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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 2019**

#### **FINANCIAL HIGHLIGHTS**

	<b>Six months ended 30 June</b>	
	<b>2019</b>	<b>2018</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$ million</b>	<b>HK\$ million</b>
Revenue	<b>360.6</b>	398.8
Net fair value gain on investment properties	<b>809.4</b>	272.5
Profit attributable to owners of the Company	<b>1,004.9</b>	491.0
Basic earnings per share (dollars)	<b>HK\$3.55</b>	HK\$1.73
	<b>At</b>	<b>At</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2019</b>	<b>2018</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>HK\$ million</b>	<b>HK\$ million</b>
Total assets	<b>25,041</b>	23,124
Net assets	<b>21,399</b>	20,456
Total borrowings	<b>2,507</b>	1,563
Gearing ratio	<b>12%</b>	8%
Net asset value per share (dollars)	<b>HK\$75.53</b>	HK\$72.20

\* *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 2019 which have been reviewed by the Audit Committee of the Company, with comparative figures for the corresponding period in 2018 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		<b>Six months ended 30 June</b>	
		<b>2019</b>	<b>2018</b>
	<i>Notes</i>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue			
Revenue from goods and services		<b>80,454</b>	139,146
Rental income		<b>280,180</b>	259,621
		<hr/>	<hr/>
Total revenue		<b>360,634</b>	398,767
Cost of sales		<b>(31,440)</b>	(69,546)
		<hr/>	<hr/>
Gross profit		<b>329,194</b>	329,221
Other income	4	<b>16,861</b>	18,493
Selling expenses		<b>(1,788)</b>	(7,034)
Administrative expenses		<b>(71,826)</b>	(61,509)
Net fair value gain on investment properties		<b>809,382</b>	272,492
Finance costs	5	<b>(29,103)</b>	(15,097)
		<hr/>	<hr/>
Profit before income tax expense	6	<b>1,052,720</b>	536,566
Income tax expense	7	<b>(47,873)</b>	(45,628)
		<hr/>	<hr/>
<b>Profit for the period</b>		<b>1,004,847</b>	490,938
		<hr/>	<hr/>
<b>Other comprehensive income/(expense), net of tax</b>			
<i>Item that will not be reclassified to profit or loss:</i>			
Surplus on revaluation of buildings, net of deferred tax		<b>379</b>	—
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange loss on translation of foreign operations		<b>(6,084)</b>	(8,897)
		<hr/>	<hr/>
Other comprehensive expense for the period, net of tax		<b>(5,705)</b>	(8,897)
		<hr/>	<hr/>
<b>Total comprehensive income for the period</b>		<b>999,142</b>	482,041
		<hr/>	<hr/>

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

		<b>Six months ended 30 June</b>	
		<b>2019</b>	<b>2018</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Profit/(loss) for the period attributable to:</b>			
— Owners of the Company		<b>1,004,937</b>	491,034
— Non-controlling interests		<b>(90)</b>	(96)
		<u><b>1,004,847</b></u>	<u>490,938</u>
<b>Total comprehensive income/(expense) for the period attributable to:</b>			
— Owners of the Company		<b>999,513</b>	482,927
— Non-controlling interests		<b>(371)</b>	(886)
		<u><b>999,142</b></u>	<u>482,041</u>
<b>Earning per share for profit attributable to owners of the Company during the period</b>			
Basic	8	<u><b>HK\$3.55</b></u>	<u>HK\$1.73</u>
Diluted		<u><b>N/A</b></u>	<u>N/A</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	30 June 2019 (Unaudited) <i>HK\$'000</i>	31 December 2018 (Audited) <i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Investment properties		21,826,675	20,439,237
Property, plant and equipment		152,369	127,218
Properties held for development		—	17,305
Deposits paid for acquisition of properties		131,033	63,552
Loan receivables	9	29,800	32,756
		<b>22,139,877</b>	<b>20,680,068</b>
<b>Current assets</b>			
Properties for sale		978,446	954,855
Trade and other receivables	9	160,374	141,192
Financial assets at fair value through profit or loss (“FVTPL”)		84,477	92,443
Restricted bank deposits		93,986	74,568
Short-term bank deposits		250,000	575,000
Cash and cash equivalents		914,042	186,238
		<b>2,481,325</b>	<b>2,024,296</b>
Assets classified as held for sale		420,000	420,000
		<b>2,901,325</b>	<b>2,444,296</b>
<b>Current liabilities</b>			
Trade and other payables	10	663,406	619,975
Contract liabilities		150,099	154,469
Borrowings		1,226,405	1,067,765
Lease liabilities		2,877	—
Provision for income tax		191,024	213,381
		<b>2,233,811</b>	<b>2,055,590</b>
<b>Net current assets</b>		<b>667,514</b>	<b>388,706</b>
<b>Total assets less current liabilities</b>		<b>22,807,391</b>	<b>21,068,774</b>
<b>Non-current liabilities</b>			
Borrowings		1,280,890	495,023
Lease liabilities		4,691	—
Deferred tax liabilities		123,111	117,532
		<b>1,408,692</b>	<b>612,555</b>
<b>Net assets</b>		<b>21,398,699</b>	<b>20,456,219</b>

