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Knutsford
Terrace

* 僅供識別 / for identification only



金朝陽集團有限公司*
SOUNDWILL HOLDINGS LIMITED

於百慕達註冊成立之有限公司
Incorporated in Bermuda with limited liability
股份代號: Stock Code: 0878

2023

INTERIM REPORT 中期報告



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CORPORATE INFORMATION

DIRECTORS

EXECUTIVE DIRECTORS:

FOO Kam Chu Grace
CHAN Wai Ling (*Deputy Chairman*)
CHAN Hing Tat (*Chairman*)
TSE Wai Hang

INDEPENDENT NON-EXECUTIVE DIRECTORS:

CHAN Kai Nang
PAO Ping Wing
YOUNG Chun Man Kenneth (*appointed with effect from 16 June 2023*)

COMPANY SECRETARY

TSE Wai Hang

EXTERNAL AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditor

INTERNAL AUDITOR

Crowe (HK) Risk Advisory Limited

LEGAL ADVISORS

Lo, Wong & Tsui
Conyers Dill & Pearman

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

21/F, Soundwill Plaza
No. 38 Russell Street
Causeway Bay, Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11, Bermuda

PRINCIPAL BANKS

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Bank of Communications Co., Ltd.

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th floor North Cedar House
41 Cedar Avenue
Hamilton HM 12 Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Standard Limited
17/F, Far East Finance Centre,
16 Harcourt Road,
Hong Kong

SHARE INFORMATION PLACE OF LISTING

The Main Board of The Stock Exchange of Hong Kong Limited

STOCK CODE

878

BOARD LOT

500 shares

WEBSITE

www.soundwill.com.hk

INVESTOR RELATIONS

E-mail: sw.ir@soundwill.com.hk

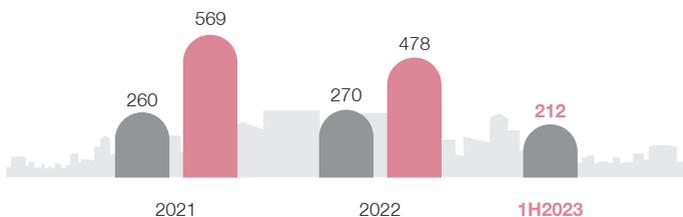
FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2023 (Unaudited) HK\$ million	2022 (Unaudited) HK\$ million
Revenue	212.3	270.3
Net fair value loss on investment properties	(482.9)	(54.1)
(Loss)/profit attributable to owners of the Company	(347.7)	62.8
Basic (loss)/earnings per share (dollars)	HK\$(1.23)	HK\$0.22
	At 30 June 2023 (Unaudited) HK\$ million	At 31 December 2022 (Audited) HK\$ million
Total assets	22,044	22,223
Net assets	18,751	19,176
Total borrowings	1,975	1,775
Gearing ratio	11%	9%
Net asset value per share (dollars)	HK\$66.2	HK\$67.7

FINANCIAL HIGHLIGHTS (CONTINUED)

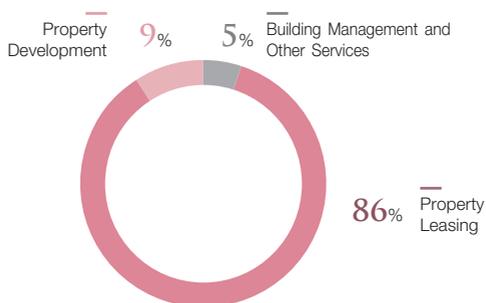
GROUP'S TOTAL REVENUE

HK\$ million



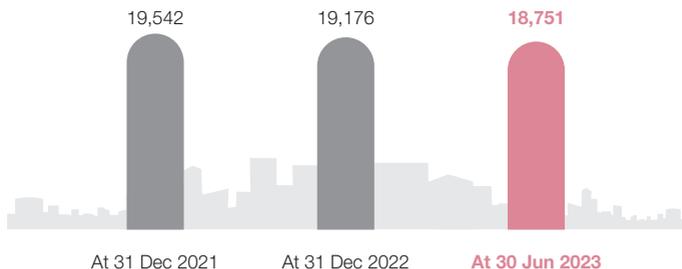
▶▶ First half of the year (1H) ▶▶ Full Year

GROUP'S REVENUE MIX FOR THE SIX MONTHS ENDED 30 JUNE 2023



GROUP'S NET ASSET VALUE

HK\$ million



MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

During the early months of 2023, the Covid-19 pandemic finally subsided across the globe and life began returning to normal. Yet the measures brought about to combat the pandemic forced central banks to maintain a contractionary monetary policy, sparking fears of a recession. Interest rate hikes, rising energy prices and inflation, coupled with continuing geopolitical conflicts, cast uncertainty over the international economic outlook.

At the beginning of the year, as the epidemic situation came under control in Hong Kong, the government relaxed its anti-pandemic measures and pushed for a full resumption of normal travel arrangements. As one of the world's leading financial centres and tourist hotspots, Hong Kong once again saw signs of renewed investment in the business community. The local economy was also reinvigorated by the progressively recovering tourism and retail sectors, with retail sales and overall economic performance expected to gradually pick up in the second half of the year.

Due to the negative impact of the pandemic in the past years and resulting rental support measures to tenants, our major investment properties, including Soundwill Plaza, Soundwill Plaza II – Midtown and 10 Knutsford Terrace, all recorded a drop in rental income during the review period. However, as the pandemic situation stabilised, Hong Kong's unemployment rate also improved, giving a boost to local consumption and consumer confidence. This was further supported by the government's introduction of another round of electronic consumption vouchers. With the increase in consumer traffic, the Group's leasing activities were much more active during the period, the occupancy rate remained at a satisfactory level, and the rental income will steadily improve.

