

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



SOUNDWILL HOLDINGS LIMITED

金朝陽集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 878)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

FINANCIAL HIGHLIGHTS

| | Six months ended 30 June | |
|--|--|--|
| | 2017 (Unaudited) HK\$ million | 2016 (Unaudited) HK\$ million |
| Revenue | 602.2 | 1,351.5 |
| Net gain/(loss) on fair value adjustments on investment properties | 86.9 | (279.4) |
| Profit attributable to owners of the Company | 319.6 | 59.2 |
| Basic earnings per share (dollars) | HK\$1.13 | HK\$0.21 |
| | At 30 June 2017 (Unaudited) HK\$ million | At 31 December 2016 (Audited) HK\$ million |
| Total assets | 22,472 | 22,343 |
| Net assets | 18,990 | 19,003 |
| Total borrowings | 1,819 | 1,694 |
| Gearing ratio | 10% | 9% |
| Net asset value per share (dollars) | HK\$67.0 | HK\$67.1 |

* For identification purpose only

RESULTS

The board of directors (the “Board”) 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 2017 which have been reviewed by the Audit Committee of the Company, with comparative figures for the corresponding period in 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | <i>Notes</i> | Six months ended 30 June | |
|--|--------------|---------------------------------|--------------------|
| | | 2017 | 2016 |
| | | (Unaudited) | (Unaudited) |
| | | HK\$'000 | HK\$'000 |
| Revenue | | 602,196 | 1,351,460 |
| Cost of sales | | (256,092) | (841,138) |
| Gross profit | | 346,104 | 510,322 |
| Other income | 4 | 48,856 | 9,398 |
| Selling expenses | | (32,659) | (18,525) |
| Administrative expenses | | (71,210) | (83,279) |
| Other operating expenses | | (1,125) | (831) |
| Gain on disposal of subsidiaries | | — | 70,614 |
| Net gain/(loss) on fair value adjustments on investment properties | | 86,854 | (279,386) |
| Finance costs | 5 | (12,098) | (18,696) |
| Profit before income tax expense | 6 | 364,722 | 189,617 |
| Income tax expense | 7 | (45,497) | (58,764) |
| Profit for the period | | 319,225 | 130,853 |
| Other comprehensive income, net of tax | | | |
| <i>Item that will not be reclassified to profit or loss:</i> | | | |
| Deficit on revaluation of leasehold building, net of deferred tax | | (287) | — |
| <i>Item that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange gain/(loss) on translation of foreign operations | | 6,221 | (24,225) |
| Other comprehensive income for the period, net of tax | | 5,934 | (24,225) |
| Total comprehensive income for the period | | 325,159 | 106,628 |

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

| | | Six months ended 30 June | |
|---|-------------|---------------------------------|--------------------|
| | | 2017 | 2016 |
| | | (Unaudited) | (Unaudited) |
| | <i>Note</i> | HK\$'000 | HK\$'000 |
| Profit for the period attributable to: | | | |
| — Owners of the Company | | 319,616 | 59,225 |
| — Non-controlling interests | | (391) | 71,628 |
| | | <u>319,225</u> | <u>130,853</u> |
| Total comprehensive income for the period attributable to: | | | |
| — Owners of the Company | | 325,318 | 40,175 |
| — Non-controlling interests | | (159) | 66,453 |
| | | <u>325,159</u> | <u>106,628</u> |
| Earning per share for profit attributable to owners of the Company during the period | | | |
| Basic | 8 | <u>HK\$1.13</u> | <u>HK\$0.21</u> |
| Diluted | | <u>HK\$1.13</u> | <u>HK\$0.21</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | 30 June 2017 (Unaudited) <i>HK\$'000</i> | 31 December 2016 (Audited) <i>HK\$'000</i> |
|--|--------------|---|---|
| | <i>Notes</i> | | |
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Investment properties | | 18,589,841 | 17,794,052 |
| Property, plant and equipment | | 110,981 | 112,118 |
| Properties held for development | | 18,133 | 18,026 |
| Available-for-sale financial assets | | 10 | 10 |
| Loan receivables | 9 | 29,137 | 7,655 |
| | | 18,748,102 | 17,931,861 |
| Current assets | | | |
| Properties under development | | 2,218,404 | 2,617,495 |
| Trade and other receivables | 9 | 153,292 | 135,119 |
| Deposits paid for acquisition of properties | | 19,979 | 15,203 |
| Bank deposit at escrow account | | 100,354 | 51,121 |
| Cash and bank balances | | 793,645 | 1,592,375 |
| | | 3,285,674 | 4,411,313 |
| Assets of a disposal group classified as held for sale | 10 | 438,414 | — |
| Total current assets | | 3,724,088 | 4,411,313 |
| Current liabilities | | | |
| Trade and other payables | 11 | 474,333 | 488,308 |
| Deposits received in advance | | 861,303 | 864,457 |
| Borrowings | | 1,819,320 | 1,694,220 |
| Provision for income tax | | 174,229 | 144,120 |
| Total current liabilities | | 3,329,185 | 3,191,105 |
| Net current assets | | 394,903 | 1,220,208 |
| Total assets less current liabilities | | 19,143,005 | 19,152,069 |
| Non-current liabilities | | | |
| Deferred tax liabilities | | 153,137 | 149,368 |
| Net assets | | 18,989,868 | 19,002,701 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

