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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 2018

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$ million	HK\$ million
Revenue	398.8	602.2
Net gain on fair value adjustments on investment properties	272.5	86.9
Profit attributable to owners of the Company	491.0	319.6
Basic earnings per share (dollars)	HK\$1.73	HK\$1.13
	At	At
	30 June	31 December
	2018	2017
	(Unaudited)	(Audited)
	HK\$ million	HK\$ million
Total assets	23,782	22,552
Net assets	20,319	19,894
Total borrowings	2,238	1,528
Gearing ratio	11%	8%
Net asset value per share (dollars)	HK\$71.72	HK\$70.22

* *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 2018 which have been reviewed by the Audit Committee of the Company, with comparative figures for the corresponding period in 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Sales of properties		130,128	341,454
Rental income		259,621	252,040
Building management and other services income		9,018	8,702
		<hr/>	<hr/>
Total revenue		398,767	602,196
Cost of sales		(69,546)	(256,092)
		<hr/>	<hr/>
Gross profit		329,221	346,104
Other income	4	18,493	48,856
Selling expenses		(7,034)	(32,659)
Administrative expenses		(61,509)	(71,210)
Other operating expenses		—	(1,125)
Net gain on fair value adjustments on investment properties		272,492	86,854
Finance costs	5	(15,097)	(12,098)
		<hr/>	<hr/>
Profit before income tax expense	6	536,566	364,722
Income tax expense	7	(45,628)	(45,497)
		<hr/>	<hr/>
Profit for the period		490,938	319,225
		<hr/>	<hr/>
Other comprehensive (expense)/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 (loss)/gain on translation of foreign operations		(8,897)	6,221
		<hr/>	<hr/>
Other comprehensive (expense)/income for the period, net of tax		(8,897)	5,934
		<hr/>	<hr/>
Total comprehensive income for the period		482,041	325,159
		<hr/>	<hr/>

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

		Six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
	<i>Note</i>	HK\$'000	HK\$'000
Profit for the period attributable to:			
— Owners of the Company		491,034	319,616
— Non-controlling interests		(96)	(391)
		<u>490,938</u>	<u>319,225</u>
Total comprehensive income for the period attributable to:			
— Owners of the Company		482,927	325,318
— Non-controlling interests		(886)	(159)
		<u>482,041</u>	<u>325,159</u>
Earning per share for profit attributable to owners of the Company during the period			
Basic	8	<u>HK\$1.73</u>	<u>HK\$1.13</u>
Diluted		<u>N/A</u>	<u>HK\$1.13</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		20,380,461	19,497,324
Property, plant and equipment		106,806	107,460
Properties held for development		18,103	18,434
Deposits paid for acquisition of properties		124,309	56,945
Loan receivables	9	33,090	36,894
		20,662,769	19,717,057
Current assets			
Properties held for sale		1,390,844	1,407,876
Trade and other receivables	9	111,813	113,804
Structured bank deposits		—	106,559
Bank deposit at escrow account		—	2,231
Restricted bank deposits		61,126	57,993
Short-term bank deposits		1,130,000	480,055
Cash and cash equivalents		425,495	666,895
		3,119,278	2,835,413
Current liabilities			
Trade and other payables	10	499,346	501,631
Contract liabilities		357,623	—
Deposits received in advance		—	292,733
Borrowings		2,238,220	1,528,120
Provision for income tax		255,800	228,152
		3,350,989	2,550,636
Net current (liabilities)/assets		(231,711)	284,777
Total assets less current liabilities		20,431,058	20,001,834
Non-current liabilities			
Deferred tax liabilities		111,731	107,886
Net assets		20,319,327	19,893,948

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (*CONTINUED*)

	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
EQUITY		
Equity attributable to owners of the Company		
Share capital	28,331	28,331
Reserves	<u>20,256,021</u>	<u>19,829,756</u>
	20,284,352	19,858,087
Non-controlling interests	<u>34,975</u>	<u>35,861</u>
Total equity	<u><u>20,319,327</u></u>	<u><u>19,893,948</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of Soundwill Holdings Limited (the “Company”) and its subsidiaries (the “Group”) for the six months ended 30 June 2018 (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.