Taking advantage of the development in market, the Group allocated substantial resources to optimize its tenant portfolio, improve the quality of the properties and accelerate the development of our digital operation. In particular, we have been enhancing our customer relationship database, one-stop group member management system and e-commerce payment management system. This has enabled us to manage our Soundwill Club membership programme, property management system and mini-storage sales business more efficiently, while increasing our marketing strengths and control of operating costs.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Although the Hong Kong property market faces the likelihood of continuing rate hikes and subdued macroeconomic conditions and reached its peak, the introduction of favourable government policies should help to stabilise the property market after the epidemic. iCITY, our latest industrial project in Kwai Chung, has been extremely well received among both local and foreign investors since its presale, with more than 200 units sold as of the end of the review period. The Group will also continue to replenish our land reserve in a timely manner, diversify our business according to market conditions, build up the synergy among our different operations and strengthen our competitiveness.

In line with prudent financial management principles in an uncertain economic environment, we consolidated our strengths and maintained a robust risk management system. We also continued to enhance the profitability of our core operations and explore new investment avenues. What's more, we carefully analysed and seized development opportunities in order to establish a more robust business portfolio for the Group and deliver better returns to our investors.

Property Leasing

For the six months ended 30 June 2023, the Group's property leasing business segment recognised revenue of approximately HK\$182,666,000, representing approximately 86% of the Group's total revenue for the period.

Due to the rental support measures provided to support business operations of our tenants during the epidemic, the Group's overall rental income recorded a decline during the period. Nevertheless, we are positive that we can offset this decline as the Group has major investment properties with high quality tenant portfolios situated in prime locations in Hong Kong. These include Soundwill Plaza, Soundwill Plaza II – Midtown, 10 Knutsford Terrace and Kai Kwong Commercial Building. With the relaxation of the anti-pandemic measures, customer traffic and consumer spending have gradually rebounded, our tenants have resumed full operation, and rental income has improved. In addition, we optimised the tenant portfolio of our shopping malls by introducing new brand flagship stores and popular restaurants that have become major new landmarks appealing to a wide variety of customers.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

One Storage Management Company Limited

One Storage, a wholly-owned subsidiary of the Group, offers secure, convenient and comfortable storage space to customers and professional management services. Each facility is equipped with fire safety devices that comply with the latest regulatory guidelines. The existing branches of One Storage are strategically located in key residential and industrial areas all over Hong Kong. As at 30 June 2023, the number of branches had grown to 40 to serve customers in different districts of Hong Kong. With more branches and even larger leasable areas, this business has the potential to generate greater earnings for the Group. In 2024, our branch coverage will increase progressively as we open additional shops in suitable locations, giving us the ability to attract more customers looking for the high-quality, professional storage services we offer.

To attract more users, One Storage launched promotional offers tailored to different customers during the review period and cooperated with strategic business partners to further enhance awareness of the brand. By leveraging on our well-established customer management system and precisely-targeted marketing strategies, the One Storage team's revenue increased.

Property Development

For the six months ended 30 June 2023, the Group's property development business segment recognised revenue of approximately HK\$19,023,000, representing approximately 9% of the Group's total revenue for the period.

The Group's iCITY project is a new round-the-clock digital industrial landmark located at 111 Ta Chuen Ping Street, Kwai Chung. This 20-storey building provides 601 workshops in total, each with a gross floor area of about 422 square feet to 510 square feet on a typical floor. The estimated material date for this project is the fourth quarter of this year. Featuring the glass curtain wall, iCITY is designed to easily accommodate new digital technology along with existing value-added digital facilities such as intelligent food and parcel delivery by robot, all-weather intelligent butler, touch-free access and egress control, and automatic temperature and lighting control for workshop, as well as electronic visitor passes. With all that it has to offer, iCITY is destined to become one of leading industrial projects in the district.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group has real estate projects in the Greater Bay Area in Mainland China. These projects include Grand Capital (Shan Shui Xiang Ri Hao Ting) in Doumen District, Zhuhai and Lakeview Bay • VOGUE (an integrated project comprising villas and high-rise residences) in Gaoyao District, Zhaoqing. Both have been completed and delivered for occupation, with only a few units left for sale. During the first half of the year, Lakeview Bay • VOGUE adjusted its sales strategy in response to market conditions, enabling it to record more sales than the previous year. Overall sales performance was generally stable.

Building Management and Other Services

For the six months ended 30 June 2023, the Group's building management and other services segment recognised revenue of approximately HK\$10,614,000, representing approximately 5% 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 small- and medium-sized estates. Its highly experienced building management team has achieved ISO9001, ISO14001 and ISO45001 certifications for the Group's properties. To improve the quality of its property management, customer and maintenance services, the building management team conducts regular internal assessments. The team also makes use of the latest technology to provide helpful services for owners and tenants. In addition to serving the Group's existing properties, the team has been bidding on new property and facility management projects with the aim of expanding its business portfolio.

To reduce carbon emissions and ensure compliance with government environmental policies, the Group has a team dedicated to identifying and implementing energy-saving measures. Each year, the team has effectively lowered the environmental impact of the Group's operations to help the Group achieve its vision of building a sustainable society. Goldwell Property Management has also pledged to cooperate with the government in implementing a municipal solid waste charging scheme and assist all stakeholders in reducing their waste at source as well as sorting and recycling waste.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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.

During the pandemic, the Group made extensive use of electronic communication channels to maintain close communication with investors and shareholders and establish trusting and productive partnerships. The annual general meeting of the Group this year was held in May. 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 and sustainable development of the Group and brings long-term value for shareholders.

Corporate Citizenship

We regard sustainability as a vital element in our corporate development plan, which maps out our strategy for dealing with social change in local and international markets and responding to the challenges of climate change. Other than our commitment to reduce carbon emissions and save energy, the Group also provides support to people in need. During the review period, the Soundwill Volunteer Team and volunteers from our subsidiaries took part in a number of community service initiatives, including distributing supplies to people in need, and participating in community activities. This is part of our effort to improving the quality of life of the community, which involves making and soliciting monetary donations, and recycling or reusing materials. The Group has also been providing mini-storage space free of charge to non-profit-making organisations for many years in support of their logistics needs.

