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## SOUNDWILL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 878)

### INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

#### RESULTS

The Board of directors (the “Directors”) 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 2011 which have been reviewed by the Audit Committee of the Company, with comparative figures for the corresponding period in 2010 as follows:

#### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		<b>Six months ended 30 June</b>	
		<b>2011</b>	<b>2010</b>
	<i>Notes</i>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
			<b>(Restated)</b>
<b>Turnover</b>		<b>145,173</b>	245,154
Cost of sales		<u>(17,681)</u>	<u>(109,204)</u>
<b>Gross profit</b>		<b>127,492</b>	135,950
Other income	4	753	1,251
Administrative expenses		(60,352)	(53,009)
Other operating expenses		(573)	(229)
Gain on disposal of a subsidiary		—	2,203
Gain on fair value adjustment on investment properties		975,526	564,999
Gain on disposal of an investment property		461	1,061
Gain on disposal of available-for-sale financial assets		—	15,331
Provision for impairment on properties held for development		—	(2,842)
<b>Profit from operations</b>	5	<b>1,043,307</b>	664,715
Finance costs	6	(19,719)	(11,048)
Share of results of a jointly-controlled entity		<u>(656)</u>	<u>(223)</u>
<b>Profit before income tax</b>		<b>1,022,932</b>	653,444
Income tax expense	7	<u>(19,831)</u>	<u>(17,088)</u>
<b>Profit for the period</b>		<u><b>1,003,101</b></u>	<u>636,356</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)**

		<b>Six months ended 30 June</b>	
		<b>2011</b>	<b>2010</b>
	<i>Notes</i>	<b>(Unaudited)</b> <b>HK\$'000</b>	<b>(Unaudited)</b> <b>HK\$'000</b> <b>(Restated)</b>
<b>Other comprehensive income</b>			
Exchange gain/(loss) on translation of financial statements of foreign operations		8,174	(707)
Surplus on revaluation of leasehold building		4,904	1,864
Deferred tax liabilities arising from asset revaluation reserve of leasehold building		<u>(809)</u>	<u>(308)</u>
<b>Other comprehensive income for the period</b>		<u>12,269</u>	<u>849</u>
<b>Total comprehensive income for the period</b>		<u>1,015,370</u>	<u>637,205</u>
<b>Profit for the period attributable to:</b>			
— Owners of the Company		1,004,466	629,549
— Non-controlling interests		<u>(1,365)</u>	<u>6,807</u>
		<u>1,003,101</u>	<u>636,356</u>
<b>Total comprehensive income attributable to:</b>			
— Owners of the Company		1,016,524	630,398
— Non-controlling interests		<u>(1,154)</u>	<u>6,807</u>
		<u>1,015,370</u>	<u>637,205</u>
<b>Earnings per share for profit attributable to the owners of the Company</b>			
— Basic	8	<b>HK\$4.03</b>	HK\$2.62
— Diluted	8	<b>HK\$4.00</b>	HK\$2.57

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000 (Restated)	1 January 2010 (Audited) HK\$'000 (Restated)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Investment properties	9,750,068	10,061,908	7,143,620
Property, plant and equipment	64,285	60,091	54,431
Properties held for development	47,078	47,278	52,845
Interests in a jointly-controlled entity	44,997	44,288	43,402
Available-for-sale financial assets	10	10	10
Intangible assets	6,489	6,631	6,772
Deposit for property development	—	—	10,511
	<b>9,912,927</b>	<b>10,220,206</b>	<b>7,311,591</b>
<b>Current assets</b>			
Inventories	38,127	37,374	37,449
Properties held for sale	449,000	—	89,102
Properties under development	2,269,134	775,675	489,207
Trade and other receivables	148,108	163,290	70,760
Available-for-sale financial assets	—	—	49,666
Deposits paid for acquisition of properties	27,545	52,495	7,462
Restricted bank deposit	226,994	237,766	—
Cash and cash equivalents	223,253	217,779	143,811
	<b>3,382,161</b>	<b>1,484,379</b>	<b>887,457</b>
<b>Current liabilities</b>			
Trade and other payables	234,442	233,511	234,315
Deposits received from disposal of properties	533,725	421,785	29,475
Borrowings	3,285,840	3,092,288	2,103,733
Provision for income tax	27,543	33,822	15,491
	<b>4,081,550</b>	<b>3,781,406</b>	<b>2,383,014</b>
<b>Net current liabilities</b>	<b>(699,389)</b>	<b>(2,297,027)</b>	<b>(1,495,557)</b>
<b>Total assets less current liabilities</b>	<b>9,213,538</b>	<b>7,923,179</b>	<b>5,816,034</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	55,138	50,373	43,798
	<b>55,138</b>	<b>50,373</b>	<b>43,798</b>
<b>Net assets</b>	<b>9,158,400</b>	<b>7,872,806</b>	<b>5,772,236</b>

