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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 2014

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
From continuing and discontinued operations	HK\$ million	HK\$ million
Turnover	254.7	301.3
Operating profit excluding net gain on fair value adjustments	240.7	69.1
Net gain on fair value adjustments on investment properties	261.0	106.4
Profit attributable to owners of the Company	448.1	134.0
Basic earnings per share (dollars)	HK\$1.60	HK\$0.48
	At 30	At 31
	June 2014	December 2013
	(Unaudited)	(Audited)
	HK\$ billion	HK\$ billion
Total assets	20.3	20.8
Net assets	15.4	15.0
Total borrowings	2.9	3.9
Gearing ratio	19%	26%
Net asset value per share (dollars)	HK\$54.9	HK\$53.5

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 2014 which have been reviewed by the Audit Committee of the Company, with comparative figures for the corresponding period in 2013 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2014	2013
		(Unaudited)	(Unaudited)
			(Re-presented)
	Notes	HK\$'000	HK\$'000
Continuing operations			
Revenue/Turnover		254,721	293,688
Cost of sales		(33,525)	(97,341)
Gross profit		221,196	196,347
Other income	4	33,493	9,321
Administrative expenses		(115,555)	(130,656)
Other operating expenses		(20)	(57)
Gain on disposal of subsidiaries		101,546	–
Net gain on fair value adjustments on investment properties		261,017	106,351
Finance costs	5	(30,140)	(27,612)
Share of results of a joint venture		(14)	(70)
Profit before income tax expense	6	471,523	153,624
Income tax expense	7	(24,843)	(14,965)
Profit for the period from continuing operations		446,680	138,659
Discontinued operation			
Loss for the period from discontinued operation		–	(6,304)
Profit for the period		446,680	132,355
Other comprehensive income, net of tax			
<i>Items that will not be reclassified to profit or loss:</i>			
Surplus on revaluation of leasehold building, net of deferred tax		2,934	2,620
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange (loss)/gain on translation of financial statements of foreign operations		(3,932)	11,789
Other comprehensive income for the period, net of tax		(998)	14,409
Total comprehensive income for the period		445,682	146,764

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

	Six months ended 30 June	
	2014 (Unaudited) <i>HK\$'000</i>	2013 (Unaudited) (Re-presented) <i>HK\$'000</i>
Profit for the period attributable to:		
Owners of the Company		
Profit for the period from continuing operations	448,078	139,386
Loss for the period from discontinued operation	–	(5,404)
	<hr/>	<hr/>
Profit for the period attributable to owners of the Company	<u>448,078</u>	<u>133,982</u>
Non-controlling interests		
Loss for the period from continuing operations	(1,398)	(727)
Loss for the period from discontinued operation	–	(900)
	<hr/>	<hr/>
Loss for the period attributable to non-controlling interests	<u>(1,398)</u>	<u>(1,627)</u>
Total comprehensive income attributable to:		
– Owners of the Company	447,601	148,133
– Non-controlling interests	(1,919)	(1,369)
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	<u>445,682</u>	<u>146,764</u>

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

		Six months ended 30 June	
		2014	2013
		(Unaudited)	(Unaudited)
			(Re-presented)
	<i>Notes</i>	<i>HK\$</i>	<i>HK\$</i>
Earning per share for the profit from continuing and discontinued operations attributable to owners of the Company during the period	8		
Basic		<u><u>HK\$1.60</u></u>	<u><u>HK\$0.48</u></u>
Diluted		<u><u>HK\$1.59</u></u>	<u><u>HK\$0.47</u></u>
Earnings per share for profit from continuing operations attributable to owners of the Company during the period	8		
Basic		<u><u>HK\$1.60</u></u>	<u><u>HK\$0.50</u></u>
Diluted		<u><u>HK\$1.59</u></u>	<u><u>HK\$0.49</u></u>
Loss per share for loss from discontinued operation attributable to owners of the Company during the period	8		
Basic		<u><u>–</u></u>	<u><u>HK\$(0.02)</u></u>
Diluted		<u><u>–</u></u>	<u><u>HK\$(0.02)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
<i>Notes</i>		
ASSETS AND LIABILITIES		
Non-current assets		
Investment properties	15,771,914	16,464,234
Property, plant and equipment	191,575	190,809
Properties held for development	27,494	46,497
Interest in a joint venture	29,179	29,158
Available-for-sale financial assets	10	10
Deferred tax assets	12,993	12,993
Goodwill	—	—
	16,033,165	16,743,701
Current assets		
Properties under development	3,501,050	3,252,963
Trade and other receivables	154,088	112,453
Deposits paid for acquisition of properties	7,843	456
Bank deposit at escrow account	223,511	298,236
Structured bank deposits	91,248	104,506
Cash and cash equivalents	240,445	310,629
	4,218,185	4,079,243
Current liabilities		
Trade and other payables	469,527	458,770
Deposits received in advance	1,349,522	1,277,891
Borrowings	2,891,910	3,955,820
Provision for income tax	42,627	30,651
	4,753,586	5,723,132
Net current liabilities	(535,401)	(1,643,889)
Total assets less current liabilities	15,497,764	15,099,812
Non-current liabilities		
Deferred tax liabilities	62,404	62,820
Net assets	15,435,360	15,036,992