The Group has net current liabilities of approximately HK\$231,711,000. The directors of the Company (the “Directors”) have carefully assessed the Group’s liquidity position for the estimated operating cash inflows of the Group for the next twelve months from the end of the reporting period. Furthermore, out of the total bank borrowing of HK\$2,238,220,000, HK\$1,038,855,000 has maturity date over one year but classified as current liabilities due to the repayable on demand clause as set out in relevant facilities letters. Taking into account the Group’s financial position, the Directors do not consider that it is probable that the banks will exercise its discretion to demand immediate repayment. The Directors believe that such terms will be repaid in accordance with the scheduled repayment dates set out in their loan agreements. The management of the Group is also negotiating with the bank for revising such repayable on demand clause in such facilities letters.

On the basis of the above consideration, the Directors believe that the Group can satisfy its financial obligations in the foreseeable future and accordingly, the consolidated financial statements have been prepared on a going concern basis.

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 2017 (the “2017 Annual Financial Statements”) except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“new and revised HKFRSs”) which include individual Hong Kong Financial Reporting Standards (“HKFRSs”), 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 2017 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 new and revised HKFRSs issued by the HKICPA, which are mandatory effective for the annual financial period beginning on or after 1 January 2018 for the preparation of the Group's consolidated financial statements.

(a) Overview

The following standards are relevant to the Group's unaudited condensed consolidated interim financial statements:

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*

The Group has applied amendments to HKFRS 9, *Prepayment features with negative compensation* in advance of the effective date, i.e. 1 January 2019.

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation

The Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs and early applied amendments to HKFRS 9, *Prepayment features with negative compensation* in the current period, whereas the introduction of new requirements for expected credit losses ("ECL") for financial assets is relevant to the Group.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the requirements for ECL retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Changes in accounting policies

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on both quantitative and qualitative information combined with current conditions and forward-looking analysis. The Group evaluates the financial instruments on a collective basis, taking into account the instrument type, maturity date, and other relevant information with reference to the default rates of the counter parties of the instruments.

For financial assets at amortised cost, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Measurement and recognition of ECL

The measurement of ECL is a function of probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expect to receive, discounted at the discount rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKAS 17 “Leases”.

Interest income is calculated based on the gross carrying amount of the financial assets unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amounts, with the exception of account receivables and term notes where the corresponding adjustment is recognised through a loss allowance account.

Summary of financial impact arising from initial application of ECL model under HKFRS 9

As at 1 January 2018, the Directors of the Company reviewed and assessed the Group’s existing financial assets at amortised cost for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with HKFRS 9.

Loss allowance for financial assets at amortised cost is measured on lifetime/12m ECL basis and there had been no significant increase in credit risk since initial recognition. At the date of initial application on 1 January 2018, the additional credit loss allowance of is immaterial to the Group.

(c) HKFRS 15, Revenue from contracts with customers

In the current period, the Group has applied HKFRS 15 for the first time retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. HKFRS 15 superseded HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related interpretations with no material effect on timing and amount of revenues recognised in the condensed consolidated financial statements.

The Group recognises revenue from the following major sources:

- Sales of residential, industrial and commercial properties
- Leasing of investment properties
- Provision of property management services

Revenue from leasing of investment properties will continue to be accounted for in accordance with Hong Kong Accounting Standard 17 “Leases”, whereas revenue from sale of properties recognised at a point of time and the provision of property management services recognised over time will be accounted for under HKFRS15.

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents goods and services (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or services.

Summary of effects arising from initial application of HKFRS 15

At the date of initial application, deposits received in advance from customers amounting to HK\$292,733,000 is reclassified to contract liabilities upon application of HKFRS 15.

3. SEGMENT INFORMATION

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

The Group has identified the following reportable segments:

Property development	: Development of residential, industrial and commercial properties
Property leasing	: Property rental including signage rental
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.

In prior period, the results reported under "others" represents managerial and administrative service provided to the group companies at corporate level. The relevant information previously presented as "others" are excluded from segment results, assets and liabilities in the current period. Prior period information has been represented to conform with current period's presentation.