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

	<b>30 June 2011 (Unaudited) <i>Notes</i>      <b>HK\$'000</b></b>	31 December 2010 (Audited) <i>HK\$'000</i> (Restated)	1 January 2010 (Audited) <i>HK\$'000</i> (Restated)
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	27,489	24,146	24,003
Reserves	<u>9,041,067</u>	<u>7,757,662</u>	<u>5,691,645</u>
	<b>9,068,556</b>	7,781,808	5,715,648
<b>Non-controlling interests</b>	<u>89,844</u>	<u>90,998</u>	<u>56,588</u>
<b>Total equity</b>	<u><u>9,158,400</u></u>	<u><u>7,872,806</u></u>	<u><u>5,772,236</u></u>

*Notes:*

**1. Basis of preparation**

The unaudited condensed interim consolidated financial statements of the Group for the six months ended 30 June 2011 (the “Unaudited Condensed Interim Financial Information”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

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

**2. Principal accounting policies**

The Unaudited Condensed Interim Financial Information has been prepared under the historical cost convention, except for investment properties and leasehold building, which are stated at fair values, and the accounting policies of which are consistent with those of the Group’s annual audited financial statements for the year ended 31 December 2010 (the “2010 Annual Financial Statements”) as described thereof.

The accounting policies adopted for the six months ended 30 June 2011 are consistent with those used in the preparation of the 2010 Annual Financial Statements except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKAS”) and Interpretations) as disclosed below.

The Unaudited Condensed Interim Financial Information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the 2010 Annual Financial Statements, which have been prepared in accordance with HKFRSs.

In the current interim period, the Group has applied, for the first time, of the following new and revised HKFRSs issued by the HKICPA, which are relevant to and effective for the Group’s financial statements for the annual financial period beginning on or after 1 January 2011.

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKAS 24 (Revised)	Related Party Disclosures

The adoption of these new and revised HKFRSs has had no material effect on this interim financial report.

## 2. Principal accounting policies (*Continued*)

Up to the date of issue of this interim financial report, the HKICPA has issued a number of amendments and interpretation which are not yet effective for current period. Those include the following which may be relevant to the Group.

Amendments to HKAS 12	Deferred Tax — Recovery of Underlying Assets <sup>2</sup>
Amendments to HKFRS 7	Disclosure — Transfers of Financial Assets <sup>1</sup>
HKFRS 9	Financial Instruments <sup>3</sup>
HKFRS 10	Consolidated Financial Statements <sup>3</sup>
HKFRS 13	Fair Value Measurements <sup>3</sup>

*Notes:*

1. Effective for annual periods beginning on or after 1 July 2011
2. Effective for annual periods beginning on or after 1 January 2012
3. Effective for annual periods beginning on or after 1 January 2013

The Group has decided to early adopt the amendments to HKAS 12 — Deferred Tax — Recovery of Underlying Assets, in respect of the recognition of deferred tax on investment properties carried at fair value.

### ***Early adoption of amendments to HKAS 12 Deferred Tax – Recovery of Underlying Assets***

The amendment to HKAS 12 introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. Currently HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendments to HKAS 12 introduce a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The amendment is applied retrospectively.

As at 30 June 2011, the Group had investment properties amounting to HK\$9,750,068,000 (at 31 December 2010: HK\$10,061,908,000), representing their fair values in accordance with the Group's accounting policy. All of the Group's investment properties are situated in Hong Kong. In Hong Kong, land leases can typically be renewed without a payment of a market-based premium which is consistent with their reclassification as finance leases under the amendment to HKAS 17. Given this, it is difficult to assert with a high degree of confidence that the Group would consume substantially all of the economic benefits embodied in the investment properties over time. Consequently, as required by the amendment, the Group can re-measure the deferred tax relating to these investment properties based on the presumption that they are recovered entirely by sale as if this new policy had always been applied. There is no tax consequence in Hong Kong of a sale of the investment property as there is currently no capital gain tax in Hong Kong.

