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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 2022

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$ million	HK\$ million
Revenue	270.3	260.3
Net fair value loss on investment properties	(54.1)	(490.1)
Profit/(loss) attributable to owners of the Company	62.8	(357.3)
Basic earnings/(loss) per share (dollars)	HK\$0.22	HK\$(1.26)
	At	At
	30 June	31 December
	2022	2021
	(Unaudited)	(Audited)
	HK\$ million	HK\$ million
Total assets	22,367	22,277
Net assets	19,527	19,542
Total borrowings	1,937	1,872
Gearing ratio	10%	10%
Net asset value per share (dollars)	HK\$68.9	HK\$69.0

* 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 2022 which have been reviewed by the Audit Committee of the Company, with comparative figures for the corresponding period in 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2022	2021
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue			
Revenue from goods and services		74,375	47,023
Rental income		195,876	213,234
		<hr/>	<hr/>
Total revenue		270,251	260,257
Cost of sales		(41,921)	(26,651)
		<hr/>	<hr/>
Gross profit		228,330	233,606
Other income	4	16,923	11,757
Selling expenses		(2,866)	(3,094)
Administrative expenses		(74,943)	(62,896)
Net fair value loss on investment properties		(54,068)	(490,128)
Gain/(loss) on disposal of subsidiaries and investment property held for sale		217	(5,831)
Finance costs	5	(12,879)	(11,850)
		<hr/>	<hr/>
Profit/(loss) before income tax expense	6	100,714	(328,436)
Income tax expense	7	(38,316)	(28,834)
		<hr/>	<hr/>
Profit/(loss) for the period		62,398	(357,270)
		<hr/> <hr/>	<hr/> <hr/>
Other comprehensive expense, net of tax			
<i>Item that will not be reclassified to profit or loss:</i>			
Change in fair value of financial assets at fair value through other comprehensive income (“FVTOCI”)		203	—
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange (loss)/gain on translation of foreign operations		(20,991)	7,748
		<hr/>	<hr/>
Other comprehensive (expense)/income for the period, net of tax		(20,788)	7,748
		<hr/>	<hr/>
Total comprehensive income/(expense) for the period		41,610	(349,522)
		<hr/> <hr/>	<hr/> <hr/>

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

		Six months ended 30 June	
		2022	2021
		(Unaudited)	(Unaudited)
	<i>Note</i>	HK\$'000	HK\$'000
Profit/(loss) for the period attributable to:			
— Owners of the Company		62,801	(357,274)
— Non-controlling interests		(403)	4
		<u>62,398</u>	<u>(357,270)</u>
Total comprehensive income/(expense) for the period attributable to:			
— Owners of the Company		43,652	(349,681)
— Non-controlling interests		(2,042)	159
		<u>41,610</u>	<u>(349,522)</u>
Earnings/(loss) per share for profit/(loss) attributable to owners of the Company during the period			
Basic	8	<u>HK\$0.22</u>	<u>HK\$(1.26)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2022 (Unaudited) <i>HK\$'000</i>	31 December 2021 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		19,805,135	19,808,515
Property, plant and equipment		128,686	135,216
Financial assets at FVTOCI		40,030	28,605
Deposits paid for acquisition of properties		9,251	16,491
Loan receivables	9	8,293	16,552
 Total non-current assets		19,991,395	20,005,379
 Current assets			
Properties for sale		893,874	888,704
Trade and other receivables	9	248,516	151,757
Financial assets at fair value through profit or loss ("FVTPL")		74,346	2,815
Restricted bank deposits		13,601	16,110
Short-term bank deposits		400,403	251,181
Cash and cash equivalents		738,743	885,358
 Assets classified as held for sale		2,369,483 6,500	2,195,925 75,300
 Total current assets		2,375,983	2,271,225
 Current liabilities			
Trade and other payables	10	515,337	545,888
Contract liabilities		102,882	47,186
Lease liabilities		20,631	13,729
Borrowings		206,648	1,396,158
Provision for income tax		111,650	125,595
 Total current liabilities		957,148	2,128,556
 Net current assets		1,418,835	142,669