The Group has received multiple recognitions throughout the years, including the Caring Company award in 2023 from The Hong Kong Council of Social Service for the twelfth year as well as the Happy Company award by the Hong Kong Productivity Council. These awards recognise the Group, our subsidiaries and property projects for our service to the community and the way we enhance the well-being of our employees. In the years ahead, we will continue to explore how we can fulfil society's needs and create value for the community.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Prospects

In the second half of the year, we expect the global economy will continue to be fraught with uncertainty. The slowdown in the economy, rising inflation and interest rates will almost certainly affect economic and trade cooperation between countries, as well as global market performance and development.

The shift in international dynamics and continuing global economic instability have undoubtedly affected Hong Kong. The severe disruptions caused by the pandemic have also dealt a heavy blow to different sectors of the local economy. However, Hong Kong enjoys unique advantages as an international financial, innovation and technology centre. What's more, the recovery of the tourism industry now underway along with government support of local economic activities will help to stimulate local consumption sentiment and promote economic development in the second half of the year. Therefore, we believe Hong Kong will continue to make steady progress on the road to recovery in the months ahead.

In this environment, the Group will capitalise on the opportunities that arise by optimising our business portfolio. In doing so, we will carefully analyse these opportunities and formulate appropriate strategies that help to drive development. At the same time, we will continue to adopt commercial technology and integrate it with our current business operations. This, together with our recognized business acumen and innovative business solutions, will allow us to consolidate our strengths, establish a more profitable operational model and improve our business performance. As a result, we will be able to maintain our market competitiveness and create improved returns for our investors.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (30 June 2022: Nil).

FINANCIAL REVIEW

For the six months ended 30 June 2023, the Group has recorded a revenue of approximately HK\$212,303,000 (30 June 2022: HK\$270,251,000), representing a decrease of approximately HK\$57,948,000 as compared with the same period last year. The decrease in revenue from property sales is the main attribute to the decrease in revenue and notwithstanding rental income from investment properties dropped.

Loss attributable to owners of the Company for the six months ended 30 June 2023 was approximately HK\$347,746,000 (30 June 2022: Profit of HK\$62,801,000), representing a decrease of 654% as compared with the corresponding period in 2022. Such decrease is attributed to valuation loss of investment properties of HK\$482,903,000 was recorded as 30 of June 2023, when compared with a loss of HK\$54,068,000 during the corresponding period in 2022.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The total interest expenses for the six months ended 30 June 2023 amounted to approximately HK\$36,034,000 (30 June 2022: HK\$12,879,000).

The Company's basic loss per share was HK\$1.23 as compared with the earnings per share in the same period of last year of HK\$0.22.

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2023, the Group's cash and bank balances (including short-term bank deposits and cash and cash equivalents) amounted to approximately HK\$1,451,431,000 (31 December 2022: HK\$1,394,944,000). The Group's total borrowings as at 30 June 2023 were HK\$1,974,663,000 (31 December 2022: HK\$1,774,527,000). The Group's gearing ratio (which was expressed as a percentage of total borrowings over total equity) was 11% as at 30 June 2023 (31 December 2022: 9%).

As at 30 June 2023, the Group's net assets amounted to approximately HK\$18,751,150,000 (31 December 2022: HK\$19,175,634,000).

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 incurred expense 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 2023, the Group had no significant investments.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 16 March 2023, 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 Data Chief Limited ("Data Chief") at a consideration of HK\$36,080,000. Data Chief is the sole shareholder of an investment holding company which holds investment properties located in Hong Kong. The disposal was completed on 31 March 2023.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 2023.

EVENT AFTER REPORTING PERIOD

On 9 August 2022, the Group entered into a sale and purchase agreement, which is subsequently varied by a supplemental agreement dated 19 January 2023 (collectively the “Agreement”), with independent third parties (the “Purchaser” and the “Purchaser Guarantor”) and has conditionally agreed to sell and assign the entire issued share capital of an indirect subsidiary of the Company (the “Target Company”) at a consideration of HK\$3,208,815,000. Details of the transaction, the Agreement and the Purchaser and the Purchaser Guarantor are set out in the announcement of the Company dated 11 August 2022, the circular of the Company dated 23 September 2022, and another announcement of the Company dated 19 January 2023.

On 9 August 2023, further deposit in the sum of HK\$320,881,500 (the “Further Deposit”) was due and payable to the Group. The Purchaser, nonetheless, failed to pay the Further Deposit. In response, the Company has since sought legal advice and reviewed the options and recourse available, and made an announcement on 10 August 2023 to give progress update.

On 13 September 2023, the Group further entered into a settlement agreement with the Purchaser and the Purchaser Guarantor. A HK\$32,000,000 non-refundable settlement sum was paid to and received by the Group and the Agreement was terminated pursuant to the terms of the aforesaid settlement agreement. Details of the above are set out in the announcement of the Company dated 13 September 2023.

EMPLOYEES AND REMUNERATION POLICY

The Group employed an average of 299 people and 33 people in Hong Kong and Mainland China respectively as at 30 June 2023 (30 June 2022: 307 and 39 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 2023, total salaries and wages were approximately HK\$67,051,000 (30 June 2022: HK\$64,507,000).

PLEDGE OF ASSETS

As at 30 June 2023, certain investment properties, properties for sales and property, plant and equipment of the Group with a total carrying value of approximately HK\$12,570,511,000 (31 December 2022: approximately HK\$12,661,647,000) were pledged to secure banking facilities for the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

(a) Directors' interests in the Company

As at 30 June 2023, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required to be (i) notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have taken under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Long positions in the shares and underlying shares:

Name of Director	Capacity	Number of Ordinary Shares Interested	Approximate Percentage of the Company's Total Issued Shares
Foo Kam Chu Grace	Beneficial owner and Beneficiary of a trust	210,566,630 <i>(Note 1)</i>	74.32%
Chan Wai Ling	Beneficiary of a trust	210,470,028 <i>(Note 2)</i>	74.29%
Chan Hing Tat	Beneficiary of a trust	210,470,028 <i>(Note 3)</i>	74.29%

Note 1: Madam Foo Kam Chu Grace ("Madam Foo") was deemed to be interested in 210,566,630 shares of the Company in aggregate: (i) 96,602 shares of the Company was personally held by Madam Foo; (ii) 208,084,028 shares of the Company as held by Ko Bee Limited ("Ko Bee"), the entire issued share capital of which was held by a discretionary trust (the "Trust"). Madam Foo is a beneficiary of the Trust; and (iii) 2,386,000 shares of the Company was held by Full Match Limited ("Full Match"), a company wholly-owned by Ko Bee. Both Ko Bee and Full Match are incorporated in the British Virgin Islands with limited liability.