## 2. Principal accounting policies (Continued)

The effect of the above changes on the Unaudited Condensed Interim Financial Information are summarised as follows:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
<b>Unaudited condensed consolidated statement of comprehensive income for the six-month ended 30 June</b>		
Decrease in income tax expense	<u>160,791</u>	<u>90,874</u>
	<b>30 June 2011 <i>HK\$'000</i></b>	<b>31 December 2010 <i>HK\$'000</i></b>
		<b>1 January 2010 <i>HK\$'000</i></b>
<b>Unaudited condensed consolidated statement of financial position</b>		
Increase in equity — retained earnings	<b>160,791</b>	327,578
Decrease in deferred tax liabilities	<u>(160,791)</u>	<u>(327,578)</u>
		<u>828,469</u>

As a result of the above retrospective restatement, an additional consolidated statement of financial position as at 1 January 2010 is presented in accordance with HKAS 1 Presentation of Financial Statements.

## 3. Segment Information

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

The Group has identified the following reportable segments:

Property assembly business	:	Properties assembly and sales of properties
Property development	:	Development of residential and commercial properties
Property leasing	:	Property rental including signage rental and provision of office facilities and services
Building management and other services	:	Provision of building management, property repairs and maintenance services
Urban infrastructure	:	Urban infrastructure development

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

### 3. Segment Information (Continued)

During the six months ended 30 June 2011, there have been no changes from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

The revenues and profit generated by each of the Group's operating segments and segment assets are summarised as follows:

	Six months ended 30 June													
	Property assembly		Property		Property leasing		Building		Urban		Others		Total	
	business		development				management		infrastructure					
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
HK\$'000		HK\$'000		HK\$'000		HK\$'000		HK\$'000		HK\$'000		HK\$'000		
Revenue														
External customers	—	98,250	—	—	116,057	109,961	6,727	8,987	22,389	27,956	—	—	145,173	245,154
Inter-segments	—	—	40,204	59,693	10,422	6,867	1,083	1,092	—	—	7,795	5,879	59,504	73,531
Reportable segment revenue	—	98,250	40,204	59,693	126,479	116,828	7,810	10,079	22,389	27,956	7,795	5,879	204,677	318,685
Reportable segment profit/(loss)	(2,153)	4,299	(16,774)	(14,189)	91,792	100,046	3,003	4,142	(141)	2,516	1,761	12,023	77,488	108,837
Reportable segment assets	28	65,991	1,381,437	1,097,885	11,685,702	8,253,907	5,713	6,339	124,122	106,574	53,079	10,020	13,250,081	9,540,716

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements as follows:

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Reportable segment profits	77,488	108,837
Net gain on fair value adjustments on investment properties	975,526	564,999
Provision for impairment loss on properties held for development	—	(2,842)
Gain on disposal of an investment property	461	1,061
Unallocated income and expenses	(10,168)	(24,874)
Gain on disposal of subsidiaries	—	2,203
Gain on disposal of available-for-sale financial assets	—	15,331
Finance costs	(19,719)	(11,048)
Share of results of a jointly-controlled entity	(656)	(223)
Profit before income tax	1,022,932	653,444



#### 4. Other Income

	<b>Six months ended 30 June</b>	
	<b>2011</b>	2010
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Interest income	202	351
Miscellaneous income	551	900
	<u>753</u>	<u>1,251</u>

#### 5. Profit from Operations

Profit from operations is arrived at after charging:

	<b>Six months ended 30 June</b>	
	<b>2011</b>	2010
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
		(Restated)
Depreciation	1,970	1,864
Staff cost (including directors' remuneration)	35,507	27,222
Amortisation of intangible assets	263	222
Amortisation of properties held for development	803	2,211
Cost of inventories recognised as expenses	13,906	14,545
Operating lease charges in respect of premises	1,886	1,643
Deposits for property acquisition written off	310	6
Fixed assets written off	10	—
	<u>10</u>	<u>—</u>