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

	<b>30 June 2019 (Unaudited) <i>HK\$'000</i></b>	31 December 2018 (Audited) <i>HK\$'000</i>
<b>EQUITY</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	28,331	28,331
Reserves	<u>21,355,684</u>	<u>20,412,833</u>
	<b>21,384,015</b>	20,441,164
<b>Non-controlling interests</b>	<u>14,684</u>	<u>15,055</u>
<b>Total equity</b>	<u><u>21,398,699</u></u>	<u><u>20,456,219</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 2019 (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.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the Unaudited Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2019 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2018.

### Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

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

## 2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases (“HKAS 17”), and the related interpretations.

### 2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

#### *Definition of a lease*

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

#### *As a lessee*

##### Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

##### Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of car parks and office premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

##### Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life.

Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property in “property, plant and equipment”, the same line item as that within which the corresponding underlying assets would be presented if they were owned.

#### Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

#### Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 “Financial Instruments” (“HKFRS 9”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

#### Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.



The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

## Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 “Income Taxes” requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

### *As a lessor*

#### Allocation of consideration to components of a contract

Effective on 1 January 2019, the Group applies HKFRS 15 “Revenue from Contracts with Customers” (“HKFRS 15”) to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

#### Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

#### Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

### 3. SEGMENT INFORMATION

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

The Group has identified the following operating and reportable segments:

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

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

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

#### Segment revenue and results

	Six months ended 30 June							
	Property development		Property leasing		Building management and other services		Segment total	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
<b>Revenue</b>								
External customers	70,956	130,128	280,180	259,621	9,498	9,018	360,634	398,767
Inter-segments ( <i>note</i> )	—	—	216	304	2,417	1,677	2,633	1,981
<b>Segment revenue</b>	<b>70,956</b>	<b>130,128</b>	<b>280,396</b>	<b>259,925</b>	<b>11,915</b>	<b>10,695</b>	<b>363,267</b>	<b>400,748</b>
<b>Segment profits</b>	<b>27,046</b>	<b>53,671</b>	<b>252,257</b>	<b>221,953</b>	<b>6,578</b>	<b>5,048</b>	<b>285,881</b>	<b>280,672</b>
Certain other income, other gains and losses							7,795	6,737
Certain administrative expenses							(21,235)	(8,238)
Net fair value gain on investment properties							809,382	272,492
Finance costs							(29,103)	(15,097)
<b>Profit before income tax expense</b>							<b>1,052,720</b>	<b>536,566</b>

*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, certain other income, other gains and losses, certain administrative expenses and income tax expense.

