statements

CORPORATE INFORMATION

DIRECTORS

EXECUTIVE DIRECTORS:

FOO Kam Chu Grace (*Chairman*)

CHAN Wai Ling

TSE Wai Hang

INDEPENDENT NON-EXECUTIVE DIRECTORS:

CHAN Kai Nang

PAO Ping Wing

NG Chi Keung

COMPANY SECRETARY

TSE Wai Hang

EXTERNAL AUDITOR

Deloitte Touche Tohmatsu

Registered Public Interest Entity Auditor

INTERNAL AUDITOR

Crowe (HK) Risk Advisory Limited

LEGAL ADVISORS

Lo, Wong & Tsui

Conyers Dill & Pearman

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

21/F, Soundwill Plaza

No. 38 Russell Street

Causeway Bay, Hong Kong

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11, Bermuda

PRINCIPAL BANKS

The Hongkong and Shanghai Banking Corporation Limited

Bank of China (Hong Kong) Limited

Hang Seng Bank Limited

DBS Bank (Hong Kong) Limited

Industrial and Commercial Bank of China (Asia) Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited

4th floor North Cedar House

41 Cedar Avenue

Hamilton HM 12 Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Standard Limited

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

SHARE INFORMATION

PLACE OF LISTING

The Main Board of The Stock Exchange of Hong Kong Limited

STOCK CODE

878

BOARD LOT

500 shares

WEBSITE

www.soundwill.com.hk

INVESTOR RELATIONS

E-mail: sw.ir@soundwill.com.hk



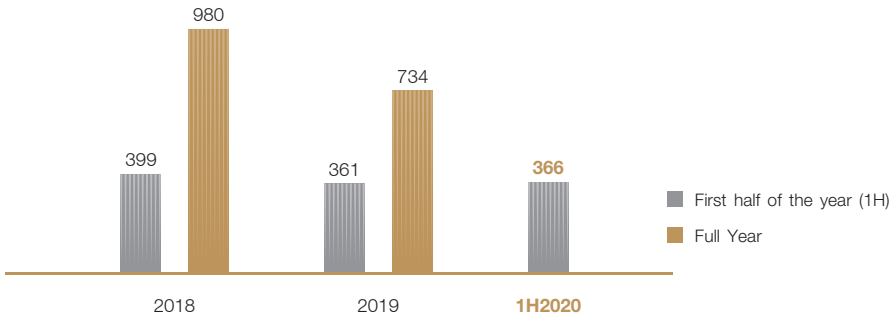
FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2020 (Unaudited) HK\$ million	2019 (Unaudited) HK\$ million
Revenue	366.4	360.6
Net fair value (loss)/gain on investment properties	(122.2)	809.4
Profit attributable to owners of the Company	72.8	1,004.9
Basic earnings per share (dollars)	HK\$0.26	HK\$3.55
	At 30 June 2020 (Unaudited) HK\$ million	At 31 December 2019 (Audited) HK\$ million
Total assets	23,417	23,617
Net assets	20,612	20,606
Total borrowings	1,885	1,944
Gearing ratio	9%	9%
Net asset value per share (dollars)	HK\$72.7	HK\$72.7

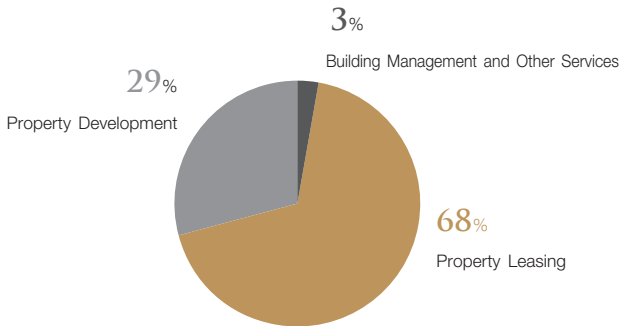
FINANCIAL HIGHLIGHTS (CONTINUED)

GROUP'S TOTAL REVENUE

HK\$ million

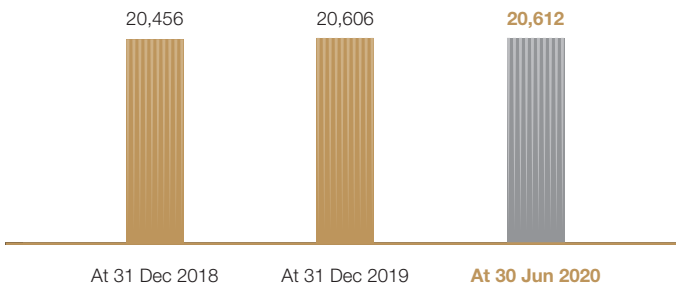


GROUP'S REVENUE MIX FOR THE SIX MONTHS ENDED 30 JUNE 2020



GROUP'S NET ASSET VALUE

HK\$ million



MANAGEMENT DISCUSSION AND ANALYSIS



MANAGEMENT DISCUSSION AND ANALYSIS

Overview

In the first half of 2020, the global economy faced a series of formidable challenges. These included the escalating political and trade tensions between the US and China, followed by the outbreak of the novel coronavirus pandemic throughout the world, which weakened investment and caused many businesses to shut down. As of this writing, an economic recovery in Hong Kong may take longer than expected.

During the period under review, the local economy and property leasing market suffered another downturn as a result of various unfavourable factors, with severe consequences for every business sector of the Group. Among the first to be affected were our leasing business segment and valuation of our investment properties, which experienced a significant decrease in rental income. Despite the unfavourable and unpredictable business environment, our professional team has been taking a prudent and robust approach. It will continue to consolidate the Group's market position through flexible and innovative strategies, asset enhancement initiatives, tenant mix optimisation and close communication with tenants. All of these strategies are aimed at overcoming the current difficulties and their negative impacts.

In order to maintain our market competitiveness and maximise profitability, the Group acquired older buildings and undertook urban renewal projects, although cautiously, in order to create favourable conditions for future development. In addition, we continued to grow our mini-storage business by opening new stores in prime locations to support our existing investment in industrial projects and to improve our property portfolio, with the aim of increasing revenue.