| | 30 June 2017 (Unaudited) HK\$'000 | 31 December 2016 (Audited) HK\$'000 |
|---|--|--|
| EQUITY | | |
| Equity attributable to owners of the Company | | |
| Share capital | 28,331 | 28,331 |
| Reserves | <u>18,928,033</u> | <u>18,942,685</u> |
| | 18,956,364 | 18,971,016 |
| Non-controlling interests | <u>33,504</u> | <u>31,685</u> |
| Total equity | <u><u>18,989,868</u></u> | <u><u>19,002,701</u></u> |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2017 (the “Unaudited Condensed Consolidated Interim Financial Statements”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies adopted for the Unaudited Condensed Consolidated Interim Financial Statements are consistent with those used in the preparation of the Group’s annual audited financial statements for the year ended 31 December 2016 (the “2016 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 (“HKASs”) and Interpretations as disclosed below.

The Unaudited Condensed Consolidated Interim Financial Statements have not included all the information and disclosures required in the annual financial statements, and should be read in conjunction with the 2016 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 HKASs issued by the HKICPA, which is relevant to and effective for the Group’s consolidated financial statements for the annual financial period beginning on or after 1 January 2017.

| | |
|-----------------------|--|
| Amendments to HKAS 7 | Disclosure Initiatives |
| Amendments to HKAS 12 | Recognition of Deferred Tax Assets for Unrealised Losses |

The adoption of these amendments to HKASs had no material effect on the results and financial position of the Group set out in the Unaudited Condensed Consolidated Interim Financial Statements for the current and/or prior accounting periods.

In the current interim period, the Group has adopted the following amendments to HKAS and in advance of its effective date. The Group has chosen 1 January 2017 as its date of initial application.

| | |
|-----------------------|----------------------------------|
| Amendments to HKAS 40 | Transfers of Investment Property |
|-----------------------|----------------------------------|

Amendments to HKAS 40 Transfers of Investment Property

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in HKAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

The early adoption of amendments to HKAS 40 has resulted in the transfer of certain properties from properties under development to investment properties during the current period with details as disclosed in the Unaudited Condensed Consolidated Interim 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 development | : | Development of residential, industrial 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 |

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 2017, there have been no changes from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

The revenue and profit/(loss) generated by each of the Group's operating segments and segment assets and liabilities are summarised as follows:

