



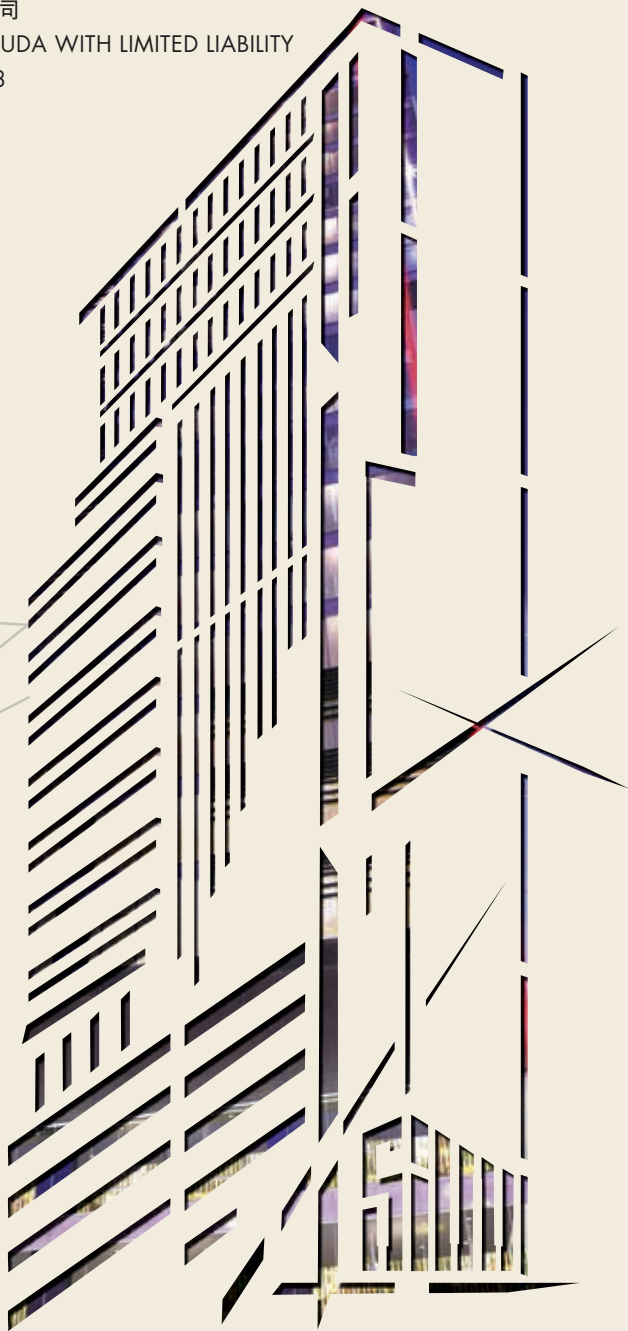
金朝陽集團有限公司  
SOUNDWILL HOLDINGS LIMITED

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

2014  
INTERIM REPORT  
中期報告



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# Corporate Information

## DIRECTORS

### Executive Directors:

FOO Kam Chu, Grace, *Chairman*  
CHAN Wai Ling  
KONG Siu Man, Kenny

### Independent Non-Executive Directors:

CHAN Kai Nang  
PAO Ping Wing  
NG Chi Keung

## COMPANY SECRETARY

TANG Man Joe

## AUDITOR

BDO Limited  
Certified Public Accountants

## LEGAL ADVISORS

Lo, Wong & Tsui  
Conyers Dill & Pearman

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

21st Floor, Soundwill Plaza  
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  
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  
The Belvedere Building  
69 Pitts Bay Road  
Pembroke HM08, Bermuda

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited  
Level 22, 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

2,000 shares

## WEBSITE

[www.soundwill.com.hk](http://www.soundwill.com.hk)

## INVESTOR RELATIONS

E-mail: [sw.ir@soundwill.com.hk](mailto:sw.ir@soundwill.com.hk)

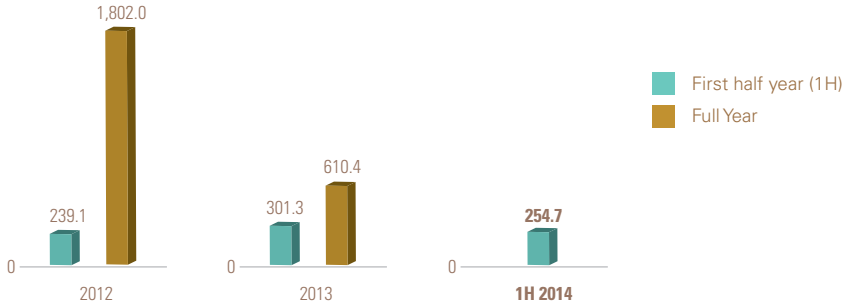
## Financial Highlights

	Six months ended 30 June	
	2014 (Unaudited) <i>HK\$ million</i>	2013 (Unaudited) <i>HK\$ million</i>
<b>From continuing and discontinued operations</b>		
Turnover	<b>254.7</b>	301.3
Operating profit excluding net gain on fair value adjustments	<b>240.7</b>	69.1
Net gain on fair value adjustments on investment properties	<b>261.0</b>	106.4
Profit attributable to owners of the Company	<b>448.1</b>	134.0
Basic earnings per share (dollars)	<b>HK\$1.60</b>	HK\$0.48
	<b>At 30 June 2014 (Unaudited) <i>HK\$ billion</i></b>	<b>At 31 December 2013 (Audited) <i>HK\$ billion</i></b>
Total assets	<b>20.3</b>	20.8
Net assets	<b>15.4</b>	15.0
Total borrowings	<b>2.9</b>	3.9
Gearing ratio	<b>19%</b>	26%
Net asset value per share (dollars)	<b>HK\$54.9</b>	HK\$53.5

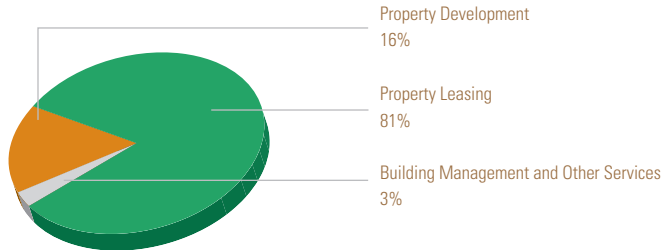
# Financial Highlights

## GROUP'S TOTAL REVENUE (From continuing and discontinued operations)

HK\$ million

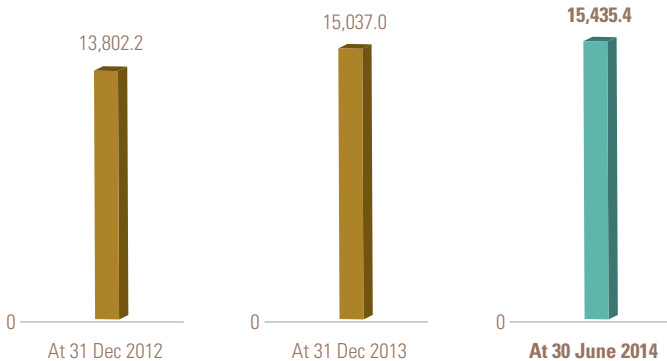


## GROUP'S REVENUE MIX FOR THE SIX MONTHS ENDED 30 JUNE 2014



## GROUP'S NET ASSET VALUE

HK\$ million



# Management Discussion and Analysis

The Board of directors (the “Directors”) submit herewith the Interim Report and Consolidated Financial Statements of Soundwill Holdings Limited (the “Company”) and its subsidiaries (the “Group”) for the six months ended 30 June 2014. The consolidated statement of profit or loss and other comprehensive income and condensed consolidated cash flow statement for the six months ended 30 June 2014 and the consolidated statement of financial position as at 30 June 2014 of the Group, all of which are unaudited, along with selected explanatory notes, are set out on pages 18 to 50 of this report.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

In the first half of 2014, the global economy showed signs of stabilization and recovery. The Federal Reserve continued to cut its bond purchases, but the reductions were moderate. Low-interest environment is expected to persist. The Federal Reserve has committed to keeping a low or near-zero interest-rate policy in the longer run, and the global economy is expected to maintain moderate growth.