Aside from taking a cautious approach to the challenges we face, the Group will identify new opportunities, keep pace with the changing environment, and strengthen our commitment to corporate social responsibility as a means of creating greater value for our shareholders and society.

Property Leasing

For the six months ended 30 June 2020, the Group's property leasing segment recognised revenue of approximately HK\$249,299,000, representing approximately 68% of the Group's total revenue for the period.

The Group's major investment properties include Soundwill Plaza, Soundwill Plaza II – Midtown, 10 Knutsford Terrace and Kai Kwong Commercial Building, all of which are in core areas and prime locations of Hong Kong and have high-quality tenants. During the period, however, there was a decrease in the Group's rental income, which was mainly attributable to the volatility brought about by the novel coronavirus pandemic and the anti-pandemic measures taken by Government, and these had drastic effects on both our tenants' businesses and the performance of our leasing

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

business. In response to appeals by Government, and as a responsible corporate citizen, we provided rental reductions and adjustments for our tenants in need. We also launched joint promotional offers and expanded our use of digital technology in order to accommodate changes in consumption patterns and mitigate external impacts in the hope of overcoming the difficult times we face together with our tenants.

One Storage Management Company Limited

One Storage, a subsidiary of the Group, offers high-quality storage services to customers through branches in Wong Chuk Hang, Chai Wan, San Po Kong, Fo Tan, Tuen Mun, Tsing Yi, Kwai Chung and Tsuen Wan. Each branch maintains a high standard of excellence and offers first-rate customer service in a secure and comfortable environment. One Storage will continue to expand its branch network and make further improvements in the professional support services it provides so as to meet the needs of an evolving market.

Property Development

For the six months ended 30 June 2020, the Group's property development business segment recognised revenue of approximately HK\$105,026,000, representing approximately 29% of the Group's total revenue for the period.

During the period under review, policies designed to accelerate urbanisation were enacted for individual cities in the Mainland China real estate market. Since the implementation of stringent measures by the PRC government at the beginning of the year, the COVID-19 pandemic has been brought under control and regulations have loosened, opening the way to a recovery in the property market.

The Group currently owns a number of real estate projects in the Mainland China. The Lakeview Bay • VOGUE is an integrated project wholly owned by the Group, comprising villas and high-rise residences located in Gaoyao District, Zhaoqing. During the review period, the villa units of Phase I and high-rise townhouse units of Phase II were nearly sold out and gradually occupied. The multi-level residential and shop units of Phase III were launched at the end of 2019. They are now being sold, with all handover conditions having been fulfilled. Grand Capital (Shan Shui Xiang Ri Hao Ting) is a project located in Doumen District, Zhuhai. Confirmation of rights took place in 2020 for the units of the project, and these units are now being offered for sale as completed units.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Building Management and Other Services

For the six months ended 30 June 2020, the Group's building management and other services segment recognised revenue of approximately HK\$12,093,000, representing approximately 3% of the Group's total revenue for the period.

The Group's building management and maintenance subsidiaries are committed to providing high-quality property and facility management services. The properties under its management include large-scale commercial buildings and small and medium size estates. Drawing on the extensive experience of our professional team, we deliver high-quality property management, customer services and maintenance services to owners and tenants. By constantly refining the services we offer, these businesses have successfully raised overall service standards at our properties.

Communication with Shareholders and Investors/Investor Relations

The Group recognises that effective communication with shareholders is the key to improving investor relations and will ultimately assist the investment community in understanding the Group's business performance and strategies.

In order to establish trusting and productive relationships with shareholders and investors, the Group communicates with them through channels that include in-person meetings, overseas roadshows and project site visits. Owing to the worldwide persistence of COVID-19 in the first half of the year, the Group resorted to other forms of communication, including telecommunications. The annual general meeting of the Group this year was held in May 2020. In addition to briefings on the results announcements, we maintain regular contact with the media through press releases, announcements and other promotional materials.

The Group also committed to transparency through the timely disclosure of information on the Group's business developments so that shareholders and investors can make informed investment decisions. In order to achieve a balance between compliance with corporate governance requirements and business growth, the Group makes continuous efforts to improve its management practices. The Board further believes that sound corporate governance is essential to the success of the Group and enhances shareholder value.

Corporate Citizenship

In addition to generating better returns for its stakeholders, the Group constantly enhances its quality standards and promotes social responsibility in every segment of its business, with the objective of creating long-term benefit for society. In response to the pandemic, we distributed literature on containing the novel coronavirus and supported fundraising activities, reading programmes and educational events. Through our Soundwill Volunteer Team, we also provided caring programmes for the underprivileged in the community. In addition to these ongoing efforts, we publish an annual Environmental, Social and Governance Report with key performance indicators, in order to enhance transparency.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In recognition of our contributions to the community, we have been honoured as a Caring Company by The Hong Kong Council of Social Service for nine consecutive years. The Group, in conjunction with its member companies and property projects, has also received numerous commendations. During the review period, the Group received a Hong Kong Outstanding Corporate Citizenship award and Living Business Award and was recognised as a Happy Company and Heart-to-Heart Company, acknowledging our commitment to corporate social responsibility over the years.

Prospects

Looking ahead to the second half of 2020, we expect that the unstable international situation will persist and that some global economic activities will cease, owing to continuing Sino-US tensions and the ongoing novel coronavirus pandemic. As concerns intensify over prospects about the economy, we expect further mass closures and an increasing unemployment rate, which in turn will have an adverse effect on the economy's revival. Fast-changing local and international conditions coupled with bleak investment sentiment will further add fuel to market uncertainty.

In this macro environment, the real economy of Hong Kong faces enormous challenges. As there is currently little sign of a recovery in the local economy and property leasing market, the Group's business and operating results will inevitably be affected in the short term. We will thus maintain a cautious approach by closely monitoring market developments and government policies and measures. We will also consider making timely adjustments or reforms, including the application of digital technologies, to improve our operational efficiency, overcome the current difficulties and achieve further growth at the right time.

Nevertheless, with our solid foundation in corporate governance and the extensive experience and professional expertise of our management team, we believe we are capable of responding to these challenges. While continuing to promote business development, we will also protect the environment and show our care for the communities in which we operate by leveraging our digital technologies and talent to ensure our operations continue to contribute to the local economy, preserve the environment and benefit all of Hong Kong.