| | Six months ended 30 June | | | | | | | | | |
|---|--|--|--|--|--|--|--|--|--|--|
| | Property development | | Property leasing | | Building management and other services | | Others | | Total | |
| | 2017 (Unaudited) HK\$'000 | 2016 (Unaudited) HK\$'000 | 2017 (Unaudited) HK\$'000 | 2016 (Unaudited) HK\$'000 | 2017 (Unaudited) HK\$'000 | 2016 (Unaudited) HK\$'000 | 2017 (Unaudited) HK\$'000 | 2016 (Unaudited) HK\$'000 | 2017 (Unaudited) HK\$'000 | 2016 (Unaudited) HK\$'000 |
| Revenue | | | | | | | | | | |
| External customers | 341,454 | 1,083,525 | 252,040 | 259,091 | 8,702 | 8,844 | — | — | 602,196 | 1,351,460 |
| Inter-segments | 121,077 | 126,461 | 26,342 | 3,343 | 1,682 | 1,896 | 24,594 | 19,690 | 173,695 | 151,390 |
| Reportable segment revenue | 462,531 | 1,209,986 | 278,382 | 262,434 | 10,384 | 10,740 | 24,594 | 19,690 | 775,891 | 1,502,850 |
| Reportable segment profit/(loss) | 65,856 | 207,990 | 222,001 | 207,579 | 5,453 | 4,469 | (1,563) | (605) | 291,747 | 419,433 |
| | 30 June 2017 (Unaudited) HK\$'000 | 31 December 2016 (Audited) HK\$'000 | 30 June 2017 (Unaudited) HK\$'000 | 31 December 2016 (Audited) HK\$'000 | 30 June 2017 (Unaudited) HK\$'000 | 31 December 2016 (Audited) HK\$'000 | 30 June 2017 (Unaudited) HK\$'000 | 31 December 2016 (Audited) HK\$'000 | 30 June 2017 (Unaudited) HK\$'000 | 31 December 2016 (Audited) HK\$'000 |
| Reportable segment assets | 3,050,231 | 2,952,620 | 18,737,402 | 17,988,998 | 30,604 | 28,429 | 653,943 | 1,373,117 | 22,472,180 | 22,343,164 |
| Reportable segment liabilities | (1,040,223) | (1,129,903) | (174,531) | (182,590) | (10,005) | (10,543) | (110,877) | (29,729) | (1,335,636) | (1,352,765) |

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the Consolidated Statement of Profit or Loss and Other Comprehensive Income as follows:

| | Six months ended 30 June | |
|--|--------------------------------|--------------------------------|
| | 2017 | 2016 |
| | (Unaudited) <i>HK\$'000</i> | (Unaudited) <i>HK\$'000</i> |
| Reportable segment revenue | 775,891 | 1,502,850 |
| Elimination of inter-segment revenue | <u>(173,695)</u> | <u>(151,390)</u> |
| Revenue | <u>602,196</u> | <u>1,351,460</u> |
| Reportable segment profits | 291,747 | 419,433 |
| Net gain/(loss) on fair value adjustments on investment properties | 86,854 | (279,386) |
| Gain on disposal of subsidiaries | — | 70,614 |
| Unallocated corporate expenses | (1,781) | (2,348) |
| Finance costs | <u>(12,098)</u> | <u>(18,696)</u> |
| Profit before income tax | <u>364,722</u> | <u>189,617</u> |

4. OTHER INCOME

| | Six months ended 30 June | |
|---|--------------------------------|--------------------------------|
| | 2017 | 2016 |
| | (Unaudited) <i>HK\$'000</i> | (Unaudited) <i>HK\$'000</i> |
| Bank interest income | 4,547 | 2,296 |
| Reversal of provision for impairment of trade receivable | — | 1,000 |
| Reversal of provision for impairment of deferred and contingent consideration | — | 1,012 |
| Miscellaneous income | <u>44,309</u> | <u>5,090</u> |
| | <u>48,856</u> | <u>9,398</u> |

5. FINANCE COSTS

| | Six months ended 30 June | |
|---|--------------------------------|--------------------------------|
| | 2017 | 2016 |
| | (Unaudited) <i>HK\$'000</i> | (Unaudited) <i>HK\$'000</i> |
| Interest charges on: | | |
| Bank loans | 12,098 | 19,802 |
| Other borrowings | <u>—</u> | <u>2,630</u> |
| Total borrowing costs | 12,098 | 22,432 |
| Less: Interest capitalised in investment properties | <u>—</u> | <u>(3,736)</u> |
| | <u>12,098</u> | <u>18,696</u> |

6. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging:

| | Six months ended 30 June | |
|---|--------------------------|-----------------|
| | 2017 | 2016 |
| | (Unaudited) | (Unaudited) |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Amortisation of properties held for development | 234 | 243 |
| Bad debts written off* | 1,125 | — |
| Cost of properties under development recognised as expense | 256,089 | 839,681 |
| Depreciation of property, plant and equipment | 702 | 942 |
| Employee benefit expenses (including Directors' remuneration and defined contribution cost) | | |
| — Share option expenses | — | 10 |
| — Salaries, bonus and defined contribution cost | 36,125 | 57,500 |
| — Other employee benefit expenses | 1,090 | 975 |
| | <u>37,215</u> | <u>58,485</u> |
| Operating lease charges in respect of premises | <u>459</u> | <u>409</u> |

