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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 2020**

#### **FINANCIAL HIGHLIGHTS**

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$ million</b>	<b>HK\$ million</b>
Revenue	<b>366.4</b>	360.6
Net fair value (loss)/gain on investment properties	<b>(122.2)</b>	809.4
Profit attributable to owners of the Company	<b>72.8</b>	1,004.9
Basic earnings per share (dollars)	<b>HK\$0.26</b>	HK\$3.55
	<b>At</b>	<b>At</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2020</b>	<b>2019</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>HK\$ million</b>	<b>HK\$ million</b>
Total assets	<b>23,417</b>	23,617
Net assets	<b>20,612</b>	20,606
Total borrowings	<b>1,885</b>	1,944
Gearing ratio	<b>9%</b>	9%
Net asset value per share (dollars)	<b>HK\$72.7</b>	HK\$72.7

\* *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 2020 which have been reviewed by the Audit Committee of the Company, with comparative figures for the corresponding period in 2019 as follows:

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

		<b>Six months ended 30 June</b>	
		<b>2020</b>	<b>2019</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>117,119</b>	80,454
Rental income		<b>249,299</b>	280,180
		<hr/>	<hr/>
Total revenue		<b>366,418</b>	360,634
Cost of sales		<b>(70,934)</b>	(31,440)
		<hr/>	<hr/>
Gross profit		<b>295,484</b>	329,194
Other income	4	<b>26,341</b>	16,861
Selling expenses		<b>(4,099)</b>	(1,788)
Administrative expenses		<b>(63,584)</b>	(71,826)
Net fair value (loss)/gain on investment properties		<b>(122,150)</b>	809,382
Gain on disposal of subsidiaries		<b>2,040</b>	—
Finance costs	5	<b>(24,269)</b>	(29,103)
		<hr/>	<hr/>
Profit before income tax expense	6	<b>109,763</b>	1,052,720
Income tax expense	7	<b>(37,013)</b>	(47,873)
		<hr/>	<hr/>
<b>Profit for the period</b>		<b>72,750</b>	1,004,847
		<hr/> <hr/>	<hr/> <hr/>
<b>Other comprehensive expense, net of tax</b>			
<i>Item that will not be reclassified to profit or loss:</i>			
(Deficit)/Surplus on revaluation of buildings, net of deferred tax		<b>(868)</b>	379
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange loss on translation of foreign operations		<b>(8,935)</b>	(6,084)
		<hr/>	<hr/>
Other comprehensive expense for the period, net of tax		<b>(9,803)</b>	(5,705)
		<hr/>	<hr/>
<b>Total comprehensive income for the period</b>		<b>62,947</b>	999,142
		<hr/> <hr/>	<hr/> <hr/>

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

		<b>Six months ended 30 June</b>	
		<b>2020</b>	2019
		<b>(Unaudited)</b>	(Unaudited)
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Profit/(loss) for the period attributable to:</b>			
— Owners of the Company		72,764	1,004,937
— Non-controlling interests		<u>(14)</u>	<u>(90)</u>
		<u><b>72,750</b></u>	<u><b>1,004,847</b></u>
<b>Total comprehensive income/(expense) for the period attributable to:</b>			
— Owners of the Company		63,352	999,513
— Non-controlling interests		<u>(405)</u>	<u>(371)</u>
		<u><b>62,947</b></u>	<u><b>999,142</b></u>
<b>Earning per share for profit attributable to owners of the Company during the period</b>			
Basic	8	<u><b>HK\$0.26</b></u>	<u><b>HK\$3.55</b></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	30 June 2020 (Unaudited) <i>HK\$'000</i>	31 December 2019 (Audited) <i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Investment properties		21,063,505	21,185,655
Property, plant and equipment		145,801	153,712
Deposits paid for acquisition of properties		9,351	9,351
Loan receivables	9	26,459	26,890
		<b>21,245,116</b>	<b>21,375,608</b>
<b>Current assets</b>			
Properties for sale		951,685	1,025,080
Trade and other receivables	9	301,876	95,583
Financial assets at fair value through profit or loss (“FVTPL”)		95,459	99,255
Restricted bank deposits		43,095	43,879
Short-term bank deposits		52,049	250,000
Cash and cash equivalents		727,843	307,211
		<b>2,172,007</b>	<b>1,821,008</b>
Assets classified as held for sale		—	420,000
		<b>2,172,007</b>	<b>2,241,008</b>
<b>Current liabilities</b>			
Trade and other payables	10	645,008	709,154
Contract liabilities		19,892	60,086
Borrowings		183,605	213,005
Lease liabilities		5,661	4,473
Provision for income tax		120,984	165,647
		<b>975,150</b>	<b>1,152,365</b>
<b>Net current assets</b>		<b>1,196,857</b>	<b>1,088,643</b>
<b>Total assets less current liabilities</b>		<b>22,441,973</b>	<b>22,464,251</b>
<b>Non-current liabilities</b>			
Borrowings		1,701,225	1,731,058
Lease liabilities		5,664	6,798
Deferred tax liabilities		123,263	120,859
		<b>1,830,152</b>	<b>1,858,715</b>
<b>Net assets</b>		<b>20,611,821</b>	<b>20,605,536</b>