#### 6. Finance Costs

	<b>Six months ended 30 June</b>	
	<b>2011</b>	2010
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Interest charges on:		
Bank loans		
— wholly repayable within five years	18,552	12,895
— not wholly repayable within five years	7,486	2,258
Other borrowings wholly repayable within five years	2,171	767
	<u>28,209</u>	<u>15,920</u>
Total borrowing costs	28,209	15,920
<i>Less:</i> Interest capitalised in investment properties and properties under development	<u>(8,490)</u>	<u>(4,872)</u>
	<u>19,719</u>	<u>11,048</u>

## 7. Income Tax Expense

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		(Restated)
The charge comprises:		
Hong Kong profits tax	14,966	13,052
PRC profits tax	1,047	959
Deferred tax	3,818	3,077
	<u>19,831</u>	<u>17,088</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong.

The Group's certain subsidiaries established and operating in the Mainland China (the "PRC") are exempted from PRC enterprise income tax for the first two profitable years of operations, and thereafter, are eligible for a 50% relief from PRC enterprise income tax for the following three years ("tax holiday") under the Income Tax Law of the PRC. Remaining subsidiaries operating in the PRC are subject to PRC enterprise income tax rate of 25%.

## 8. Earnings Per Share

The calculation of basic earnings per share is based on the unaudited consolidated profit attributable to the owners of the Company of approximately HK\$1,004,466,000 (30 June 2010: approximately HK\$629,549,000 (Restated)) and the weighted average of 249,328,636 shares (30 June 2010: 240,236,345 shares) in issue during the six months ended 30 June 2011.

The calculation of diluted earnings per share is based on the adjusted net profit attributable to the owners of the Company of HK\$1,004,466,000 (30 June 2010: HK\$629,549,000 (Restated)) and the weighted average of 251,358,587 shares (30 June 2010: 244,721,136 shares) in issue during the period after taken into account for the effect of all dilutive shares.

The adjusted net profit attributable to the owners of the Company for the period is HK\$1,004,466,000 which is the same as the unaudited consolidated profit attributable to the owners of the Company as there is no change in income or expenses that would result from the conversion of the dilutive potential ordinary shares.

## 9. Trade and Other Receivables

As at the reporting date, trade receivables included in trade and other receivables were approximately HK\$67,355,000 (31 December 2010: approximately HK\$97,653,000). The credit terms of the Group ranging from 30 to 90 days. Based on the invoices dates, the aging analysis of trade receivables was set out below:

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
0 — 30 days	36,346	66,486
31 — 90 days	5,622	3,420
91 — 180 days	8,374	810
Over 180 days	<u>17,013</u>	<u>26,937</u>
Total trade receivables	67,355	97,653
Other receivables	<u>80,753</u>	<u>65,637</u>
	<u><b>148,108</b></u>	<u><b>163,290</b></u>

## 10. Trade and Other Payables

As at the reporting date, trade payables included in trade and other payables were approximately HK\$65,725,000 (31 December 2010: approximately HK\$54,004,000). The Group was granted credit periods by its suppliers ranging from 30 to 60 days. Based on the invoices dates, the aging analysis of trade payables was set out below:

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
0 — 30 days	3,894	25,760
31 — 90 days	4,950	4,660
Over 90 days	<u>56,881</u>	<u>23,584</u>
Total trade payables	65,725	54,004
Other payables	<u>168,717</u>	<u>179,507</u>
	<u><b>234,442</b></u>	<u><b>233,511</b></u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Overview**

Ever since its establishment in 1978, the Group has been involved in the development of diversified real estate related business including operation of premium buildings, acquisition and merging of properties, resale, leasing and property management. All properties of the Group are situated in prime locations with excellent accessibility. While facilitating the two core businesses of the Group, property acquisition and property leasing, the Group also continues to participate as a real estate developer in the redevelopment of old districts and contribute to the revitalisation of such areas.

With severe inflation in Mainland China causing hot money inflow into Hong Kong, visitor's spending is significantly increasing which in turn stimulate the retail industry of Hong Kong. Rent level of retail shops raise constantly. On the other hand, with limited land supply in Hong Kong, retail shops in prime locations are rare, top-notch international brands strive to enter core shopping areas despite the high rentals. The Group's flagship rental property, Soundwill Plaza situates in one of the most expensive locations in the world, Russell Street of Causeway Bay. Such location advantage leads to satisfying revenue growth of the Group.

