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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)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

	Year ended 31 December	
	2019	2018
	<i>HK\$ million</i>	<i>HK\$ million</i>
Revenue	734	980
Profit before income tax expense excluding net fair value loss on investment properties/properties transfer	403	820
Net fair value loss on investment properties/properties transfer	(131)	(101)
Profit before income tax expense	272	719
Profit attributable to owners of the Company	218	672
Basic earnings per share (dollars)	HK\$0.77	HK\$2.37
Dividend per share (dollars)		
— proposed final dividend	HK\$0.20	HK\$0.20
— proposed special dividend	—	—
	At	At
	31 December 2019	31 December 2018
	<i>HK\$ million</i>	<i>HK\$ million</i>
Total assets	23,617	23,124
Net assets	20,606	20,456
Total borrowings	1,944	1,563
Gearing ratio	9%	8%
Net asset value per share (dollars)	HK\$72.7	HK\$72.2

* For identification purpose only

RESULTS

The board (the “Board”) of directors (the “Directors”) of Soundwill Holdings Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2019 with comparative figures for the previous year as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income *For the year ended 31 December 2019*

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Revenue	3		
Revenue from goods and services		201,567	440,358
Rental income		532,305	540,040
		<hr/>	<hr/>
Total revenue		733,872	980,398
Cost of sales		(128,918)	(251,303)
		<hr/>	<hr/>
Gross profit		604,954	729,095
Other income and losses		53,387	47,619
Selling expenses		(6,272)	(11,935)
Administrative expenses		(188,427)	(142,490)
Gain on disposal of subsidiaries		—	235,812
Net fair value loss on investment properties/ properties transfer		(131,243)	(101,018)
Finance costs		(60,035)	(37,815)
		<hr/>	<hr/>
Profit before income tax expense	5	272,364	719,268
Income tax expense	6	(54,689)	(54,414)
		<hr/>	<hr/>
Profit for the year		217,675	664,854
		<hr/> <hr/>	<hr/> <hr/>

	Notes	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Other comprehensive expense, net of tax			
<i>Item that will not be reclassified to profit or loss:</i>			
Deficit on revaluation of buildings, net of deferred tax		(578)	(400)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange loss on translation of foreign operations		<u>(11,118)</u>	<u>(33,176)</u>
Other comprehensive expense for the year, net of tax		<u>(11,696)</u>	<u>(33,576)</u>
Total comprehensive income for the year		<u>205,979</u>	<u>631,278</u>
Profit/(loss) for the year attributable to:			
Owners of the Company		217,782	671,592
Non-controlling interests		<u>(107)</u>	<u>(6,738)</u>
		<u>217,675</u>	<u>664,854</u>
Total comprehensive income/(expense) for the year attributable to:			
Owners of the Company		206,373	639,739
Non-controlling interests		<u>(394)</u>	<u>(8,461)</u>
		<u>205,979</u>	<u>631,278</u>
Earnings per share			
Basic	7	<u>HK\$0.77</u>	<u>HK\$2.37</u>

Consolidated Statement of Financial Position
As at 31 December 2019

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		21,185,655	20,439,237
Property, plant and equipment		153,712	127,218
Properties held for development		—	17,305
Deposits paid for acquisition of properties		9,351	63,552
Loan receivables	<i>8</i>	26,890	32,756
Total non-current assets		21,375,608	20,680,068
Current assets			
Properties for sale		1,025,080	954,855
Trade and other receivables	<i>8</i>	95,583	141,192
Financial assets at fair value through profit or loss ("FVTPL")		99,255	92,443
Restricted bank deposits		43,879	74,568
Short-term bank deposits		250,000	575,000
Cash and cash equivalents		307,211	186,238
Assets classified as held for sale		420,000	420,000
Total current assets		2,241,008	2,444,296
Current liabilities			
Trade and other payables	<i>9</i>	709,154	619,975
Contract liabilities		60,086	154,469
Lease liabilities		4,473	—
Borrowings		213,005	1,067,765
Provision for income tax		165,647	213,381
Total current liabilities		1,152,365	2,055,590
Net current assets		1,088,643	388,706