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

	<b>30 June 2020 (Unaudited) <i>HK\$'000</i></b>	31 December 2019 (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>20,569,234</u>	<u>20,562,544</u>
	<b>20,597,565</b>	20,590,875
<b>Non-controlling interests</b>	<u>14,256</u>	<u>14,661</u>
<b>Total equity</b>	<u><u>20,611,821</u></u>	<u><u>20,605,536</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 2020 (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 or revalued amounts.

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 2020 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2019.

### Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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

#### **2.1 Impacts of application on Amendments to HKAS 1 and HKAS 8 “Definition of Material”**

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity”. The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated 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 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	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
<b>Revenue</b>								
External customers	105,026	70,956	249,299	280,180	12,093	9,498	366,418	360,634
Inter-segments (note)	—	—	108	216	578	2,417	686	2,633
<b>Segment revenue</b>	<b>105,026</b>	<b>70,956</b>	<b>249,407</b>	<b>280,396</b>	<b>12,671</b>	<b>11,915</b>	<b>367,104</b>	<b>363,267</b>
<b>Segment profits</b>	<b>29,485</b>	<b>27,046</b>	<b>219,365</b>	<b>252,257</b>	<b>10,284</b>	<b>6,578</b>	<b>259,134</b>	<b>285,881</b>
Certain other income, other gains and losses							12,908	7,795
Gain on disposal of subsidiaries							2,040	—
Certain administrative expenses							(17,900)	(21,235)
Net fair value (loss)/gain on investment properties							(122,150)	809,382
Finance costs							(24,269)	(29,103)
<b>Profit before income tax expense</b>							<b>109,763</b>	<b>1,052,720</b>

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

The operating and reportable segment results exclude finance costs, net fair value (loss)/gain on investment properties, certain other income, other gains and losses, gain on disposal of subsidiaries, certain administrative expenses and income tax expense.

### 3. SEGMENT INFORMATION (*CONTINUED*)

#### Segment assets and liabilities

	Property development		Property leasing		Building management and other services		Segment total	
	30 June 2020 (Unaudited) <i>HK\$'000</i>	31 December 2019 (Audited) <i>HK\$'000</i>	30 June 2020 (Unaudited) <i>HK\$'000</i>	31 December 2019 (Audited) <i>HK\$'000</i>	30 June 2020 (Unaudited) <i>HK\$'000</i>	31 December 2019 (Audited) <i>HK\$'000</i>	30 June 2020 (Unaudited) <i>HK\$'000</i>	31 December 2019 (Audited) <i>HK\$'000</i>
	Segment assets	1,395,656	1,302,330	21,302,818	21,396,340	20,883	24,089	22,719,357
Certain property, plant and equipment							39	1,801
Short-term bank deposits							52,049	250,000
Certain cash and cash equivalents							645,678	222,056
Assets classified as held for sale							—	420,000
Total assets							<u>23,417,123</u>	<u>23,616,616</u>
Segment liabilities	375,184	424,754	249,313	286,230	8,495	9,068	632,992	720,052
Certain other payables							43,233	60,459
Borrowings							1,884,830	1,944,063
Provision for income tax							120,984	165,647
Deferred tax liabilities							123,263	120,859
Total liabilities							<u>2,805,302</u>	<u>3,011,080</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, deferred tax liabilities and borrowings.

