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## **SOUNDWILL HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 878)**

### **INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012**

#### **FINANCIAL HIGHLIGHTS**

	<b>Six months ended 30 June</b>	
	<b>2012</b>	<b>2011</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HKD million</b>	<b>HKD million</b>
Turnover	<b>239.1</b>	145.2
Profit attributable to owners of the Company	<b>1,253.5</b>	1,004.5
Basic earnings per share (dollars)	<b>HK\$4.70</b>	HK\$4.03
	<b>At 30</b>	<b>At 31</b>
	<b>June 2012</b>	<b>December 2011</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>HKD million</b>	<b>HKD million</b>
Total assets	<b>16,282.6</b>	14,701.1
Net assets	<b>11,677.6</b>	10,277.7
Total borrowings	<b>3,188.4</b>	3,509.4
Gearing ratio	<b>27%</b>	34%
Net asset value per share (dollars)	<b>HK\$42.30</b>	HK\$37.38

## RESULTS

The Board of directors (the “Directors”) of Soundwill Holdings Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2012 which have been reviewed by the Audit Committee of the Company, with comparative figures for the corresponding period in 2011 as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2012	2011
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
<b>Turnover</b>		<b>239,102</b>	145,173
Cost of sales		<u>(56,502)</u>	<u>(17,681)</u>
<b>Gross profit</b>		<b>182,600</b>	127,492
Other income	4	8,328	753
Administrative expenses		(78,507)	(60,352)
Other operating expenses		(333)	(573)
Loss on disposal/deregistration of subsidiaries		(10)	—
Net gain on fair value adjustments on investment properties		1,186,154	975,526
Gain on disposal of an investment property		<u>3,311</u>	<u>461</u>
<b>Profit from operations</b>	5	<b>1,301,543</b>	1,043,307
Finance costs	6	(25,074)	(19,719)
Share of losses of a jointly-controlled entity		<u>(369)</u>	<u>(656)</u>
<b>Profit before income tax</b>		<b>1,276,100</b>	1,022,932
Income tax expense	7	<u>(25,810)</u>	<u>(19,831)</u>
<b>Profit for the period</b>		<b>1,250,290</b>	1,003,101
<b>Other comprehensive income</b>			
Exchange gain on translation of financial statements of foreign operations		10,855	8,174
Surplus on revaluation of leasehold building		8,066	4,904
Deferred tax liabilities arising from asset revaluation reserve of leasehold building		<u>(1,331)</u>	<u>(809)</u>
<b>Other comprehensive income for the period</b>		<b>17,590</b>	12,269
<b>Total comprehensive income for the period</b>		<b>1,267,880</b>	1,015,370

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)**

		<b>Six months ended 30 June</b>	
		<b>2012</b>	<b>2011</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Profit for the period attributable to:</b>			
— Owners of the Company		1,253,457	1,004,466
— Non-controlling interests		<u>(3,167)</u>	<u>(1,365)</u>
		<b><u>1,250,290</u></b>	<b><u>1,003,101</u></b>
<b>Total comprehensive income attributable to:</b>			
— Owners of the Company		1,270,927	1,016,524
— Non-controlling interests		<u>(3,047)</u>	<u>(1,154)</u>
		<b><u>1,267,880</u></b>	<b><u>1,015,370</u></b>
<b>Earnings per share for profit attributable to owners of the Company</b>			
— Basic	8	<b><u>HK\$4.70</u></b>	<b><u>HK\$4.03</u></b>
— Diluted	8	<b><u>HK\$4.68</u></b>	<b><u>HK\$4.00</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<b>30 June 2012</b>	31 December 2011
	<b>(Unaudited)</b>	(Audited)
<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>ASSETS AND LIABILITIES</b>		
<b>Non-current assets</b>		
Investment properties	12,301,803	11,038,428
Property, plant and equipment	166,668	160,118
Properties held for development	46,734	46,672
Interest in a jointly-controlled entity	45,554	45,260
Available-for-sale financial assets	10	10
Intangible assets	6,199	6,284
	<u>12,566,968</u>	<u>11,296,772</u>
<b>Current assets</b>		
Inventories	41,418	43,022
Properties held for sale	—	38,400
Properties under development	2,611,074	2,435,382
Trade and other receivables	123,892	122,328
Deposits paid for acquisition of properties	25,818	7,557
Bank deposit at escrow account	186,324	185,675
Cash and cash equivalents	631,581	571,944
	<u>3,620,107</u>	<u>3,404,308</u>
Assets classified as held for sale	95,540	—
	<u>3,715,647</u>	<u>3,404,308</u>
<b>Current liabilities</b>		
Trade and other payables	345,481	312,427
Deposits received in advance	983,455	528,509
Borrowings	3,188,432	3,509,413
Provision for income tax	23,890	13,943
	<u>4,541,258</u>	<u>4,364,292</u>
<b>Net current liabilities</b>	<u>(825,611)</u>	<u>(959,984)</u>
<b>Total assets less current liabilities</b>	<u>11,741,357</u>	<u>10,336,788</u>
<b>Non-current liabilities</b>		
Deferred taxation	63,788	59,054
	<u>63,788</u>	<u>59,054</u>
<b>Net assets</b>	<u><u>11,677,569</u></u>	<u><u>10,277,734</u></u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**