* Included in other operating expenses

7. INCOME TAX EXPENSE

| | Six months ended 30 June | |
|-----------------------------------|--------------------------|-----------------|
| | 2017 | 2016 |
| | (Unaudited) | (Unaudited) |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| The charge comprises: | | |
| Hong Kong profits tax | 42,787 | 55,622 |
| PRC Enterprise Income Tax ("EIT") | — | — |
| Deferred tax charge | 2,710 | 3,142 |
| | <u>45,497</u> | <u>58,764</u> |

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

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

8. EARNINGS PER SHARE

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

| | Six months ended 30 June | |
|--|---------------------------------|---------------------------------|
| | 2017 (Unaudited) HK\$'000 | 2016 (Unaudited) HK\$'000 |
| Earnings | | |
| Profit attributable to owners of the Company | <u>319,616</u> | <u>59,225</u> |
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share (<i>note (a)</i>) | 283,308,635 | 283,485,884 |
| Effect of dilutive potential ordinary shares in respect of employee share options (<i>note (b)</i>) | — | — |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | <u>283,308,635</u> | <u>283,485,884</u> |

Notes:

- (a) During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries has repurchased any of the Company's shares.

During the six months ended 30 June 2016, the Company had repurchased a total of 2,039,000 shares of HK\$0.1 each on the Stock Exchange at an aggregate consideration paid of HK\$19,056,064. All of the repurchased shares were subsequently cancelled in January and February 2016.

- (b) The computation of diluted earnings per share does not assume the exercise of the Company's employee share options because the exercise price of these options was higher than the average market price for shares for both periods.

9. TRADE AND OTHER RECEIVABLES

As at 30 June 2017, trade receivables included in trade and other receivables were approximately HK\$19,340,000 (31 December 2016: approximately HK\$24,075,000). The credit terms of the Group ranging from 30 to 90 days. The ageing analysis of trade receivables, presented based on the invoice date, was set out below:

| | 30 June 2017 (Unaudited) HK\$'000 | 31 December 2016 (Audited) HK\$'000 |
|---|--|--|
| 0–30 days | 12,822 | 10,710 |
| 31–90 days | 2,832 | 5,384 |
| 91–180 days | 2,359 | 6,366 |
| Over 180 days | 1,327 | 1,615 |
| | <hr/> | <hr/> |
| Total trade receivables, net | 19,340 | 24,075 |
| Other receivables, utility deposits and prepayment, net of provision for impairment loss | 132,792 | 110,849 |
| Loan receivables (<i>note</i>) | 1,160 | 195 |
| | <hr/> | <hr/> |
| | 133,952 | 111,044 |
| | <hr/> | <hr/> |
| | 153,292 | 135,119 |
| Non-current: | | |
| Loan receivables (<i>note</i>) | 29,137 | 7,655 |
| | <hr/> | <hr/> |
| | 182,429 | 142,774 |
| | <hr/> <hr/> | <hr/> <hr/> |

Note:

As at 30 June 2017, loan receivables included amounts of HK\$30,297,000 (as at 31 December 2016: HK\$7,850,000) which are secured, interest-bearing at Hong Kong Dollar Best Lending Rate minus 2%–2.5% per annum, for the first 36 months from the date of loan drawdown and thereafter at the Hong Kong Dollar Best Lending Rate. The loans were repayable in 216–360 monthly instalments.

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

10. ASSETS AND LIABILITIES OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 7 June 2017, the Group entered into a sale and purchase agreement to dispose of Honest Merit International Group Limited (the “Honest Merit”), a wholly owned subsidiary of the Group (the “Disposal”). Honest Merit is an investment holding company and indirectly held the entire issued share capital of School Investment Properties Limited which together in turn held the investment properties situated at 18 School Street, Causeway Bay, Hong Kong (collectively the “Honest Merit Group”). The assets and liabilities related to Honest Merit Group have been presented as held for sale following the approval of the Board on 7 June 2017 at an aggregate consideration of HK\$455,620,000 (the “Initial Consideration”). The Disposal was completed on 6 July 2017 and the Initial Consideration was adjusted upwards by an adjustment of approximately HK\$411,000 and therefore the balance payment of the Initial Consideration as so adjusted was received on that day. The Directors regard the net sale proceeds from the Disposal (estimated to be approximately HK\$388,620,000 and therefore HK\$389,031,000, after adjustment) will be used by the Group primarily for future investment and development of the Group and as general working capital.