### 4. OTHER INCOME

	Six months ended 30 June	
	2020 (Unaudited) <i>HK\$'000</i>	2019 (Unaudited) <i>HK\$'000</i>
	Bank interest income	15,721
Interest income from loan receivables	5,524	—
Interest income arising from rental deposits paid	—	12
Miscellaneous income	5,096	3,956
	<u>26,341</u>	<u>16,861</u>



## 5. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest charged on:		
Bank loans	23,976	26,214
Lease liabilities and rental deposits received	293	2,889
	<u>24,269</u>	<u>29,103</u>

## 6. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of completed properties for sale recognised as expense	67,261	29,081
Depreciation of right-of-use assets and other property, plant and equipment	9,960	4,606
Employee compensation expense (including Directors' remuneration and defined contribution cost)	49,495	57,068
Operating lease charges in respect of premises	323	368
	<u>127,049</u>	<u>191,123</u>

## 7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax	28,439	30,707
PRC Enterprise Income Tax ("EIT")	2,897	10,672
PRC Land Appreciation Tax	2,872	990
Deferred tax charge	2,805	5,504
	<u>37,013</u>	<u>47,873</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 Mainland China subsidiaries are subject to PRC EIT rate of 25% for both periods.

## 8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
<b>Earnings</b>		
Profit attributable to owners of the Company	<u>72,764</u>	<u>1,004,937</u>
<b>Number of shares</b>		
Number of ordinary shares for the purpose of basic earnings per share ( <i>note</i> )	<u>283,308,635</u>	<u>283,308,635</u>

*Note:* During the six months ended 30 June 2020 and 2019, neither the Company nor any of its subsidiaries had repurchased any of the Company's shares respectively.

No diluted earnings per share for six months ended 30 June 2020 and 2019 was presented as there were no potential ordinary shares in issue during six months ended 30 June 2020 and 2019.

## 9. TRADE AND OTHER RECEIVABLES/LOAN RECEIVABLES

As at 30 June 2020, trade receivables included in trade and other receivables were approximately HK\$37,798,000 (31 December 2019: approximately HK\$21,449,000). 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 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Current assets:		
0–30 days	16,369	11,772
31–90 days	9,076	6,176
91–180 days	4,676	2,976
Over 180 days	<u>7,677</u>	<u>525</u>
Total trade receivables, net	<u>37,798</u>	<u>21,449</u>
Other receivables, utility deposits and prepayment, net of provision for impairment loss	103,744	69,215
Loan receivables	<u>160,334</u>	<u>4,919</u>
	<u>264,078</u>	<u>74,134</u>
Total trade and other receivables categorised as current assets	<u>301,876</u>	<u>95,583</u>

**9. TRADE AND OTHER RECEIVABLES/LOAN RECEIVABLES (CONTINUED)**

	<b>30 June 2020 (Unaudited) HK\$'000</b>	31 December 2019 (Audited) HK\$'000
Total trade and other receivables categorised as current assets	<u>301,876</u>	<u>95,583</u>
Non-current assets:		
Loan receivables	<u>26,459</u>	<u>26,890</u>
	<u><b>328,335</b></u>	<u><b>122,473</b></u>

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 2020, trade payables included in trade and other payables were approximately HK\$17,810,000 (31 December 2019: approximately HK\$17,358,000). 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 2020 (Unaudited) HK\$'000</b>	31 December 2019 (Audited) HK\$'000
0–30 days	1,631	1,519
31–90 days	309	1,263
Over 90 days	<u>15,870</u>	<u>14,576</u>
Total trade payables	<u>17,810</u>	<u>17,358</u>
Other payables	<u>627,198</u>	<u>691,796</u>
	<u><b>645,008</b></u>	<u><b>709,154</b></u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

In the first half of 2020, the global economy faced a series of formidable challenges. These included the escalating political and trade tensions between the US and China, followed by the outbreak of the novel coronavirus pandemic throughout the world, which weakened investment and caused many businesses to shut down. As of this writing, an economic recovery in Hong Kong may take longer than expected.