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Total assets less current liabilities		<u>22,464,251</u>	<u>21,068,774</u>
Non-current liabilities			
Borrowings		1,731,058	495,023
Lease liabilities		6,798	—
Deferred tax liabilities		<u>120,859</u>	<u>117,532</u>
Total non-current liabilities		<u>1,858,715</u>	<u>612,555</u>
Net assets		<u>20,605,536</u>	<u>20,456,219</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		28,331	28,331
Reserves		<u>20,562,544</u>	<u>20,412,833</u>
		20,590,875	20,441,164
Non-controlling interests		<u>14,661</u>	<u>15,055</u>
Total equity		<u>20,605,536</u>	<u>20,456,219</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The consolidated financial statements of the Group for the year ended 31 December 2019 have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

2.1 New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to Hong Kong Accounting Standard (“HKAS”) 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 “Leases” (“HKAS 17”), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standards to contracts that were not previously identified as containing a lease.

Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. At as 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Hong Kong was determined on a portfolio basis; and
- iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group’s leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee’s incremental borrowing rate applied is 3.933%.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of HK\$5,983,000 and right-of-use assets of HK\$23,127,000 at 1 January 2019.

	At 1 January 2019
	<i>HK\$'000</i>
Operating lease commitments disclosed as at 31 December 2018	6,807
Lease liabilities discounted at relevant incremental borrowing rates	(141)
Less: Recognition exemption	
— short-term leases	(677)
— low value assets	(6)
	<u>5,983</u>
Lease liabilities as at 1 January 2019	<u><u>5,983</u></u>
Analysed as	
Current	2,049
Non-current	3,934
	<u>5,983</u>

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	<i>Notes</i>	Right-of-use assets
		<i>HK\$'000</i>
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		5,983
Reclassified from properties held for development	<i>(a)</i>	17,305
Adjustments on rental deposits at 1 January 2019	<i>(b)</i>	61
Less: Accrued lease liabilities relating to rent free period at 1 January 2019	<i>(c)</i>	<u>(222)</u>
		<u><u>23,127</u></u>
By class:		
Leasehold lands		17,305
Leased properties		<u>5,822</u>
		<u><u>23,127</u></u>

- (a) Upfront payments for leasehold lands in Hong Kong and the PRC were classified as properties held for development as at 31 December 2018. Upon application of HKFRS 16, properties held for development amounting to HK\$17,305,000 were reclassified to right-of-use assets.

- (b) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK\$61,000 was adjusted to refundable rental deposits paid and right-of-use assets.
- (c) These relate to accrued lease liabilities for leases of properties in which the lessors provided rent-free periods. The carrying amount of the lease incentive liabilities as at 1 January 2019 was adjusted to right-of-use assets at transition.

Effective from 1 January 2019, leasehold lands which were classified properties for development are measured under HKFRS 16 at cost less any accumulated depreciation and any impairment losses.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

- (d) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's consolidated statement of financial position at 1 January 2019. However, effective on 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.
- (e) Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied under trade and other payable. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK\$9,207,000 was adjusted to refundable rental deposits received and advance lease payments.
- (f) Effective on 1 January 2019, the Group has applied HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS15") to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the consolidated financial statements of the Group for the current year.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

		Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under HKFRS 16 at 1 January 2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities				
Trade and other payables				
— Advance lease payments	<i>(e)</i>	—	9,207	9,207
— Rental deposits	<i>(e)</i>	173,326	(9,207)	164,119

The following tables summarise the impacts of applying HKFRS 16 as a lessor on the Group's consolidated statement of financial position as at 31 December 2019 and its consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019 for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position	As reported	Adjustments	Amounts without application of HFRS 16, as a lessor
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities			
Trade and other payables			
— Advance lease payments	5,195	(5,195)	—
— Rental deposits	156,450	5,278	161,728
Equity			
Reserves	20,562,544	(83)	20,562,461