As the Group records appealing results, international long term investors are interested in joining us. This does not only optimize the institutional investor aspect of the Group but also reflects investors' recognition of our business prospects and asset values.

Besides, the Company has been included in the MSCI HK Small Cap Index as constitute stock since May this year. The Group's investment prospect is further ascertained by the market and our position among the international capital market is further confirmed.

### **Property Assembling**

Luxurious real estate market of Hong Kong was robust, stimulating investors' self use need towards luxurious properties and their confidence in the return. Coupled with the lowering of compulsory auction threshold sale to 80% by the government for applicable buildings in April last year, the Group's progress in ownership consolidation and redevelopment project have accelerated. As such, we place our emphasis on the core business of old property acquisition, focusing on the prime locations in Hong Kong Island.

At the beginning of the year, the Group successfully acquired the entire ownership of 14-20 Merlin Street, North Point. The site area is approximately 5,297 square feet and the gross floor area is approximately 79,455 square feet. In addition, the Group also acquired 83% ownership of 18-21 School Street, Tai Hang with site area of approximately 2,250 square feet and 87.5% ownership of 13-15 Mercury Street, North Point with site area of approximately 2,580 square feet. Acquisition of the remaining ownerships are undergoing negotiations.

## **MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

### **Property Assembling (Continued)**

The Group has been actively carrying out various acquisition and merging projects. The progress of such projects is satisfying and the Group will select certain sites with high potentials for self development.

### **Property Leasing**

The market sentiments of the property and retail industries remained positive in the first half of the year, intensifying the demand for premium retail outlets. Total rent reached HK\$116,057,000, representing a 6% increase compares to that of last year and accounted for 80% income of the period. Soundwill Plaza, the Group's flagship property, recorded satisfying traffic and rental income, maintaining an occupancy rate of 99% during the first half of the year. Rental income was approximately HK\$95,410,000. Approximately 25% of the leases were renewed upon expiry over the same period, maintaining a high level of renewal rate. The other properties of the group pending redevelopment were leased on short terms during the period, contributing a total rental income of approximately HK\$11,475,000. Besides, the income generated from signage rental was approximately HK\$9,172,000 for the first half of 2011. Based on the location, size, area and other conditions of each property, the Group will adhere to the principle of maximizing business value, and prepare the optimal development plan and at the same time continue to carefully select and invest in premium locations to enhance the development plans for old district renewal projects.

### **Property Development**

In order to further expand the Group's profit and development to strengthen the Group's position in the real estate market, we will actively seek out sites with high potentials for our own development. Taking our new luxurious residential project, WarrenWoods, at Nos. 13-27 Warren Street in Tai Hang as an example, out of the 164 lofty residential units available, 162 units were sold. Currently only two specialty units are available, such result is truly appreciative. The project is approximately 138 meters in height and definitely will become a new icon of Tai Hang. The project is currently under smooth construction and is scheduled for occupancy in mid 2012, promising an appealing profit for the coming year.

In addition, the Group intends to develop the residential project at 32-50 Haven Street, Causeway Bay into a boutique style luxury residence. Total site area of the project is approximately 12,900 square feet. According to the most updated plan, the gross floor area of the project is approximately 103,200 square feet. Foundation is being laid and the Group is considering to launch pre-sale in the second half of the year.

## **MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

### **Property Development (Continued)**

In terms of commercial projects, construction work of the Group's site at 1-29 Tang Lung Street, Causeway Bay has commenced. The total site area is approximately 12,500 square feet and the gross floor area is approximately 148,800 square feet. The Group will turn the project into a composite development property with retail and office premises. The project is expected to complete in 2013. Located in the heart of Causeway Bay, the property is only a few minutes away from Soundwill Plaza and Times Square. Completion of such project will bring a high synergy effect and further boost the traffic of Causeway Bay and contribute a satisfying and stable rental income to the Group. In addition, the Group also plans to develop the project at 11-13 Sharp Street East and 1-1A Yiu Wa Street, Causeway Bay into a commercial development with a site area of approximately 3,200 square feet and gross floor area of approximately 48,000 square feet. The demolition work is expected to commence at the end of the year and the new building, when completed, is expected to become another new icon in the area.