Data indicates a declining trend in the number of mainland visitors travelling to Hong Kong, which indirectly impacts Hong Kong’s retail sales and leasing market. However, the Group’s properties are mainly located in prime locations; hence, the leasing business of the Group has not been materially affected. The Group has full confidence in the prospects of the property leasing business, and an overall increase in rental income was recorded.

The government amended the double stamp duty measure in May to lengthen the tax rebate period for buyers seeking to replace an old property with a new one, which is favourable to the market sentiment by spurring turnover in the real estate market. The Group will continue to respond according to the government’s policy and develop our property business in Hong Kong based on market conditions and local housing policies.

Located at 1-29 Tang Lung Street, a core area in Causeway Bay, Soundwill Plaza II – Midtown officially opened for business in April 2014. The marketing campaigns organized around the opening, including the launch of Hong Kong’s first-ever Lamborghini Pop-up Museum, as well as Midtown POP, a multi-purpose space for art and performance, successfully attracted customer traffic and boosted the sales of our tenants. Soundwill Plaza II – Midtown also provides a variety of food and beverage and leisure options for customers in the area. The synergy between Soundwill Plaza I and Soundwill Plaza II provides the Group with a solid foundation for its investment-property portfolio and has further increased the weight of recurring income. At the same time, it marks an important milestone for the Group’s property leasing business in Hong Kong.

In addition, the construction of Park Haven, a spotlight residential property project of the group located at 38 Haven Street, was completed in the first half of 2014.

# Management Discussion and Analysis

## Property Assembly Business

The Group endeavors to capture business opportunities in the local market through property assembly and the acquisition of old buildings. It seeks to acquire land reserves with high appreciation potential at a reasonable cost and actively retain projects with strong potential for its own development purposes. This strategy allows the Group to fully utilize its land resources and ultimately enhance profitability and opportunities in the long term. The property assembly business lays a foundation for the Group's property development and earnings growth for the coming years.

The Group acquired 100% ownership of 12-24 Lun Fat Street, Wan Chai, in 2013. In April 2014, the Group sold the site to Wkinv HK Holdings Ltd. for HK\$860 million. The transaction provided the Group with substantial cash inflow.

## Property Leasing

For the six month period ending 30 June 2014, this business segment registered a turnover of HK\$206,947,000, representing 81% of the Group's turnover for the period.

During the period under review, Soundwill Plaza I, our flagship property located at Russell Street, Causeway Bay, was popular and well received by local consumers and tourists. The property's leasing performance was exceptional, as represented by high occupancy and steady growth in rental prices. Soundwill Plaza I currently provides the most stable stream of income to the Group. In addition, Soundwill Plaza II – Midtown, another flagship property of the Group, officially opened for business in April 2014. It has a total leasable area of approximately 218,000 square feet. This eye-catching commercial project integrates retail, dining, and office spaces into one complex. It has become a destination of choice that enables sizeable, prestigious businesses and top-notch restaurants to carve out their niches in the heart of Causeway Bay.

Moreover, the Group has actively expanded its Hong Kong property leasing portfolio and has enhanced its commercial property portfolio's competitiveness through various measures, including the renovation and upgrading of existing commercial properties, to attract customers, thereby allowing tenants to enjoy stronger business.

The leveraging of our investment properties in prime locations, high-quality tenant portfolio and progressively increasing leasing area, and a constantly improving tenant portfolio have significantly enhanced (and will continue to enhance) our sources of rental income, thus generating substantial recurring income for the Group.

## Property Development

For the six months ending 30 June 2014, this business segment registered a turnover of HK\$41,229,000, representing 16% of the Group's turnover for the period.

# Management Discussion and Analysis

## Property Development in Hong Kong

Affected by the government's cooling measures for the property market, the performance of the new and existing home markets began to diverge in mid-2013. After the tax rebate period for replacement homebuyers was lengthened, the sales of both new and existing homes were boosted. Buyers, especially first-time home buyers, continued to support demand for small and medium-sized units. Reasonable mortgage burdens, low mortgage rates, and increasing resident incomes remained favorable factors for the market. The Group is optimistic about market prospects. For COHO, our residential development project located at 18-21 School Street, Tai Hang, the Group plans to hold on to selected units and sell them at good prices, and it will adopt a comprehensive strategy based on market conditions. With earnings-potential enhancement as the premise, we will strive to reap maximum returns over the longest possible term. Furthermore, Park Haven, a spotlight residential property project developed by the Group and located at 38 Haven Street, was completed in the first half of 2014. The project features 190 residential units of various designs. In terms of number of units, 179 units have been sold so far, providing the Group with total sales proceeds of approximately HK\$2,460 million. This remarkable sales performance met the Group's sales target.

## Property Development in Mainland China

The Group is currently developing a number of projects in a few cities in Guangdong. Although economic growth has cooled down in Mainland China, the government's policies are to stimulate domestic demand and the advancement of urbanization will allow for sustainable growth in China's economy. This will be favorable for the long-term development of the real estate market in China.

Long Feng Chun Xiao, a residential development project located in Doumen District, Zhuhai, developed jointly by the Group and its JV partner, has been completely sold out. In addition, the first phase villa residences of The Lakeview Bay, an integrated project wholly owned by the Group and featuring villa and high-rise residences located in Gaoyao City, Zhaoqing, has been completed. More than half of these villa residences have been sold and delivered to the owners. The high-rise residences in Phase 2 are under construction and is expected to launch in the second half of 2014.

Furthermore, construction of the first phase of Yu Ming Du (Shan Shui Xiang Ri), a project located in Doumen District, Zhuhai, is almost completed. The project will be launched once pre-sales permit is issued. Jin Hui (Yi Jing Yuan), a high-rise residential project located in Kaiping, Jiangmen, is expected to commence construction by the end of 2015.



# Management Discussion and Analysis

## Property Management

For the six months ending 30 June 2014, this business segment registered a turnover of HK\$6,545,000, representing 3% of the Group's turnover for the period.

The Group's subsidiaries for property management and maintenance are engaged in the provision of management services, maintenance services, and quality customer service to the properties and facilities of large-scale commercial buildings, as well as small and medium-sized estates. These subsidiaries are constantly innovating to raise the overall service standard. Leveraging on its extensive experience and enthusiasm, the team considers customer desires to provide high-quality service to owners and tenants. During the period under review, the property management team managed the quality of the indoor environments and reduced waste by employing energy-efficient measures to promote energy conservation and carbon reduction.

## Urban Infrastructure Development

In October 2013, the Group sold its Mainland underground pipelines business to Ms. Foo Kam Chu Grace, the controlling shareholder and chairman of the Group, for a consideration of HK\$122 million in order to concentrate resources on expanding its principal activities.

## Communication with Shareholders and Investors/Investor Relations

The Group believes that effective communication with shareholders is a key to improving investor relations and will ultimately assist the investment community in understanding the Company's business performance and strategies. Through regular, comprehensive, and interactive communication, we strive to enhance communication with investors through various communication channels. These include in-person meetings, telephone conferences, overseas roadshows, and project-site visits organized for the investor community. The Group seeks to establish a trustful and fruitful relationship with its shareholders and investors. The 2013 Annual General Meeting was held in May 2014. The Group organized briefings and media interviews for results announcements and proactively stayed in touch with the press through press releases, announcements, and other promotional materials. The Group is also committed to enhancing corporate transparency and provides timely disclosure of information on the Group's developments to help shareholders and investors make informed investment decisions. The Group is devoted to enhancing corporate governance practices on business growth and strives to attain a balance between corporate governance requirements and performance. The Board of Directors believes that sound corporate governance is essential to the success of the Company and will enhance shareholders' value.

# Management Discussion and Analysis

## Corporate Citizen

The Group remains firmly committed to pursuing excellence in all its business operations and social responsibilities, which it believes are integral and guiding elements of its corporate culture.

With the opening of Soundwill Plaza II – Midtown, the Group took the opportunity to support the arts and promote local culture. The Group has actively organized various art exhibitions and activities over the years, and its efforts have been well recognized by the public. Midtown POP, the brand new art exhibition space, is located on 17/F, Soundwill Plaza II – Midtown.