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Total assets less current liabilities	<u>21,410,230</u>	<u>20,148,048</u>
Non-current liabilities		
Borrowings	1,730,663	475,343
Lease liabilities	33,100	15,699
Deferred tax liabilities	<u>119,819</u>	<u>115,306</u>
Total non-current liabilities	<u>1,883,582</u>	<u>606,348</u>
Net assets	<u>19,526,648</u>	<u>19,541,700</u>
EQUITY		
Equity attributable to owners of the Company		
Share capital	28,331	28,331
Reserves	<u>19,483,883</u>	<u>19,496,893</u>
	19,512,214	19,525,224
Non-controlling interests	<u>14,434</u>	<u>16,476</u>
Total equity	<u>19,526,648</u>	<u>19,541,700</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 2022 (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, leasehold building and financial assets at fair value through other comprehensive income, 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 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2021.

Application of amendments to HKFRSs

In the current interim period, the Group has applied 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 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018—2020

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Application of amendments to HKFRSs (Continued)

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹

¹ Effective for annual periods beginning on or after 1 January 2023

Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies”

HKAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group’s significant accounting policies. The impacts of application, if any, will be disclosed in the Group’s future consolidated financial statements.

Amendments to HKAS 8 “Definition of Accounting Estimates”

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group’s 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 : Provision of building management, property repairs and maintenance and other services 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 does 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	
	2022	2021	2022	2021	2022	2021	2022	2021
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue								
External customers	62,965	36,246	195,876	213,234	11,410	10,777	270,251	260,257
Inter-segments (note)	—	—	24	14	1,494	2,702	1,518	2,716
Segment revenue	62,965	36,246	195,900	213,248	12,904	13,479	271,769	262,973
Segment profits	19,006	5,239	165,775	178,612	7,407	11,261	192,188	195,112
Certain other income, other gains and losses							3,871	2,144
Gain/(loss) on disposal of subsidiaries and investment property held for sale							217	(5,831)
Certain administrative expenses							(28,615)	(17,883)
Net fair value loss on investment properties							(54,068)	(490,128)
Finance costs							(12,879)	(11,850)
Profit/(loss) before income tax expense							100,714	(328,436)

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

The operating and reportable segment results exclude finance costs, net fair value loss on investment properties, gain/(loss) on disposal of subsidiaries and investment property held for sale, certain other income, gain and losses, 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 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000						
Segment assets	1,238,264	1,274,779	20,349,446	20,072,949	28,124	23,571	21,615,834	21,371,299
Certain property, plant and equipment							15,202	5,264
Financial asset at FVTOCI							40,030	28,605
Short-term bank deposits							400,403	251,181
Certain cash and cash equivalents							289,409	544,955
Assets classified as held for sale							6,500	75,300
Total assets							22,367,378	22,276,604
Segment liabilities	359,458	317,360	244,140	241,404	8,615	7,531	612,213	566,295
Certain other payables							59,737	56,207
Borrowings							1,937,311	1,871,501
Provision for income tax							111,650	125,595
Deferred tax liabilities							119,819	115,300
Total liabilities							2,840,730	2,734,904

Segment assets include all assets other than certain property, plant and equipment, financial asset at FVTOCI, 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	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	7,616	6,266
Interest income from loan receivables	303	530
Forfeiture of deposits	5,093	—
Miscellaneous income	3,911	4,961
	<u>16,923</u>	<u>11,757</u>

5. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expenses on:		
Borrowings	11,731	11,519
Lease liabilities	1,148	331
	<u>12,879</u>	<u>11,850</u>

6. PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE

Profit/(loss) before income tax expense is arrived at after charging:

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of completed properties for sale recognised as expense	37,369	23,414
Depreciation of right-of-use assets and other property, plant and equipment	5,872	10,402
Employee compensation expense (including Directors' remuneration and defined contribution cost)	64,507	48,776
Rentals in respect of short-term leases and low-valued leases	149	253
	<u>107,897</u>	<u>82,845</u>

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong Profits Tax	18,087	23,003
Mainland China Enterprise Income Tax (“EIT”)	6,424	1,009
Mainland China Land Appreciation Tax	4,292	1,219
Mainland China Corporate withholding income tax	5,001	—
Deferred tax charge	4,512	3,603
	<u>38,316</u>	<u>28,834</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 Mainland China EIT rate of 25% for both periods.