In accordance with HKFRS 5, the assets and liabilities relating to the Honest Merit Group have been classified as held for sale in the Consolidated Statement of Financial Position. The Disposal does not constitute a discontinued operation as it does not represent a major line of business or geographical area of operation.

| | 30 June 2017 HK\$'000 |
|--|--------------------------------------|
| Investment properties (<i>note</i>) | 438,000 |
| Deposit paid | 414 |
| | <hr/> |
| Total assets classified as held for sale | 438,414 |
| | <hr/> <hr/> |

Note:

The investment properties classified as held for sale were revalued on 30 June 2017 by an independent professional qualified valuer, LCH (Asia-Pacific) Surveyors Limited. In determining the fair value, the investment properties were revalued based on the market value on an existing use basis which involved certain estimates including comparable market transactions.

The investment properties were held for capital appreciation purposes and were measured using the fair value model and were classified and accounted for as investment properties.

The fair value of the investment properties is a level 3 recurring fair value measurement.

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

11. TRADE AND OTHER PAYABLES

As at 30 June 2017, trade payables included in trade and other payables were approximately HK\$10,163,000 (31 December 2016: approximately HK\$7,344,000). The Group was granted credit periods by its suppliers ranging from 30 to 60 days. The ageing analysis of trade payables, presented based on the invoice date, was set out below:

| | 30 June 2017 (Unaudited) HK\$'000 | 31 December 2016 (Audited) HK\$'000 |
|----------------------|--|--|
| 0-30 days | 6,086 | 2,472 |
| 31-90 days | 9 | 1,105 |
| Over 90 days | <u>4,068</u> | <u>3,767</u> |
| Total trade payables | 10,163 | 7,344 |
| Other payables | <u>464,170</u> | <u>480,964</u> |
| | <u>474,333</u> | <u>488,308</u> |

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Although the global economy experienced a gradual recovery in the first half of 2017, the hike in interest rates by the Federal Reserve, divergence in monetary policy among major central banks and complexity in the international political environment spurred capital flows and, in turn, volatility in global financial markets.

In Hong Kong, the economy stabilised despite ongoing potential threats. During the period, consumer sentiment recovered but visitor arrivals continued to lag, which affected the tourism industry. Although the retail sector gradually recovered, the leasing market was still digesting these unfavourable trends. The Group made adjustments to its leasing business and succeeded in maintaining occupancy rates at a high level.

During the review period, the Group's businesses remained solid in the face of market challenges, such as the Hong Kong Government's further measures to stabilise the property market. These included a tightening of the stamp duty exemption for residential property purchases and a new round of measures to regulate mortgage lending. Prices in Hong Kong's property market soared to record highs for both land and property transactions and, after absorbing interest rate hikes earlier in the year, demand for residential flats resumed. This performance was primarily attributable to the Group's long-standing prudent approach to its business development.

The Group's premium brand and professional sales team have long enjoyed the confidence of the market and customers. Going forward, the Group will continue to explore development opportunities and expand its profit and development potential through innovation and aggressive marketing to make the most of its limited land resources.

Property Leasing

For the six months ended 30 June 2017, the property leasing segment recognised revenue of approximately HK\$252,040,000, representing 42% of the Group's total revenue for the period.

Soundwill Plaza, the Group's flagship property, is located at 38 Russell Street in the heart of Causeway Bay, a popular destination for both local consumers and inbound tourists. Buoyed by the strong demand for high-quality properties in premium locations, Soundwill Plaza delivered satisfactory leasing performance and maintained a high occupancy rate during the review period, making this property one of the most stable contributors of income for the Group.