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

Segment revenue and results

	Six months ended 30 June							
	Property development		Property leasing		Building management and other services		Segment total	
	2018	2017	2018	2017	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue								
External customers	130,128	341,454	259,621	252,040	9,018	8,702	398,767	602,196
Inter-segments (<i>note</i>)	—	1,381	304	246	1,677	1,552	1,981	3,179
Segment revenue	130,128	342,835	259,925	252,286	10,695	10,254	400,748	605,375
Geographical markets								
Mainland China	24,405	11,113	—	—	—	—	24,405	11,113
Hong Kong	105,723	330,341	259,621	252,040	9,018	8,702	374,362	591,083
	130,128	341,454	259,621	252,040	9,018	8,702	398,767	602,196
Timing of revenue recognition								
A point of time	130,128	341,454	—	—	—	—	130,128	341,454
Over time	—	—	259,621	252,040	9,018	8,702	268,639	260,742
	130,128	341,454	259,621	252,040	9,018	8,702	398,767	602,196
Segment profits	53,671	65,856	221,953	222,001	5,048	5,453	280,672	293,310
Certain other income, other gains and losses							6,737	4,094
Certain administrative expenses							(8,238)	(7,438)
Net fair value gain on investment properties/properties transfer							272,492	86,854
Finance costs							(15,097)	(12,098)
Profit before income tax expense							536,566	364,722

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

The operating and reportable segment results exclude finance costs, net fair value gain on investment properties/properties transfer, unallocated other income, other gains and losses and unallocated administrative expenses and income tax expenses.

Segment assets and liabilities

	Property development		Property leasing		Building management and other services		Segment total	
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	2018	2017	2018	2017	2018	2017	2018	2017
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment assets	1,665,986	1,829,118	20,976,815	19,701,201	51,500	35,708	22,694,301	21,566,027
Certain property, plant and equipment							1,306	2,612
Short-term bank deposits							920,000	480,055
Certain cash and cash equivalents							166,440	503,776
Total assets							<u>23,782,047</u>	<u>22,552,470</u>
Reportable segment liabilities	580,732	548,781	198,890	162,462	8,541	9,246	788,163	720,489
Certain other payables							68,806	73,875
Borrowings							2,238,220	1,528,120
Provision for income tax							255,800	228,152
Deferred tax liabilities							111,731	107,886
Total liabilities							<u>3,462,720</u>	<u>2,658,522</u>

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

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

4. OTHER INCOME

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Bank interest income	12,987	4,547
Miscellaneous income	5,506	44,309
	<u>18,493</u>	<u>48,856</u>

5. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest charges on:		
Bank loans	15,097	12,098
	<u>15,097</u>	<u>12,098</u>

6. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging:

	Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Amortisation of properties held for development	187	234
Bad debts written off*	—	1,125
Cost of properties under development recognised as expense	66,908	256,089
Depreciation of property, plant and equipment	644	702
Employee benefit expenses (including Directors' remuneration and defined contribution cost)		
— Salaries, bonus and defined contribution cost	27,046	36,125
— Other employee benefit expenses	1,230	1,090
	<u>28,276</u>	<u>37,215</u>
Operating lease charges in respect of premises	<u>396</u>	<u>459</u>

* Included in other operating expenses

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
The charge comprises:		
Hong Kong profits tax	40,556	42,787
PRC Enterprise Income Tax ("EIT")	1,642	—
PRC Land Appreciation Tax ("LAT")	732	—
Deferred tax charge	2,698	2,710
	<u>45,628</u>	<u>45,497</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	
	2018 (Unaudited) <i>HK\$'000</i>	2017 (Unaudited) <i>HK\$'000</i>
Earnings		
Profit attributable to owners of the Company	<u>491,034</u>	<u>319,616</u>
Number of shares		
Number of ordinary shares for the purpose of basic and diluted earnings per share (<i>note</i>)	<u>283,308,635</u>	<u>283,308,635</u>

Note: During the six months ended 30 June 2018 and 2017, neither the Company nor any of its subsidiaries had repurchased any of the Company's shares respectively.