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (*CONTINUED*)

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
EQUITY		
Equity attributable to owners of the Company		
Share capital	28,102	28,082
Reserves	<u>15,165,064</u>	<u>14,768,891</u>
	15,193,166	14,796,973
Non-controlling interests	<u>242,194</u>	<u>240,019</u>
Total equity	<u><u>15,435,360</u></u>	<u><u>15,036,992</u></u>

Notes:

1. Basis of Preparation

The unaudited condensed interim consolidated financial statements of the Group for the six months ended 30 June 2014 (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 Standards (“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 2013 (the “2013 Annual Financial Statements”) as described thereof.

The accounting policies adopted for the six months ended 30 June 2014 are consistent with those used in the preparation of the 2013 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 2013 Annual Financial Statements, which have been prepared in accordance with HKFRSs.

In the current interim period, the Group has applied, for the first time, the following new and revised HKFRSs issued by the HKICPA, which is relevant to and effective for the Group’s financial statements for the annual financial period beginning on or after 1 January 2014.

2. Principal accounting policies (*Continued*)

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities

Other than as noted below, the adoption of these new or amended HKFRSs has had no material impact on the Unaudited Condensed Interim Financial Information.

2.1 *Amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment entities*

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on the Group's interim financial report as Group does not qualify to be an investment entity.

2.2 *Amendments to HKAS 32, Offsetting financial assets and financial liabilities*

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on the Group's interim financial report as they are consistent with the policies already adopted by the Group.

3. Segment Information

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

The Group has identified the following reportable segments:

- Property development : Development of residential 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 : Underground telecommunication pipeline construction (The Group disposed of this segment in October 2013)

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

During the six months ended 30 June 2014, there have been no changes from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

3. Segment Information (Continued)

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

	Continuing operations								Discontinued operation					
	Six months ended 30 June								Six months ended 30 June					
	Property development		Property leasing		Building management and other services		Others		Total		Urban infrastructure		Total	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Turnover														
External customers	41,229	105,996	206,947	180,188	6,545	7,504	-	-	254,721	293,688	-	7,563	254,721	301,251
Inter-segments	104,529	260,584	34,600	17,676	1,838	1,718	26,461	25,825	167,428	305,803	-	-	167,428	305,803
Reportable segment turnover	145,758	366,580	241,547	197,864	8,383	9,222	26,461	25,825	422,149	599,491	-	7,563	422,149	607,054
Reportable segment profit/(loss)	(18,452)	(62,442)	167,154	146,321	1,706	3,692	3,532	10,034	153,940	97,605	-	(5,826)	153,940	91,779
Reportable segment assets	3,941,115	3,828,713	16,062,568	15,347,355	10,575	8,725	194,910	226,273	20,209,168	19,411,066	-	163,544	20,209,168	19,574,610
Reportable segment liabilities	(1,666,001)	(1,537,876)	(139,922)	(126,824)	(6,614)	(13,471)	(6,512)	(12,987)	(1,819,049)	(1,691,158)	-	(51,496)	(1,819,049)	(1,742,654)