Soundwill Plaza II — Midtown, another flagship property of the Group, is located at 1 Tang Lung Street, next to Russell Street, in the heart of Causeway Bay. Since its official opening in 2014, this landmark building has become a favourite destination for food & beverage and leisure activities in the area. The steady rise in customer traffic and sales, together with the introduction of more premium restaurants and retail tenants during the period, helped to generate stable occupancy rates and rental income from this project.

Property Development

For the six months ended 30 June 2017, the property development segment recognised revenue of approximately HK\$341,454,000, representing 57% of the Group's total revenue for the period. The Group's iPLACE industrial project at 303 Castle Peak Road, Kwai Chung was successively delivered and booked.

Property Management

For the six months ended 30 June 2017, the property management segment recognised revenue of approximately HK\$8,702,000, representing 1% of the Group's total revenue for the period.

The Group's property management and maintenance subsidiaries are engaged in the provision of management, customer and maintenance services in large-scale commercial buildings, as well as small and medium sized estates.

Real Estate Business in Mainland China

The Group currently has several property projects in Mainland China, some of which are in the development stage.

Shang Hui Hai An (The Lakeview Bay) is an integrated residential project wholly owned by the Group featuring villas and high rise residences in Gaoyao City, Zhaoqing. The villas of Phase 1 were gradually occupied, while the high-rise residences offered in the first-batch were nearly sold out and successively delivered.

Phase I of Yu Ming Du (Shan Shui Xiang Ri), a project located in Doumen District, Zhuhai, was sold out and ready for delivery.

Communication with Shareholders and Investors

The Group believes that effective communication with shareholders is critical for improving investor relations and assisting the investment community to understand its business performance and strategies.

Through regular, comprehensive and interactive communication, the Group seeks to establish a trusting and productive relationship with its shareholders and investors. Channels of communication include in-person meetings, teleconferences, overseas roadshows, and project site visits organised for the investor community. The Group also holds an annual general meeting, which was held in May this year. Additionally, it organised briefings and media interviews on its results announcements and maintained regular contact with the media through press releases, announcements, and promotional materials.

The Board of Directors believes that sound corporate governance is essential to the success of the Group and enhancement of shareholder value. Accordingly, the Group is committed to enhancing transparency and providing timely disclosure of information to help shareholders and investors make informed investment decisions. In order to maintain high standards of corporate governance, the Group attempts to strike a balance between corporate governance requirements and performance.

Corporate Citizenship

The Group remains firmly committed to its social responsibilities — a commitment that has become firmly embedded in its corporate culture.

The Soundwill Volunteer Team continued to play an active role in the community. Among the events in which the team participated was the Little Bean Sprouts Storytelling Activity of the Family Storytelling — Neighbourhood Development Project hosted by the Hong Kong Outlying Islands Women's Association, during which volunteers shared stories with children in the Tung Chung community. By telling stories, the Volunteer Team helps to instil a positive and curious attitude in the schoolchildren.

In addition, the volunteer team participates in the Pei Ho Counterparts community meal, in which free lunchboxes are distributed to people in need. The team also works with Food Angel to pre-process donated raw vegetables and food packs.

Furthermore, the Group's employees participate in Green Day and Dress Casual Day held by the Hong Kong Community Chest, which raises money for local vulnerable groups and worthwhile causes.

In recognition of its efforts to make a positive contribution to the community, the Group has been honoured as a Caring Company by The Hong Kong Council of Social Service for many consecutive years. The Group, in conjunction with its member companies and property projects, has also received commendations acknowledging its commitment to social responsibility over the years.

Prospects

It is expected that the global economy and political environment will remain uncertain in the second half of 2017, owing to continuing geopolitical tensions, the commencement of Brexit negotiations and changes in US economic policy, leading to an increased risk of fluctuations in global financial markets. Complexity and volatility will be the new norm in global political and economic developments.

With continuous improvements in China's economic structure, positive export and consumption indicators and the Central Government's ability to respond to external shocks, China's economy will continue to maintain steady growth.

In Hong Kong, the economic base is firmer now and the new administration of the HKSAR Government is expected to guide Hong Kong forward and maintain its competitiveness. It is also anticipated that support for the property leasing market will be underpinned by increasing visitor arrivals, healthy domestic consumption and the gradual recovery of the tourism and retail industry. Other signs for optimism include the record high selling prices of two commercial sites in the second quarter of the year and the augmented market demand for office space in core business districts.