The Group will continue to make good use of each land resource in the future, seek optimal development plan that cope with the market changes and unleash the maximum business value of the projects. We will also cautiously grasp opportunities that ensure steady development of the Group and bring maximum return to our shareholders.

### **Business in Mainland China**

Under 30 years of reform, the economy of Mainland China has been developing at a stunning pace and living standards of the people are constantly raised, leading to an ongoing increase of demand in housing. As such, the Group leverages on the development opportunities in Mainland China and actively participates in real estate development of China, focusing on property development in second and third tier cities.

Among which, the Group's wholly-owned boutique style residence "Soundwill • LingDu" in Zhangtai county, Fujian Province was sold out since its pre-sale of launch in November last year. Sales results are positive and the project is scheduled for occupancy this year the soonest. In addition, most units of Phase I "Long Feng Chun Xiao" residential project located in Doumen, Zhuhai were pre-sold. Such project was jointly operated with joint venture partner and the pre-sale of Phase II has already been launched this year.

Revenue generated by the aforesaid residential projects will be credited to the Group's accounts and these projects will bring operational income contribution to the Group in the coming years and serve as a motivation for the Group's business development.

## **MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

### **Urban Infrastructure Business**

The Group's underground telecommunication pipelines construction business grew at a steady pace. Our main telecommunication customers include China Mobile, China Unicom, China Telecom and various telecommunication operators such as broadcasting corporations around the world. Our business expanded to major cities in China; the Group engaged in constructing telecommunication pipelines and laying cable networks for data transmission for its clients and other commercial purposes in cities including Nanchang, Jingdezhen, Yuxi, Baoji, Liuzhou, Weihai, Nanping, Shaoguan, Ezhou, Huanggang, Gui Gang, Xuchang and Xi'an. During the first half of the year, the Group recorded an income of HK\$22,389,000, representing a decrease of 20% as compared to the corresponding period of last year and accounting for 15% of the Group's income during the period.

### **Property Management, E&M and Building Maintenance**

The four property management and maintenance subsidiaries under the Group are engaged in the provision of property and amenities management and amenities management and maintenance services for a number of large-scale commercial buildings, small to medium sized residential properties, estates and shopping malls, with an objective to enhance the market value of the properties with high standard property management and maintenance service. Turnover from these four subsidiaries during the first half of the year amounted to a total of approximately HK\$6,727,000 (30 June 2010: approximately HK\$8,987,000), representing a decrease of 25% as compared to the same period of last year and accounting for 5% of the Group's income.

### **Corporate Citizenship**

During the year, the Group proactively promoted environmental protection awareness in the office and adopted environmental friendly and energy saving lightings in its commercial buildings. A range of measures such as paper reuse and recycle as well as source separation of waste were put into practice to create an energy saving office environment. To perform the responsibilities of corporate citizen, the Group also actively participated in community activities, including sponsoring and encouraging its staff to participate in "Walk for the Environment" organized by The Conservancy Association and sponsored the concert of Hong Kong Youth Marching Band in Tung Chung. The Group also placed emphasis on cultural development of Hong Kong; as such, we jointly organized an exhibition with the Hong Kong Culture Heritage Studies and Promotion Association in June. "The Age of Chinese Tenements in Hong Kong" provided an opportunity for the public to experience the culture of the old days. The exhibition received large media coverage.

## **MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

### **Financial Review**

For the six months ended 30 June 2011, the Group has recorded a turnover of HK\$145,173,000 (30 June 2010: HK\$245,154,000), representing a decrease of 41% as compared with the same period last year. The 6 months turnover mainly contributed from property leasing business, urban infrastructure and building management services business which its performance are quite steady.

Net profit attributable to the owners of the Company was HK\$1,004,466,000 (30 June 2010: HK\$629,549,000 (Restated)), representing an increase of HK\$374,917,000 or 60% over the same period of last year. Mainly generated as a results of fair value adjustment of our investment properties portfolio.

If the gain on fair value adjustment on investment properties were to be excluded, the Group's net profit attributable to the owners of the Company would be HK\$28,940,000 as compared with the same period of last year of HK\$64,550,000, representing a decrease of 55%.

The total interest expenses for the six months ended 30 June 2011 amounted to HK\$19,719,000 (30 June 2010: HK\$11,048,000) representing an increase of HK\$8,671,000, mainly due to increase in financing for the acquisition of our investment properties and slight increase in average borrowing rate.