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 period ended 2017.

No diluted earnings per share for 6 months ended 30 June 2018 was presented as there were no potential ordinary shares in issue during 6 months ended 30 June 2018.

9. TRADE AND OTHER RECEIVABLES/LOAN RECEIVABLES

As at 30 June 2018, trade receivables included in trade and other receivables were approximately HK\$25,701,000 (31 December 2017: approximately HK\$19,676,000). 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 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
0–30 days	8,811	9,144
31–90 days	4,071	6,018
91–180 days	5,429	1,890
Over 180 days	<u>7,390</u>	<u>2,624</u>
Total trade receivables, net	25,701	19,676
Other receivables, utility deposits and prepayment, net of provision for impairment loss	84,733	92,671
Loan receivables (<i>note</i>)	<u>1,379</u>	<u>1,457</u>
	<u>86,112</u>	<u>94,128</u>
	<u>111,813</u>	<u>113,804</u>
Non-current:		
Loan receivables (<i>note</i>)	<u>33,090</u>	<u>36,894</u>
	<u>144,903</u>	<u>150,698</u>

Note:

As at 30 June 2018, loan receivables included amounts of HK\$34,469,000 (31 December 2017: HK\$38,351,000) 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 231–358 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. TRADE AND OTHER PAYABLES

As at 30 June 2018, trade payables included in trade and other payables were approximately HK\$11,447,000 (31 December 2017: approximately HK\$24,035,000). 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 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
0–30 days	4,664	22,466
31–90 days	317	126
Over 90 days	<u>6,466</u>	<u>1,443</u>
Total trade payables	<u>11,447</u>	<u>24,035</u>
Other payables	<u>487,899</u>	<u>477,596</u>
	<u>499,346</u>	<u>501,631</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The global economic momentum of 2017 carried forward into the first half of 2018, supported by positive business and market sentiment. In the midst of intensifying geographical rivalries, fluctuations in the global financial market continued as Sino-US trade frictions increased and a new round of interest rate hikes began in the United States. Although the external economic environment was uncertain during this period, emerging market fundamentals remained sound and China's economy was stable.

Hong Kong's economy in the first half of 2018 showed consistently healthy performance, fuelled by the completion of large infrastructure projects and the gradual implementation of a new national infrastructure plan. Demand for commercial floor space among Mainland-funded, foreign and local companies was high, which was beneficial for the development of the industrial and commercial market for retail space. Also benefiting the local economy was the rebound in tourist arrivals from the Mainland and the improvement in tourist spending, both of which accounted for the recovery of the retail business sector and increased confidence among investors and retailers. Accordingly, rents in core districts gradually stabilised in the first half of 2018.

The Group also achieved healthy growth during the period under review. Our performance was mainly attributable to the flexibility we enjoy in managing our property portfolio. Our real estate investments and leasing business recorded stable returns from major properties such as Soundwill Plaza, Soundwill Plaza II — Midtown, 10 Knutsford Terrace and Kai Kwong Commercial Building, which maintained high occupancy rates during the review period. At the same time, our team of leasing professionals optimised the tenant mix by introducing widely-recognised retail names, organised successful tenant marketing and promotional programmes, and continued to provide excellent customer service.

While consolidating our existing operations, the Group capitalised on opportunities to expand our business operations and development. With the increasing demand for new industrial buildings in recent years, and in anticipation of the reactivation of the industrial building revitalisation policy, the Group decided to increase our investment in industrial projects. The Group was also confident that the demand for warehouses and storage space will continue to rise in Hong Kong and thus launched a mini-storage business that creates synergy with our property portfolio and generates new sources of income for the Group.

In the future, the Group will remain focused on driving rental income growth in Hong Kong and enhancing our investment property portfolio. This proven strategy will help us to maintain a steady cash flow and healthy source of revenue for the Group's long-term development.

Property Leasing

For the six months ended 30 June 2018, this business segment recognised revenue of approximately HK\$259,621,000, representing approximately 65% of the Group's total revenue.