8. EARNINGS/(LOSS) PER SHARE

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Earnings/(loss)		
Profit/(loss) attributable to owners of the Company (HK\$'000)	<u>62,801</u>	<u>(357,274)</u>
Number of shares		
Number of ordinary shares for the purpose of basic earnings/ (loss) per share (note)	<u>283,308,635</u>	<u>283,308,635</u>

Note:

During the six months ended 30 June 2022 and 2021, neither the Company nor any of its subsidiaries had repurchased any of the Company’s shares respectively.

No diluted earnings/(loss) per share for six months ended 30 June 2022 and 2021 was presented as there were no potential ordinary shares in issue during six months ended 30 June 2022 and 2021.

9. TRADE AND OTHER RECEIVABLES/LOAN RECEIVABLES

As at 30 June 2022, trade receivables included in trade and other receivables were approximately HK\$68,141,000 (31 December 2021: HK\$30,039,000). 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 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
<i>Current assets:</i>		
Trade receivables		
0–30 days	15,709	10,950
31–90 days	24,622	8,863
91–180 days	19,014	2,508
Over 180 days	8,796	7,718
	<hr/>	<hr/>
Total trade receivables, net	68,141	30,039
	<hr/>	<hr/>
Loan receivables	146,228	147,191
Less: allowance for credit losses	(142,023)	(142,023)
	<hr/>	<hr/>
Total loan receivables, net	4,205	5,168
	<hr/>	<hr/>
Other receivables, utility deposits and prepayment	176,170	116,550
	<hr/>	<hr/>
Total trade and other receivables categorised as current assets	248,516	151,757
	<hr/>	<hr/>
<i>Non-current assets:</i>		
Loan receivables	8,293	16,552
	<hr/>	<hr/>
	256,809	168,309
	<hr/> <hr/>	<hr/> <hr/>

The Directors consider that the fair values of trade and other receivables which are expected to be recovered within one year are not materially different from their carrying amounts due to short maturity periods on their inception.

10. TRADE AND OTHER PAYABLES

As at 30 June 2022, trade payables included in trade and other payables were approximately HK\$14,090,000 (31 December 2021: HK\$17,405,000). The Group was granted credit periods by its suppliers ranging from 30 to 60 days. The ageing analysis of trade payables, presented based on the invoice date, was set out below:

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
0–30 days	3,232	4,101
31–90 days	1,218	3,254
Over 90 days	<u>9,640</u>	<u>10,050</u>
Total trade payables	<u>14,090</u>	<u>17,405</u>
Other payables	<u>501,247</u>	<u>528,483</u>
	<u>515,337</u>	<u>545,888</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The first half of 2022 was a period of great anxiety in the global economy, due to the new wave of COVID-19 that swept across the world and the conflict that erupted between Russia and Ukraine, which drove up consumer prices and disrupted supply chains. In an effort to bring down high external inflation, the United States Federal Reserve (“the Fed”) tightened monetary policy, with central banks across the globe following suit. Accordingly, economic growth forecasts have been lowered for Hong Kong and indeed the world as a whole.

The fifth wave of the COVID-19 early this year dealt a heavy blow to the Hong Kong economy and society. Strict social distancing measures in the first quarter led to more cautious investor sentiment, reduced business pace and scales, ultimately resulted in an economic downturn.

During the period under review, the Group’s property development business was the main contributor to an overall increase in revenue. This was offset by the economic uncertainties and a shrinking leasing market that applied downward pressure on rents, which together with the provision of rent support measures affected the Group’s overall performance. Our major investment properties, including Soundwill Plaza, Soundwill Plaza II — Midtown and 10 Knutsford Terrace, recorded a drop in rental income. However, with the gradual relaxation of anti-pandemic measures and the implementation of the government’s various consumption stimulus measures, especially the consumption voucher scheme, we believe a recovery in local consumption and certain sectors is just around the corner.