The Group seeks to make Midtown POP a focal point for local art and cultural development by introducing world-class visual and performing arts to the public. Through various forms of art and cultural activities, the Group would like to provide visitors with the option to enjoy art in the busy metropolis.

## Prospects

As the US economy gradually recovers, global economic growth is expected to gain momentum in the coming years. However, full recovery is still far away. The Eurozone's economic growth is still proceeding slowly, though the sovereign debt crisis has eased slightly. We expect that the interest rate hike cycle will not begin before 2015, but we believe these hikes will be minimal and will work to support global economic growth.

In view of real estate market, the growth in foreign trade, increasing household income, and low mortgage rates will continue to allow Hong Kong's economic foundation to develop steadily. However, local government measures imposed on the property market, the manpower shortage of the construction industry and continuing upward local construction costs may affect Hong Kong's residential market. Nevertheless, increasing land supply and hence more housing completions should be beneficial to residential market over medium to long term.

Looking into the second half of 2014, the Group will continue to balance its proportions of income from property sales and property leasing. It will also selectively replenish its land bank through various channels. The Group will continue to develop its businesses prudently and launch new projects at opportune times as originally planned. The above strategies, together with solid, recurring leasing income and remarkable property-sales income, will allow the Group to capture tremendous opportunities and lay a solid foundation for future development.

# Management Discussion and Analysis

## INTERIM DIVIDEND

The Directors do not recommend interim dividend for the six months ended 30 June 2014 (30 June 2013: Nil).

## Financial review

For the six months ended 30 June 2014, the Group has recorded a turnover of HK\$254,721,000 (30 June 2013: HK\$301,251,000), representing a decrease of 15% as compared with the same period last year. The decrease in turnover was mainly attributable to the decrease in revenue from property development projects in PRC.

Net profit attributable to owners of the Company was HK\$448,078,000 (30 June 2013: HK\$133,982,000), representing an increase of HK\$314,096,000 as compared with the corresponding period in 2013, mainly due to the increase of fair value adjustments on the Group's investment properties portfolio and gain on disposal of subsidiaries.

If the gain in fair value adjustments on investment properties were to be excluded, the Group's net profit attributable to owners of the Company would be HK\$187,061,000 (30 June 2013: HK\$27,631,000).

The total interest expenses for the six months ended 30 June 2014 amounted to HK\$30,140,000 (30 June 2013: HK\$27,612,000) representing an increase of HK\$2,528,000, mainly due to higher total borrowings at the beginning of the year as compared with the same period in last year.

The Company's basic earnings per share was HK\$1.60 as compared with the same period of last year of HK\$0.48.

## FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2014, the Group cash and cash equivalents amounted to HK\$240,445,000 (31 December 2013: HK\$310,629,000). Up to 30 June 2014, the accumulated amount received from the buyers of three development projects in Hong Kong, Park Haven, The Sharp and COHO were HK\$1,328,220,000. Part of the proceeds was applied for repayment of bank borrowing.

The Group's total borrowings as at 30 June 2014 were HK\$2,891,910,000 (31 December 2013: HK\$3,955,820,000). The Group's gearing ratio, (which was expressed as a percentage of total borrowings over total equity) was 19% as at 30 June 2014 (31 December 2013: 26%).

## Management Discussion and Analysis

As at 30 June 2014, the Group's net assets amounted to HK\$15,435,360,000 (31 December 2013: HK\$15,036,992,000), representing an increase of 3%. With the total number of ordinary shares in issue of 281,024,135 as at 30 June 2014 (31 December 2013: 280,824,135 shares), the net asset value per share was HK\$54.9 (31 December 2013: HK\$53.5).

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**

On 31 March 2014, the Group entered into a sale and purchase agreement with an independent third party in relation to the disposal of 12–24 Lun Fat Street, Wan Chai. Further details have been disclosed in the announcement dated 31 March 2014.

There was no material acquisitions of subsidiaries and associated companies during the six months ended 30 June 2014.

### **EMPLOYEES**

There was no material change regarding the number of the employees of the Group since the publication of the Company's 2013 annual report.

### **PLEDGE OF ASSETS**

As at 30 June 2014, certain investment properties, property, plant and equipment, and properties under development of the Group with a total carrying value of approximately HK\$14,691,490,000 (31 December 2013: approximately HK\$16,503,877,000) were pledged to secure banking facilities for the Group.

# Management Discussion and Analysis

## DIRECTORS' INTERESTS AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

### (a) Directors' interests in the Company

As at 30 June 2014, the interests of the Directors and chief executive 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 (Cap. 571 of the Laws of Hong Kong) (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 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:

(i) Long positions in shares:

Name of Director	Capacity	Number of Shares	Approximate Percentage of Shareholding
Foo Kam Chu, Grace	Interest of controlled corporation	192,702,028 <sup>(Note)</sup>	68.57
	Beneficial owner	96,602	0.03
Kong Siu Man, Kenny	Beneficial owner	102,000	0.04

Note: These 192,702,028 shares represented the aggregate of:

- (i) 190,272,028 shares held by Ko Bee Limited, a company wholly-owned by Madam Foo Kam Chu, Grace;
- (ii) 2,386,000 shares held by Full Match Limited, a company wholly-owned by Madam Foo Kam Chu, Grace; and
- (iii) 44,000 shares held by Opulent Sky Limited, in which Madam Foo Kam Chu, Grace has 50% interest.

## Management Discussion and Analysis

- (ii) Long positions in underlying shares of equity derivatives of the Company – interests in share options of the Company (being granted and remained outstanding):

Name	Capacity	Number of Shares in		Price of Grant (HK\$)	Subscription Price per share (HK\$)
		the Option	Exercisable Period		
Foo Kam Chu, Grace	Beneficial owner	550,000	6/12/2012 to 5/12/2015	1.00	8.71
		316,000	3/1/2014 to 2/1/2017	1.00	15.76
Chan Wai Ling	Beneficial owner	2,000,000	6/12/2012 to 5/12/2015	1.00	8.71
		2,000,000	3/1/2014 to 2/1/2017	1.00	15.76
Kong Siu Man, Kenny	Beneficial owner	300,000	6/12/2012 to 5/12/2015	1.00	8.71
		250,000	3/1/2014 to 2/1/2017	1.00	15.76

### (b) Director's interests in Associated Corporation

Name of Director	Name of Associated Corporation	Capacity	Number and Class of Shares	Percentage of Shareholding
Foo Kam Chu, Grace	Ko Bee Limited	Beneficial owner	1 ordinary share	100
Foo Kam Chu, Grace	Full Match Limited	Beneficial owner	1 ordinary share	100
Foo Kam Chu, Grace	Opulent Sky Limited	Beneficial owner	1 ordinary share	50

Save as disclosed above, as at 30 June 2014, none of the Directors and chief executive of the Company had any interest or short position 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 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.

# Management Discussion and Analysis

## SHARE OPTION SCHEME

As at the reporting date, details of outstanding options granted to several Directors and various employees of the Group are as follows:

### 2011 Share Option Scheme

Name of grantee	Date of grant	Closing price immediately preceding the date of grant (HK\$)	Exercise price (HK\$)	Weighted average closing price of shares immediately before exercise date (HK\$)	Exercisable period	Number of Options			As at 30 June 2014
						As at 1 January 2014	Granted during the 6 months ended 30 June 2014	Exercised during the 6 months ended 30 June 2014	
<b>Directors</b>									
Foo Kam Chu, Grace	6/12/2011	8.60	8.71	N/A	6/12/2012 to 5/12/2015	550,000	-	-	550,000
	3/1/2013	15.76	15.76	N/A	3/1/2014 to 2/1/2017	316,000	-	-	316,000
Chan Wai Ling	6/12/2011	8.60	8.71	N/A	6/12/2012 to 5/12/2015	2,000,000	-	-	2,000,000
	3/1/2013	15.76	15.76	N/A	3/1/2014 to 2/1/2017	2,000,000	-	-	2,000,000
Kong Siu Man, Kenny	6/12/2011	8.60	8.71	N/A	6/12/2012 to 5/12/2015	300,000	-	-	300,000
	3/1/2013	15.76	15.76	N/A	3/1/2014 to 2/1/2017	250,000	-	-	250,000
<b>Other employees</b>									
	6/12/2011	8.60	8.71	13.00	6/12/2012 to 5/12/2015	2,580,000	-	(200,000)	2,380,000
	3/1/2013	15.76	15.76	N/A	3/1/2014 to 2/1/2017	2,530,000	-	-	2,530,000
						10,526,000	-	(200,000)	10,326,000

Under the 2011 Share Option Scheme, 5,560,000 and 5,196,000 share options were granted on 6 December 2011 and 3 January 2013 (the "Grant Date"). The vesting schedule of above share options granted is as follows:

- 50% can be exercised at any time after first anniversary of the Grant Date;
- 25% can be exercised at any time after second anniversary of the Grant Date; and
- 25% can be exercised at any time after third anniversary of the Grant Date.