The Group's major investment properties include Soundwill Plaza, Soundwill Plaza II — Midtown, 10 Knutsford Terrace and Kai Kwong Commercial Building, which are located in prime locations of Hong Kong and have high-quality tenant portfolios. Rental income from these properties is expected to rise continuously, thus providing a significant source of recurring rental income for the Group.

Property Development

For the six months ended 30 June 2018, the property development segment recognised revenue of approximately HK\$130,128,000, representing approximately 33% of the Group's total revenue for the period.

Building Management and Other Services

For the six months ended 30 June 2018, the building management and other services segment recognised revenue of approximately HK\$9,018,000, representing approximately 2% of the Group's total revenue for the period.

The Group's building management and maintenance subsidiaries are engaged in the provision of high quality management, customer and maintenance services in large-scale commercial buildings, as well as small and medium sized estates. By constantly providing new and innovative services, these businesses have succeeded in raising the overall service standards at our properties.

Other Operations

One Storage Management Company Limited

One Storage, a subsidiary of the Group, has redefined the mini-storage business model by providing a unique storage experience to customers through its branches in Chai Wan, Tsing Yi, Kwai Chung and Tsuen Wan. Each offers a high standard of management together with professional customer service in a safe and comfortable environment. What's more, all One Storage branches are equipped with fire-safety devices that are in strict compliance with the latest fire safety guidelines and have been inspected and approved by the Fire Services Department of Hong Kong.

One Storage will continue to innovate by keeping abreast of the latest developments in technology and will add new features such as pre-installed shelves and other storage functions in upcoming branches, such as in Tuen Mun in the near future, to deliver a more comprehensive storage offering.

Real Estate Business in Mainland China

During the period under review, new “adjustment and control” measures were taken in an increasing number of cities in mainland China’s real estate market. First- and second-tier cities affected by the control measures in particular witnessed a significant drop in property sales. Third- and fourth-tier cities, however, were immune from these control measures and consequently were able to achieve remarkable sales increases. Nevertheless, with the continuous expansion of the tightening measures, market adjustments are likely to be applied in these cities during the second half of 2018.

The Group currently owns a number of real estate projects in the PRC. Shang Hui Hai An (The Lakeview Bay) is an integrated project wholly owned by the Group with villas and high-rise residences located in Gaoyao City, Zhaoqing. The villas in Phase 1 were gradually occupied during the year, while the high-rise residences offered in the first-batch of Phase 2 were nearly sold out and successively delivered.

Communication with Shareholders and Investors

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

The Group are committed to enhancing corporate transparency and providing timely disclosure of information on the Group’s developments that help shareholders and investors make informed investment decisions. The Group maintain regular, comprehensive, two-way communication with investors through a variety of channels. These include in-person meetings, telephone conferences, overseas roadshows, and project site visits. Through these interactions, the Group seek to establish a trusting and productive relationship with our shareholders and investors.

The annual general meeting of the Company this year was held in May 2018. In addition to briefings for the results announcements, the Group regularly contact the media through press releases, announcements, and other promotional materials.

The Group is also committed to enhance corporate governance practices. The Board believes that sound corporate governance is essential to the success of the Group and effectively enhances shareholder value.

Corporate Citizenship

In order to create significant returns for stakeholders, we remain firmly committed to operating as a socially-responsible company in all of our business operations. We support fund-raising activities, reading programmes, educational events and, through our Soundwill Volunteer Team, care for the underprivileged in the community, all of which have a positive impact on society. We also regularly publish an Environmental, Social and Governance Report.

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

Prospects

The global economy and political environment are expected to remain uncertain in the second half of 2018, owing to the tightening of the monetary policy between the United States and China. Additionally, the Group foresee reductions in the balance sheet and more interest rate hikes in the United States. Given these uncertainties in the global economy, the Group will remain alert to market developments in mainland China and Hong Kong.

The Group remain cautiously optimistic about the property market due to Hong Kong's firm economic base and the strong demand that has kept housing prices buoyant. Nevertheless, we will continue to champion the long-term interests of our shareholders and maintain a cautious approach. We will also closely monitor developments in the business environment and make adjustments or reforms that further the Group's advancement.