	<b>30 June</b>	31 December
	<b>2012</b>	2011
	<b>(Unaudited)</b>	(Audited)
<i>Notes</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
<b>EQUITY</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	27,605	27,494
Reserves	<u>11,398,397</u>	<u>10,151,273</u>
	<b>11,426,002</b>	10,178,767
<b>Non-controlling interests</b>	<u>251,567</u>	<u>98,967</u>
<b>Total equity</b>	<u><b>11,677,569</b></u>	<u><b>10,277,734</b></u>

*Notes:*

**1. Basis of Preparation**

The unaudited condensed interim consolidated financial statements of the Group for the six months ended 30 June 2012 (the “Unaudited Condensed Interim Financial Information”) 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 Accountant Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

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

**2. Principal accounting policies**

The Unaudited Condensed Interim Financial Information has been prepared under the historical cost convention, except for investment properties and leasehold building, which are stated at fair values, and the accounting policies of which are consistent with those of the Group’s annual audited financial statements for the year ended 31 December 2011 (the “2011 Annual Financial Statements”) as described thereof.

The accounting policies adopted for the six months ended 30 June 2012 are consistent with those used in the preparation of the 2011 Annual Financial Statements except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKAS”) and Interpretations) as disclosed below.

The Unaudited Condensed Interim Financial Information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the 2011 Annual Financial Statements, which have been prepared in accordance with HKFRSs.

In the current interim period, the Group has applied, for the first time, the following new and revised HKFRSs issued by the HKICPA, which is relevant to and effective for the Group’s financial statements for the annual financial period beginning on or after 1 January 2012.

Amendment to HKFRS 7	Financial Instruments: Disclosures — Transfer of Financial Assets
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The adoption of this new and revised HKFRSs has had no material effect on this interim financial results.

Up to the date of this interim financial report, the HKICPA has issued a number of amendments and interpretation which are not yet effective for the current period. Those include the following which may be relevant to the Group.

## 2. Principal accounting policies (*Continued*)

Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income <sup>1</sup>
Amendments to HKFRS 1	Government Loans <sup>2</sup>
Amendments to HKFRS 7	Disclosure – Offsetting Financial Assets and Financial Liabilities <sup>2</sup>
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transaction Disclosure <sup>4</sup>
Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities <sup>3</sup>
HKFRS 9	Financial Instruments <sup>4</sup>
HKFRS 10	Consolidated Financial Statements <sup>2</sup>
HKFRS 11	Joint Arrangements <sup>2</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>2</sup>
HKFRS 13	Fair Value Measurement <sup>2</sup>
HKAS 19 (2011)	Employee Benefits <sup>2</sup>
HKAS 27 (2011)	Separate Financial Statements <sup>2</sup>
HKAS 28 (2011)	Investments in Associates and Joint Ventures <sup>2</sup>
Annual Improvements Project	Annual Improvements 2009-2011 Cycle <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2015

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement.

The Group is in the process of making an assessment of the potential impact of these new and revised HKFRSs and the directors so far concluded that the application of these new and revised HKFRSs will have no material impact on the Group's financial statements.

## 3. Segment Information

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors 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 are determined following the Group's major business lines.

The Group has identified the following reportable segments:

Property assembly business	: Properties assembly and sales of properties
Property development	: Development of residential and commercial properties
Property leasing	: Property rental including signage rental and provision of office facilities and services
Building management and other services	: Provision of building management, property repairs and maintenance services
Urban infrastructure	: Underground telecommunication pipeline construction

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

### 3. Segment Information (Continued)

During the six months ended 30 June 2012, there have been no changes from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

The turnover and profit generated by each of the Group's operating segments and segment assets are summarised as follows:

	Six months ended 30 June													
	Property assembly						Building management and						Total	
	business		Property development		Property leasing		other services		Urban infrastructure		Others			
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
HK\$'000														
Turnover														
External customers	94,000	—	—	—	117,997	116,057	9,342	6,727	17,763	22,389	—	—	239,102	145,173
Inter-segments	—	—	189,299	40,204	19,236	10,422	1,355	1,083	—	—	12,948	7,795	222,838	59,504
Reportable segment turnover	<u>94,000</u>	<u>—</u>	<u>189,299</u>	<u>40,204</u>	<u>137,233</u>	<u>126,479</u>	<u>10,697</u>	<u>7,810</u>	<u>17,763</u>	<u>22,389</u>	<u>12,948</u>	<u>7,795</u>	<u>461,940</u>	<u>204,677</u>
Reportable segment profit/(loss)	<u>52,789</u>	<u>(2,153)</u>	<u>(28,541)</u>	<u>(16,774)</u>	<u>93,431</u>	<u>91,792</u>	<u>3,772</u>	<u>3,003</u>	<u>(2,568)</u>	<u>(141)</u>	<u>12,259</u>	<u>1,761</u>	<u>131,142</u>	<u>77,488</u>
Reportable segment assets	<u>—</u>	<u>28</u>	<u>2,636,315</u>	<u>1,381,437</u>	<u>12,677,511</u>	<u>11,685,702</u>	<u>9,089</u>	<u>5,713</u>	<u>545,817</u>	<u>124,122</u>	<u>368,320</u>	<u>53,079</u>	<u>16,237,052</u>	<u>13,250,081</u>

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements as follows:

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
HK\$'000		HK\$'000
Reportable segment profit	131,142	77,488
Net gain on fair value adjustments on investment properties	1,186,154	975,526
Gain on disposal of an investment property	3,311	461
Unallocated income and expenses	(19,054)	(10,168)
Loss on disposal/deregistration of subsidiaries	(10)	—
Finance costs	(25,074)	(19,719)
Share of losses of a jointly-controlled entity	(369)	(656)
Profit before income tax	<u>1,276,100</u>	<u>1,022,932</u>



#### 4. Other Income

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>(Unaudited)</b>	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	3,050	202
Commission income	1,208	38
Reversal of provision for impairment loss of other receivables	390	—
Miscellaneous income	3,680	513
	<u>8,328</u>	<u>753</u>

#### 5. Profit from Operations

Profit from operations is arrived at after charging:

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>(Unaudited)</b>	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amortisation of intangible assets*	240	263
Amortisation of properties held for development	575	803
Bad debts written off*	68	—
Cost of inventories recognised as expense	11,877	13,906
Cost of properties held for sales recognised as expense	39,607	—
Deposits for property acquisition written off*	25	310
Depreciation of property, plant and equipment	2,598	1,970
Property, plant and equipment written off	213	10
Employee benefit expenses (including directors' remuneration and defined contribution cost)		
— Share option expenses	4,334	4,776
— Other employee benefit expenses	39,361	30,731
	<u>43,695</u>	<u>35,507</u>
Operating lease charges in respect of premises	<u>1,882</u>	<u>1,886</u>

\* included in other operating expenses

## 6. Finance Costs

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest charges on:		
Bank loans		
— wholly repayable within five years	26,299	18,552
— not wholly repayable within five years	4,489	7,486
Other borrowings wholly repayable within five years	2,794	2,171
	<hr/>	<hr/>
Total borrowing costs	33,582	28,209
<i>Less:</i> Interest capitalised in investment properties and properties under development	(8,508)	(8,490)
	<hr/>	<hr/>
	25,074	19,719
	<hr/> <hr/>	<hr/> <hr/>

## 7. Income Tax Expense

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge comprises:		
Hong Kong profits tax	22,396	14,966
PRC enterprise income tax	201	1,047
Deferred tax	3,213	3,818
	<hr/>	<hr/>
	25,810	19,831
	<hr/> <hr/>	<hr/> <hr/>

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong.

The Group's certain subsidiaries established and operating in the Mainland China (the "PRC") are exempted 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 ("tax holiday"). Remaining subsidiaries operating in the PRC are subject to enterprise income tax rate of 25%.

## 8. Earnings Per Share

The calculation of basic earnings per share is based on the unaudited consolidated profit attributable to owners of the Company of HK\$1,253,457,000 (30 June 2011: HK\$1,004,466,000) and the weighted average of 266,516,507 shares (30 June 2011: 249,328,636 shares) in issue during the six months ended 30 June 2012.

The calculation of diluted earnings per share is based on the adjusted net profit attributable to owners of the Company of HK\$1,253,457,000 (30 June 2011: HK\$1,004,466,000) and the weighted average of 267,762,110 shares (30 June 2011: 251,358,587 shares) in issue during the period after taken into account for the effect of all dilutive shares.

The adjusted net profit attributable to owners of the Company for the period is HK\$1,253,457,000 which is the same as the unaudited consolidated profit attributable to owners of the Company as there is no change in income or expenses that would result from the conversion of the dilutive potential ordinary shares.