The 2011 Share Option Scheme was adopted pursuant to the ordinary resolution passed at the annual general meeting of the Company held on 19 May 2011.

# Management Discussion and Analysis

## DIRECTORS' RIGHT TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed above, at no time during the six months ended 30 June 2014, were rights to subscribe for equity or debt securities of the Company granted to any Director or chief executive of the Company or to the spouse or children under 18 years of age of any such Director or chief executive 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.

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2014, the person other than a Director or chief executive of the Company who has an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, were as follows:

### Long positions in shares

Name of Shareholder	Capacity	Number of Shares	Approximate Percentage of Shareholding
Ko Bee Limited	Beneficial owner	190,272,028	67.71

Save as disclosed above as at 30 June 2014, the Company has not been notified of any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

## 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\$16,024,000 (31 December 2013: HK\$7,558,000).



## Management Discussion and Analysis

- (b) Since the Group commenced legal proceedings HCA 1902/2009 (“the Action”) 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 Action has been stayed pending the outcome of the proceedings in HCMP 1760/2009 which concerns the same subject matter. The Group has filed a re-amended statement of claim in December 2012 in HCMP 1760/2009 and the exchange of pleadings have been closed in or about April 2013. The case has come to the stage of discovery of documents and thereafter it will proceed to the mutual exchange of factual witnesses’ statements. The trial date is yet to be fixed by court.

In view of the Group’s legal adviser unable to assess the likely outcome, provision for impairment on amount due from a joint venture and provision for legal costs were amounting to HK\$15,565,000 (31 December 2013: HK\$15,565,000) and HK\$3,598,000 (31 December 2013: HK\$3,598,000) respectively.

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

During the six months ended 30 June 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

### **OTHER CHANGES IN DIRECTORS’ INFORMATION**

Pursuant to the disclosure requirement under Rule 13.51B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), the changes in information of the Directors are as follow:

Mr. Chan Kai Nang retired from K. Wah Construction and Materials Limited as advisor on 30 June 2014.

### **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 2014.

### **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 2014 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 2014, the Group has not yet identified any suitable insurer to meet our internal requirements. As such, the Group has not yet arranged appropriate insurance cover in respect of this Code Provision.

# Management Discussion and Analysis

## (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. The Board is of the view that the current management structure can effectively facilitate the Company's operation and business development.

## (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.

## 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, 19 August 2014

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	Six months ended 30 June	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) (Re-presented) HK\$'000
<b>Continuing operations</b>			
Revenue/Turnover		254,721	293,688
Cost of sales		(33,525)	(97,341)
Gross profit		221,196	196,347
Other income	4	33,493	9,321
Administrative expenses		(115,555)	(130,656)
Other operating expenses		(20)	(57)
Gain on disposal of subsidiaries		101,546	–
Net gain on fair value adjustments on investment properties		261,017	106,351
Finance costs	5	(30,140)	(27,612)
Share of results of a joint venture		(14)	(70)
Profit before income tax expense	6	471,523	153,624
Income tax expense	7	(24,843)	(14,965)
Profit for the period from continuing operations		446,680	138,659
<b>Discontinued operation</b>			
Loss for the period from discontinued operation		–	(6,304)
<b>Profit for the period</b>		<b>446,680</b>	<b>132,355</b>

## Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

	Six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited) (Re-presented)
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Other comprehensive income, net of tax</b>		
<i>Items that will not be reclassified to profit or loss:</i>		
Surplus on revaluation of leasehold building, net of deferred tax	2,934	2,620
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange (loss)/gain on translation of financial statements of foreign operations	(3,932)	11,789
Other comprehensive income for the period, net of tax	(998)	14,409
<b>Total comprehensive income for the period</b>	<b>445,682</b>	<b>146,764</b>

## Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

	Six months ended 30 June	
	2014 (Unaudited) <i>HK\$'000</i>	2013 (Unaudited) (Re-presented) <i>HK\$'000</i>
<b>Profit for the period attributable to:</b>		
Owners of the Company		
Profit for the period from continuing operations	<b>448,078</b>	139,386
Loss for the period from discontinued operation	–	(5,404)
Profit for the period attributable to owners of the Company	<b>448,078</b>	133,982
Non-controlling interests		
Loss for the period from continuing operations	<b>(1,398)</b>	(727)
Loss for the period from discontinued operation	–	(900)
Loss for the period attributable to non-controlling interests	<b>(1,398)</b>	(1,627)
<b>Total comprehensive income attributable to:</b>		
– Owners of the Company	<b>447,601</b>	148,133
– Non-controlling interests	<b>(1,919)</b>	(1,369)
	<b>445,682</b>	146,764

## Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

		Six months ended 30 June	
		2014 (Unaudited)	2013 (Unaudited) (Re-presented)
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Earning per share for the profit from continuing and discontinued operations attributable to owners of the Company during the period</b>			
	<i>8</i>		
Basic		<b>HK\$1.60</b>	HK\$0.48
Diluted		<b>HK\$1.59</b>	HK\$0.47
<b>Earnings per share for profit from continuing operations attributable to owners of the Company during the period</b>			
	<i>8</i>		
Basic		<b>HK\$1.60</b>	HK\$0.50
Diluted		<b>HK\$1.59</b>	HK\$0.49
<b>Loss per share for loss from discontinued operation attributable to owners of the Company during the period</b>			
	<i>8</i>		
Basic		–	HK\$(0.02)
Diluted		–	HK\$(0.02)

## Consolidated Statement of Financial Position

	<b>30 June 2014 (Unaudited) HK\$'000</b>	31 December 2013 (Audited) HK\$'000
<i>Notes</i>		
<b>ASSETS AND LIABILITIES</b>		
<b>Non-current assets</b>		
Investment properties	9	15,771,914
Property, plant and equipment		16,464,234
Properties held for development		190,809
Interest in a joint venture		27,494
Available-for-sale financial assets		46,497
Deferred tax assets	14	29,158
Goodwill		10
		12,993
	-	-
	<b>16,033,165</b>	16,743,701
<b>Current assets</b>		
Properties under development		3,501,050
Trade and other receivables	10	3,252,963
Deposits paid for acquisition of properties		112,453
Bank deposit at escrow account		7,843
Structured bank deposits	11	456
Cash and cash equivalents	11	298,236
		223,511
		91,248
		240,445
	<b>4,218,185</b>	310,629
		4,079,243

## Consolidated Statement of Financial Position (Continued)

	<i>Notes</i>	<b>30 June 2014 (Unaudited) HK\$'000</b>	31 December 2013 (Audited) HK\$'000
<b>Current liabilities</b>			
Trade and other payables	12	469,527	458,770
Deposits received in advance		1,349,522	1,277,891
Borrowings	13	2,891,910	3,955,820
Provision for income tax		42,627	30,651
		<b>4,753,586</b>	5,723,132
<b>Net current liabilities</b>		<b>(535,401)</b>	(1,643,889)
<b>Total assets less current liabilities</b>		<b>15,497,764</b>	15,099,812
<b>Non-current liabilities</b>			
Deferred tax liabilities	14	62,404	62,820
<b>Net assets</b>		<b>15,435,360</b>	15,036,992
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	15	28,102	28,082
Reserves		15,165,064	14,768,891
		<b>15,193,166</b>	14,796,973
<b>Non-controlling interests</b>		<b>242,194</b>	240,019
<b>Total equity</b>		<b>15,435,360</b>	15,036,992