During the period under review, the local economy and property leasing market suffered another downturn as a result of various unfavourable factors, with severe consequences for every business sector of the Group. Among the first to be affected were our leasing business segment and valuation of our investment properties, which experienced a significant decrease in rental income. Despite the unfavourable and unpredictable business environment, our professional team has been taking a prudent and robust approach. It will continue to consolidate the Group's market position through flexible and innovative strategies, asset enhancement initiatives, tenant mix optimisation and close communication with tenants. All of these strategies are aimed at overcoming the current difficulties and their negative impacts.

In order to maintain our market competitiveness and maximise profitability, the Group acquired older buildings and undertook urban renewal projects, although cautiously, in order to create favourable conditions for future development. In addition, we continued to grow our mini-storage business by opening new stores in prime locations to support our existing investment in industrial projects and to improve our property portfolio, with the aim of increasing revenue.

Aside from taking a cautious approach to the challenges we face, the Group will identify new opportunities, keep pace with the changing environment, and strengthen our commitment to corporate social responsibility as a means of creating greater value for our shareholders and society.

### Property Leasing

For the six months ended 30 June 2020, the Group's property leasing segment recognised revenue of approximately HK\$249,299,000, representing approximately 68% of the Group's total revenue for the period.

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 core areas and prime locations of Hong Kong and have high-quality tenants. During the period, however, there was a decrease in the Group's rental income, which was mainly attributable to the volatility brought about by the novel coronavirus pandemic and the anti-pandemic measures taken by Government, and these had drastic effects on both our tenants' businesses and the performance of our leasing business. In response to

appeals by Government, and as a responsible corporate citizen, we provided rental reductions and adjustments for our tenants in need. We also launched joint promotional offers and expanded our use of digital technology in order to accommodate changes in consumption patterns and mitigate external impacts in the hope of overcoming the difficult times we face together with our tenants.

### **One Storage Management Company Limited**

One Storage, a subsidiary of the Group, offers high-quality storage services to customers through branches in Wong Chuk Hang, Chai Wan, San Po Kong, Fo Tan, Tuen Mun, Tsing Yi, Kwai Chung and Tsuen Wan. Each branch maintains a high standard of excellence and offers first-rate customer service in a secure and comfortable environment. One Storage will continue to expand its branch network and make further improvements in the professional support services it provides so as to meet the needs of an evolving market.

### **Property Development**

For the six months ended 30 June 2020, the Group's property development business segment recognised revenue of approximately HK\$105,026,000, representing approximately 29% of the Group's total revenue for the period.

During the period under review, policies designed to accelerate urbanisation were enacted for individual cities in the Mainland China real estate market. Since the implementation of stringent measures by the PRC government at the beginning of the year, the COVID-19 pandemic has been brought under control and regulations have loosened, opening the way to a recovery in the property market.

The Group currently owns a number of real estate projects in the Mainland China. The Lakeview Bay • VOGUE is an integrated project wholly owned by the Group, comprising villas and high-rise residences located in Gaoyao District, Zhaoqing. During the review period, the villa units of Phase I and high-rise townhouse units of Phase II were nearly sold out and gradually occupied. The multi-level residential and shop units of Phase III were launched at the end of 2019. They are now being sold, with all handover conditions having been fulfilled. Grand Capital (Shan Shui Xiang Ri Hao Ting) is a project located in Doumen District, Zhuhai. Confirmation of rights took place in 2020 for the units of the project, and these units are now being offered for sale as completed units.

## **Building Management and Other Services**

For the six months ended 30 June 2020, the Group's building management and other services segment recognised revenue of approximately HK\$12,093,000, representing approximately 3% of the Group's total revenue for the period.