The Company's basic earnings per share was HK\$4.03 as compared with the same period of last year of HK\$2.62 (Restated).

### **Prospects**

Looking back to the period starting from last year to now, different classes in Hong Kong both agree and support the acceleration of old district renewal. We therefore actively take up the role of balancing the housing demand in the urban areas and renewal in old districts. Aiming at building a better Hong Kong for its people, sharing the better living environment with the public and coordinate with and compensate the owners and tenants, we put our corporate citizenship to work. Meanwhile, the Group believes that the property market stabilizing measures implemented by the Government will benefit the long term development of the real estate market.

The Group will continue to leverage on its extensive experiences of over 30 years and vision, strive to expand its urban renewal business, take up urban redevelopment projects, seek new investment opportunities and maximize returns for our shareholders.

### **INTERIM DIVIDEND**

The Directors do not recommend interim dividend for the six months ended 30 June 2011 (30 June 2010: Nil).



## **FINANCIAL RESOURCES AND LIQUIDITY**

As at 30 June 2011, the Group cash and cash equivalents amounted to HK\$223,253,000 (31 December 2010: HK\$217,779,000). The Group's total borrowings as at 30 June 2011 were HK\$3,285,840,000 (31 December 2010: HK\$3,092,288,000).

During the period under review, the Group also received further payment from buyers of our new luxurious residential project, WarrenWoods of approximately HK\$68,141,000 in the first half of 2011. The total accumulated amount received up to 30 June 2011 is HK\$409,272,000.

The Group's gearing ratio, expressed as a percentage of total borrowings over total equity, was 36% as at 30 June 2011 (31 December 2010: 39% (Restated)). As at 30 June 2011, the Group's net assets amounted to HK\$9,158,400,000 (31 December 2010: HK\$7,872,806,000 (Restated)), representing an increase of HK\$1,285,594,000. Such increase is mainly due to increase in property held for sale and property under development. With the total number of ordinary shares in issue of 274,894,135 as at 30 June 2011 (31 December 2010: 241,464,135 shares), the net asset value per share was HK\$33.32 (31 December 2010: HK\$32.60 (Restated)).

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 that the continuous appreciation of Renminbi would have positive impact on the Group's assets in the PRC and income generated from the PRC, the Group had not implemented any hedging measures during the period under review.

During the period under review, the Group did not engage in any derivative activities and did not commit to any financial instruments to hedge its balance sheet exposures.

Acquisition and development of properties are financed partly by internal resources and partly by bank borrowings. Repayment of bank loans are scheduled to match asset lives and project completion dates. Borrowings are mainly denominated in Hong Kong Dollars and bear interest at floating rates.

In April and June 2011, the Company, by way of top-up placings, allotted 9,000,000 shares and 10,000,000 shares respectively to institutional investors and individual investors, all of whom are third parties independent of the Company and its connected persons. Following the top-up placings, the total issued share capital of the Company is enlarged to 260,914,135 shares.

## **DETAILS OF MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES**

There was no material acquisitions and disposals of subsidiaries and associated companies during the six months ended 30 June 2011.

## **EVENT AFTER BALANCE SHEET DATE**

The Group entered into a sale and purchase agreement dated 1 August 2011 with an independent third party to dispose of its properties held for sale located at No. 14-20 Merlin Street, North Point, at a consideration of HK\$459,280,000. The transaction will be completed on or before 2 April 2012. Pursuant to the terms of the agreement the Group has exercised its option to advance completion to 15 September 2011.

## **EMPLOYEES**

There was no material change regarding the number and remuneration of the employees of the Group since the publication of the Company's 2010 annual report.

## **PLEDGE OF ASSETS**

As at 30 June 2011, investment properties, bank deposit, properties held for sales and properties under development of the Group with a total carrying value of approximately HK\$11,334,595,000 in total (31 December 2010: approximately HK\$9,904,539,000) were pledged to secure banking facilities for the Group.