3. Segment Information (*Continued*)

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	
	2014 (Unaudited) <i>HK\$'000</i>	2013 (Unaudited) (Re-presented) <i>HK\$'000</i>
Reportable segment turnover – continuing operations	422,149	599,491
Reportable segment turnover – discontinued operation	–	7,563
Elimination of inter-segment turnover	(167,428)	(305,803)
Turnover	<u>254,721</u>	<u>301,251</u>
Reportable segment profit – continuing operations	153,940	97,605
Reportable segment losses – discontinued operation	–	(5,826)
Net gain on fair value adjustments on investment properties	261,017	106,351
Gain on disposal of subsidiaries	101,546	–
Unallocated income and expenses	(14,826)	(22,650)
Finance costs	(30,140)	(27,612)
Share of losses of a joint venture	(14)	(70)
Profit before income tax	<u>471,523</u>	<u>147,798</u>

4. Other Income

	Continuing operations		Discontinued operation	
	Six months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Re-presented)		(Re-presented)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank interest income	3,448	2,388	-	464
Commission income	-	595	-	-
Other service income from building management services	17,823	4,911	-	-
Reversal of provision for obsolete inventories	-	-	-	908
Miscellaneous income	12,222	1,427	-	31
	<u>33,493</u>	<u>9,321</u>	<u>-</u>	<u>1,403</u>

5. Finance Costs

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
		(Re-presented)
	HK\$'000	HK\$'000
Interest charges on:		
Bank loans		
– wholly repayable within five years	30,056	24,668
– not wholly repayable within five years	5,728	9,792
Other borrowings wholly repayable within five years	106	-
	<u>35,890</u>	<u>34,460</u>
Total borrowing costs	35,890	34,460
Less: Interest capitalised in investment properties and properties under development	<u>(5,750)</u>	<u>(6,848)</u>
	<u>30,140</u>	<u>27,612</u>

6. Profit before income tax expense

Profit before income tax expense is arrived at after charging:

	Continuing operations		Discontinued operation	
	Six months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	(Re-presented)		(Re-presented)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amortisation of intangible assets*	-	-	-	242
Amortisation of properties held for development	354	715	-	-
Bad debts written off*	-	57	-	1
Cost of inventories recognised as expense	-	-	-	5,073
Cost of properties under development recognised as expense	25,235	72,199	-	-
Deposits for property acquisition written off*	20	-	-	-
Depreciation of property, plant and equipment	2,801	2,781	-	167
Property, plant and equipment written off	158	-	-	-
Employee benefit expenses (including directors' remuneration and defined contribution cost)				
- Share option expenses	3,055	9,406	-	-
- Salaries, bonus and defined contribution cost	64,468	62,265	-	5,179
- Other employee benefit expenses	1,356	2,138	-	170
	68,879	73,809	-	5,349
Operating lease charges in respect of premises	1,285	2,114	-	509

* included in other operating expenses

7. Income Tax Expense

	Continuing operations		Discontinued operations		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013	2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Re-presented)		(Re-presented)		(Re-presented)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge/(credit) comprises:						
Hong Kong profits tax	21,982	17,925	-	-	21,982	17,925
PRC income tax	3,788	-	-	478	3,788	478
Deferred tax credit	(927)	(2,960)	-	-	(927)	(2,960)
	<u>24,843</u>	<u>14,965</u>	<u>-</u>	<u>478</u>	<u>24,843</u>	<u>15,443</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong.

For the interim period ended 30 June 2014, all of the Group's PRC subsidiaries are subject to PRC Enterprises Income Tax ("EIT") rate of 25%. For the last interim period, certain of the Group's PRC subsidiaries for discontinued operation were exempted from EIT for the first two profitable years of operations, and thereafter, were eligible for a 50% relief from EIT for the following three years and remaining PRC subsidiaries were subject to EIT rate of 25%.

8. Earnings Per Share

From continuing and discontinued operations

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

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings		
Profit attributable to owners of the Company	<u>448,078</u>	<u>133,982</u>
	2014	2013
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	280,860,600	280,802,919
Effect of dilutive potential ordinary shares in respect of employee share options	<u>1,864,394</u>	<u>3,879,736</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>282,724,994</u>	<u>284,682,655</u>

From continuing operations

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

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		(Re-presented)
Profit for the period attributable to owners of the Company	448,078	133,982
Less: Loss for the period from discontinued operation	<u>-</u>	<u>5,404</u>
Profit for the period attributable to the owners of the Company for the purpose of basic and diluted earnings per share from continuing operations computation	<u>448,078</u>	<u>139,386</u>

The denominators used are the same as those detailed above for both basic and diluted earnings per share from continuing and discontinued operations.