## Consolidated Statement of Changes in Equity

	For the six months ended 30 June 2014 (unaudited)										
	Equity attributable to owners of the Company										
	Share capital	Share premium	Assets revaluation reserve	Employee share-based equity reserve	Retained profits	Exchange reserve	Special reserve	Proposed final dividend	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
<b>At 1 January 2014</b>	28,082	659,840	1,495	27,788	13,989,841	31,914	1,848	56,165	14,796,973	240,019	15,036,992
Final dividend paid for 2013	-	-	-	-	-	-	-	(56,205)	(56,205)	-	(56,205)
Equity-settled share-based payment	-	-	-	3,055	-	-	-	-	3,055	-	3,055
Exercise of share options	20	2,138	-	(416)	-	-	-	-	1,742	-	1,742
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	-	4,094	4,094
<b>Transaction with owners</b>	20	2,138	-	2,639	-	-	-	(56,205)	(51,408)	4,094	(47,314)
<b>Profit for the period</b>	-	-	-	-	448,078	-	-	-	448,078	(1,398)	446,680
<b>Other comprehensive income</b>											
Items that will not be reclassified to profit or loss:											
Surplus on revaluation of leasehold building, net of deferred tax	-	-	2,934	-	-	-	-	-	2,934	-	2,934
Items that may be reclassified subsequently to profit or loss:											
Exchange loss on translation of financial statements of foreign operations	-	-	-	-	-	(3,411)	-	-	(3,411)	(521)	(3,932)
<b>Total comprehensive income for the period</b>	-	-	2,934	-	448,078	(3,411)	-	-	447,601	(1,919)	445,682
Under-provision of final dividend for 2013	-	-	-	-	(40)	-	-	40	-	-	-
<b>At 30 June 2014</b>	28,102	661,978	4,429	30,427	14,437,879	28,503	1,848	-	15,193,166	242,194	15,435,360

## Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2013 (unaudited)  
Equity attributable to owners of the Company

	Share capital	Share premium	Assets revaluation reserve	Employee share-based equity reserve	Retained profits	Exchange reserve	Special reserve	Proposed final dividend	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
<b>At 1 January 2013</b>	28,076	659,198	42,353	8,902	12,706,146	43,877	1,848	56,153	13,546,553	255,653	13,802,206
Final dividend paid for 2012	-	-	-	-	-	-	-	(56,165)	(56,165)	-	(56,165)
Equity-settled share-based payment	-	-	-	9,505	-	-	-	-	9,505	-	9,505
Exercise of share options	6	642	-	(125)	-	-	-	-	523	-	523
Lapse of share options	-	-	-	(99)	-	-	-	-	(99)	-	(99)
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	-	15,282	15,282
<b>Transaction with owners</b>	6	642	-	9,281	-	-	-	(56,165)	(46,236)	15,282	(30,954)
<b>Profit for the period</b>	-	-	-	-	133,982	-	-	-	133,982	(1,627)	132,355
<b>Other comprehensive income</b>											
Items that will not be reclassified to profit or loss:											
Surplus on revaluation of leasehold building, net of deferred tax	-	-	2,620	-	-	-	-	-	2,620	-	2,620
Items that may be reclassified subsequently to profit or loss:											
Exchange gain on translation of financial statements of foreign operations	-	-	-	-	-	11,531	-	-	11,531	258	11,789
<b>Total comprehensive income for the period</b>	-	-	2,620	-	133,982	11,531	-	-	148,133	(1,369)	146,764
Under-provision of final dividend for 2012	-	-	-	-	(12)	-	-	12	-	-	-
<b>At 30 June 2013</b>	28,082	659,840	44,973	18,183	12,840,116	55,408	1,848	-	13,648,450	269,566	13,918,016

## Condensed Consolidated Cash Flow Statement

	<i>Note</i>	Six months ended 30 June	
		2014 (Unaudited) <i>HK\$'000</i>	2013 (Unaudited) <i>HK\$'000</i>
Net cash inflow from operating activities		<b>129,817</b>	836,835
Net cash inflow/(outflow) from investing activities		<b>916,727</b>	(1,655,480)
Net cash (outflow)/inflow from financing activities		<b>(1,114,278)</b>	738,504
Decrease in cash and cash equivalents		<b>(67,734)</b>	(80,141)
Cash and cash equivalents at beginning of period		<b>310,629</b>	615,420
Translation difference		<b>(2,450)</b>	(312)
Cash and cash equivalents at end of period	<i>11</i>	<b>240,445</b>	534,967

# Notes to the Interim Financial Statements

For the six months ended 30 June 2014

## 1. BASIS OF PREPARATION

The unaudited condensed interim consolidated financial statements of the Group for the six months ended 30 June 2014 (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 Accounting Standards (“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 2013 (the “2013 Annual Financial Statements”) as described thereof.

The accounting policies adopted for the six months ended 30 June 2014 are consistent with those used in the preparation of the 2013 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 2013 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 2014.

# Notes to the Interim Financial Statements

For the six months ended 30 June 2014

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities

Other than as noted below, the adoption of these new or amended HKFRSs has had no material impact on the Unaudited Condensed Interim Financial Information.

### 2.1 Amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on the Group's interim financial report as Group does not qualify to be an investment entity.

### 2.2 Amendments to HKAS 32, Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on the Group's interim financial report as they are consistent with the policies already adopted by the Group.

## 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.

# Notes to the Interim Financial Statements

For the six months ended 30 June 2014

## 3. SEGMENT INFORMATION (Continued)

The Group has identified the following reportable segments:

- 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 (The Group disposed of this segment in October 2013)

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

During the six months ended 30 June 2014, 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/(loss) generated by each of the Group's operating segments and segment assets and liabilities are summarised as follows:

	Continuing operations								Discontinued operation					
	Six months ended 30 June								Six months ended 30 June					
	Property development		Property leasing		Building management and other services		Others		Total		Urban infrastructure		Total	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
<b>Turnover</b>														
External customers	41,229	105,996	206,947	180,188	6,545	7,504	-	-	254,721	293,688	-	7,563	254,721	301,251
Inter-segments	104,529	260,584	34,600	17,676	1,838	1,718	26,461	25,825	167,428	305,803	-	-	167,428	305,803
<b>Reportable segment turnover</b>	<b>145,758</b>	<b>366,580</b>	<b>241,547</b>	<b>197,864</b>	<b>8,383</b>	<b>9,222</b>	<b>26,461</b>	<b>25,825</b>	<b>422,149</b>	<b>599,491</b>	<b>-</b>	<b>7,563</b>	<b>422,149</b>	<b>607,054</b>
<b>Reportable segment profit/(loss)</b>	<b>(18,462)</b>	<b>(62,442)</b>	<b>167,154</b>	<b>146,321</b>	<b>1,706</b>	<b>3,692</b>	<b>3,532</b>	<b>10,034</b>	<b>153,940</b>	<b>97,605</b>	<b>-</b>	<b>(5,826)</b>	<b>153,940</b>	<b>91,779</b>
<b>Reportable segment assets</b>	<b>3,941,115</b>	<b>3,628,713</b>	<b>16,062,568</b>	<b>15,347,355</b>	<b>10,575</b>	<b>8,725</b>	<b>194,910</b>	<b>226,273</b>	<b>20,209,168</b>	<b>19,411,066</b>	<b>-</b>	<b>163,544</b>	<b>20,209,168</b>	<b>19,574,610</b>
<b>Reportable segment liabilities</b>	<b>(1,666,001)</b>	<b>(1,537,876)</b>	<b>(139,922)</b>	<b>(126,824)</b>	<b>(6,614)</b>	<b>(13,471)</b>	<b>(6,512)</b>	<b>(12,987)</b>	<b>(1,819,049)</b>	<b>(1,691,158)</b>	<b>-</b>	<b>(51,496)</b>	<b>(1,819,049)</b>	<b>(1,742,654)</b>