## 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
	2019	2018	2019	2018	2019	2018	2019	2018
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment assets	1,294,770	1,288,491	22,362,276	20,699,144	31,757	23,933	23,688,803	22,011,568
Certain property, plant and equipment							1,672	2,612
Short-term bank deposits							250,000	575,000
Certain cash and cash equivalents							680,727	115,184
Assets classified as held for sale							420,000	420,000
Total assets							<u>25,041,202</u>	<u>23,124,364</u>
Reportable segment liabilities	427,937	438,405	332,062	253,485	10,240	10,180	770,239	702,070
Certain other payables							43,266	72,374
Borrowings							2,507,295	1,562,788
Lease liabilities							7,568	—
Provision for income tax							191,024	213,381
Deferred tax liabilities							123,111	117,532
Total liabilities							<u>3,642,503</u>	<u>2,668,145</u>

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

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

## 4. OTHER INCOME

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	12,893	12,987
Interest income arising from rental deposits paid	12	—
Miscellaneous income	3,956	5,506
	<u>16,861</u>	<u>18,493</u>

## 5. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest charged on:		
Bank loans	26,214	15,097
Lease liabilities and rental deposits received	2,889	—
	<u>29,103</u>	<u>15,097</u>

## 6. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging:

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Amortisation of properties held for development	—	187
Cost of completed properties for sale recognised as expense	29,081	66,908
Depreciation of right-of-use assets and other property, plant and equipment	4,606	644
Employee compensation expense (including Directors' remuneration and defined contribution cost)	57,068	52,065
Operating lease charges in respect of premises	368	396
	<u>91,103</u>	<u>120,196</u>

## 7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
The charge comprises:		
Hong Kong Profits Tax	30,707	40,556
PRC Enterprise Income Tax ("EIT")	10,672	1,642
PRC Land Appreciation Tax ("LAT")	990	732
Deferred tax charge	5,504	2,698
	<u>47,873</u>	<u>45,628</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	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
<b>Earnings</b>		
Profit attributable to owners of the Company	<u>1,004,937</u>	<u>491,034</u>
<b>Number of shares</b>		
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 2019 and 2018, neither the Company nor any of its subsidiaries had repurchased any of the Company's shares respectively.

No diluted earnings per share for 6 months ended 30 June 2019 and 2018 was presented as there were no potential ordinary shares in issue during 6 months ended 30 June 2019 and 2018.

## 9. TRADE AND OTHER RECEIVABLES/LOAN RECEIVABLES

As at 30 June 2019, trade receivables included in trade and other receivables were approximately HK\$29,684,000 (31 December 2018: approximately HK\$22,035,000). 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:

	<b>30 June 2019 (Unaudited) HK\$'000</b>	31 December 2018 (Audited) HK\$'000
Current assets:		
0–30 days	<b>16,526</b>	8,130
31–90 days	<b>4,147</b>	9,385
91–180 days	<b>3,610</b>	3,276
Over 180 days	<b>5,401</b>	1,244
	<hr/>	<hr/>
Total trade receivables, net	<b>29,684</b>	22,035
	<hr/>	<hr/>
Other receivables, utility deposits and prepayment, net of provision for impairment loss	<b>125,565</b>	114,104
Loan receivables	<b>5,125</b>	5,053
	<hr/>	<hr/>
	<b>130,690</b>	119,157
	<hr/>	<hr/>
	<b>160,374</b>	141,192
	<hr/>	<hr/>
Non-current assets:		
Loan receivables	<b>29,800</b>	32,756
	<hr/>	<hr/>
	<b>190,174</b>	173,948
	<hr/> <hr/>	<hr/> <hr/>

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 2019, trade payables included in trade and other payables were approximately HK\$24,300,000 (31 December 2018: approximately HK\$20,977,000). 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:

	<b>30 June 2019 (Unaudited) HK\$'000</b>	31 December 2018 (Audited) HK\$'000
0–30 days	2,695	1,214
31–90 days	186	106
Over 90 days	<u>21,419</u>	<u>19,657</u>
Total trade payables	<u>24,300</u>	<u>20,977</u>
Other payables	<u>639,106</u>	<u>598,998</u>
	<u><b>663,406</b></u>	<u><b>619,975</b></u>



## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

In the first half of 2019, the global trade war continued to affect the market's pulse. Lingering trade disputes between China and the United States together with investor concerns about the economic outlook contributed to the ongoing fluctuations in stock and foreign exchange markets. The political deadlock in the United Kingdom over Brexit and heightened geopolitical risks in the Eurozone also darkened global economic prospects.