Note 2: Ms. Chan Wai Ling ("Ms. Chan") was deemed to be interested in 210,470,028 shares of the Company. Ms. Chan is a beneficiary of the Trust.

Note 3: Mr. Chan Hing Tat ("Mr. Chan") was deemed to be interested in 210,470,028 shares of the Company. Mr. Chan is a beneficiary of the Trust.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(b) Directors' Interests in Associated Corporations

Name of Director	Name of Associated Corporation	Capacity	Number and Class of Shares	Percentage of Shareholding
Foo Kam Chu Grace	Ko Bee Limited	Beneficiary of a trust	1 ordinary share	100% <i>(Note 4)</i>
Chan Wai Ling	Ko Bee Limited	Beneficiary of a trust	1 ordinary share	100% <i>(Note 4)</i>
Chan Hing Tat	Ko Bee Limited	Beneficiary of a trust	1 ordinary share	100% <i>(Note 4)</i>
Foo Kam Chu Grace	Full Match Limited	Interest in controlled corporation and Beneficiary of a trust	1 ordinary share	100% <i>(Note 4)</i>
Chan Wai Ling	Full Match Limited	Interest in controlled corporation and Beneficiary of a trust	1 ordinary share	100% <i>(Note 4)</i>
Chan Hing Tat	Full Match Limited	Interest in controlled corporation and Beneficiary of a trust	1 ordinary share	100% <i>(Note 4)</i>

Note 4: The entire issued share capital of Ko Bee is held by the Trust. The entire issued share capital of Full Match is held by Ko Bee. Madam Foo, Ms. Chan and Mr. Chan are the beneficiaries of the Trust.

Save as disclosed above, as at 30 June 2023, none of the Directors and chief executive of the Company had any interest or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have taken under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHT TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed above, at no time during the six months ended 30 June 2023, were rights to subscribe for equity or debt securities of the Company granted to any Directors or chief executive of the Company or to their spouse or children under 18 years of age as recorded in the register required to be kept under Part XV of the SFO, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable any such persons to acquire any such rights in any other body corporate.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2023, the person(s) other than a Director or chief executive of the Company who have interests or short positions of 5% or more in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, was/were as follows:

Long Positions in the Shares

Name of Shareholder	Capacity	Number of Shares	Approximate Percentage of Shareholding
Century Pine (PTC) Limited	Trustee of a trust	210,470,028 <i>(Notes 1&5)</i>	74.29%
Ko Bee Limited	Beneficial owner and Interest of controlled corporation	210,470,028 <i>(Notes 1&5)</i>	74.29%

Note 5: Ko Bee is ultimately held under the Trust with Century Pine (PTC) Limited, which incorporated in the British Virgin Islands with limited liability, as trustee for Madam Foo and her family members (including Ms. Chan and Mr. Chan, both executive Director of the Company).

Save as disclosed above, as at 30 June 2023, the Company had not been notified by any person(s) (other than the Directors and chief executive of the Company, whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" above) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

CONTINGENT LIABILITIES

As at 30 June 2023, the Group provided guarantees amounted to approximately HK\$16,874,000 (31 December 2022: HK\$51,166,000) 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

During the six months ended 30 June 2023, 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 2023 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 2023 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, founder of the Group was the Chairman of the Group until 30 January 2023 when Mr. Chan Hing Tat was appointed the Chairman of the Group. The Chairman is responsible for the overall development direction and strategies of the Group and 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 2023.

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.

CHANGE IN DIRECTORS' INFORMATION

Change in the Directors' information since the disclosures made in the Company's 2022 annual report, which is required to be disclosed pursuant to the requirements of Rule 13.51B(1) of the Listing Rules is set out as below:

Name of Director(s)	Change
Chan Kai Nang	is entitled to an annual director fee of HK\$200,000 with effect from 1 January 2023.
Pao Ping Wing	Resigned as an independent non-executive director of Zhuzhou CRRC Times Electric Co., Ltd. (3898. HK) on 27 June 2023, retired as an independent non-executive director of Oriental Enterprise Holdings Limited (18. HK) on 16 August 2023 and is entitled to an annual director fee of HK\$200,000 with effect from 1 January 2023.
Ng Chi Keung (passed away on 8 March 2023)	is entitled to an annual director fee of HK\$200,000 with effect from 1 January 2023.

Save as disclosed above, there is no other change in the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules subsequent to the publication of the 2022 annual report of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

COMPLIANCE WITH RULES 3.10(1) AND 3.21 OF THE LISTING RULES

Pursuant to Rules 3.11 and 3.23 of the Listing Rules, the Company was required to appoint an additional independent non-executive Director and a member of the Audit Committee under Rules 3.10(1) and 3.21 of the Listing Rules within three months after passing away of Mr. Ng Chi Keung, an independent non-executive Director, a chairman of the Audit Committee and a member of the Remuneration Committee, on 8 March 2023.

Following the appointment of Mr. Young Chun Man Kenneth as an independent non-executive Director and a member of the Audit Committee on 16 June 2023, the Company is now in compliance with the requirements under Rules 3.10(1) and 3.21 of the Listing Rules stipulating that the Board must have three independent non-executive Directors and the Audit Committee must comprise a minimum of three members.