What is more, we will continue to champion the long-term interests of shareholders and operate our business in a prudent manner, in order to retain our competitive strengths. Beyond this, we will embrace innovative solutions to overcome new challenges with a view to diversifying our operations.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)



INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (30 June 2019: Nil).

FINANCIAL REVIEW

For the six months ended 30 June 2020, the Group has recorded a revenue of HK\$366,418,000 (30 June 2019: HK\$360,634,000), representing an increase of HK\$5,784,000 as compared with the same period last year. The increase in revenue was mainly attributable to the increase in revenue from property sales in Hong Kong.

Profit attributable to owners of the Company for the six months ended 30 June 2020 was HK\$72,764,000 (30 June 2019: HK\$1,004,937,000), representing a decrease of 93% as compared with the corresponding period in 2019. The decrease is mainly due to valuation loss of HK\$122,150,000 was recorded as of 30 June 2020.

The total interest expenses for the six months ended 30 June 2020 amounted to HK\$24,269,000 (30 June 2019: HK\$29,103,000).

The Company's basic earnings per share was HK\$0.26 as compared with the same period of last year of HK\$3.55.

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2020, the Group cash and bank balances (including short-term bank deposits and cash and cash equivalents) amounted to HK\$779,892,000 (31 December 2019: HK\$557,211,000). The Group's total borrowings as at 30 June 2020 were HK\$1,884,830,000 (31 December 2019: HK\$1,944,063,000). The Group's gearing ratio (which was expressed as a percentage of total borrowings over total equity) was 9% as at 30 June 2020 (31 December 2019: 9%).

As at 30 June 2020, the Group's net assets amounted to HK\$20,611,821,000 (31 December 2019: HK\$20,605,536,000).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 Mainland China operations. Given there would have immaterial impact on the Group's assets in the Mainland China which generated income from as well as expense incurred in Mainland China, the Group had not implemented any hedging measures during the period under review.

During the period under review, the Group did not commit to any financial instruments to hedge its balance sheet exposures.

Acquisition and development of properties are financed partly by internal resources and partly by bank borrowings. Repayment of bank loans are scheduled to match asset lives and project completion dates. Borrowings are denominated in Hong Kong Dollars and bear interest at floating rates.

SIGNIFICANT INVESTMENTS HELD

During the six months ended 30 June 2020, the Group had no significant investments.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 19 July 2018, the Group entered into a sale and purchase agreement with an independent third party to dispose the entire issued share capital of Lucky Way Holdings Investment Limited and its subsidiaries (collectively the "Lucky Way Group") and the assignment of the loans repayable by the Lucky Way Group to the Group at an aggregate consideration of HK\$467,635,000. The disposal of Lucky Way Group was completed on 5 February 2020. Please refer to the announcements issued by the Company on 19 July 2018 and supplemental announcements issued afterward on 28 September 2018, 27 November 2018, 31 January 2019, 28 February 2019, 31 May 2019 and 5 February 2020 for more details. ^(Note 1)

Save as disclosed above, there was no material acquisition or disposal of subsidiaries, associates and joint ventures by the Group for the six months ended 30 June 2020.

Note 1: As at the reporting date, the Group has not yet received any repayment of the short term loan facilities granted on 5 February 2020, of which a sum of HK\$45,000,000 had already past due since 4 May 2020.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)



EVENT AFTER REPORTING PERIOD

The outbreak of COVID-19 has led to different extents of travel bans and lockdowns imposed by various countries and regions around the world. Increased global travel restrictions amid virus infections locally and overseas have already substantially hindered the manufacturing capability of many countries, which in turn is disrupting global supply chains and international trade, and hence a severe threat to global economy. The Group anticipates both the wider local economy and the property leasing market will remain weak and are unlikely to fully recover in the short term. Given the unpredictable nature of these constantly changing circumstances, the related impact on the consolidated results of operations, cash flows and financial condition of the Group could not be reasonably and tangibly fully evaluated at this stage and will be reflected in the Group's 2020 annual financial statements.

EMPLOYEES AND REMUNERATION POLICY

The Group had 238 and 49 employees in Hong Kong and Mainland China respectively as at 30 June 2020 (31 December 2019: 248 and 70 employees). Employees were remunerated on the basis of their performance, experience and market practice.

Remuneration packages comprise salary, medical insurance, mandatory provident fund and year end discretionary bonus. During the six months ended 30 June 2020, total salaries and wages were approximately HK\$49,495,000 (30 June 2019: HK\$57,068,000).

PLEDGE OF ASSETS

As at 30 June 2020, certain investment properties and property, plant and equipment of the Group with a total carrying value of approximately HK\$14,252,230,000 (31 December 2019: approximately HK\$13,935,600,000) were pledged to secure banking facilities for the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

(a) Directors' interests in the Company

As at 30 June 2020, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which are required to be (i) notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have taken under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Long positions in the shares and underlying shares:

Name of Director	Capacity	Number of Ordinary Shares Interested	Approximate Percentage of the Company's Total Issued Shares
Foo Kam Chu Grace	Beneficial owner and Beneficiary of a trust	208,913,130 <i>(Note 1)</i>	73.74%
Chan Wai Ling	Beneficiary of a trust	208,816,528 <i>(Note 2)</i>	73.71%

Note 1: Madam Foo Kam Chu Grace ("Madam Foo") was deemed to be interested in 208,913,130 shares of the Company in aggregate: (i) 96,602 shares of the Company was personally held by Madam Foo; (ii) 206,430,528 shares of the Company as held by Ko Bee Limited ("Ko Bee"), the entire issued share capital of which was held by a discretionary trust (the "Trust") . Madam Foo is a beneficiary of the Trust; and (iii) 2,386,000 shares of the Company was held by Full Match Limited ("Full Match"), a company wholly-owned by Ko Bee.