# Notes to the Interim Financial Statements

For the six months ended 30 June 2014

## 3. SEGMENT INFORMATION (Continued)

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:

	<b>Six months ended 30 June</b>	
	<b>2014</b> <b>(Unaudited)</b> <i>HK\$'000</i>	2013 (Unaudited) (Re-presented) <i>HK\$'000</i>
Reportable segment turnover		
– continuing operations	<b>422,149</b>	599,491
Reportable segment turnover		
– discontinued operation	–	7,563
Elimination of inter-segment turnover	<b>(167,428)</b>	(305,803)
<b>Turnover</b>	<b>254,721</b>	301,251
Reportable segment profit		
– continuing operations	<b>153,940</b>	97,605
Reportable segment losses		
– discontinued operation	–	(5,826)
Net gain on fair value adjustments on investment properties	<b>261,017</b>	106,351
Gain on disposal of subsidiaries	<b>101,546</b>	–
Unallocated income and expenses	<b>(14,826)</b>	(22,650)
Finance costs	<b>(30,140)</b>	(27,612)
Share of results of a joint venture	<b>(14)</b>	(70)
Profit before income tax	<b>471,523</b>	147,798

# Notes to the Interim Financial Statements

For the six months ended 30 June 2014

## 4. OTHER INCOME

	Continuing operations Six months ended 30 June		Discontinued operation Six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited) (Re-presented)	2014 (Unaudited)	2013 (Unaudited) (Re-presented)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank interest income	3,448	2,388	-	464
Commission income	-	595	-	-
Other service income from building management services	17,823	4,911	-	-
Reversal of provision for obsolete inventories	-	-	-	908
Miscellaneous income	12,222	1,427	-	31
	<b>33,493</b>	9,321	-	1,403

## 5. FINANCE COSTS

	Six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited) (Re-presented)
	HK\$'000	HK\$'000
Interest charges on:		
Bank loans		
- wholly repayable within five years	30,056	24,668
- not wholly repayable within five years	5,728	9,792
Other borrowings wholly repayable within five years	106	-
Total borrowing costs	<b>35,890</b>	34,460
Less: Interest capitalised in investment properties and properties under development	<b>(5,750)</b>	(6,848)
	<b>30,140</b>	27,612



# Notes to the Interim Financial Statements

For the six months ended 30 June 2014

## 6. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging:

	Continuing operations		Discontinued operation	
	Six months ended 30 June		Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) (Re-presented) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) (Re-presented) HK\$'000
Amortisation of intangible assets*	-	-	-	242
Amortisation of properties held for development	354	715	-	-
Bad debts written off*	-	57	-	1
Cost of inventories recognised as expense	-	-	-	5,073
Cost of properties under development recognised as expense	25,235	72,199	-	-
Deposits for property acquisition written off*	20	-	-	-
Depreciation of property, plant and equipment	2,801	2,781	-	167
Property, plant and equipment written off	158	-	-	-
Employee benefit expenses (including directors' remuneration and defined contribution cost)				
– Share option expenses	3,055	9,406	-	-
– Salaries, bonus and defined contribution cost	64,468	62,265	-	5,179
– Other employee benefit expenses	1,356	2,138	-	170
	68,879	73,809	-	5,349
Operating lease charges in respect of premises	1,285	2,114	-	509

\* included in other operating expenses

# Notes to the Interim Financial Statements

For the six months ended 30 June 2014

## 7. INCOME TAX EXPENSE

	Continuing operations		Discontinued operations		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) (Re-presented) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) (Re-presented) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) (Re-presented) HK\$'000
The charge/(credit) comprises:						
Hong Kong profits tax	21,982	17,925	-	-	21,982	17,925
PRC income tax	3,788	-	-	478	3,788	478
Deferred tax credit (Note 14)	(927)	(2,960)	-	-	(927)	(2,960)
	<b>24,843</b>	14,965	-	478	<b>24,843</b>	15,443

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong.

For the interim period ended 30 June 2014, all of the Group's PRC subsidiaries are subject to PRC Enterprises Income Tax ("EIT") rate of 25%. For the last interim period, certain of the Group's PRC subsidiaries for discontinued operation were exempted from EIT for the first two profitable years of operations, and thereafter, were eligible for a 50% relief from EIT for the following three years and remaining PRC subsidiaries were subject to EIT rate of 25%.

# Notes to the Interim Financial Statements

For the six months ended 30 June 2014

## 8. EARNINGS PER SHARE

### From continuing and discontinued operations

The calculation of basic and diluted earnings per share for profit from continuing and discontinued operations attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
<b>Earnings</b>		
Profit attributable to owners of the Company	<b>448,078</b>	133,982
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>280,860,600</b>	280,802,919
Effect of dilutive potential ordinary shares in respect of employee share options	<b>1,864,394</b>	3,879,736
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>282,724,994</b>	284,682,655

# Notes to the Interim Financial Statements

For the six months ended 30 June 2014

## 8. EARNINGS PER SHARE (Continued) From continuing operations

The calculation of basic and diluted earnings per share from continuing operations attributable to the owners of the Company is based on the following data:

	<b>Six months ended 30 June</b>	
	<b>2014 (Unaudited) HK\$'000</b>	2013 (Unaudited) (Re-presented) HK\$'000
Profit for the period attributable to owners of the Company	<b>448,078</b>	133,982
Less: Loss for the period from discontinued operation	–	5,404
Profit for the period attributable to the owners of the Company for the purpose of basic and diluted earnings per share from continuing operations computation	<b>448,078</b>	139,386

The denominators used are the same as those detailed above for both basic and diluted earnings per share from continuing and discontinued operations.

### From discontinued operations

The basic and diluted loss per share from discontinued operation attributable to the owners of the Company is calculated based on the following data:

	<b>Six months ended 30 June</b>	
	<b>2014 (Unaudited) HK\$'000</b>	2013 (Unaudited) (Re-presented) HK\$'000
Loss for the period from discontinued operation	–	(6,304)
Less: Loss for the period from discontinued operation attributable to non-controlling interests	–	900
Loss for the period attributable to the owners of the Company for the purpose of basic and diluted loss per share from discontinued operation computation	–	(5,404)

The denominators used are the same as those detailed above for both basic and diluted earnings per share from continuing and discontinued operations.

# Notes to the Interim Financial Statements

For the six months ended 30 June 2014

## 9. INVESTMENT PROPERTIES

Changes to the carrying amount presented in the consolidated statement of financial position can be summarised as follows:

	<b>30 June 2014 (Unaudited) HK\$'000</b>	31 December 2013 (Audited) HK\$'000
Carrying amount at 1 January	<b>16,464,234</b>	13,275,215
Additions	<b>85,053</b>	1,941,577
Disposal of subsidiaries	<b>(860,000)</b>	–
Transfer to property, plant and equipment	–	(75,800)
Transfer to properties under development	<b>(183,000)</b>	–
Transfer from properties under development	–	26,893
Net gain on fair value adjustments	<b>261,017</b>	1,276,502
Interest capitalised in investment properties under construction	<b>4,610</b>	19,847
Carrying amount 30 June/31 December	<b>15,771,914</b>	16,464,234

The investment properties of the Group were revalued at 30 June 2013, 31 December 2013 and 30 June 2014 by an independent professional valuer, DTZ Debenham Tie Leung Limited, on the following basis:

- Certain investment properties under construction were revalued on re-development basis by adopting the residual site method. The residual site method is determined by deducting the estimated total cost of the development including costs of construction, professional fee, finance cost, associated costs and an allowance for developer's risk and profit from the gross development value; and
- The remaining investment properties are revalued based on the market value on an existing use basis which involves certain estimates, including comparable market transactions, where appropriate capitalisation rates and reversionary income potential.