## 9. Trade and Other Receivables

As at the reporting date, trade receivables included in trade and other receivables were approximately HK\$81,695,000 (31 December 2011: approximately HK\$89,235,000). The credit terms of the Group ranging from 30 to 90 days. Based on the invoices dates, the ageing analysis of trade receivables was set out below:

	<b>30 June 2012 (Unaudited) HK\$'000</b>	31 December 2011 (Audited) HK\$'000
0 — 30 days	<b>51,329</b>	68,746
31 — 90 days	<b>3,627</b>	3,290
91 — 180 days	<b>9,678</b>	2,889
Over 180 days	<b>17,061</b>	14,310
Total trade receivables	<b>81,695</b>	89,235
Other receivables	<b>42,197</b>	33,093
	<b>123,892</b>	122,328

## 10. Trade and Other Payables

As at the reporting date, trade payables included in trade and other payables were approximately HK\$52,957,000 (31 December 2011: approximately HK\$65,209,000). The Group was granted credit periods by its suppliers ranging from 30 to 60 days. Based on the invoices dates, the ageing analysis of trade payables was set out below:

	<b>30 June 2012 (Unaudited) HK\$'000</b>	31 December 2011 (Audited) HK\$'000
0 — 30 days	<b>26,308</b>	32,280
31 — 90 days	<b>12,953</b>	10,352
Over 90 days	<b>13,696</b>	22,577
Total trade payables	<b>52,957</b>	65,209
Other payables	<b>292,524</b>	247,218
	<b>345,481</b>	312,427

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

Fueled by the growth of property market of Hong Kong, the Group's performance was satisfactory during the period. Benefiting from the sustained growth of Hong Kong's economy, improved employment and income prospects continued to drive consumer sentiment to new high. In addition, the growing consumption power of mainland visitors has further stimulated the local retail market and has enhanced the rental level of retail shops. Located at Russell Street in Causeway Bay, one of the most expensive streets in the world, our flagship property, Soundwill Plaza recorded new highs in terms of per square foot rental value. Sustained high occupancy rate, together with rental increment in lease renewals, the turnover from property rental is expected to achieve a steady growth. In the medium to long term, the property portfolio and the source of rental income are expected to be further enhanced upon the completion of other comprehensive property projects. Apart from renovating its properties, the Group will also optimize its tenant mix by introducing internationally renowned brands. With its distinctive position in the property market and extensive penetration in the prime areas of Hong Kong, the Group will be in a good position to capture further opportunities made available from the growth in the consumer market.

With the sound fundamentals of the local property market, the record low mortgage interest rate, the healthy liquidity of Hong Kong capital, and the limited supply in the market, the local property market is expected to continue to prosper, despite the challenges facing the world economy and our local economy.

The Group has adhered to adopt a stringent sales strategy to capture optimal selling and to develop quality properties with strong appreciation potential in prime locations, in order to strive for the greatest value for the property buyers and the best return for its shareholders. During the period, Park Haven, a residential project developed by the Group, gained instant attention and was very well received by the market thanks to its excellent location and outstanding project planning. Over 40% of the units were pre-sold, total sales proceed exceeds approximately HK\$1,000,000,000. Such performance was distinctive and achieved the sales target of the Group.

As the Group's results attaining pleasant performance, Soundwill Asset Management Limited (a wholly-owned subsidiary of Soundwill Group) and ALPS Real Estate Limited established a joint venture company to form and invest in a real estate fund named as Eagle Fund I L.P.. It demonstrates not only the Group's effort to broaden its investor base and enhance its financing resources, but also the investors' recognition of the Group's business growth and prospects. To augment the long-term development strategy of the Group, the fund will focus on property investments and development, explore more financing resources, and expand its investment capital and scale of operation, to reinforce the Group's positions in both the property market and the international capital market, which would in turn allow the Group's business to attain a higher international level and better performance, while re-affirming its outstanding prior achievements.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Property Assembly Business

Since the relaxation of compulsory auction sale threshold for buildings aged over 50 years to 80% by the government, the progress of the Group's property assembly business has been directly accelerated. Coupled with increasing investors' confidence in the demand for luxury properties, the Group is currently proactively expanding its core business of old building acquisition, focusing on the prime areas on the Hong Kong Island. The Group has completed its disposal of the Hing Wan Street project in Wan Chai at the beginning of the period at a consideration of HK\$94,000,000. The disposal not only mirrored the high appreciation potential of land parcels on the Hong Kong Island, but also contributed a remarkable amount of profit to the Group. With the Group's effort, the project was approved for the re-development into a 25-storey hotel with 4 podium levels. Around 78 rooms will be provided in this hotel project. Based on the plot ratio of 15, the maximum permissible gross floor area of the project is 16,000 square feet approximately. In the future, the Group will commit itself to assembly projects so as to ensure adequate land bank for its future growth, and will select sites with strong appreciation potential for vigorous and in-depth planning and research, with the possibility of reserving projects for self-development.