Note 2: Ms. Chan Wai Ling ("Ms. Chan") was deemed to be interested in 208,816,528 shares of the Company. Ms. Chan is a beneficiary of the Trust.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(b) Directors' Interests in Associated Corporations

Name of Director	Name of Associated Corporation	Capacity	Number and Class of Shares	Percentage of Shareholding
Foo Kam Chu Grace	Ko Bee Limited	Beneficiary of a trust	1 ordinary share	100% <i>(Note 3)</i>
Chan Wai Ling	Ko Bee Limited	Beneficiary of a trust	1 ordinary share	100% <i>(Note 3)</i>
Foo Kam Chu Grace	Full Match Limited	Interest in controlled corporation and Beneficiary of a trust	1 ordinary share	100% <i>(Note 3)</i>
Chan Wai Ling	Full Match Limited	Interest in controlled corporation and Beneficiary of a trust	1 ordinary share	100% <i>(Note 3)</i>

Note 3: The entire issued share capital of Ko Bee is held by the Trust. The entire issued share capital of Full Match is held by Ko Bee. Madam Foo and Ms. Chan are the beneficiaries of the Trust.

Save as disclosed above, as at 30 June 2020, none of the Directors and chief executive of the Company had any interest or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have taken under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHT TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed above, at no time during the six months ended 30 June 2020, were rights to subscribe for equity or debt securities of the Company granted to any Directors or chief executive of the Company or to their spouse or children under 18 years of age as recorded in the register required to be kept under Part XV of the SFO, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable any such persons to acquire any such rights in any other body corporate.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2020, the person(s) other than a Director or chief executive of the Company who have interests or short positions of 5% or more in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, was/were as follows:

Long Positions in the Shares

Name of Shareholder	Capacity	Number of Shares	Approximate Percentage of Shareholding
Century Pine (PTC) Limited	Trustee of a trust	208,816,528 <i>(Notes 1&4)</i>	73.71%
Ko Bee Limited	Beneficial owner and Interest of controlled corporation	208,816,528 <i>(Notes 1&4)</i>	73.71%

Note 4: Ko Bee is ultimately held under the Trust with Century Pine (PTC) Limited as trustee for Madam Foo and her family members (including Ms. Chan, executive Director of the Company).

Save as disclosed above, as at 30 June 2020, the Company had not been notified by any person(s) (other than the Directors and chief executive of the Company, whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations" above) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

CONTINGENT LIABILITIES

As at 30 June 2020, the Group provided guarantees amounted to HK\$233,353,000 (31 December 2019: HK\$275,589,000) to banks with respect to mortgage loans procured by the purchasers of the Group's properties in the Mainland China. Such guarantees will be released by banks upon delivery of the properties to the purchasers and completion of the registration of the mortgage with the relevant mortgage registration authorities or settlement of the outstanding mortgage loan. In the opinion of the Directors, the fair value of the financial guarantee is not significant.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries had 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 the management, the accounting principles and practices adopted by the Group and discussed internal controls and risk management, internal audit and financial reporting matters. The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2020 has been reviewed with no disagreement by the Audit Committee.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the applicable code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the six months ended 30 June 2020 except for the following deviations:

(1) Code Provision A.2.1

Code Provision A.2.1 of the CG Code provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The roles of the chairman and chief executive officer are neither separated nor performed by two different individuals. Madam Foo Kam Chu Grace is the founder and Chairman of the Group. She is responsible for the Group's overall development direction and strategies. The Chairman ensures the Board functions effectively and discharges its responsibilities. There is no chief executive officer appointed and the daily operations of the Group are delegated to other executive Directors, the management and various department heads with clearly defined authority policy. The Board is of the view that the current management structure can effectively facilitate the Group's operation and business development.

(2) Code Provision A.4.1

Code Provision A.4.1 of the CG Code provides that non-executive Directors should be appointed for a specific term.

The independent non-executive Directors are not appointed for a specific term as they are subject to retirement by rotation at least once every three years and re-election at the annual general meeting of the Company in accordance with the bye-laws of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. Having made specific enquiries with all Directors, the Company confirms that all of them have complied with the Model Code during the six months ended 30 June 2020.

The Company has also adopted the written guidelines on no less exacting terms than the Model Code for those relevant employees (as defined in the CG Code) in respect of their dealings in the securities of the Company in compliance with the Code Provision A.6.4 of the CG Code.

CHANGE IN DIRECTORS' INFORMATION

Change in the Directors' information since the disclosures made in the Company's 2019 annual report, which is required to be disclosed pursuant to the requirements of Rule 13.51B(1) of the Listing Rules is set out as below:

Name of Director	Change
Tse Wai Hang	Mr. Tse, executive Director, is entitled to a monthly salary of HK\$175,000 with effect from 1 January 2020.

Save as disclosed above, there is no other change in the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules subsequent to the publication of the 2019 annual report of the Company.

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
SOUNDWILL HOLDINGS LIMITED
Foo Kam Chu Grace
Chairman

Hong Kong, 26 August 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Six months ended 30 June	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue			
Revenue from goods and services		117,119	80,454
Rental income		249,299	280,180
Total revenue		366,418	360,634
Cost of sales		(70,934)	(31,440)
Gross profit		295,484	329,194
Other income	4	26,341	16,861
Selling expenses		(4,099)	(1,788)
Administrative expenses		(63,584)	(71,826)
Net fair value (loss)/gain on investment properties		(122,150)	809,382
Gain on disposal of subsidiaries	17	2,040	—
Finance costs	5	(24,269)	(29,103)
Profit before income tax expense	6	109,763	1,052,720
Income tax expense	7	(37,013)	(47,873)
Profit for the period		72,750	1,004,847

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Other comprehensive expense, net of tax		
<i>Item that will not be reclassified to profit or loss:</i>		
(Deficit)/surplus on revaluation of building, net of deferred tax	(868)	379
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange loss on translation of foreign operations	(8,935)	(6,084)
Other comprehensive expense for the period, net of tax	(9,803)	(5,705)
Total comprehensive income for the period	62,947	999,142
Profit/(loss) for the period attributable to:		
— Owners of the Company	72,764	1,004,937
— Non-controlling interests	(14)	(90)
	72,750	1,004,847
Total comprehensive income/ (expense) for the period attributable to:		
— Owners of the Company	63,352	999,513
— Non-controlling interests	(405)	(371)
	62,947	999,142

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

	<i>Note</i>	Six months ended 30 June	
		2020 (Unaudited) HK\$	2019 (Unaudited) HK\$
Earnings per share for profit attributable to owners of the Company during the period			
Basic	8	0.26	3.55