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
Chan Hing Tat
Chairman

Hong Kong, 24 August 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Six months ended 30 June	
		2023 (Unaudited) HK\$'000	2022 Restated (Unaudited) HK\$'000
Revenue			
Revenue from goods and services		29,637	74,375
Rental income		182,666	195,876
Total revenue		212,303	270,251
Cost of sales		(26,926)	(68,350)
Gross profit		185,377	201,901
Other income	4	38,886	16,923
Selling expenses		(1,836)	(2,866)
Administrative expenses		(44,194)	(48,514)
Net fair value loss on investment properties		(482,903)	(54,068)
Gain on disposal of subsidiaries	17	11,440	217
Finance costs	5	(36,034)	(12,879)
(Loss)/profit before income tax expense	6	(329,264)	100,714
Income tax expense	7	(18,477)	(38,316)
(Loss)/profit for the period		(347,741)	62,398

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

	Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
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")	3,481	203
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange loss on translation of foreign operations	(23,562)	(20,991)
Other comprehensive expense for the period, net of tax	(20,081)	(20,788)
Total comprehensive (expense)/ income for the period	(367,822)	41,610
(Loss)/profit for the period attributable to:		
— Owners of the Company	(347,746)	62,801
— Non-controlling interests	5	(403)
	(347,741)	62,398
Total comprehensive (expense)/ income for the period attributable to:		
— Owners of the Company	(367,819)	43,652
— Non-controlling interests	(3)	(2,042)
	(367,822)	41,610

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

		Six months ended 30 June	
		2023 (Unaudited) HK\$	2022 (Unaudited) HK\$
	Note		
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company during the period	8		
Basic		(1.23)	0.22

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	9	18,919,470	19,374,605
Property, plant and equipment	10	117,272	122,528
Financial assets at FVTOCI		43,451	39,656
Deposits paid for acquisition of properties		2,950	9,251
Loan receivables	11	4,439	5,906
Total non-current assets		19,087,582	19,551,946
Current assets			
Properties for sale		1,238,368	1,063,112
Trade and other receivables	11	190,776	174,070
Financial assets at fair value through profit or loss ("FVTPL")		75,670	38,884
Short-term bank deposits	12	1,065,200	272,400
Cash and cash equivalents	12	386,231	1,122,544
Total current assets		2,956,245	2,671,010
Current liabilities			
Trade and other payables	13	854,994	855,326
Contract liabilities		160,386	120,568
Lease liabilities		19,308	20,912
Borrowings	14	663,618	87,728
Provision for income tax		133,858	121,631
Total current liabilities		1,832,164	1,206,165
Net current assets		1,124,081	1,464,845
Total assets less current liabilities		20,211,663	21,016,791

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	<i>Notes</i>	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Non-current liabilities			
Borrowings	14	1,311,045	1,686,799
Lease liabilities		22,013	29,703
Deferred tax liabilities		127,455	124,655
Total non-current liabilities		1,460,513	1,841,157
Net assets		18,751,150	19,175,634
EQUITY			
Equity attributable to owners of the Company			
Share capital	15	28,331	28,331
Reserves		18,721,397	19,145,878
Non-controlling interests		18,749,728 1,422	19,174,209 1,425
Total equity		18,751,150	19,175,634

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	For the six months ended 30 June 2023 (unaudited)											
	Equity attributable to owners of the Company										Non-controlling interests	Total equity
	Share capital	Share premium	Capital redemption reserve	Investment revaluation reserve	Retained profits	Exchange reserve	Special reserve	Proposed final and special dividends	Total			
			reserve	reserve	profits	reserve	reserve	dividends				
HKS'000			HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000		HKS'000		
At 1 January 2023	28,331	690,811	295	388	18,420,614	(24,740)	1,848	56,662	19,174,209	1,425	19,175,634	
(Loss)/Profit for the period	-	-	-	-	(347,746)	-	-	-	(347,746)	5	(347,741)	
Other comprehensive income/(expense)												
Item that will not be reclassified to profit or loss:												
Change in fair value of financial assets at FV/TOCI	-	-	-	3,481	-	-	-	-	3,481	-	3,481	
Item that may be reclassified subsequently to profit or loss:												
Exchange loss on translation of foreign operations	-	-	-	-	-	(23,554)	-	-	(23,554)	(8)	(23,562)	
Total comprehensive income/(expense) for the period	-	-	-	3,481	(347,746)	(23,554)	-	-	(367,819)	(3)	(367,822)	
Final dividend paid for 2022	-	-	-	-	-	-	-	(56,662)	(56,662)	-	(56,662)	
At 30 June 2023	28,331	690,811	295	3,869	18,072,868	(48,294)	1,848	-	18,749,728	1,422	18,751,150	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	For the six months ended 30 June 2022 (unaudited)										
	Equity attributable to owners of the Company										
	Share capital	Share premium	Capital redemption reserve	Investment revaluation reserve	Retained profits	Exchange reserve	Special reserve	Proposed final and special dividends	Total	Non-controlling interests	Total equity
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2022	28,331	690,811	295	559	18,745,477	1,241	1,848	56,662	19,525,224	16,476	19,541,700
Profit/(Loss) for the period	–	–	–	–	62,801	–	–	–	62,801	(403)	62,398
Other comprehensive (expense)/income											
Item that will not be reclassified to profit or loss:											
Change in fair value of financial assets at FVTOCI	–	–	–	203	–	–	–	–	203	–	203
Item that may be reclassified subsequently to profit or loss:											
Exchange loss on translation of foreign operations	–	–	–	–	–	(19,352)	–	–	(19,352)	(1,639)	(20,991)
Total comprehensive income/(expense) for the period	–	–	–	203	62,801	(19,352)	–	–	43,652	(2,042)	41,610
Final dividend paid for 2021	–	–	–	–	–	–	–	(56,662)	(56,662)	–	(56,662)
At 30 June 2022	28,331	690,811	295	762	18,808,278	(18,111)	1,848	–	19,512,214	14,434	19,526,648

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<i>Note</i>	Six months ended 30 June	
		2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Net cash (outflow)/inflow from operating activities		(17,755)	51,698
Net cash outflow from investing activities		(807,515)	(198,353)
Net cash inflow from financing activities		95,962	20,572
Decrease in cash and cash equivalents		(729,308)	(126,083)
Cash and cash equivalents at 1 January		1,122,544	885,358
Effect of foreign exchange rate changes, net		(7,005)	(20,532)
Cash and cash equivalents at 30 June	12	386,231	738,743

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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 2023 (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 2023 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2022.