### Property Leasing

Driven by the influx of mainland visitors, the retail consumption market in Hong Kong has recorded strong increases in the recent years. Both the number of transactions and the prices of street-level shops and commercial buildings located in prime areas have hit successive new highs. The Group has consistently adhered to the business strategy of balancing proceeds from properties sale and leasing turnover. Quality properties are reserved in Group's investment property portfolio to secure stable turnover. For the six months ended 30 June 2012, the total leasing turnover of the Group increased by 2% as compared with the same period last year to HK\$117,997,000, accounting for 49% of the turnover for the period. Located at Russell Street in Causeway Bay, one of the most expensive streets in the world, the Group's flagship property, Soundwill Plaza has always been a favorite of local consumers and visitors. Its occupancy rate maintained at over 99% and the rent of the two new tenants on ground level broke the record, as such, rental will significantly increase during second half of the year. In order to enhance the public image and investment return of Soundwill Plaza, the Group is now optimizing its tenant mix.

Besides, the footholds of the Group's acquisition projects continued to generate leasing turnover of approximately HK\$12,132,000 during the period. It is expected that the Group's properties will maintain high occupancy rates and will enjoy increasing rents, further fortifying the turnover source from property leasing of the Group.

The foundation work for 1-29 Tang Lung Street, was completed and currently undergoing superstructure work. The site area is approximately 12,500 square feet with marketable area of approximately 202,400 square feet. It will be developed into a commercial complex that integrates retail, food, beverage and office, with expected completion in the second half of 2013. It is expected to become another new epicenter for recreation and shopping in Hong Kong. Located in the prime shopping area of Causeway Bay, this development is in the same strain of Soundwill Plaza, the Group's flagship property and is in close proximity to Time Square and Hysan Place. It will provide another notable source of leasing income for the Group.

## **MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

### **Property Leasing (Continued)**

The Group will pursue the best development plan according to the properties' locations, areas and other conditions based on the principle of maximizing the commercial value in order to enhance the competitiveness of its property portfolio. Apart from renovating its properties, the Group will also optimize its tenant mix by catering to customer preferences and market trends, and introducing internationally renowned brands.

### **Property Development**

By strengthening its premium branding, providing better products and services, and accelerating asset turnover, the Group will continue to reinforce its business of property development for sale, in order to further enhance its profitability and growth potential. The Group's position in the Hong Kong property market is hence expected to be substantiated. We will utilize all the land resources and explore the best development plan to cope with the changes in market environment, thus expecting to realize optional return to the shareholders.

In respect of property sales, the pre-sale of our key luxury residential project, Park Haven, was launched in April 2012. Located at 38 Haven Street, the deluxe area at Lee Garden, Causeway Bay, the property encompasses the astounding view of Victoria Harbour, and the greens spanning from the Hong Kong Stadium to Jardine's Lookout. It is adjacent to the MTR Causeway Bay Station and the core shopping area, and shares the same locality with numerous flagship stores of international elite brands and private clubs, providing an exceptional luxury residence. It provides approximately 190 residential units with a total saleable gross area of approximately 131,000 square feet, and each standard unit ranging from 510 to 1,154 square feet, designed in 1 to 3 rooms layout. There are also 4 special units to cater for the needs of different buyers. It is expected to be completed in the first quarter of 2014.

Park Haven stands at the top of the class from its location to the unit design and quality, and has gained market attention since its launch and was well received by the market. 76 units of the project have been pre-sold, with the average selling price hitting approximately HK\$22,000 per square feet. Total sales proceeds of these units were exceeded approximately HK\$1,000,000,000. The performance was distinctive and achieved the sales target of the Group.

## **MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

### **Property Development (Continued)**

In addition, WarrenWoods, the Group's signature luxury residential project in Tai Hang located at 13-27 Warren Street, will complete its construction on schedule. The project provides a total of 164 residential units in multi-design. Since its launch, 162 units have been pre-sold, total sales proceeds approximately HK\$1,212,000,000 and bringing a lucrative profit to the Group. The top floor houses two most sought-after special units, to be crafted as the premier skyline penthouses, will capture attention in the district. Besides, the property is equipped with uniquely designed club facilities and leisure area to meet the residents' demand for quality life. Apart from indoor and outdoor swimming pools and other recreational facilities, the project also comes with a chic luxurious club, which features mobile layout to fit for the residents' needs in holding different activities. Residents can also relax in the special podium garden and the open leisure area at their convenience. Furthermore, the property management company will from time to time arrange different types of activities and services to fully look after the needs of the residents.