The Group's building management and maintenance subsidiaries are committed to providing high-quality property and facility management services. The properties under its management include large-scale commercial buildings and small and medium size estates. Drawing on the extensive experience of our professional team, we deliver high-quality property management, customer services and maintenance services to owners and tenants. By constantly refining the services we offer, these businesses have successfully raised overall service standards at our properties.

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

The Group recognises 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.

In order to establish trusting and productive relationships with shareholders and investors, the Group communicates with them through channels that include in-person meetings, overseas roadshows and project site visits. Owing to the worldwide persistence of COVID-19 in the first half of the year, the Group resorted to other forms of communication, including telecommunications. The annual general meeting of the Group this year was held in May 2020. In addition to briefings on the results announcements, we maintain regular contact with the media through press releases, announcements and other promotional materials.

The Group also committed to transparency through the timely disclosure of information on the Group's business developments so that shareholders and investors can make informed investment decisions. In order to achieve a balance between compliance with corporate governance requirements and business growth, the Group makes continuous efforts to improve its management practices. The Board further believes that sound corporate governance is essential to the success of the Group and enhances shareholder value.

## **Corporate Citizenship**

In addition to generating better returns for its stakeholders, the Group constantly enhances its quality standards and promotes social responsibility in every segment of its business, with the objective of creating long-term benefit for society. In response to the pandemic, we distributed literature on containing the novel coronavirus and supported fundraising activities, reading programmes and educational events. Through our Soundwill Volunteer Team, we also provided caring programmes for the underprivileged in the community. In addition to these ongoing efforts, we publish an annual Environmental, Social and Governance Report with key performance indicators, in order to enhance transparency.

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 nine 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 Hong Kong Outstanding Corporate Citizenship award and Living Business Award and was recognised as a Happy Company and Heart-to-Heart Company, acknowledging our commitment to corporate social responsibility over the years.

## **Prospects**

Looking ahead to the second half of 2020, we expect that the unstable international situation will persist and that some global economic activities will cease, owing to continuing Sino-US tensions and the ongoing novel coronavirus pandemic. As concerns intensify over prospects about the economy, we expect further mass closures and an increasing unemployment rate, which in turn will have an adverse effect on the economy's revival. Fast-changing local and international conditions coupled with bleak investment sentiment will further add fuel to market uncertainty.

In this macro environment, the real economy of Hong Kong faces enormous challenges. As there is currently little sign of a recovery in the local economy and property leasing market, the Group's business and operating results will inevitably be affected in the short term. We will thus maintain a cautious approach by closely monitoring market developments and government policies and measures. We will also consider making timely adjustments or reforms, including the application of digital technologies, to improve our operational efficiency, overcome the current difficulties and achieve further growth at the right time.

Nevertheless, with our solid foundation in corporate governance and the extensive experience and professional expertise of our management team, we believe we are capable of responding to these challenges. While continuing to promote business development, we will also protect the environment and show our care for the communities in which we operate by leveraging our digital technologies and talent to ensure our operations continue to contribute to the local economy, preserve the environment and benefit all of Hong Kong.

What is more, we will continue to champion the long-term interests of shareholders and operate our business in a prudent manner, in order to retain our competitive strengths. Beyond this, we will embrace innovative solutions to overcome new challenges 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 2020 (30 June 2019: Nil).

## **FINANCIAL REVIEW**

For the six months ended 30 June 2020, the Group has recorded a revenue of HK\$366,418,000 (30 June 2019: HK\$360,634,000), representing an increase of HK\$5,784,000 as compared with the same period last year. The increase in revenue was mainly attributable to the increase in revenue from property sales in Hong Kong.

Profit attributable to owners of the Company for the six months ended 30 June 2020 was HK\$72,764,000 (30 June 2019: HK\$1,004,937,000), representing a decrease of 93% as compared with the corresponding period in 2019. The decrease is mainly due to valuation loss of HK\$122,150,000 was recorded as of 30 June 2020.

The total interest expenses for the six months ended 30 June 2020 amounted to HK\$24,269,000 (30 June 2019: HK\$29,103,000).