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	9	21,063,505	21,185,655
Property, plant and equipment	10	145,801	153,712
Deposits paid for acquisition of properties		9,351	9,351
Loan receivables	11	26,459	26,890
		21,245,116	21,375,608
Current assets			
Properties for sale		951,685	1,025,080
Trade and other receivables	11	301,876	95,583
Financial assets at fair value through profit or loss ("FVTPL")		95,459	99,255
Restricted bank deposits	12	43,095	43,879
Short-term bank deposits	12	52,049	250,000
Cash and cash equivalents	12	727,843	307,211
		2,172,007	1,821,008
Assets classified as held for sale		—	420,000
		2,172,007	2,241,008

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
	<i>Notes</i>		
Current liabilities			
Trade and other payables	13	645,008	709,154
Contract liabilities		19,892	60,086
Borrowings	14	183,605	213,005
Lease liabilities		5,661	4,473
Provision for income tax		120,984	165,647
		975,150	1,152,365
Net current assets		1,196,857	1,088,643
Total assets less current liabilities		22,441,973	22,464,251
Non-current liabilities			
Borrowings	14	1,701,225	1,731,058
Lease liabilities		5,664	6,798
Deferred tax liabilities		123,263	120,859
		1,830,152	1,858,715
Net assets		20,611,821	20,605,536
EQUITY			
Equity attributable to owners of the Company			
Share capital	15	28,331	28,331
Reserves		20,569,234	20,562,544
		20,597,565	20,590,875
Non-controlling interests		14,256	14,661
Total equity		20,611,821	20,605,536

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	For the six months ended 30 June 2020 (unaudited)										
	Equity attributable to owners of the Company										
	Share capital	Share premium	Capital redemption reserve	Assets revaluation reserve	Retained profits	Exchange reserve	Special reserve	Proposed final and special dividends	Total	Non-controlling interests	Total equity
			reserve	reserve	profits	reserve	reserve	reserve			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2020	28,331	690,811	295	110	19,852,538	(39,720)	1,848	56,662	20,590,875	14,661	20,605,536
Profit/(loss) for the period	-	-	-	-	72,764	-	-	-	72,764	(14)	72,750
Other comprehensive expense											
Item that will not be reclassified to profit or loss:											
Deficit on revaluation of buildings, net of deferred tax	-	-	-	(868)	-	-	-	-	(868)	-	(868)
Item that may be reclassified subsequently to profit or loss:											
Exchange loss on translation of foreign operations	-	-	-	-	-	(8,544)	-	-	(8,544)	(391)	(8,935)
Total comprehensive income/(expense) for the period	-	-	-	(868)	72,764	(8,544)	-	-	63,352	(405)	62,947
Final dividend paid for 2019	-	-	-	-	-	-	-	(56,662)	(56,662)	-	(56,662)
At 30 June 2020	28,331	690,811	295	(758)	19,925,302	(48,264)	1,848	-	20,597,565	14,256	20,611,821

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	For the six months ended 30 June 2019 (unaudited)										
	Equity attributable to owners of the Company										
	Share capital	Share premium	Capital redemption reserve	Assets revaluation reserve	Retained profits	Exchange reserve	Special reserve	Proposed final and special dividends	Total	Non-controlling interests	Total equity
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2019	28,331	690,811	295	688	19,691,418	(28,889)	1,848	56,662	20,441,164	15,055	20,456,219
Profit/(loss) for the period	–	–	–	–	1,004,937	–	–	–	1,004,937	(90)	1,004,847
Other comprehensive income/(expense)											
Item that will not be reclassified to profit or loss:											
Surplus on revaluation of buildings, net of deferred tax	–	–	–	379	–	–	–	–	379	–	379
Item that may be reclassified subsequently to profit or loss:											
Exchange loss on translation of foreign operations	–	–	–	–	–	(5,803)	–	–	(5,803)	(281)	(6,084)
Total comprehensive income/(expense) for the period	–	–	–	379	1,004,937	(5,803)	–	–	999,513	(371)	999,142
Final dividend paid for 2018	–	–	–	–	–	–	–	(56,662)	(56,662)	–	(56,662)
At 30 June 2019	28,331	690,811	295	1,067	20,696,355	(34,692)	1,848	–	21,384,015	14,684	21,398,699

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<i>Note</i>	Six months ended 30 June	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Net cash inflow from operating activities		86,962	354,455
Net cash inflow/(outflow) from investing activities		475,170	(291,237)
Net cash (outflow)/inflow from financing activities		(142,398)	670,294
Increase in cash and cash equivalents		419,734	733,512
Cash and cash equivalents at 1 January		307,211	186,238
Effect of foreign exchange rate changes, net		898	(5,708)
Cash and cash equivalents at 30 June	12	727,843	914,042



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of Soundwill Holdings Limited (the “Company”) and its subsidiaries (the “Group”) for the six months ended 30 June 2020 (the “Unaudited Condensed Consolidated Interim Financial Statements”) have been prepared in accordance 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”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The Unaudited Condensed Consolidated Interim Financial Statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

The Unaudited Condensed Consolidated Interim Financial Statements have been prepared on the historical cost basis, except for investment properties and leasehold building, which are stated at fair values or revalued amounts.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the Unaudited Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2020 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2019.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2020

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 Impacts of application on Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2020

3. SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors of the Company for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors of the Company are determined following the Group's major business lines.

The Group has identified the following operating and reportable segments:

Property development	: Development of residential, industrial and commercial properties
Property leasing	: Property rental including signage rental and rental under mini-storage operation
Building management and other services	: Provision of building management, property repairs and maintenance services

Each of these operating and reportable segments is managed separately as each of the business lines requires different resources as well as operating approaches.