8. Earnings Per Share (*Continued*)

From discontinued operations

The basic and diluted loss per share from discontinued operation attributable to the owners of the Company is calculated based on the following data:

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		(Re-presented)
Loss for the period from discontinued operation	–	(6,304)
Less: Loss for the period from discontinued operation attributable to non-controlling interests	–	900
	<u>–</u>	<u>900</u>
Loss for the period attributable to the owners of the Company for the purpose of basic and diluted loss per share from discontinued operation computation	–	(5,404)
	<u><u>–</u></u>	<u><u>(5,404)</u></u>

The denominators used are the same as those detailed above for both basic and diluted earnings per share from continuing and discontinued operations.

9. Trade and Other receivables

As at the reporting date, trade receivables included in trade and other receivables were approximately HK\$12,955,000 (31 December 2013: approximately HK\$7,457,000). The credit terms of the Group ranging from 30 to 90 days. Based on the invoices dates, the ageing analysis of trade receivables was set out below:

	30 June	31 December
	2014	2013
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
0 – 30 days	5,831	4,309
31 – 90 days	2,613	1,800
91 – 180 days	1,921	185
Over 180 days	2,590	1,163
	<u>12,955</u>	<u>7,457</u>
Total trade receivables	12,955	7,457
Other receivables	<u>141,133</u>	<u>104,996</u>
	<u><u>154,088</u></u>	<u><u>112,453</u></u>

10. Trade and Other Payables

As at the reporting date, trade payables included in trade and other payables were approximately HK\$12,523,000 (31 December 2013: approximately HK\$10,669,000). The Group was granted credit periods by its suppliers ranging from 30 to 60 days. Based on the invoices dates, the ageing analysis of trade payables was set out below:

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
0 – 30 days	2,470	6,048
31 – 90 days	590	886
Over 90 days	9,463	3,735
Total trade payables	12,523	10,669
Other payables	457,004	448,101
	<u>469,527</u>	<u>458,770</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

In the first half of 2014, the global economy showed signs of stabilization and recovery. The Federal Reserve continued to cut its bond purchases, but the reductions were moderate. Low-interest environment is expected to persist. The Federal Reserve has committed to keeping a low or near-zero interest-rate policy in the longer run, and the global economy is expected to maintain moderate growth.

Data indicates a declining trend in the number of mainland visitors travelling to Hong Kong, which indirectly impacts Hong Kong's retail sales and leasing market. However, the Group's properties are mainly located in prime locations; hence, the leasing business of the Group has not been materially affected. The Group has full confidence in the prospects of the property leasing business, and an overall increase in rental income was recorded.

The government amended the double stamp duty measure in May to lengthen the tax rebate period for buyers seeking to replace an old property with a new one, which is favourable to the market sentiment by spurring turnover in the real estate market. The Group will continue to respond according to the government's policy and develop our property business in Hong Kong based on market conditions and local housing policies.

Located at 1-29 Tang Lung Street, a core area in Causeway Bay, Soundwill Plaza II – Midtown officially opened for business in April 2014. The marketing campaigns organized around the opening, including the launch of Hong Kong's first-ever Lamborghini Pop-up Museum, as well as Midtown POP, a multi-purpose space for art and performance, successfully attracted customer traffic and boosted the sales of our tenants. Soundwill Plaza II – Midtown also provides a variety of food and beverage and leisure options for customers in the area. The synergy between Soundwill Plaza I and Soundwill Plaza II provides the Group with a solid foundation for its investment-property portfolio and has further increased the weight of recurring income. At the same time, it marks an important milestone for the Group's property leasing business in Hong Kong.

The Group acquired 100% ownership of 12-24 Lun Fat Street, Wan Chai, in 2013. In April 2014, the Group sold the site to Wkinv HK Holdings Ltd. for HK\$860 million. The transaction provided the Group with substantial cash inflow.