On the other hand, we achieved increases in tenant sales and revenue by leveraging the improved consumption sentiment brought from the consumption voucher scheme, as a result of the introduction of a high-quality tenants in our portfolio, and the launch of proactive marketing initiatives with business partners and tenants. We also launched an online marketing strategy with development roadmap based on commercial technology for our properties and mini-storage businesses and integrated our customer relationship database with our e-commerce payment management systems. In addition, we enhanced our reward scheme and Soundwill Club mobile app, which enabled us to recruit more members, expand online marketing opportunities, increase consumption and bring more business to our tenants.

As local investors adjusted their expectations, managed their risks and markets fluctuated, there was still some demand for new investment properties. During the review period, we received a positive market response to the presale of iCITY, our latest industrial project in Kwai Chung, which we expect will bring in added revenue for the Group and enhance our long-term competitiveness in the property market.

Despite the uncertainties and continuing challenges caused by the pandemic and global geopolitical tensions, the Group will remain focused on our future development and seize new development opportunities. With prudent risk management principles and a contingency plan in place, we believe we can maintain profitability and move forward, even in a complex and volatile environment, for the best interests of our shareholders and stakeholders.

Property Leasing

For the six months ended 30 June 2022, the Group's property leasing business segment recognised revenue of approximately HK\$195,900,000, representing approximately 73% 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, which are all situated in prime locations in Hong Kong with high quality tenant portfolios. At the beginning of the year, certain tenants experienced severe business disruptions due to stringent pandemic controls and the continuation of strict social distancing measures. The downward pressure on rents along with our rent support measures for tenants led to a drop in overall rental income of the Group, as compared with the same period last year.

As social distancing measures were relaxed, however, we saw an improvement in the performance of our property portfolio and increased leasing activities, with overall letting maintained at a high level. Our experienced management team, who know how to stay abreast of the latest market trends, continued to optimise our tenant portfolio. Among their achievements during the review period, they brought in new restaurants with high quality catering, a virtual reality experience station and an exclusive NFT art exhibition.

One Storage Management Company Limited

One Storage, a subsidiary of the Group, has been providing high-quality and professional mini-storage services for customers with different storage needs, offering them a better live and living space since 2018. One Storage has been expanding its service scope in recent years and by 30 June 2022 had reached 40 branches. These include locations in Kennedy Town, Tin Hau, Wong Chuk Hang, Chai Wan, San Po Kong, Yau Tong, Tai Po, Fo Tan, Tuen Mun, Tsing Yi, Kwai Chung and Tsuen Wan, all of which offer convenient and thoughtful services for customers.

To meet evolving market needs and adapt to the new consumption model that has arisen during the pandemic, One Storage upgraded its online marketing strategies by integrating its database with the customer relationship management system. Customers are now able to monitor their own storage space remotely via digital technology. This, together with enhanced online and offline reward schemes and a consolidated e-commerce payment management system, have increased marketing efficiency and enabled One Storage to attract new customers while also simplifying the management of its mini-storage services.

Property Development

For the six months ended 30 June 2022, the Group's property development business segment recognised revenue of approximately HK\$62,965,000, representing approximately 23% of the Group's total revenue for the period.

The Group's iCITY project is an around-the-clock digital industrial facility located at 111 Ta Chuen Ping Street, Kwai Chung. Currently under construction, this 20-storey building provides 601 workshops, each covering a gross floor area from about 335 square feet to 510 square feet on a typical floor. The estimated material date for this project is in the fourth quarter of 2023. Situated in an industrial district now undergoing a major revitalisation with rampant transformational activities, iCITY is destined to become a major innovation and technology hub in the area.

In Mainland China, our business continued to be affected by the downward pressure from the previous year, when the property market in China recorded a decrease in sales volume, property development activity and financing. To maintain the order of the property market, the central government continued its "houses are built to be inhabited, not for speculation" policy. Accordingly, local governments have cut back measures to stimulate demand in the property market, which is expected to gradually recover in the second half of 2022.