Also, the Group engaged in properties assembly and sales of properties business. There is no project under property assembly business in both periods. Thus, this is not constitute a reportable segment during both periods.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2020

3. SEGMENT INFORMATION (Continued)

Segment revenue and results

	Six months ended 30 June							
	Property development		Property leasing		Building management and other services		Segment total	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue								
External customers	105,026	70,956	249,299	280,180	12,093	9,498	366,418	360,634
Inter-segments <i>(note)</i>	–	–	108	216	578	2,417	686	2,633
Segment revenue	105,026	70,956	249,407	280,396	12,671	11,915	367,104	363,267
Segment profits	29,485	27,046	219,365	252,257	10,284	6,578	259,134	285,881
Certain other income, other gains and losses							12,908	7,795
Gain on disposal of subsidiaries							2,040	–
Certain administrative expenses							(17,900)	(21,235)
Net fair value (loss)/gain on investment properties							(122,150)	809,382
Finance costs							(24,269)	(29,103)
Profit before income tax expense							109,763	1,052,720

Note: Inter-segment sales are charged at mutual agreed terms.

The operating and reportable segment results exclude finance costs, net fair value (loss)/gain on investment properties, certain other income, gain on disposal of subsidiaries, certain administrative expenses and income tax expense.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2020

3. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

	Property development		Property leasing		Building management and other services		Segment total	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019	30 June 2020	31 December 2019	30 June 2020	31 December 2019
	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000
Segment assets	1,395,656	1,302,330	21,302,818	21,396,340	20,883	24,089	22,719,357	22,722,759
Certain property, plant and equipment							39	1,801
Short-term bank deposits							52,049	250,000
Certain cash and cash equivalents							645,678	222,056
Assets classified as held for sale							–	420,000
Total assets							23,417,123	23,616,616
Segment liabilities	375,184	424,754	249,313	286,230	8,495	9,068	632,992	720,052
Certain other payables							43,233	60,459
Borrowings							1,884,830	1,944,063
Provision for income tax							120,984	165,647
Deferred tax liabilities							123,263	120,859
Total liabilities							2,805,302	3,011,080

Segment assets include all assets other than certain property, plant and equipment, short-term bank deposits, certain cash and cash equivalents and assets classified as held for sale.

Segment liabilities comprise all liabilities other than certain other payables, provision for income tax, deferred tax liabilities and borrowings.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2020

4. OTHER INCOME

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Bank interest income	15,721	12,893
Interest income from loan receivables	5,524	—
Interest income arising from rental deposits paid	—	12
Miscellaneous income	5,096	3,956
	26,341	16,861

5. FINANCE COSTS

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Interest charged on:		
Bank loans	23,976	26,214
Lease liabilities and rental deposits received	293	2,889
	24,269	29,103

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2020

6. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging:

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Cost of completed properties for sale recognised as expense	67,261	29,081
Depreciation of right-of-use assets and other property, plant and equipment	9,960	4,606
Employee compensation expense (including Directors' remuneration and defined contribution cost) (note)	49,495	57,068
Operating lease charges in respect of premises	323	368

Note: During the six months ended 30 June 2020, the Group incurred employee compensation expenses of approximately HK\$21,864,000 (2019: HK\$21,588,000) included in the above employee benefit expense, which is employed on behalf of the third parties to whom these subsidiaries provided building management services. Such expenses are set-off with other income from building management services received by the Group.

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
The charge comprises:		
Hong Kong Profits Tax	28,439	30,707
PRC Enterprise Income Tax ("EIT")	2,897	10,672
PRC Land Appreciation Tax	2,872	990
Deferred tax charge	2,805	5,504
	37,013	47,873

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2020

7. INCOME TAX EXPENSE (Continued)

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profit arising in or derived from Hong Kong for both periods.

All of the Group's Mainland China subsidiaries are subject to PRC EIT rate of 25% for both periods.

8. EARNINGS PER SHARE

The calculation of basic earnings per share for profit attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Earnings		
Profit attributable to owners of the Company (HK\$'000)	72,764	1,004,937
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share (note)	283,308,635	283,308,635

Note:

During the six months ended 30 June 2020 and 2019, neither the Company nor any of its subsidiaries had repurchased any of the Company's shares respectively.

No diluted earnings per share for six months ended 30 June 2020 and 2019 was presented as there were no potential ordinary shares in issue during six months ended 30 June 2020 and 2019.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2020

9. INVESTMENT PROPERTIES

Changes to the carrying amount presented in the Consolidated Statement of Financial Position can be summarised as follows:

	2020 (Unaudited) HK\$'000
Carrying amount at 1 January	21,185,655
Net fair value loss on investment properties	(122,150)
Carrying amount at 30 June	21,063,505

The Group's investment properties were revalued at 31 December 2019 and 30 June 2020 by independent professional valuers, Cushman & Wakefield Limited and Knight Frank Petty Limited respectively, on the following basis:

- The completed investment properties (whole block of commercial building) are revalued by adopting income capitalisation method, which involves certain estimates, including capitalisation rates and reversionary income potential;
- The completed investment properties (individual units (including commercial, industrial and residential properties) or ground floor retail properties) are revalued based on direct comparison method, by reference to market transactions of comparable properties; and
- Investment properties under re-development were revalued on the re-development basis by adopting the residual method. The value is based on the re-development potential of the properties as if these properties will be developed and completed in accordance with the existing redevelopment proposal at the date of valuation and is determined by deducting the estimated total cost of the development, including costs of construction, professional fee, finance cost, associated costs and an allowance of profit that duly reflected developer's risk associated with the development from the gross development value.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2020

9. INVESTMENT PROPERTIES (Continued)

In determining the fair values of the investment properties, the Group engages an independent qualified professional valuer to perform the valuation. The management works with the independent qualified professional valuer to establish the appropriate valuation techniques and inputs for level 3 fair value measurement. Where there is a material change in the fair value of the investment properties, the causes of the fluctuations will be reported to the Directors.

In relying on these valuations, the management has exercised judgement and are satisfied that the methods of valuation adopted are appropriate and reflective of the current market conditions.

The carrying amount of the Group's investment properties is a level 3 fair value measurement. There were no investment property transfers into or out of level 3 fair value measurement during both periods.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2020

9. INVESTMENT PROPERTIES (Continued)

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used).