Moreover, the site located at 11-13 Sharp Street and 1-1A Yiu Wah Street in Causeway Bay has also commenced its construction. The total site area is approximately 3,200 square feet, and based on the plot ratio of 15, the maximum permissible gross floor area is 48,000 square feet. The Group plans to develop the site into a commercial complex project that integrates retail and office. It is expected to become the first choice of flagships of international renowned brands with its street-level facing Times Square.

The Group will adhere to the market-responsive principle to timely launch the property units for sale in order to expedite the capital flow. It will also continue to seek quality land parcels and opportunities for new project development, so as to capture the maximum overall and long-term benefits by increasing its income potential.

### **Property Management**

The property management and maintenance subsidiaries under the Group provide management and maintenance services to different types of properties, including large commercial buildings and small to medium residential properties. Capitalizing on their extensive experience and dedication, they adopt a customer-oriented approach in providing the owners and tenants with quality services. During the period, the property management team has promoted energy-saving and carbon reduction by adopting energy-saving measures, managing indoor environmental quality and reducing waste generation. Turnover of this segment amounted to approximately HK\$9,342,000 for the period under review, representing an increase of 39% as compared to the same period last year. This was mainly due to the reinstatement work for tenancy handover.



## **MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

### **Property Management (Continued)**

During the period, the Group has pioneered to introduce “The Concierge” French-style hotel management service to the property management of Park Haven, the luxury residential project launched its presale in the year. The service provides a full range of attentive French-style management services, such as concierge service, catering service, minor household repair services, laundry arrangement, as well as recommendation for household and car cleaning services. Through the provision of caring and comprehensive personal services, we aim to the enjoyment of a high quality lifestyle by the residents.

### **Quality Assurance**

During the period, the Group has set up task force for newly built residential properties handover. Striving for the perfection of all completed units, the handover team will conduct multiple detailed quality inspection for the units before the property handover, in order to ensure the highest quality of the units upon handover to the owners. The handover team will also provide comprehensive and attentive services during the handover process, such as assisting the new owners with the property handover procedures to ensure property acceptance with ease. The handover team not only ensures the higher quality of newly completed units, but also enhances the collection of feedbacks from the owners. Furthermore the Group also provides two-year maintenance warranty that covers all non-artificial damage in the first two years after occupation to increase the confidence of the residents.

### **Business in Mainland China**

#### ***Urban Infrastructure Development***

Soundwill Infrastructure Limited provides the underground telecommunication pipelines construction business in a number of PRC cities such as Nanchang, Xi’an, Jingdezhen and Yuxi, and cooperates with the local governments in development projects and lays cable networks for information data transmission for its clients and other telecommunication and commercial purposes. Our client base mainly includes telecom operators such as China Mobile, China Telecom and China Unicom. Soundwill Infrastructure Limited has recorded a turnover of approximately HK\$17,763,000 during the period, accounting for 8% of the Group’s turnover for the period.

#### ***Real Estate Development***

Over the year, the Group has consistently upheld the philosophy of high quality in its projects in the mainland and achieved encouraging results. Currently, the Group is developing several real estate projects across different cities in Guangdong Province and Fujian Province in the PRC. Whilst the international economy keeps changing, growth in the PRC economy will continue albeit a slowdown under government policies to stimulate domestic demand, favoring the long-term development of the real estate market in the mainland.

## MANAGEMENT DISCUSSION AND ANALYSIS (*CONTINUED*)

### Corporate Citizen

The Group believes that the creation of a harmonious community starts from different facets. Apart from positively answering to charity fund-raising activities and encouraging our staff to take part in different charity activities, we are also committed to improving the environment of old communities. Apart from constantly enhancing the building designs, construction materials and property management, the Group also considers the positive influence and help to the community made by the project on the whole, and is devoted to implementing improvement works to enhance the community environment. These efforts have also upgraded the environment and benefited the living of the residents within the community.

Besides, the Group has taken part in the fundraising activity, Walk for the Environment 2012 for the second consecutive year and also the Bronze Sponsor to the charity walk. Themed with arousing environmental protection and culture conservation, this hiking competition started from the Ma On Shan Country Park and passed by many environmental conservation points. Our over 30 employees and 2 executive directors have formed teams to sweat their brows and test their bodies, and more importantly, to raise fund for conservation works to promote the awareness for environmental protection and love for nature.

Committed to contributing to the society, the Group has specially established the “Soundwill Volunteer Team” last year to encourage our employees and their family help the needy in our community. The Group also regularly sponsors and participates in the Family Story Telling program organized by Hong Kong Outlying Islands Women’s Association, under which the Group’s volunteer team teaches positive attitudes to children at school through story-telling, and spread the spirit of community care.

Also, the Group has always exerted itself in raising environmental awareness in the office. Besides using environment-friendly and energy-saving lighting systems, the Group’s commercial buildings also organizes activities such as paper reuse, paper recycle and sorting, in an effort to build an energy-saving working environment.