The Group currently has several real estate projects in Mainland China. These include Grand Capital (Shan Shui Xiang Ri Hao Ting) in Doumen District, Zhuhai and Lakeview Bay • VOGUE (an integrated project comprising of villas and high-rise residences) in Gaoyao District, Zhaoqing. Both have been completed with relatively stable sales performance and delivered for occupation, with only a few units left for sale. All our property projects in China have now been completed, which gives confidence to flat buyers.

Building Management and Other Services

For the six months ended 30 June 2022, the Group's building management and other services segment recognised revenue of approximately HK\$11,410,000, representing approximately 4% of the Group's total revenue for the period.

Goldwell Property Management Limited

Goldwell Property Management Limited, a subsidiary of the Group, specialises in high-quality property management and maintenance as well as facilities management services for A-Grade large-scale commercial buildings, industrial buildings and various types of estates. This subsidiary business complies with international standards and is run by a highly experienced and professionally qualified building management team that has achieved ISO9001, ISO14001 and ISO45001 certifications.

In alignment with the Group's environmental, social and governance goals, Goldwell's management team constantly looks for environmentally-friendly property management and energy-saving solutions. It has also set annual targets for improving energy efficiency and minimising our carbon footprint in response to calls for carbon reduction from the government and society. Regular internal assessments are also carried out to provide owners and tenants with professional and comprehensive high-quality property management, customer and maintenance services. Additionally, the team makes use of the latest technology to improve overall service quality.

Communication with Shareholders and Investors/Investor Relations

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

With a view to establishing trusting and productive partnerships with shareholders and investors, the Group made extensive use of electronic communication channels during the pandemic to maintain close interaction with investors. The annual general meeting of the Group this year was held in May 2022. In addition to briefings on the results announcements, we maintained regular contact with the media through press releases, announcements and other promotional materials.

On an ongoing basis, the Group remained committed to transparency through the timely disclosure of information on the Group's business development so that shareholders and investors are able to make informed investment decisions. In order to achieve a balance between compliance with corporate governance requirements and business growth, the Group makes a continuous effort 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

Over the years, we have been incorporating the principles of sustainable development as a social investment in our operational model, according to local and global corporate trends. Although the fifth wave of the pandemic hindered the Soundwill Volunteer Team during the review period, this did not deter our volunteers from giving a helping hand to the disadvantaged. This is part of our commitment to supporting those in need and improving their quality of life through donations. Other socially-responsible initiatives have included outreach visits in the community, recycling and reuse of materials, and the provision of free mini-storage space to non-profit-making organisations in support of their logistics needs.

This year, the Group received multiple recognitions, including the Caring Company award from The Hong Kong Council of Social Service for an eleventh year and the Happy Company award by the Hong Kong Productivity Council. These awards recognised the Group, our subsidiaries and property projects for serving the community and enhancing the well-being of our employees. In the years ahead, we will continue to address society's needs through our caring initiative as we believe these create value for our stakeholders and the community.

Prospects

The global economic outlook is expected to remain challenging in the year ahead. Global financial conditions are expected to tighten further as the Fed and major central banks worldwide quicken the pace of interest rate hikes to curb inflation. Tensions in Ukraine, the ongoing Sino-American disputes and the evolving global pandemic will also weigh on global economic momentum. In Hong Kong, the economic recovery will be dragged by the economic conditions in the Mainland and the resumption progress of international and Mainland travel.

During the review period, Hong Kong's economy was undoubtedly hit hard by the pandemic. Nevertheless, as COVID-19 came under control and social distancing measures were relaxed, the local retail and catering sectors began to see more stable revenue. The unemployment rate also started to improve, particularly in April following the distribution of a new round of consumption vouchers. What's more, the new government administration has introduced more relief and stimulus measures to boost local consumption and the service sector. We expect resumption of travel, when it occurs, will help to bring Hong Kong's economy back on the right track and stimulate the recovery of local economy.