## **CONTINGENT LIABILITIES**

- (a) In September 2009 the Group commenced legal proceedings HCA1902/2009 against a joint venture partner, with whom a subsidiary of the Company has a joint venture agreement for the development and construction of village houses on a number of pieces of land in New Territories, and a number of individuals seeking, inter alia, declaratory relief for its proprietary interests in a number of pieces of land in New Territories and injunctive relief against the said individuals, in response to the allegations and claims of Mr. Wong to oust the Group from the joint venture development on the alleged ground that the Group was in breach of the terms of the joint venture agreement. Thereafter, two further sets of legal proceedings were also instituted between the Group and the parties related (HCMP1760/2009 and HCA1931/2009).

There were contested interlocutory applications heard in 2010, and the High Court ordered six pieces of land and the houses erected thereon be vested with a Tso T'ong which is not a party to the legal proceedings. The Group appeal (CACV195/2010, CACV205/2010, CACV206/2010) against such decision. On 15 April 2011 the Court of Appeal dismissed the appeal and ruled that the Group could no longer claim extra security of 6 houses. However, the Group's claims against the relevant defendants are indeed, inter alia, that if the relevant joint venture agreement

were duly performed, the sale proceeds of another 11 houses and would not include those 6 houses. Hence, though the Group lost the appeal, the Group's claims still remain almost intact, which under the said joint venture agreement and on the basis that it were duly performed, would relate to 11 houses only.

According to the legal advice taken by the Group, the Directors are of the opinion that the Group has a fair chance to succeed in the lawsuit and hence no provision was made for this legal proceeding as at reporting date.

- (b) Legal proceedings, (by way of appeals) arising from the orders made by the Lands Tribunal (LDCS5000/2007) for compulsory sales of all units of the old buildings (now demolished) situated at 44 and 46 Haven Street are still under progress. A former owner challenges the reserve price for the auction sales. The Court of Appeal in May 2010 dismissed his appeal. The former owner further appealed to the Court of Final Appeal (FACV13/2010). On 13 May 2011 the Court of Final Appeal dismissed the appeal with the consent of the parties, and the parties also agree to end and settled all legal proceedings between them.
- (c) The legal proceedings resulted from the successful application by the Group to the Lands Tribunal (LDCS6000/2007) for the auction sale of all units of the old buildings (now demolished) situated at 48 and 50 Haven Street now be limited to the costs. In November 2010, the Lands Tribunal made absolute and affirmed the former owners of the one of the units of the old building to pay 80% of the costs of the Group in the Lands Tribunal proceedings. The Court of Appeal allowed leave for the former owner to appeal against this cost order. The appeal is to be heard by the Court of Appeal on 25 November 2011 (CACV32/2011). If the costs order is reversed against the Group, the Group may have to bear certain costs of the Lands Tribunal as well as for the appeal, which may be in the region of HK\$1,800,000.

According to the legal advice taken by the Group, the Directors are of the opinion that the Group has a fair chance to succeed in the appeal to the Court of Appeal, and resisting the appeal on costs and hence no provision was made for this legal proceeding as at reporting date.

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

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries has 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 management, the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim financial statements for the six months ended 30 June 2011.

## **COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Listing Rules during the six months ended 30 June 2011 except that:

### **(1) Code Provision A.2.1**

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

The roles of the chairman and chief executive officer are not separated and performed by two different individuals. Madam Foo Kam Chu, Grace is the founder and Chairman of the Group. She is responsible for the Group’s overall development direction and strategies. The Chairman ensures the Board functions effectively and discharges its responsibilities. There is no chief executive officer appointed and the daily operations of the Group are delegated to other executive directors, the management and various department heads.

### **(2) Code Provision A.4.1**

Code Provision A.4.1 provides that non-executive directors should be appointed for a specific term.

The non-executive directors are not appointed for a specific term as they are subject to retirement by rotation and re-election at annual general meetings in accordance with the Company’s Bye-Laws.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE “MODEL CODE”)**

The Company has adopted a code of conduct regarding directors’ securities dealing transactions on term no less than the required standard set out in the Model Code (Appendix 10 of the Listing Rules).

Having made specific enquiry, all Directors have complied with the required standard set out in the Model Code during the period under review.

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

The interim results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at <http://www.hkex.com.hk> and on the Company's website at <http://www.soundwill.com.hk>. The Interim Report 2011 of the Company will also be published on the aforesaid 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  
**Foo Kam Chu, Grace**  
*Chairman*

Hong Kong, 23 August 2011

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