Thanks to the united exertion of the management and employees, the Group was commended by 3 social welfare organizations and was named a Caring Company by The Hong Kong Council of Social Service. The Group and its members and property projects have received a number of commendations, reflecting the recognition of our dedication and efforts in fulfilling its social responsibilities and committing itself in serving the community as a corporate.

## **MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

### **Communication with Shareholders and Investors/Investors Relationship**

The Group believes that effective communication with shareholders is crucial in enhancing investor relationship and promoting investors' understanding of the Company's business performance and strategies. Through regular, comprehensive, and interactive communication, we strive to reinforce our communication with investors via different means, including interviews, telephone conferences, overseas roadshows and arrangements for investors to visit the Group's projects. These are aimed at building mutual trust and fruitful partnership with our shareholders and investors. The Group has held the 2012 annual general meeting in May, and arranged briefings and media interviews on the results announcement. It has also proactively stayed in touch with the media through press releases, notices, announcements and other promotional materials. The Group is also of the view that the transparent and timely disclosure of information on the Group helps shareholders and investors making the most informed investment decisions.

The Group is devoted to enhancing corporate governance on business growth and strives to attain a balance between corporate governance and performance. The board of directors believes that sound corporate governance is vital to the success of the Company and the enhancement of shareholders' value.

### **Financial Review**

For the six months ended 30 June 2012, the Group has recorded a turnover of HK\$239,102,000 (30 June 2011: HK\$145,173,000), representing an increase of 65% as compared with the same period last year. The increase in turnover was mainly attributable to the property assembly project in Hing Wan Street.

Net profit attributable to owners of the Company was HK\$1,253,457,000 (30 June 2011: HK\$1,004,466,000), representing an increase of HK\$248,991,000 or 25% over the same period of last year, mainly generated as a results of the dispose of project assembly project in Hing Wan Street and of fair value adjustment of our investment properties portfolio.

If the gain on fair value adjustment on investment properties were to be excluded, the Group's net profit attributable to owners of the Company would be HK\$67,303,000 as compared with the same period of last year of HK\$28,940,000, representing a increase of 133%.

The total interest expenses for the six months ended 30 June 2012 amounted to HK\$25,074,000 (30 June 2011: HK\$19,719,000) representing an increase of HK\$5,355,000, mainly due to increase in average borrowing rate.

The Company's basic earnings per share was HK\$4.70 as compared with the same period of last year of HK\$4.03.

## **MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

### **Prospects**

Looking ahead, Hong Kong as an important international financial center in the Asia region enjoying rapid economic growth will fully capitalize on the growth potential in the region, despite uncertainties brought by the European sovereignty debt crisis. As a result, the Hong Kong economy is expected to continue to grow, which will boost the demand for various types of properties in Hong Kong.

Equipped with a clear and definite business structure and a pool of experienced and professional talents, the Group has a solid foundation and strong capacity in smoothly implementing its existing development projects, and to effectively power its growth in the future.

Our outstanding property sales performance and substantial improvement in different businesses have not stopped us in maintaining our surveillance of the market development and adoption of a prudent approach in the management of its property portfolio, pursuit for investment opportunities, and accurate seizure of the timing for property sale. It is expected that the Group will attain outstanding performance in this financial year.

The Group is dedicated to building quality property, providing all attentive service, proactively enhancing the brand name of all its properties. Apart from optimizing its tenant mix, it also continues to reinforce its business of property development for sale by strengthening its premium branding, providing better products and services and accelerating asset turnover. Looking ahead, the Group will strive for excellence in all operating aspects, and at the same time effort to enhance its management, planning, execution and corporate governance levels in order to sustain its objectives and attain better performance, which all contribute to its attempt to realize optimal return to the shareholders.

### **INTERIM DIVIDEND**

The Directors do not recommend interim dividend for the six months ended 30 June 2012 (30 June 2011: Nil).

### **FINANCIAL RESOURCES AND LIQUIDITY**

As at 30 June 2012, the Group cash and cash equivalents amounted to HK\$631,581,000 (31 December 2011: HK\$571,944,000). The Group has received pre-sale proceeds of approximately HK\$313,482,000 and HK\$113,603,000 from the buyers of two luxury residential projects, WarrenWoods and Park Haven in the first half of 2012 respectively. Up to 30 June 2012, the accumulated amount received from these two projects were HK\$836,357,000. Part of the proceeds was applied for repayment of bank borrowing.

## **FINANCIAL RESOURCES AND LIQUIDITY (*CONTINUED*)**

The Group's total borrowings as at 30 June 2012 were HK\$3,188,432,000 (31 December 2011: HK\$3,509,413,000). The Group's gearing ratio, (which was expressed as a percentage of total borrowings over total equity) was 27% as at 30 June 2012 (31 December 2011: 34%).