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 2023 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance contracts
Amendments to HKAS 8	Definition of accounting estimates
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of amendments to HKFRSs (Continued)

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.

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of amendments to HKFRSs (Continued)

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 and other services	: Provision of building management, property repairs and maintenance services

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

3. SEGMENT INFORMATION (Continued)

Segment revenue and results

	Six months ended 30 June							
	Property development		Property leasing		Building management and other services		Segment total	
	2023 (Unaudited) HK\$'000	2022 Restated (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 Restated (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 Restated (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 Restated (Unaudited) HK\$'000
Revenue								
External customers	19,023	62,965	182,666	195,876	10,614	11,410	212,303	270,251
Inter-segments <i>(note)</i>	–	–	24	24	1,336	1,494	1,360	1,518
Segment revenue	19,023	62,965	182,690	195,900	11,950	12,904	213,663	271,769
Segment profits	457	9,906	159,372	163,311	11,611	7,407	171,440	180,624
Certain other income, other gains and losses							23,274	3,871
Gain on disposal of subsidiaries							11,440	217
Certain administrative expenses							(16,481)	(17,051)
Net fair value loss on investment properties							(482,903)	(54,068)
Finance costs							(36,034)	(12,879)
(Loss)/profit before income tax expense							(329,264)	100,714

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 on disposal of subsidiaries, certain other income, other gain and losses, certain administrative expenses and income tax expense.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

3. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

	Property development		Property leasing		Building management and other services		Segment total	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022	30 June 2023	31 December 2022	30 June 2023	31 December 2022
	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000
Segment assets	1,560,337	1,319,550	19,239,681	19,853,742	33,381	27,621	20,833,399	21,200,913
Certain property, plant and equipment							13,070	6,862
Financial assets at FVTOCI							43,451	39,656
Short-term bank deposits							1,065,200	272,400
Certain cash and cash equivalents							88,707	703,125
Total assets							22,043,827	22,222,956
Segment liabilities	430,267	399,140	227,762	223,532	9,967	9,297	667,996	631,969
Certain other payables							56,623	73,658
Borrowings							1,974,663	1,774,527
Deposit received for disposal of subsidiaries							332,082	320,882
Provision for income tax							133,858	121,631
Deferred tax liabilities							127,455	124,655
Total liabilities							3,292,677	3,047,322

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.

Segment liabilities comprise all liabilities other than certain other payables, provision for income tax, deferred tax liabilities, deposit received for disposal of subsidiaries and borrowings.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

4. OTHER INCOME

	Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Interest income from financial assets at FVTPL and other bank interest income	31,240	7,616
Interest income from loan receivables	159	303
Forfeiture of deposits (<i>note</i>)	209	5,093
Miscellaneous income	7,278	3,911
	38,886	16,923

Note: The amounts represents forfeiture of deposits upon the termination of the sale and purchases agreement on sale of properties during the six month ended 30 June 2023.

5. FINANCE COSTS

	Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Interest expenses on:		
Borrowings	35,133	11,731
Lease liabilities	901	1,148
	36,034	12,879

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

6. (LOSS)/PROFIT BEFORE INCOME TAX EXPENSE

(Loss)/profit before income tax expense is arrived at after charging:

	Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Cost of completed properties for sale recognised as expense	11,295	37,369
Depreciation of right-of-use assets and other property, plant and equipment	4,257	5,872
Employee compensation expense (including Directors' remuneration and defined contribution cost) (note)	67,051	64,507
Rentals in respect of short-term leases and low-valued leases	147	149

Note: During the six months ended 30 June 2023, the Group incurred employee compensation expenses of approximately HK\$24,473,000 (2022: HK\$23,729,000) included in the above employee benefit expense, which is employed on behalf of the third parties to whom these subsidiaries provided building management services. Such expenses are set-off with other income from building management services received by the Group.

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
The charge comprises:		
Hong Kong Profits Tax	13,612	18,087
Mainland China Enterprise Income Tax ("EIT")	382	6,424
Mainland China Land Appreciation Tax	1,231	4,292
Mainland China Corporate withholding income tax	—	5,001
Deferred tax charge	3,252	4,512
	18,477	38,316

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

7. INCOME TAX EXPENSE (Continued)

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. (LOSS)/EARNINGS PER SHARE

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

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
(Loss)/earnings (Loss)/profit attributable to owners of the Company (<i>HK\$'000</i>)	(347,746)	62,801
Number of shares Number of ordinary shares for the purpose of basic (loss)/earnings per share (<i>note</i>)	283,308,635	283,308,635

Note:

During the six months ended 30 June 2023 and 2022, neither the Company nor any of its subsidiaries had repurchased any of the Company's shares respectively.

No diluted (loss)/earnings per share for six months ended 30 June 2023 and 2022 was presented as there were no potential ordinary shares in issue during six months ended 30 June 2023 and 2022.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

9. INVESTMENT PROPERTIES

Changes to the carrying amount presented in the Consolidated Statement of Financial Position can be summarised as follows:

	2023 (Unaudited) HK\$'000
Carrying amount at 1 January	19,374,605
Additions	
– Purchase of units	64,311
– Construction costs	6,575
– Sublease of leased properties	1,387
Disposal of subsidiaries (<i>Note 17</i>)	(23,990)
Disposal of investment properties	(20,515)
Net fair value loss on investment properties	(482,903)
Carrying amount at 30 June	18,919,470

The Group's investment properties were revalued at 31 December 2022 and 30 June 2023 by independent professional valuers, Cushman & Wakefield Limited, on the following basis:

- The completed investment properties (whole block of commercial building) are revalued by adopting income capitalisation method, which involves certain estimates, including capitalisation rates and reversionary income potential;
- The completed investment properties (individual units (including commercial, industrial and residential properties) or ground floor retail properties) are revalued based on direct comparison method, by reference to market transactions of comparable properties;
- The leased properties under sublease arrangement by the Group, are revalued based on income capitalisation method which involves certain estimates, including capitalisation rates and reversionary rental value; and

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

9. INVESTMENT PROPERTIES (Continued)

- Investment properties under re-development were revalued on the re-development basis by adopting the residual method. The value is based on the re-development potential of the properties as if these properties will be developed and completed in accordance with the existing redevelopment proposal at the date of valuation and is determined by deducting the estimated total cost of the development, including costs of construction, professional fee, finance cost, associated costs and an allowance of profit that duly reflected developer's risk associated with the development from the gross development value.