In the second half of 2018, we will continue to refine our operations and business structure and promote our business development in a prudent manner in order to retain our competitiveness. We will also embrace creative and innovative solutions to overcome challenges while looking for additional development opportunities with a view to diversifying our operations.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (30 June 2017: Nil).

FINANCIAL REVIEW

For the six months ended 30 June 2018, the Group has recorded a revenue of HK\$398,767,000 (30 June 2017: HK\$602,196,000), representing a decrease of HK\$203,429,000 as compared with the same period last year. The decrease in revenue was mainly attributable to the decrease in revenue from property sales in Hong Kong.

Net profit attributable to owners of the Company for the six months ended 30 June 2018 was HK\$491,034,000 (30 June 2017: HK\$319,616,000), representing an increase of 54% as compared with the corresponding period in 2017, which is mainly due to the fact that a significant increase in a net gain on fair value adjustments on the Group's investment properties was recorded for the six months ended 30 June 2018.

The total interest expenses for the six months ended 30 June 2018 amounted to HK\$15,097,000 (30 June 2017: HK\$12,098,000).

The Company's basic earnings per share was HK\$1.73 as compared with the same period of last year of HK\$1.13.

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2018, the Group cash and bank balances amounted to HK\$1,616,621,000 (31 December 2017: HK\$1,204,943,000). The Group's total borrowings as at 30 June 2018 were HK\$2,238,220,000 (31 December 2017: HK\$1,528,120,000). The Group's gearing ratio (which was expressed as a percentage of total borrowings over total equity) was 11% as at 30 June 2018 (31 December 2017: 8%).

As at 30 June 2018, the Group's net assets amounted to HK\$20,319,327,000 (31 December 2017: HK\$19,893,948,000).

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 immaterial 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 19 July 2018, the Group entered into a sale and purchase agreement with an independent third party to dispose the entire issued share capital of Lucky Way Holdings Investment Limited and its subsidiaries (collectively the “Lucky Way Group”) and the assignment of the sale loan at an aggregate consideration of HK\$467,635,000. The disposal of Lucky Way Group will be completed on or before 28 September 2018. Please refer to the announcements issued by the Company on 19 July 2018 for more details.

On 2 August 2018, the Group entered into a sale and purchase agreement with an independent third party to dispose the entire issued share capital of BENEFIT AIM LIMITED and its subsidiaries (collectively the “Benefit Aim Group”) and the assignment of the sale loan at an aggregate consideration of HK\$530,100,000. The disposal of Benefit Aim Group will be completed on or before 18 September 2018. Please refer to the announcements issued by the Company on 2 August 2018 for more details.

EVENT AFTER REPORTING PERIOD

Saved the disposal of Lucky Way Group and Benefit Aim Group as disclosed above respectively, there is no other important event affecting the Group which have occurred since 30 June 2018 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 2017 annual report.

PLEDGE OF ASSETS

As at 30 June 2018, certain investment properties and property, plant and equipment of the Group with a total carrying value of approximately HK\$14,078,322,000 (31 December 2017: approximately HK\$13,615,524,000) 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 2018, 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\$42,905,000 (31 December 2017: HK\$44,715,000).

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

During the six months ended 30 June 2018, 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 risk management, internal audit and financial reporting matters including a review of the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2018.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the applicable code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the six months ended 30 June 2018 except for the following deviations:

(1) Code Provision A.2.1

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

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

(2) Code Provision A.4.1

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

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

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 enquiries with all Directors confirmed that they had complied with the required standard of dealing as set out in the Model Code during the six months ended 30 June 2018.

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 websites of The Hong Kong Exchanges and Clearing Limited at <http://www.hkexnews.hk> and the Company at <http://www.soundwill.com.hk>. The Interim Report 2018 of the Company will be despatched to the shareholders of the Company and available on the above websites in due course.

APPRECIATION

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

By Order of the Board
SOUNDWILL HOLDINGS LIMITED
Foo Kam Chu Grace
Chairman

Hong Kong, 22 August 2018

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.