In addition, the construction of Park Haven, a spotlight residential property project of the group located at 38 Haven Street, was completed in the first half of 2014.

MANAGEMENT DISCUSSION AND ANALYSIS (*CONTINUED*)

Property Assembly Business

The Group endeavors to capture business opportunities in the local market through property assembly and the acquisition of old buildings. It seeks to acquire land reserves with high appreciation potential at a reasonable cost and actively retain projects with strong potential for its own development purposes. This strategy allows the Group to fully utilize its land resources and ultimately enhance profitability and opportunities in the long term. The property assembly business lays a foundation for the Group's property development and earnings growth for the coming years.

The Group acquired 100% ownership of 12-24 Lun Fat Street, Wan Chai, in 2013. In April 2014, the Group sold the site to Wkinv HK Holdings Ltd. for HK\$860 million. The transaction provided the Group with substantial cash inflow.

Property Leasing

For the six month period ending 30 June 2014, this business segment registered a turnover of HK\$206,947,000, representing 81% of the Group's turnover for the period.

During the period under review, Soundwill Plaza I, our flagship property located at Russell Street, Causeway Bay, was popular and well received by local consumers and tourists. The property's leasing performance was exceptional, as represented by high occupancy and steady growth in rental prices. Soundwill Plaza I currently provides the most stable stream of income to the Group. In addition, Soundwill Plaza II – Midtown, another flagship property of the Group, officially opened for business in April 2014. It has a total leasable area of approximately 218,000 square feet. This eye-catching commercial project integrates retail, dining, and office spaces into one complex. It has become a destination of choice that enables sizeable, prestigious businesses and top-notch restaurants to carve out their niches in the heart of Causeway Bay.

Moreover, the Group has actively expanded its Hong Kong property leasing portfolio and has enhanced its commercial property portfolio's competitiveness through various measures, including the renovation and upgrading of existing commercial properties, to attract customers, thereby allowing tenants to enjoy stronger business.

The leveraging of our investment properties in prime locations, high-quality tenant portfolio and progressively increasing leasing area, and a constantly improving tenant portfolio have significantly enhanced (and will continue to enhance) our sources of rental income, thus generating substantial recurring income for the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Property Development

For the six months ending 30 June 2014, this business segment registered a turnover of HK\$41,229,000, representing 16% of the Group's turnover for the period.

Property Development in Hong Kong

Affected by the government's cooling measures for the property market, the performance of the new and existing home markets began to diverge in mid-2013. After the tax rebate period for replacement homebuyers was lengthened, the sales of both new and existing homes were boosted. Buyers, especially first-time home buyers, continued to support demand for small and medium-sized units. Reasonable mortgage burdens, low mortgage rates, and increasing resident incomes remained favorable factors for the market. The Group is optimistic about market prospects. For COHO, our residential development project located at 18-21 School Street, Tai Hang, the Group plans to hold on to selected units and sell them at good prices, and it will adopt a comprehensive strategy based on market conditions. With earnings-potential enhancement as the premise, we will strive to reap maximum returns over the longest possible term. Furthermore, Park Haven, a spotlight residential property project developed by the Group and located at 38 Haven Street, was completed in the first half of 2014. The project features 190 residential units of various designs. In terms of number of units, 179 units have been sold so far, providing the Group with total sales proceeds of approximately HK\$2,460 million. This remarkable sales performance met the Group's sales target.

Property Development in Mainland China

The Group is currently developing a number of projects in a few cities in Guangdong. Although economic growth has cooled down in Mainland China, the government's policies are to stimulate domestic demand and the advancement of urbanization will allow for sustainable growth in China's economy. This will be favorable for the long-term development of the real estate market in China.

Long Feng Chun Xiao, a residential development project located in Doumen District, Zhuhai, developed jointly by the Group and its JV partner, has been completely sold out. In addition, the first phase villa residences of The Lakeview Bay, an integrated project wholly owned by the Group and featuring villa and high-rise residences located in Gaoyao City, Zhaoqing, has been completed. More than half of these villa residences have been sold and delivered to the owners. The high-rise residences in Phase 2 are under construction and is expected to launch in the second half of 2014.