As at 30 June 2012, the Group's net assets amounted to HK\$11,677,569,000 (31 December 2011: HK\$10,277,734,000), representing an increase of HK\$1,399,835,000. With the total number of ordinary shares in issue of 276,054,135 as at 30 June 2012 (31 December 2011: 274,944,135 shares), the net asset value per share was HK\$42.30 (31 December 2011: HK\$37.38).

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

During the period under review, the Group did not engage in any derivative activities and 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 mainly denominated in Hong Kong Dollars and bear interest at floating rates.

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

There was no material acquisitions and disposals of subsidiaries and associated companies during the six months ended 30 June 2012.

## **EVENTS AFTER REPORTING DATE**

The Group entered into a provisional sale and purchase agreement dated 28 May 2012 with an independent third party to dispose of a subsidiary which is registered owner of assets classified as held for sale located at shop B, ground floor and cockloft, Kam On Court, 18-20 Shepherd Street, Hong Kong at a consideration of HK\$35,000,000. During the period, the Group received deposit of HK\$7,000,000. The transaction has been completed on 30 July 2012.

The Group entered into another provisional sale and purchase agreement dated 20 June 2012 with an independent third party to dispose of a subsidiary which is registered owner of assets classified as held for sale located at 13-15 Mercury Street, Hong Kong, at a consideration of HK\$180,000,000. During the period, the Group received deposit of HK\$8,000,000. The transaction will be completed on 19 September 2012.

## **EMPLOYEES**

There was no material change regarding the number of the employees of the Group since the publication of the Company's 2011 annual report.

## **PLEDGE OF ASSETS**

As at 30 June 2012, certain investment properties, property, plant and equipment, properties under development and assets classified as held for sale of the Group with a total carrying value of approximately HK\$13,006,536,000 (31 December 2011: approximately HK\$12,383,841,000) were pledged to secure banking facilities for the Group.

## **CONTINGENT LIABILITIES**

- (a) During the course of business, certain bank accounts were opened and held in the name of certain subsidiaries on behalf of third parties to whom these subsidiaries provided building management services. As at the reporting date, those bank balances which were held on behalf of third parties and were not accounted for in the books of account and financial statements of the Group amounted to HK\$5,522,000 (31 December 2011: HK\$4,322,000).
- (b) Since the Group commenced legal proceedings HCA 1902/2009 against a joint venture partner in 2009, with whom the Group has a joint venture agreement for the development and construction of village houses in the New Territories, the exchange of pleadings are still ongoing and the trial date is yet to be fixed by court. The Group plans to submit the re-amended statement of claim in due course.

According to the legal advice taken by the Group, the Directors are of the opinion that the Group has a fair chance to succeed in the lawsuit and hence no provision was made for this legal proceeding as at reporting date.

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

During the six months ended 30 June 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **AUDIT COMMITTEE**

The Audit Committee comprising three independent non-executive directors has reviewed with management, the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim financial statements for the six months ended 30 June 2012.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

The Company has complied with the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules during the six months ended 30 June 2012 except that:

### **(1) Code Provision A.1.8**

Code Provision A.1.8 provides that an issuer should arrange appropriate insurance cover in respect of legal action against its directors.

As at 30 June 2012, the Group has not yet identified any insurer which would provide insurance service to the Group on satisfactory commercial terms. As such, the Group has not yet arranged appropriate insurance cover in respect of legal action against the directors.

### **(2) Code Provision A.2.1**

Code Provision A.2.1 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 not separated and 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.

### **(3) Code Provision A.4.1**

Code Provision A.4.1 provides that non-executive directors should be appointed for a specific term.

The non-executive directors are not appointed for a specific term as they are subject to retirement by rotation and re-election at annual general meetings in accordance with the Company's Bye-Laws.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE "MODEL CODE")**

The Company has adopted a code of conduct regarding directors' securities dealing transactions on term no less than the required standard set out in the Model Code (Appendix 10 of the Listing Rules).

The Company has made specific enquiry and all Directors have complied with the required standard set out in the Model Code during the period under review.



## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

The interim results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at <http://www.hkex.com.hk> and on the Company's website at <http://www.soundwill.com.hk>. The Interim Report 2012 of the Company will also be published on the aforesaid websites in due course.

## **APPRECIATION**

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

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

Hong Kong, 22 August 2012

*As at the date of this announcement, the Board comprises (i) Executive Directors: Foo Kam Chu Grace, Chan Wai Ling, Kong Siu Man Kenny and Lau Kam Kwok, Dickson; and (ii) Independent Non-Executive Directors: Chan Kai Nang, Pao Ping Wing and Ng Chi Keung.*