Affected by rapid economic changes, political instability and continuous asset price adjustments, market sentiment in Hong Kong turned conservative. Moreover, the retail sector was hit by weakened consumer sentiment among visitors and the local population, which led to adjustment pressures in the rental market.

The Group's operations were stable during the period under review. To enrich the customer experience and enhance competitiveness, our team closely monitored market trends, adopted flexible tenant management strategies and launched a series of promotions. Benefiting from the shortage of land supply in core districts, the Group's portfolio of premium investment properties recorded stable performance and maintained high occupancy rates.

As land supply in Hong Kong remains tight, particularly in core districts, the Group will continue to look for opportunities to acquire urban properties and increase our investment in industrial projects. Moreover, the Group will remain focused on driving rental income growth to maintain a steady cash flow for the balanced, long-term development of the Group.

### Property Leasing

For the six months ended 30 June 2019, the property leasing segment recognised revenue of approximately HK\$280,180,000, representing approximately 77% 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, all of which are in prime locations on Hong Kong Island and Kowloon with high-quality tenants. Rental income from these properties is expected to rise continuously, thus providing a significant source of recurring rental income for the Group.

## **One Storage Management Company Limited**

One Storage, a subsidiary of the Group, provides reliable management and customer services through its branch network of storage facilities. All of these facilities come 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 and Buildings Department. There are currently 14 storage facilities in 11 districts, namely Chai Wan, San Po Kong, Kwai Fong, Kwai Hing, Kwai Chung, Tsuen Wan, Fo Tan, Tsing Yi and Tuen Mun. Looking ahead, we will continue to expand our branch network in order to enlarge our market share in this business. One Storage will also add new services and make improvements in line with market needs. For example, One Storage has just introduced a mailbox service and one-stop storage and logistic service for online shops in a bid to expand its customer base.

## **Property Development**

For the six months ended 30 June 2019, the property development segment recognised revenue of approximately HK\$70,956,000, representing approximately 20% of the Group's total revenue for the period.

## **Building Management and Other Services**

For the six months ended 30 June 2019, the building management and other services segment recognised revenue of approximately HK\$9,498,000, representing approximately 3% 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.

## **Real Estate Business in the PRC**

During the period under review, economic growth resumed in the PRC, the property market became more rational and transaction prices stabilised. The Group currently owns a number of real estate projects in the PRC. One of these, The Lakeview Bay — Shang Hui Hai An in Gaoyao City, Zhaoqing, is an integrated project with villas and high-rise residences, wholly owned by the Group. During the year, the villas in Phase 1 were nearly sold out and gradually occupied, while the high-rise residences offered in the first batch of Phase 2 were nearly sold out and delivered. The remaining units are for sale and expected to be delivered by the end of 2019. We plan to sell apartments and retail space in the project this year. In addition, the residential units in Phase I of Yu Ming Du (Shan Shui Xiang Ri), a project located in Doumen District, Zhuhai, were sold out and delivered. The residential units in Phase II are already eligible for delivery, and the residential units in Phase III were put on sale this year.

## **Communication with Shareholders and Investors/Investor Relations**

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

The Group is 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 maintains 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 seeks to establish a trusting and productive relationship with its shareholders and investors. The annual general meeting of the Company this year was held in May 2019. In addition to briefings on the results announcements, the Group regularly contacts the media through press releases, announcements and other promotional materials.

The Group is committed to enhancing corporate governance practices in order to help shareholders and investors make informed decisions. The Group strives to improve its corporate management practices for business growth and achieve balanced development between corporate governance compliance and operational performance. The Board believes that sound corporate governance is essential to the success of the Group and enhances shareholder value.