In the meantime, the Group will remain watchful for changes in macro-economy, the course of the pandemic and the state of the business environment. We will also formulate prudent development strategies in order to capture any future market opportunities and will enhance our operational efficiency and business revenue by capitalising on the strengths of our property portfolio and developments in commercial technology. During difficult times, we have always risen to challenges and will make the right strategic moves at the right time in line with general market trends. In particular, we will inject new impetus into our core operations, consolidate our revenue streams and focus on creating long-term returns for our shareholders.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (30 June 2021: Nil).

FINANCIAL REVIEW

For the six months ended 30 June 2022, the Group has recorded a revenue of approximately HK\$270,251,000 (30 June 2021: HK\$260,257,000), representing an increase of approximately HK\$9,994,000 as compared with the same period last year. The increase in revenue from property sales is the main attribute to the increase in revenue and notwithstanding rental income from investment properties dropped.

Profit attributable to owners of the Company for the six months ended 30 June 2022 was approximately HK\$62,801,000 (30 June 2021: loss of HK\$357,274,000), representing an increase of 118% as compared with the corresponding period in 2021. Such increase is attributed to valuation loss of investment properties of HK\$54,068,000 was recorded as 30 of June 2022, when compared with a loss of HK\$490,128,000 during the corresponding period in 2021.

The total interest expenses for the six months ended 30 June 2022 amounted to approximately HK\$12,879,000 (30 June 2021: HK\$11,850,000).

The Company's basic earnings per share was HK\$0.22 as compared with the loss per share in the same period of last year of HK\$1.26.

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2022, the Group cash and bank balances (including short-term bank deposits and cash and cash equivalents) amounted to approximately HK\$1,139,146,000 (31 December 2021: HK\$1,136,539,000). The Group's total borrowings as at 30 June 2022 were HK\$1,937,311,000 (31 December 2021: HK\$1,871,501,000). The Group's gearing ratio (which was expressed as a percentage of total borrowings over total equity) was 10% as at 30 June 2022 and 31 December 2021.

As at 30 June 2022, the Group's net assets amounted to approximately HK\$19,526,648,000 (31 December 2021: HK\$19,541,700,000).

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 2022, the Group had no significant investments.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 6 April 2022, the Group entered into a sale and purchase agreement with an independent third party for the disposal of the entire equity interest in a wholly-owned subsidiary of the Group, namely King Huge Enterprises Limited ("King Huge") at a consideration of HK\$47,300,000. King Huge is the sole shareholder of an investment holding company which holds an industrial property unit located in Hong Kong. The disposal was completed on 6 April 2022.

Save for the disposal 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 2022.

EVENT AFTER REPORTING PERIOD

On 9 August 2022, the Group entered into a sale and purchase agreement with an independent third party, to sell the entire interests of a wholly-owned subsidiary, Linking Smart Limited and its subsidiaries at total consideration of HK\$3,208.8 million.

Details of the above transaction are disclosed in the Company's announcement dated 11 August 2022. The transaction will be a very substantial disposal. The Company will convene a special general meeting for the shareholders, if feel fit, to approve the above transaction.

EMPLOYEES AND REMUNERATION POLICY

The Group employed an average of 307 people and 39 people in Hong Kong and Mainland China respectively as at 30 June 2022 (30 June 2021: 271 and 40 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 2022, total salaries and wages were approximately HK\$64,507,000 (30 June 2021: HK\$48,776,000).

PLEDGE OF ASSETS

As at 30 June 2022, certain investment properties, properties for sales and property, plant and equipment of the Group with a total carrying value of approximately HK\$13,072,117,000 (31 December 2021: approximately HK\$12,796,497,000) were pledged to secure banking facilities for the Group.

CONTINGENT LIABILITIES

As at 30 June 2022, the Group provided guarantees amounted to approximately HK\$82,746,000 (31 December 2021: HK\$90,564,000) 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 2022, 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 control systems and risk management, internal audit and financial reporting matters. The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2022 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 2022 except for the following deviation:

Code Provision C.2.1

Code Provision C.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 to act and function in accordance with authority policy. The Board is of the view that the current management structure can effectively facilitate the Group’s operation and business development.

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 2022.

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 C.1.3 of the CG Code.

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, 29 August 2022

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