MANAGEMENT DISCUSSION AND ANALYSIS (*CONTINUED*)

Property Development in Mainland China (*Continued*)

Furthermore, construction of the first phase of Yu Ming Du (Shan Shui Xiang Ri), a project located in Doumen District, Zhuhai, is almost completed. The project will be launched once pre-sales permit is issued. Jin Hui (Yi Jing Yuan), a high-rise residential project located in Kaiping, Jiangmen, is expected to commence construction by the end of 2015.

Property Management

For the six months ending 30 June 2014, this business segment registered a turnover of HK\$6,545,000, representing 3% of the Group's turnover for the period.

The Group's subsidiaries for property management and maintenance are engaged in the provision of management services, maintenance services, and quality customer service to the properties and facilities of large-scale commercial buildings, as well as small and medium-sized estates. These subsidiaries are constantly innovating to raise the overall service standard. Leveraging on its extensive experience and enthusiasm, the team considers customer desires to provide high-quality service to owners and tenants. During the period under review, the property management team managed the quality of the indoor environments and reduced waste by employing energy-efficient measures to promote energy conservation and carbon reduction.

Urban Infrastructure Development

In October 2013, the Group sold its Mainland underground pipelines business to Ms. Foo Kam Chu Grace, the controlling shareholder and chairman of the Group, for a consideration of HK\$122 million in order to concentrate resources on expanding its principal activities.

MANAGEMENT DISCUSSION AND ANALYSIS (*CONTINUED*)

Communication with Shareholders and Investors/Investor Relations

The Group believes that effective communication with shareholders is a key to improving investor relations and will ultimately assist the investment community in understanding the Company's business performance and strategies. Through regular, comprehensive, and interactive communication, we strive to enhance communication with investors through various communication channels. These include in-person meetings, telephone conferences, overseas roadshows, and project-site visits organized for the investor community. The Group seeks to establish a trustful and fruitful relationship with its shareholders and investors. The 2013 Annual General Meeting was held in May 2014. The Group organized briefings and media interviews for results announcements and proactively stayed in touch with the press through press releases, announcements, and other promotional materials. The Group is also committed to enhancing corporate transparency and provides timely disclosure of information on the Group's developments to help shareholders and investors make informed investment decisions. The Group is devoted to enhancing corporate governance practices on business growth and strives to attain a balance between corporate governance requirements and performance. The Board of Directors believes that sound corporate governance is essential to the success of the Company and will enhance shareholders' value.

Corporate Citizen

The Group remains firmly committed to pursuing excellence in all its business operations and social responsibilities, which it believes are integral and guiding elements of its corporate culture.

With the opening of Soundwill Plaza II – Midtown, the Group took the opportunity to support the arts and promote local culture. The Group has actively organized various art exhibitions and activities over the years, and its efforts have been well recognized by the public. Midtown POP, the brand new art exhibition space, is located on 17/F, Soundwill Plaza II – Midtown.

The Group seeks to make Midtown POP a focal point for local art and cultural development by introducing world-class visual and performing arts to the public. Through various forms of art and cultural activities, the Group would like to provide visitors with the option to enjoy art in the busy metropolis.

MANAGEMENT DISCUSSION AND ANALYSIS (*CONTINUED*)

Prospects

As the US economy gradually recovers, global economic growth is expected to gain momentum in the coming years. However, full recovery is still far away. The Eurozone's economic growth is still proceeding slowly, though the sovereign debt crisis has eased slightly. We expect that the interest rate hike cycle will not begin before 2015, but we believe these hikes will be minimal and will work to support global economic growth.

In view of real estate market, the growth in foreign trade, increasing household income, and low mortgage rates will continue to allow Hong Kong's economic foundation to develop steadily. However, local government measures imposed on the property market, the manpower shortage of the construction industry and continuing upward local construction costs may affect Hong Kong's residential market. Nevertheless, increasing land supply and hence more housing completions should be beneficial to residential market over medium to long term.

Looking into the second half of 2014, the Group will continue to balance its proportions of income from property sales and property leasing. It will also selectively replenish its land bank through various channels. The Group will continue to develop its businesses prudently and launch new projects at opportune times as originally planned. The above strategies, together with solid, recurring leasing income and remarkable property-sales income, will allow the Group to capture tremendous opportunities and lay a solid foundation for future development.