Investment properties held by the Group in the consolidated statement of financial position	Fair value at 30 June 2020 <i>HK\$'000</i>	Valuation technique(s)	Significant unobservable input(s)	Range of significant unobservable inputs	Interrelationship between significant unobservable input(s) and fair value measurement
Completed investment properties					
Completed investment properties (whole block of commercial building)	16,016,000 (31 December 2019: 16,092,000)	Income capitalisation method	Reversionary rental value	HK\$27 – HK\$51 (31 December 2019: HK\$23 – HK\$56) per month per square foot for upper-level office/restaurants premises; HK\$88 – HK\$897 (31 December 2019: HK\$78 – HK\$1,164) per month per square foot for ground floor shops	The higher the reversionary rental value, the higher the fair value
			Capitalisation rate	2.25% – 3.50% (31 December 2019: 2.25% – 3.50%)	The higher the capitalisation rate, the lower the fair value
Completed investment properties (individual units (including commercial, industrial and residential properties) or ground floor retail properties)	2,349,505 (31 December 2019: 2,373,655)	Direct comparison method	Adjustment to price per square foot in relation to quality of properties (e.g. location, size, level and condition with reference to comparables of the properties)	+/-20% (31 December 2019: +/-20%)	The higher the quality of properties with reference to comparables, the higher the fair value

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2020

9. INVESTMENT PROPERTIES (Continued)

Investment properties held by the Group in the consolidated statement of financial position	Fair value as at 30 June 2020 <i>HK\$'000</i>	Valuation technique(s)	Significant unobservable input(s)	Range of significant unobservable inputs	Interrelationship between significant unobservable input(s) and fair value measurement
Investment properties under re-development	2,698,000 (31 December 2019: 2,720,000)	Residual method	Price per square foot	HK\$20,700 – HK\$21,200 (31 December 2019: HK\$22,000 – HK\$23,300) per square foot for office premises; HK\$32,000 – HK\$39,400 (31 December 2019: HK\$27,000 – HK\$33,000) per square foot for retail properties	The higher the price per square foot, the higher the fair value
			Estimated construction and other professional costs to completion	HK\$3,500 – HK\$4,100 (31 December 2019: HK\$3,600 – HK\$3,900) per square foot	The higher the estimated construction and other professional costs, the lower the fair value
			Estimated profit margin required to hold and develop the investment properties to completion	15% (31 December 2019: 10% – 15%)	The higher estimated profit margin, the lower the fair value



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2020

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the current interim period, no renovation of office premises had been carried out by the Group (30 June 2019: HK\$3,605,000).

The Group's buildings classified as property, plant and equipment were revalued by an independent qualified professional valuer as at the end of the reporting period. The resulting revaluation loss of HK\$1,040,000 (revaluation gain in 30 June 2019: HK\$454,000) has been debited to the assets revaluation reserve during the six months ended 30 June 2020.

During the current interim period, the Group entered into new lease agreements for the use of industrial premises. The Group is required to make fixed monthly payments on the usage of the asset during the contract period. On lease commencement, the Group recognized approximately HK\$2,370,000 (30 June 2019: HK\$2,536,000) of right-of-use asset and approximately HK\$2,370,000 (30 June 2019: HK\$2,509,000) lease liability.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2020

11. TRADE AND OTHER RECEIVABLES/LOAN RECEIVABLES

As at 30 June 2020, trade receivables included in trade and other receivables were approximately HK\$37,798,000 (31 December 2019: HK\$21,449,000). The credit terms of the Group ranging from 30 to 90 days. The ageing analysis of trade receivables, presented based on the invoice date, was set out below:

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Current assets:		
0-30 days	16,369	11,772
31-90 days	9,076	6,176
91-180 days	4,676	2,976
Over 180 days	7,677	525
Total trade receivables, net	37,798	21,449
Other receivables, utility deposits and prepayment, net of provision for impairment loss	103,744	69,215
Loan receivables	160,334	4,919
	264,078	74,134
Total trade and other receivables categorised as current assets	301,876	95,583
Non-current assets:		
Loan receivables	26,459	26,890
	328,335	122,473

The Directors consider that the fair values of trade and other receivables which are expected to be recovered within one year are not materially different from their carrying amounts due to short maturity periods on their inception.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2020

12. CASH AND BANK BALANCES/RESTRICTED BANK DEPOSITS/SHORT-TERM BANK DEPOSITS

The cash and bank balances of the Group was summarised as follows:

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Restricted bank deposits	43,095	43,879
Short-term bank deposits with original maturity over three months	52,049	250,000
Cash and cash equivalents	727,843	307,211
Total cash and bank balances	822,987	601,090

Cash at bank earns interest at floating rates based on the daily bank deposit rates.

The Group's bank balances included restricted bank deposits of approximately HK\$43,095,000 (31 December 2019: HK\$43,879,000) which was restricted for the purpose of construction related payments.

Included in cash and cash equivalents of the Group is approximately HK\$97,854,000 (31 December 2019: HK\$94,975,000) of bank balances denominated in Renminbi placed with banks in the Mainland China.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2020

13. TRADE AND OTHER PAYABLES

As at 30 June 2020, trade payables included in trade and other payables were approximately HK\$17,810,000 (31 December 2019: HK\$17,358,000). The Group was granted credit periods by its suppliers ranging from 30 to 60 days. The ageing analysis of trade payables, presented based on the invoice date, was set out below:

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
0-30 days	1,631	1,519
31-90 days	309	1,263
Over 90 days	15,870	14,576
Total trade payables	17,810	17,358
Other payables	627,198	691,796
	645,008	709,154

14. BORROWINGS

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Current liabilities		
Bank loans – secured	183,605	213,005
Non-current liabilities		
Bank loans – secured	1,701,225	1,731,058
	1,884,830	1,944,063

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2020

14. BORROWINGS (Continued)

At the end of the reporting periods, the maturity analysis of the Group's borrowings is stated as follows:

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Carrying amount of bank loans repayable based on the scheduled repayment dates set out in the loan agreements:		
Within one year	63,105	63,105
More than one year, but not exceeding two years	1,351,225	59,665
More than two years, but not exceeding five years	350,000	1,671,393
	1,764,330	1,794,163
Carrying amount of bank loans that contain a repayable on demand clause (shown under current liabilities) but repayable based on the scheduled repayment dates set out in the loan agreements:		
Within one year	120,500	149,900
	120,500	149,900
Total bank loans	1,884,830	1,944,063
Carrying amount of bank loans matured within one year or those contain a repayment on demand clause (shown under current liabilities)	(183,605)	(213,005)
Amount shown under non-current liabilities	1,701,225	1,731,058

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2020

15. SHARE CAPITAL

There were no movements in the share capital of the Company in the six months ended 30 June 2020.