## **Corporate Citizenship**

The Group participates in a variety of charitable activities to show our concern for community development. The spirit of community care is rooted in the Group's corporate culture and tied closely with our business operations. We support fund-raising activities, reading programmes and educational events and, through our Soundwill Volunteer Team, provide 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 as well as our key performance indicators.

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 seven consecutive years. The Group, in conjunction with its member companies and property projects, has also received numerous commendations. During the review period, the Group received a Social Capital Builder Award and was also recognised as a Happy Company, Heart-to-Heart Company and Corporate Citizen, acknowledging our commitment to social responsibility over the years.

## **Prospects**

The global economy is expected to remain challenging in the second half of 2019, owing to the rise in geopolitical tensions and protectionist sentiments, as well as continuous threats to the international economic and trading order. A hard Brexit will also shake the European economy and global financial markets. Meanwhile the economic outlook of Hong Kong remains clouded.

The Group will continue to champion the long-term interests of our shareholders and maintain a cautious approach. The Group will also closely monitor market developments and changes in government-related policies, and consider making corresponding adjustments or reforms that contribute to the Group's advancement.

The Group 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 2019 (30 June 2018: Nil).

## **FINANCIAL REVIEW**

For the six months ended 30 June 2019, the Group has recorded a revenue of HK\$360,634,000 (30 June 2018: HK\$398,767,000), representing a decrease of HK\$38,133,000 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.

Profit attributable to owners of the Company for the six months ended 30 June 2019 was HK\$1,004,937,000 (30 June 2018: HK\$491,034,000), representing an increase of 105% as compared with the corresponding period in 2018, which is mainly due to the fact that a significant increase in a net fair value gain on the Group's investment properties was recorded for the six months ended 30 June 2019.

The total interest expenses for the six months ended 30 June 2019 amounted to HK\$29,103,000 (30 June 2018: HK\$15,097,000).

The Company's basic earnings per share was HK\$3.55 as compared with the same period of last year of HK\$1.73.

## **FINANCIAL RESOURCES AND LIQUIDITY**

As at 30 June 2019, the Group cash and bank balances (including short-term bank deposits and cash and cash equivalents) amounted to HK\$1,164,042,000 (31 December 2018: HK\$761,238,000). The Group's total borrowings as at 30 June 2019 were HK\$2,507,295,000 (31 December 2018: HK\$1,562,788,000). The Group's gearing ratio (which was expressed as a percentage of total borrowings over total equity) was 12% as at 30 June 2019 (31 December 2018: 8%).

As at 30 June 2019, the Group's net assets amounted to HK\$21,398,699,000 (31 December 2018: HK\$20,456,219,000).

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 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.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

For the period ended 30 June 2019, there was no material acquisition or disposal of subsidiaries, associates and joint ventures by the Group.

## **EVENT AFTER REPORTING PERIOD**

Saved as disclosed in this interim results announcement, there were no other significant events affecting the Company nor any of its subsidiaries after the reporting period as at 30 June 2019.

## **EMPLOYEES**

There was no material change regarding the number of the employees of the Group since the publication of the Company's 2018 annual report.

## **PLEDGE OF ASSETS**

As at 30 June 2019, certain investment properties and property, plant and equipment of the Group with a total carrying value of approximately HK\$14,209,438,000 (31 December 2018: approximately HK\$14,463,476,000) were pledged to secure banking facilities for the Group.

## **CONTINGENT LIABILITIES**

As at 30 June 2019, the Group provided guarantees amounted to HK\$309,859,000 (31 December 2018: HK\$337,389,000) to banks with respect to mortgage loans procured by the purchasers of the Group's properties in the PRC. Such guarantees will be released by banks upon delivery of the properties to the purchasers and completion of the registration of the mortgage with the relevant mortgage registration authorities or settlement of the outstanding mortgage loan. In the opinion of the Directors, the fair value of the financial guarantee is not significant.

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

During the six months ended 30 June 2019, 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 2019.

## **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 2019 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. Having made specific enquiries with all Directors, the Company confirms that all of them have complied with the Model Code during the six months ended 30 June 2019.

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 2019 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, 26 August 2019

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