In the local property market, demand for residential and commercial properties is still strong. Funds will continue to be injected into the market, hence it is expected that the property market should continue to experience healthy growth in the second half of the year. The Group will keep a close watch on market developments and changes in relevant governmental policies and, correspondingly, will consider adjusting its business at the appropriate time.

For the second half of 2017, the Group will continue to maintain a balance between income from property sales and property leasing. Along with solid, recurring leasing income will allow the Group laying a solid foundation for its future development.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (30 June 2016: Nil).

FINANCIAL REVIEW

For the six months ended 30 June 2017, the Group has recorded a revenue of HK\$602,196,000 (30 June 2016: HK\$1,351,460,000), representing a decrease of HK\$749,264,000 as compared with the same period last year. The decrease in revenue was mainly attributable to the decrease in revenue from property development in Hong Kong.

Net profit attributable to owners of the Company for the six months ended 30 June 2017 was HK\$319,616,000 (30 June 2016: HK\$59,225,000), representing an increase of 440% as compared with the corresponding period in 2016, which is mainly due to the fact that a net gain on fair value adjustments on the Group's investment properties was recorded for the six months ended 30 June 2017 while a net loss on fair value adjustments on investment properties was recorded for the six months ended 30 June 2016.

The total interest expenses for the six months ended 30 June 2017 amounted to HK\$12,098,000 (30 June 2016: HK\$18,696,000).

The Company's basic earnings per share was HK\$1.13 as compared with the same period of last year of HK\$0.21.

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2017, the Group cash and bank balances amounted to HK\$793,645,000 (31 December 2016: HK\$1,592,375,000). The Group's total borrowings as at 30 June 2017 were HK\$1,819,320,000 (31 December 2016: HK\$1,694,220,000). The Group's gearing ratio (which was expressed as a percentage of total borrowings over total equity) was 10% as at 30 June 2017 (31 December 2016: 9%).

As at 30 June 2017, the Group's net assets amounted to HK\$18,989,868,000 (31 December 2016: HK\$19,002,701,000).

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 denominated in Hong Kong Dollars and bear interest at floating rates.

DETAILS OF MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 7 June 2017, the Group entered into a sale and purchase agreement with an independent third party to dispose the entire issued share capital of Honest Merit International Group Limited and its subsidiaries (collectively the “Honest Merit Group”) and the assignment of the shareholder’s loan at an aggregate consideration of HK\$455,620,000. The disposal of Honest Merit Group was completed on 6 July 2017. Please refer to the announcements issued by the Company on 7 June 2017 and 6 July 2017 for more details.

EVENT AFTER REPORTING PERIOD

Saved the disposal of Honest Merit Group as disclosed above, there is no other important event affecting the Group which has occurred since 30 June 2017 and up to the date hereof.

EMPLOYEES

There was no material change regarding the number of the employees of the Group since the publication of the Company’s 2016 annual report.

PLEDGE OF ASSETS

As at 30 June 2017, certain investment properties and property, plant and equipment of the Group with a total carrying value of approximately HK\$13,242,060,000 (31 December 2016: approximately HK\$13,235,980,000) were pledged to secure banking facilities for the Group.

CONTINGENT LIABILITIES

During the course of business, certain bank accounts were opened and held in the names of certain subsidiaries of the Company on behalf of third parties to whom these subsidiaries provided building management services. As at 30 June 2017, those bank balances which were held on behalf of third parties and were not accounted for in the financial statements of the Group amounted to HK\$33,273,000 (31 December 2016: HK\$37,271,000).

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

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

AUDIT COMMITTEE

The Audit Committee, comprising three independent non-executive Directors, has reviewed with the management, the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2017.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the applicable code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Listing Rules during the six months ended 30 June 2017 except that:

(1) Code Provision A.2.1

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

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

(2) Code Provision A.4.1

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

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

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors’ securities transactions. The Company has made specific enquiry and all Directors confirmed that they have complied with the required standard of dealing as set out in the Model Code during the six months ended 30 June 2017.

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

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.hkexnews.hk> and on the Company’s website at <http://www.soundwill.com.hk>. The Interim Report 2017 of the Company will also be published on the aforesaid websites in September 2017.

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, 25 August 2017

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