16. RELATED PARTY TRANSACTIONS

The following transactions with related parties were, in the opinion of the Directors, carried out in the ordinary course of business during the periods:

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Related companies		
Operating lease charges and management fee in respect of office premises situated in Guangzhou, the PRC <i>(note (a))</i>	260	271
Rental income in respect of an office premise <i>(note (b))</i>	100	300
Rental expense for leasing carparking spaces situated in Guangzhou, the PRC <i>(note (c))</i>	13	30

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2020

16. RELATED PARTY TRANSACTIONS (Continued)

Notes:

- (a) A subsidiary of the Company entered into a tenancy agreement with a related company, in which the Chairman and an executive director of the Company have interests, for leasing office premises situated at Guangzhou, the PRC for office purpose.
- (b) For the periods ended 30 June 2020 and 2019, a subsidiary of the Company entered into a tenancy agreement with a company, in which the Chairman and her daughters have wholly-owned interest, for leasing an office premise in Soundwill Plaza for the period of three years commencing from 1 September 2018 and expiring on 31 August 2021 at monthly rental of HK\$50,000. The tenancy agreement was terminated on 29 February 2020.
- (c) A subsidiary of the Company entered into tenancy agreements with a related company, in which a close family member of the Chairman and an executive Director of the Company have interests, for leasing two (30 June 2019: three) carparking spaces situated in Guangzhou, the PRC.
- (d) For the periods ended 30 June 2020 and 2019, subsidiaries of the Company entered into property management agreements with a related company, in which the Chairman and an executive director of the Company have interests, for managing properties for sale situated in the Mainland China.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2020

17. DISPOSAL OF SUBSIDIARIES

On 19 July 2018, the Group entered into an agreement to dispose of the entire equity interest in a wholly-owned subsidiary, namely Lucky Way Holdings Investment Limited (“Lucky Way”), to an independent third party at an aggregate consideration of HK\$467,635,000. Lucky Way is an investment holding company and holds the entire issued share capital of a subsidiary which in turn holds a property comprising a work site and tenement building located in Hong Kong (collectively known as “Lucky Way Group”). The disposal of Lucky Way Group was completed on 5 February 2020. The net assets of subsidiaries at the date of disposal were as follows:

	<i>HK\$'000</i>
Net assets disposed of	
Assets classified as held for sale (<i>note a</i>)	420,000
Deferred tax	(230)
Amounts due to fellow subsidiaries	(139,447)
	280,323
Loan assignment	139,447
Direct expenses in relation to disposal of subsidiaries	45,825
Gain on disposal of Lucky Way Group	2,040
	467,635
Total consideration	
— satisfied by cash	312,353
— satisfied by repayment of loan (<i>note b</i>)	155,282
	467,635

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2020

17. DISPOSAL OF SUBSIDIARIES (Continued)

	HK\$'000
Net cash inflow arising from disposal of Lucky Way Group up to current interim period: <i>(note c)</i>	
Consideration received	312,353
Direct expenses	(20,236)
	292,117

Notes:

- (a) Assets classified as held for sale solely comprised investment properties held by Lucky Way Group. The investment properties have a historical cost of HK\$139,002,000 and net fair value gain HK\$280,998,000 making a total of HK\$420,000,000.
- (b) The Group granted short term loan facilitates of HK\$155,282,000 ("Loan") to two of the beneficial owners of the purchaser of Lucky Way ("Borrowers") to enable the completion of the disposal of Lucky Way Group (and details thereof are set out in the Announcement dated 5 February 2020). The loan was included under "Loan receivables" in the consolidated statement of financial position as at 30 June 2020.

As at the reporting date, the Group has not yet received any repayment of the Loan, of which a sum of HK\$45,000,000 had already past due since 4 May 2020.

- (c) Approximately HK\$45,825,000 has been provided as direct expenses in relation to the disposal of Lucky Way Group. As at 30 June 2020, the Group paid approximately HK\$20,236,000 and the remaining direct expenses of HK\$25,589,000 have been included under "Other payables" in the consolidated statement of financial position.

The net cash inflow arising from disposal of Lucky Way Group will be HK\$266,528,000 after deducting the remaining direct expenses and the total net cash inflow, upon receipt of Loan repayment and deducting all direct expenses, will become HK\$421,810,000.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2020

18. FUTURE OPERATING LEASE ARRANGEMENTS

The Group leases its investment properties (note 9) under operating lease arrangements with average lease terms of one to five years with an option to renew the lease terms at the expiry date or at dates mutually agreed between the Group and the respective tenants. Certain leases include contingent rentals calculated with reference to turnover of the tenants. As at 30 June 2020, the Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of investment properties are as follows:

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Within one year	426,015	452,127
More than one year but not exceeding five years	377,915	516,582
More than five years	—	70
	803,930	968,779

19. COMMITMENTS

Capital commitments

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Contracted but not provided for: — Acquisition of investment properties	17,641	17,641

20. EVENT AFTER REPORTING PERIOD

The outbreak of COVID-19 has led to different extents of travel bans and lockdowns imposed by various countries and regions around the world. Increased global travel restrictions amid virus infections locally and overseas have already substantially hindered the manufacturing capability of many countries, which in turn is disrupting global supply chains and international trade, and hence a severe threat to global economy. The Group anticipates both the wider local economy and the property leasing market will remain weak and are unlikely to fully recover in the short term. Given the unpredictable nature of these constantly changing circumstances, the related impact on the consolidated results of operations, cash flows and financial condition of the Group could not be reasonably and tangibly fully evaluated at this stage and will be reflected in the Group's 2020 annual financial statements.



金朝陽集團有限公司*
SOUNDWILL HOLDINGS LIMITED

於百慕達註冊成立之有限公司 | Incorporated in Bermuda with limited liability
股份代號: Stock Code : 0878



MIX

Paper from responsible sources

源自負責任的森林資源的紙張

FSC® C007445