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

## Notes to the Interim Financial Statements

For the six months ended 30 June 2014

### 9. INVESTMENT PROPERTIES (Continued)

The Group's interest in investment properties are situated in Hong Kong and the PRC and their carrying amount are analysed as follows:

	<b>30 June 2014 (Unaudited) HK\$'000</b>	31 December 2013 (Audited) HK\$'000
Held on lease over 50 years	<b>15,528,595</b>	16,220,965
Held on lease from 10 to 50 years	<b>243,319</b>	243,269
	<b>15,771,914</b>	16,464,234

All of the Group's investment properties for earning rental income or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of the Group's investment properties is a level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balance is provided below:

	<b>30 June 2014 (Unaudited) HK\$'000</b>	31 December 2013 (Audited) HK\$'000
Opening balance (level 3 recurring fair value)	<b>16,464,234</b>	13,275,215
Purchases	<b>85,053</b>	1,941,577
Disposal of subsidiaries	<b>(860,000)</b>	–
Transfer to property, plant and equipment	–	(75,800)
Transfer to properties under development	<b>(183,000)</b>	–
Transfer from properties under development	–	26,893
Gains on revaluation of investment properties	<b>261,017</b>	1,276,502
Interest capitalised in investment properties under construction	<b>4,610</b>	19,847
Closing balance (level 3 recurring fair value)	<b>15,771,914</b>	16,464,234
Change in unrealised gains or losses for the period/year included in profit or loss for assets held at the end of the period/year	<b>261,017</b>	1,276,502

# Notes to the Interim Financial Statements

For the six months ended 30 June 2014

## 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).

### As at 30 June 2014

Investment properties held by the Group in the consolidated statement of financial position	Fair value as at 30 June 2014 (Unaudited) HK\$'000	Valuation technique(s)	Significant unobservable input(s)	Range of significant unobservable inputs	Interrelationship between key unobservable input(s) and fair value measurement
Completed investment properties (whole block of commercial building)	13,012,000	Income capitalisation approach	Reversionary rental value	HK\$25 – HK\$50 per month per square foot for upper-level office/restaurants premises	The higher the rental value, the higher the fair value
				HK\$138 – HK\$2,250 per month per square foot for ground floor shop	
			Adjusted term/reversionary yield	3% – 4.5%	The higher the adjusted term and reversionary yield, the lower the fair value.

# Notes to the Interim Financial Statements

For the six months ended 30 June 2014

## 9. INVESTMENT PROPERTIES (Continued) As at 30 June 2014 (Continued)

Investment properties held by the Group in the consolidated statement of financial position	Fair value as at 30 June 2014 (Unaudited) HK\$'000	Valuation technique(s)	Significant unobservable input(s)	Range of significant unobservable inputs	Interrelationship between key unobservable input(s) and fair value measurement
Investment properties under construction	1,243,416	Residual method	Price per square foot	HK\$4,700 per square foot for industrial premises; HK\$12,500 – HK\$17,000 per square foot for residential premises; HK\$17,000 – HK\$60,000 per square foot for shop	The higher the rental value, the higher the fair value
			Estimated construction and other professional costs to completion	HK\$2,100 – HK\$4,000 per square foot	The higher the estimated construction and professional costs, the lower the fair value
			Estimated profit margin required to hold and develop the investment properties to completion	10%	The higher the estimated profit margin, the lower the fair value.



# Notes to the Interim Financial Statements

For the six months ended 30 June 2014

## 9. INVESTMENT PROPERTIES (Continued) As at 30 June 2014 (Continued)

Investment properties held by the Group in the consolidated statement of financial position	Fair value as at 30 June 2014 (Unaudited) <i>HK\$'000</i>	Valuation technique(s)	Significant unobservable input(s)	Range of significant unobservable inputs	Interrelationship between key unobservable input(s) and fair value measurement
Completed investment properties (Individual units or ground floor shops)	1,516,498	Direct comparison	Quality of properties (e.g. location, size, level and condition of the properties)	+/-20%	The higher the quality of properties with reference to comparables, the higher the fair value

# Notes to the Interim Financial Statements

For the six months ended 30 June 2014

## 9. INVESTMENT PROPERTIES (Continued) As at 31 December 2013

Investment properties held by the Group in the consolidated statement of financial position	Fair value as at 31 December 2013 (Audited) HK\$'000	Valuation technique(s)	Significant unobservable input(s)	Range of significant unobservable inputs	Interrelationship between key unobservable input(s) and fair value measurement
Completed investment properties (whole block of commercial building)	12,736,000	Income capitalisation approach	Revisionary rental value	HK\$25 – HK\$73 per month per square foot for upper-level office/restaurants premises  HK\$132 – HK\$2,250 per month per square foot for ground floor shops	The higher the rental value, the higher the fair value
			Adjusted term/reversionary yield	3.0% – 4.5%	The higher the adjusted term and reversionary yield, the lower the fair value

# Notes to the Interim Financial Statements

For the six months ended 30 June 2014

## 9. INVESTMENT PROPERTIES (Continued) As at 31 December 2013 (Continued)

Investment properties held by the Group in the consolidated statement of financial position	Fair value as at 31 December 2013 (Audited) HK\$'000	Valuation technique(s)	Significant unobservable input(s)	Range of significant unobservable inputs	Interrelationship between key unobservable input(s) and fair value measurement
Investment properties under construction	2,213,416	Residual method	Price per square foot	HK\$4,000 per square foot for industrial premises; – HK\$11,000 – HK\$19,000 per square foot for residential premises; – HK\$22,000 – HK\$60,000 per square foot for shops	The higher the rental value, the higher the fair value
			Estimated construction and other professional costs to completion	HK\$1,500 – HK\$6,300 per square foot	The higher the estimated construction and professional costs, the lower the fair value

# Notes to the Interim Financial Statements

For the six months ended 30 June 2014

## 9. INVESTMENT PROPERTIES (Continued) As at 31 December 2013 (Continued)

Investment properties held by the Group in the consolidated statement of financial position	Fair value as at 31 December 2013 (Audited) HK\$'000	Valuation technique(s)	Significant unobservable input(s)	Range of significant unobservable inputs	Interrelationship between key unobservable input(s) and fair value measurement
			Estimated profit margin required to hold and develop the investment properties to completion	10% – 20%	The higher estimated profit margin, the lower the fair value
Completed investment properties (Individual units or ground floor shops)	1,514,818	Direct comparison	Quality of properties (e.g. location, size, level and condition of the properties)	+/-20%	The higher the quality of properties with reference to comparables, the higher the fair value

During the six months ended 30 June 2014, there were no changes to the valuation techniques from prior periods.

The fair value measurement is based on the above investment properties' highest and best use, which does not differ from their actual use.

# Notes to the Interim Financial Statements

For the six months ended 30 June 2014

## 10. TRADE AND OTHER RECEIVABLES

As at the reporting date, trade receivables included in trade and other receivables were approximately HK\$12,955,000 (31 December 2013: approximately HK\$7,457,000). 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 2014 (Unaudited) HK\$'000</b>	31 December 2013 (Audited) HK\$'000
0 – 30 days	<b>5,831</b>	4,309
31 – 90 days	<b>2,613</b>	1,800
91 – 180 days	<b>1,921</b>	185
Over 180 days	<b>2,590</b>	1,163
Total trade receivables	<b>12,955</b>	7,457
Other receivables	<b>141,133</b>	104,996
	<b>154,088</b>	112,453

## 11. STRUCTURED BANK DEPOSITS/CASH AND CASH EQUIVALENTS

As at 30 June 2014, the structured bank deposit was principal-protected yield enhancement bank deposits denominated in Renminbi ("RMB") amounting to RMB72,460,000 (31 December 2013: RMB82,340,000) (equivalent to approximately HK\$91,248,000 (31 December 2013: HK\$104,506,000)) carrying a minimum interest rate at 1.8% (31 December 2013: from 1.80% to 2.20%) per annum and can be enhanced to a maximum interest rate at 5.2% (31 December 2013: from 5.15% to 6.20%) per annum which is to be determined by reference to the market exchange rate of Australian Dollar ("AUD")/United States Dollar ("USD") during a pre-determined period of 92 days (31 December 2013: from 90 days to 99 days). The structured bank deposits contained embedded derivatives representing a return which would vary with prevailing market exchange rate of AUD/USD. The Directors of the Company consider that the fair value of the embedded derivative and the cap is minimal and hence no derivative financial instrument is recognised.