In determining the fair values of the investment properties, the Group engages an independent qualified professional valuer to perform the valuation. The management works with the independent qualified professional valuer to establish the appropriate valuation techniques and inputs for level 3 fair value measurement. Where there is a material change in the fair value of the investment properties, the causes of the fluctuations will be reported to the Directors.

In relying on these valuations, the management has exercised judgement and are satisfied that the methods of valuation adopted are appropriate and reflective of the current market conditions.

The carrying amount of the Group's investment properties is a level 3 fair value measurement. There were no investment property transfers into or out of level 3 fair value measurement during both periods.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

9. INVESTMENT PROPERTIES (Continued)

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used).

Investment properties held by the Group in the consolidated statement of financial position	Fair value as at 30 June 2023 <i>HK\$'000</i>	Valuation technique(s)	Significant unobservable input(s)	Range of significant unobservable inputs	Interrelationship between significant unobservable input(s) and fair value measurement
Completed investment properties					
Completed investment properties (whole block of commercial building)	13,513,000 (31 December 2022: 13,889,000)	Income capitalisation method	Reversionary rental value	HK\$22 – HK\$55 (31 December 2022: HK\$22 – HK\$55) per month per square foot for upper-level office/restaurants premises; HK\$65 – HK\$601 (31 December 2022: HK\$65 – HK\$639) per month per square foot for ground floor shops	The higher the reversionary rental value, the higher the fair value
			Capitalisation rate	2.25% – 3.50% (31 December 2022: 2.25% – 3.50%)	The higher the capitalisation rate, the lower the fair value
Completed investment properties (individual units (including commercial, industrial and residential properties) or ground floor retail properties)	2,004,270 (31 December 2022: 2,034,605)	Direct comparison method	Price per square foot	HK\$8,300 – HK\$110,000 (31 December 2022: HK\$8,300 – HK\$112,000) per square foot for commercial properties HK\$2,800 – HK\$11,300 (31 December 2022: HK\$2,800 – HK\$11,300) per square foot for industrial properties HK\$5,400 – HK\$25,500 (31 December 2022: HK\$5,400 – HK\$26,000) per square foot for residential properties	The higher the price per square foot, the higher the fair value

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

9. INVESTMENT PROPERTIES (Continued)

Investment properties held by the Group in the consolidated statement of financial position	Fair value as at 30 June 2023 <i>HK\$'000</i>	Valuation technique(s)	Significant unobservable input(s)	Range of significant unobservable inputs	Interrelationship between significant unobservable input(s) and fair value measurement
Leased properties					
Leased properties under sublease arrangement by the Group	41,600 (31 December 2022: 50,400)	Income capitalisation method	Reversionary rental value	HK\$9 – HK\$21 (31 December 2022: HK\$9 – HK\$21) per month per square foot	The higher the reversionary rental value, the higher the fair value
			Capitalisation rate	3.25% (31 December 2022: 3.25%)	The higher the capitalisation rate, the lower the fair value
Investment properties under re-development	3,360,600 (31 December 2022: 3,400,600)	Residual method	Price per square foot	HK\$21,000 – HK\$22,000 (31 December 2022: HK\$21,000 – HK\$22,000) per square foot for office premises; HK\$24,000 – HK\$32,000 (31 December 2022: HK\$25,000 – HK\$32,000) per square foot for retail properties	The higher the price per square foot, the higher the fair value
			Estimated construction and other professional costs to completion	HK\$3,900 – HK\$6,400 (31 December 2022: HK\$2,300 – HK\$5,700) per square foot	The higher the estimated construction and other professional costs, the lower the fair value
			Estimated profit margin required to hold and develop the investment properties to completion	10% (31 December 2022: 10% – 15%)	The higher estimated profit margin, the lower the fair value

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

The Group's buildings classified as property, plant and equipment were revalued by an independent qualified professional valuer as at the end of the reporting period. During the six months ended 30 June 2023, the revaluation loss of HK\$600,000 (30 June 2022: HK\$200,000) has been recognized.

During the current interim period, the Group entered into new lease agreements for the use of industrial premises. The Group is required to make fixed monthly payments on the usage of the asset during the contract period. On lease commencement, the Group did not recognize of right-of-use asset (30 June 2022: HK\$Nil) and approximately HK\$41,321,000 (30 June 2022: HK\$34,950,000) lease liability.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

11. TRADE AND OTHER RECEIVABLES/LOAN RECEIVABLES

As at 30 June 2023, trade receivables included in trade and other receivables were approximately HK\$36,225,000 (31 December 2022: HK\$46,565,000). 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 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
<i>Current assets:</i>		
Trade receivables		
0–30 days	13,496	16,854
31–90 days	10,662	13,669
91–180 days	6,457	8,075
Over 180 days	5,610	7,967
Total trade receivables, net	36,225	46,565
Loan receivables	145,581	145,680
Less: allowance for credit losses	(141,776)	(141,776)
Total loan receivables, net	3,805	3,904
Other receivables, utility deposits and prepayment	150,746	123,601
Total trade and other receivables categorised as current assets	190,776	174,070
<i>Non-current assets:</i>		
Loan receivables	4,439	5,906
	195,215	179,976

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

12. CASH AND CASH EQUIVALENTS/SHORT-TERM BANK DEPOSITS

The cash and bank balances of the Group was summarised as follows:

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Short-term bank deposits with original maturity over three months	1,065,200	272,400
Cash and cash equivalents	386,231	1,122,544
Total cash and bank balances	1,451,431	1,394,944

Cash and cash equivalents earn interest at floating rates based on the daily bank deposit rates.