The Company's basic earnings per share was HK\$0.26 as compared with the same period of last year of HK\$3.55.

## **FINANCIAL RESOURCES AND LIQUIDITY**

As at 30 June 2020, the Group cash and bank balances (including short-term bank deposits and cash and cash equivalents) amounted to HK\$779,892,000 (31 December 2019: HK\$557,211,000). The Group's total borrowings as at 30 June 2020 were HK\$1,884,830,000 (31 December 2019: HK\$1,944,063,000). The Group's gearing ratio (which was expressed as a percentage of total borrowings over total equity) was 9% as at 30 June 2020 (31 December 2019: 9%).

As at 30 June 2020, the Group's net assets amounted to HK\$20,611,821,000 (31 December 2019: HK\$20,605,536,000).

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 Mainland China operations. Given there would have immaterial impact on the Group's assets in the Mainland China which generated income from as well as expense incurred in Mainland China, 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.



## **SIGNIFICANT INVESTMENTS HELD**

During the six months ended 30 June 2020, the Group had no significant investments.

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

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 loans repayable by the Lucky Way Group to the Group at an aggregate consideration of HK\$467,635,000. The disposal of Lucky Way Group was completed on 5 February 2020. Please refer to the announcements issued by the Company on 19 July 2018 and supplemental announcements issued afterward on 28 September 2018, 27 November 2018, 31 January 2019, 28 February 2019, 31 May 2019 and 5 February 2020 for more details.<sup>(Note 1)</sup>

Save as disclosed above, there was no material acquisition or disposal of subsidiaries, associates and joint ventures by the Group for the six months ended 30 June 2020.

## **EVENT AFTER REPORTING PERIOD**

The outbreak of COVID-19 has led to different extents of travel bans and lockdowns imposed by various countries and regions around the world. Increased global travel restrictions amid virus infections locally and overseas have already substantially hindered the manufacturing capability of many countries, which in turn is disrupting global supply chains and international trade, and hence a severe threat to global economy. The Group anticipates both the wider local economy and the property leasing market will remain weak and are unlikely to fully recover in the short term. Given the unpredictable nature of these constantly changing circumstances, the related impact on the consolidated results of operations, cash flows and financial condition of the Group could not be reasonably and tangibly fully evaluated at this stage and will be reflected in the Group’s 2020 annual financial statements.

## **EMPLOYEES AND REMUNERATION POLICY**

The Group had 238 and 49 employees in Hong Kong and Mainland China respectively as at 30 June 2020 (31 December 2019: 248 and 70 employees). Employees were remunerated on the basis of their performance, experience and market practice.

Remuneration packages comprise salary, medical insurance, mandatory provident fund and year end discretionary bonus. During the six months ended 30 June 2020, total salaries and wages were approximately HK\$49,495,000 (30 June 2019: HK\$57,068,000).

*Note 1:* As at the date of this announcement, the Group has not yet received any repayment of the short term loan facilities granted on 5 February 2020, of which a sum of HK\$45,000,000 had already past due since 4 May 2020.

## **PLEDGE OF ASSETS**

As at 30 June 2020, certain investment properties and property, plant and equipment of the Group with a total carrying value of approximately HK\$14,252,230,000 (31 December 2019: approximately HK\$13,935,600,000) were pledged to secure banking facilities for the Group.

## **CONTINGENT LIABILITIES**

As at 30 June 2020, the Group provided guarantees amounted to HK\$233,353,000 (31 December 2019: HK\$275,589,000) to banks with respect to mortgage loans procured by the purchasers of the Group's properties in the Mainland China. 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 2020, 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 internal controls and risk management, internal audit and financial reporting matters. The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2020 has been reviewed with no disagreement by the Audit Committee.

## **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 on the Stock Exchange (the "Listing Rules") during the six months ended 30 June 2020 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**

The Company has adopted 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 2020.

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 2020 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 2020

*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 Tse Wai Hang; and*  
*(ii) Independent Non-Executive Directors: Chan Kai Nang, Pao Ping Wing and Ng Chi Keung.*