INTERIM DIVIDEND

The Directors do not recommend interim dividend for the six months ended 30 June 2014 (30 June 2013: Nil).

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2014, the Group cash and cash equivalents amounted to HK\$240,445,000 (31 December 2013: HK\$310,629,000). Up to 30 June 2014, the accumulated amount received from the buyers of three development projects in Hong Kong, Park Haven, The Sharp and COHO were HK\$1,328,220,000. Part of the proceeds was applied for repayment of bank borrowing.

The Group's total borrowings as at 30 June 2014 were HK\$2,891,910,000 (31 December 2013: HK\$3,955,820,000). The Group's gearing ratio, (which was expressed as a percentage of total borrowings over total equity) was 19% as at 30 June 2014 (31 December 2013: 26%).

As at 30 June 2014, the Group's net assets amounted to HK\$15,435,360,000 (31 December 2013: HK\$15,036,992,000), representing an increase of 3%. With the total number of ordinary shares in issue of 281,024,135 as at 30 June 2014 (31 December 2013: 280,824,135 shares), the net asset value per share was HK\$54.9 (31 December 2013: HK\$53.5).

The Group's exposure to foreign currency risk mainly arises from the exchange rate movement between Hong Kong Dollar and Renminbi in relation to its PRC operations. Given there would have positive impact on the Group's assets in the PRC which generated income from as well as expense incurred in PRC, the Group had not implemented any hedging measures during the period under review.

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

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

DETAILS OF MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 31 March 2014, the Group entered into a sale and purchase agreement with an independent third party in relation to the disposal of 12–24 Lun Fat Street, Wan Chai. Further details have been disclosed in the announcement dated 31 March 2014.

There was no material acquisitions of subsidiaries and associated companies during the six months ended 30 June 2014.

EMPLOYEES

There was no material change regarding the number of the employees of the Group since the publication of the Company's 2013 annual report.

PLEDGE OF ASSETS

As at 30 June 2014, certain investment properties, property, plant and equipment, and properties under development of the Group with a total carrying value of approximately HK\$14,691,490,000 (31 December 2013: approximately HK\$16,503,877,000) were pledged to secure banking facilities for the Group.

CONTINGENT LIABILITIES

- (a) During the course of business, certain bank accounts were opened and held in the name of certain subsidiaries on behalf of third parties to whom these subsidiaries provided building management services. As at the reporting date, those bank balances which were held on behalf of third parties and were not accounted for in the books of account and financial statements of the Group amounted to HK\$16,024,000 (31 December 2013: HK\$7,558,000).
- (b) Since the Group commenced legal proceedings HCA 1902/2009 ("the Action") against a joint venture partner in 2009, with whom the Group has a joint venture agreement for the development and construction of village houses in the New Territories, the Action has been stayed pending the outcome of the proceedings in HCMP 1760/2009 which concerns the same subject matter. The Group has filed a re-amended statement of claim in December 2012 in HCMP 1760/2009 and the exchange of pleadings have been closed in or about April 2013. The case has come to the stage of discovery of documents and thereafter it will proceed to the mutual exchange of factual witnesses' statements. The trial date is yet to be fixed by court.

In view of the Group's legal adviser unable to assess the likely outcome, provision for impairment on amount due from a joint venture and provision for legal costs were amounting to HK\$15,565,000 (31 December 2013: HK\$15,565,000) and HK\$3,598,000 (31 December 2013: HK\$3,598,000) respectively.

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

During the six months ended 30 June 2014, 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 2014.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules during the six months ended 30 June 2014 except that:

(1) Code Provision A.1.8

Code Provision A.1.8 provides that an issuer should arrange appropriate insurance cover in respect of legal action against its directors.

As at 30 June 2014, the Group has not yet identified any suitable insurer to meet our internal requirements. As such, the Group has not yet arranged appropriate insurance cover in respect of this Code Provision.

(2) 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. The Board is of the view that the current management structure can effectively facilitate the Company's operation and business development.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE (*CONTINUED*)

(3) 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).

The Company has made specific enquiry and 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 2014 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
Soundwill Holdings Limited
Foo Kam Chu Grace
Chairman

Hong Kong, 19 August 2014

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