Included in cash and cash equivalents of the Group is approximately HK\$92,390,000 (31 December 2022: HK\$138,578,000) of bank balances denominated in Renminbi placed with banks in the Mainland China.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

13. TRADE AND OTHER PAYABLES

As at 30 June 2023, trade payables included in trade and other payables were approximately HK\$21,036,000 (31 December 2022: HK\$18,466,000). 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 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
0-30 days	7,875	4,787
31-90 days	617	963
Over 90 days	12,544	12,716
Total trade payables	21,036	18,466
Other payables	833,958	836,860
	854,994	855,326

14. BORROWINGS

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Current liabilities		
Bank loans — secured	663,618	87,728
Non-current liabilities		
Bank loans — secured	1,311,045	1,686,799
	1,974,663	1,774,527

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

14. BORROWINGS (Continued)

At the end of the reporting periods, the maturity analysis of the Group's borrowings is stated as follows:

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Carrying amount of bank loans repayable based on the scheduled repayment dates set out in the loan agreements:		
Within one year	663,618	87,728
More than one year, but not exceeding two years	1,311,045	595,072
More than two years but not exceeding five years	—	1,091,727
Total bank loans	1,974,663	1,774,527
Carrying amount of bank loans matured within one year or those contain a repayment on demand clause (shown under current liabilities)	(663,618)	(87,728)
Amount shown under non-current liabilities	1,311,045	1,686,799

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

15. SHARE CAPITAL

There were no movements in the share capital of the Company in the six months ended 30 June 2023.

16. RELATED PARTY TRANSACTIONS

The following transactions with related parties were, in the opinion of the Directors, carried out in the ordinary course of business during the periods:

	Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Short-lease expense and management fee expense in respect of office premises situated in Guangzhou, the Mainland China <i>(note (a))</i>	136	153
Short-lease expense for leasing carparking spaces situated in Guangzhou, the Mainland China <i>(note (b))</i>	7	7

Notes:

- (a) A subsidiary of the Company entered into a tenancy agreement with a related company, in which the Chairman and an executive director of the Company have interests, for leasing a number of premises situated at Guangzhou, the Mainland China for office purpose.
- (b) A subsidiary of the Company entered into tenancy agreements with a related company, in which a close family member of the Chairman and an executive Director of the Company have interests, for leasing one (30 June 2022: one) carparking spaces situated in Guangzhou, the Mainland China.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

17. DISPOSAL OF SUBSIDIARIES

On 16 March 2023, 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 Data Chief Limited (“Data Chief”) at a consideration of HK\$36,080,000. Data Chief is the sole shareholder of an investment holding company which holds investment properties located in Hong Kong. The disposal was completed on 31 March 2023. The net assets of Data Chief at the date of disposal were as follows:

	<i>HK\$'000</i>
Net assets disposed of	
Investment properties	23,990
Amounts due to fellow subsidiaries	(12,435)
	11,555
Loan assignment	12,435
Direct expenses in relation to disposal of Data Chief	650
Gain on disposal of Data Chief	11,440
	36,080
Total consideration	
— satisfied by cash	36,080
Net cash inflow arising from disposal of Data Chief	
Consideration received	36,080
Direct expenses	(650)
	35,430

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

18. OPERATING LEASING ARRANGEMENTS

The Group leases its investment properties (note 9) under operating lease arrangements with average lease terms of one to five years with an option to renew the lease terms at the expiry date or at dates mutually agreed between the Group and the respective tenants. Certain leases include contingent rentals calculated with reference to turnover of the tenants. As at 30 June 2023, the Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of investment properties are as follows:

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Within one year	276,331	291,428
In the second year	125,824	164,366
In the third year	40,927	44,313
In the fourth year	11,284	15,189
In the fifth year	1,262	5,699
	455,628	520,995

19. COMMITMENTS

Capital commitments

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Contracted but not provided for:		
— Acquisition of investment properties	18,900	17,641
	18,900	17,641

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

20. EVENT AFTER REPORTING PERIOD

On 9 August 2022, the Group entered into a sale and purchase agreement, which is subsequently varied by a supplemental agreement dated 19 January 2023 (collectively the “Agreement”), with independent third parties (the “Purchaser” and the “Purchaser Guarantor”) and has conditionally agreed to sell and assign the entire issued share capital of an indirect subsidiary of the Company (the “Target Company”) at a consideration of HK\$3,208,815,000. Details of the transaction, the Agreement and the Purchaser and the Purchaser Guarantor are set out in the announcement of the Company dated 11 August 2022, the circular of the Company dated 23 September 2022, and another announcement of the Company dated 19 January 2023.

On 9 August 2023, further deposit in the sum of HK\$320,881,500 (the “Further Deposit”) was due and payable to the Group. The Purchaser, nonetheless, failed to pay the Further Deposit. In response, the Company has since sought legal advice and reviewed the options and recourse available, and made an announcement on 10 August 2023 to give progress update.

On 13 September 2023, the Group further entered into a settlement agreement with the Purchaser and the Purchaser Guarantor. A HK\$32,000,000 non-refundable settlement sum was paid to and received by the Group and the Agreement was terminated pursuant to the terms of the aforesaid settlement agreement. Details of the above are set out in the announcement of the Company dated 13 September 2023.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

21. COMPARATIVE FIGURES

The following comparative figures in the consolidated statement of profit or loss and other comprehensive income have been reclassified to conform with the current period's presentation of the Group:

Reclassification of administrative expenses regarding the staff costs and other administrative cost in an amount of approximately HK\$26,429,000 to cost of sales to fairly present the nature of costs incurred.

In the opinion of the Board, the reclassification made to the comparative figures has insignificant impact on the Group's consolidated statement of profit or loss and other comprehensive income for the period ended 30 June 2023.



金朝陽集團有限公司*
SOUNDWILL HOLDINGS LIMITED

於百慕達註冊成立之有限公司
Incorporated in Bermuda with limited liability

股份代號 Stock Code : 0878



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