# Notes to the Interim Financial Statements

For the six months ended 30 June 2014

## 11. STRUCTURED BANK DEPOSITS/CASH AND CASH EQUIVALENTS (Continued)

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

	<b>30 June 2014 (Unaudited) HK\$'000</b>	31 December 2013 (Audited) HK\$'000
Bank and cash balances	<b>187,440</b>	184,540
Short-term bank deposits	<b>53,005</b>	126,089
	<b>240,445</b>	310,629

For the six months ended 30 June 2014, the effective interest rate of short-term bank deposit was ranged from 0.2% to 1.50% (31 December 2013: 0.25% to 1.49%) per annum. The deposit had maturity period of 7 days to 3 months (31 December 2013: 7 days to 3 months) and was eligible for immediate cancellation without receiving any interest for the last deposit period.

Included in cash and cash equivalents of the Group is HK\$19,568,000 (31 December 2013: HK\$55,027,000) of bank balances denominated in Renminbi placed with banks in the PRC.

## 12. TRADE AND OTHER PAYABLES

As at the reporting date, trade payables included in trade and other payables were approximately HK\$12,523,000 (31 December 2013: approximately HK\$10,669,000). 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 2014 (Unaudited) HK\$'000</b>	31 December 2013 (Audited) HK\$'000
0 – 30 days	<b>2,470</b>	6,048
31 – 90 days	<b>590</b>	886
Over 90 days	<b>9,463</b>	3,735
Total trade payables	<b>12,523</b>	10,669
Other payables	<b>457,004</b>	448,101
	<b>469,527</b>	458,770

# Notes to the Interim Financial Statements

For the six months ended 30 June 2014

## 13. BORROWINGS

	<b>30 June 2014 (Unaudited) HK\$'000</b>	31 December 2013 (Audited) HK\$'000
Bank loans – secured	<b>2,891,910</b>	3,955,820
	<b>2,891,910</b>	3,955,820

As at the reporting date, the maturity analysis of the Group's borrowings is stated as follows:

	<b>30 June 2014 (Unaudited) HK\$'000</b>	31 December 2013 (Audited) HK\$'000
Carrying amount repayable based on the scheduled repayment date set out in the loan agreements:		
Within one year	<b>192,118</b>	1,621,898
More than one year, but not exceeding two years	<b>381,550</b>	291,550
More than two years, but not exceeding five years	<b>1,421,542</b>	1,825,672
More than five years	<b>896,700</b>	216,700
	<b>2,891,910</b>	3,955,820
Carrying amount of bank loans due for repayment after one year which contain a repayment on demand clause (shown under current liabilities)	<b>2,699,792</b>	2,333,922

# Notes to the Interim Financial Statements

For the six months ended 30 June 2014

## 14. DEFERRED TAX

The following is the analysis of the deferred tax balances for financial reporting purpose:

	<b>30 June 2014 (Unaudited) HK\$'000</b>	31 December 2013 (Audited) HK\$'000
Deferred tax assets	<b>(12,993)</b>	(12,993)
Deferred tax liabilities	<b>62,404</b>	62,820
	<b>49,411</b>	49,827

The gross movement on the deferred tax account is as follows:

	<b>30 June 2014 (Unaudited) HK\$'000</b>	31 December 2013 (Audited) HK\$'000
At 1 January	<b>49,827</b>	65,183
Deferred taxation (credited)/charged to:		
– Profit or loss (Note 7)	<b>(927)</b>	(7,532)
– Asset revaluation reserve	<b>580</b>	(8,074)
Exchange realignment	<b>(69)</b>	250
At 30 June/31 December	<b>49,411</b>	49,827

## 15. SHARE CAPITAL

	<b>30 June 2014 (Unaudited) HK\$'000</b>	31 December 2013 (Audited) HK\$'000
Authorized: 5,000,000,000 ordinary shares of HK\$0.10 each	<b>500,000</b>	500,000



# Notes to the Interim Financial Statements

For the six months ended 30 June 2014

## 15. SHARE CAPITAL (Continued)

	Number of Shares	Nominal value 30 June 2014 HK\$'000	Nominal value 31 December 2013 HK\$'000
Issued and fully paid:			
At 1 January	280,824,135	28,082	28,076
Exercise of share options	200,000	20	6
At 30 June/31 December	281,024,135	28,102	28,082

## 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 period:

	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
<b>Related companies</b>		
Operating lease charges in respect of residential properties (note (a))	360	360
Operating lease charges and management fee in respect of office premises situated in Guangzhou, PRC (note (b))	584	698
Interest expenses on unsecured revolving credit facility (note (c))	106	–
Purchase of a motor vehicle (note (d))	–	68
Rental income in respect of an office premise (note (e))	272	–
Rental expense for leasing carparking space situated in Guangzhou, PRC (note (f))	20	–

Notes:

- (a) A subsidiary of the Company entered into a tenancy agreement with a related company, in which an executive director of the Company has equity interests, for leasing a residential property situated in Hong Kong for a period of one year commencing from 1 September 2012 and expiring on 31 August 2013 at a monthly rental of HK\$60,000. The tenancy agreement was renewed for a period of one year commencing from 1 September 2013 and expiring on 31 August 2014 at a monthly rental of HK\$60,000.
- (b) Certain subsidiaries of the Company entered into tenancy agreements with a related company, in which the Chairman and an executive director of the Company have interests, for leasing a number of premises situated at Guangzhou, PRC for office purpose.

# Notes to the Interim Financial Statements

For the six months ended 30 June 2014

## 16. RELATED PARTY TRANSACTIONS (Continued)

Notes: (Continued)

- (c) On 27 February 2011, a related company in which the Chairman and an executive director of the Company have interests, has agreed to increase an unsecured revolving credit facility of amount to HK\$150,000,000 from HK\$100,000,000 to a wholly owned subsidiary of the Group and the maturity date has been extended to 30 April 2017. Effective from 1 May 2014, interest rate on Hong Kong dollars lending had been changed to prime lending rate minus 2.5% per annum. For RMB loan, interest rate is the RMB loan (for tenure of 1-3 years) interest rate specified by People's Bank of China plus 1.5% per annum. As at 30 June 2014, the unsecured revolving credit facility was not utilised (31 December 2013: Nil).
- (d) On 6 March 2013, a subsidiary of the Company entered into an agreement with a related company, in which the Chairman and an executive director of the Company have equity interests, for purchasing a motor vehicle at a consideration of HK\$68,000.
- (e) For the period ended 30 June 2014, 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 two years from 1 September 2013 to 31 August 2015 at the monthly rent of HK\$45,322 (with one month rent free).
- (f) For the period ended 30 June 2014, 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 equity interests, for leasing five carparking spaces situated in Guangzhou, PRC.

## 17. FUTURE OPERATING LEASE ARRANGEMENTS

The Group leases its investment properties (note 9) under operating lease arrangements with average lease terms of 1 to 7 years. The future aggregate minimum lease receipts under non-cancellable operating leases in respect of land and buildings are as follows:

	<b>30 June 2014 (Unaudited) HK\$'000</b>	31 December 2013 (Audited) HK\$'000
Within one year	<b>384,483</b>	385,925
In the second to fifth years inclusive	<b>211,783</b>	260,916
More than fifth years	<b>3,745</b>	–
	<b>600,011</b>	646,841

# Notes to the Interim Financial Statements

For the six months ended 30 June 2014

## 18. COMMITMENTS

### (a) Operating lease commitments

As at 30 June 2014, the total future aggregate minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

	<b>30 June 2014 (Unaudited) HK\$'000</b>	31 December 2013 (Audited) HK\$'000
Within one year	<b>321</b>	813
In the second to fifth years inclusive	<b>96</b>	–
	<b>417</b>	813

### (b) Capital commitments

	<b>30 June 2014 (Unaudited) HK\$'000</b>	31 December 2013 (Audited) HK\$'000
Contracted but not provided for:		
– Construction costs and services expenses of property development	<b>429,662</b>	447,450
– Acquisition of properties	<b>16,578</b>	12,705
– Capital contribution to Hong Kong and PRC subsidiaries of property development business	<b>54,900</b>	54,924
	<b>501,140</b>	515,079

All capital commitments are due for contribution in the coming twelve months.



**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