Impact on the consolidated statement of profit and loss and other comprehensive income		As reported <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	Amounts without application of HFRS 16, as a lessor <i>HK\$'000</i>
	<i>Notes</i>			
Revenue	<i>(g)</i>	733,872	(2,608)	731,264
Finance costs		<u>(60,035)</u>	<u>2,525</u>	<u>(57,510)</u>
Profit before income tax expenses		<u>272,364</u>	<u>(83)</u>	<u>272,281</u>

Notes:

(g) The adjustments relate to reduction in rental income and finance costs of HK\$2,608,000 and HK\$2,525,000 respectively if the discounting effects for refundable rental deposits were not adjusted.

2.2 New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts ¹
Amendments to HKFRS 3	Definition of a Business ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁴
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ⁴

¹ Effective for annual periods on or after 1 January 2021

² Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1 January 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

The Directors anticipate that the application of the new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE

An analysis of the Group's revenue from its principal activities is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Revenue from contracts with customers under HKFRS 15		
Property development		
— Sales of completed properties for sale	180,230	417,247
Building management and other services		
— Property repairs and maintenance service income	6,622	8,472
— Building management service income	14,715	14,639
Revenue from contracts with customers under HKFRS 15	201,567	440,358
Property leasing		
— Rental and signage rental income	532,305	540,040
Total revenue	733,872	980,398

4. SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resource allocation to the Group's business components and for their review of the performance of those components. During the year ended 31 December 2018, the Group commenced the business in mini-storage by acquisition and rental of industrial buildings in Hong Kong, and it is considered as a new operating and reportable segment by executive directors. For segment reporting, the mini-storage business have been aggregated with property leasing segment into a single reportable segment because the mini-storage operation represents rental of space to third parties. The business components in the internal financial information reported to the executive directors are determined following the Group's major business lines.

The Group has identified the following operating and reportable segments:

Property development	:	Development of residential, commercial and industrial 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 years. Thus, this is not constitute a reportable segment during both years.

These operating and reportable segments are monitored and strategic decisions are made on the basis of segment operating results.

Segment revenue and results

	Property development		Property leasing		Building management and other services		Segment total	
	2019	2018	2019	2018	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue								
External customers	180,230	417,247	532,305	540,040	21,337	23,111	733,872	980,398
Inter-segments (<i>note</i>)	—	17	432	1,017	2,004	2,653	2,436	3,687
Segment revenue	<u>180,230</u>	<u>417,264</u>	<u>532,737</u>	<u>541,057</u>	<u>23,341</u>	<u>25,764</u>	<u>736,308</u>	<u>984,085</u>
Segment profits	<u>42,874</u>	<u>155,513</u>	<u>472,206</u>	<u>503,198</u>	<u>17,318</u>	<u>14,056</u>	<u>532,398</u>	<u>672,767</u>
Certain other income and losses							19,779	13,955
Certain administrative expenses							(88,535)	(64,433)
Gain on disposal of subsidiaries							—	235,812
Net fair value loss on investment properties/properties transfer							(131,243)	(101,018)
Finance costs							(60,035)	(37,815)
Profit before income tax expense							<u>272,364</u>	<u>719,268</u>

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

5. PROFIT BEFORE INCOME TAX EXPENSE

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Amortisation of properties held for development	N/A	546
Auditor's remuneration	3,350	3,260
Cost of completed properties held for sale recognised as expenses	115,499	246,226
Depreciation of right-of-use assets	3,310	N/A
Depreciation of other property, plant and equipment	5,351	2,987
Employee compensation expense (including Directors' remuneration and defined contribution cost)	126,844	131,507
Minimum operating lease charges	N/A	1,277
Rentals in respect of short-term leases and low-valued leases	680	N/A
Gross rental income from investment properties	(532,305)	(540,040)
Less: Direct operating expense arising from investment properties that generated rental income	29,167	29,234
Less: Direct operating expense arising from investment properties that did not generate rental income	192	268
	<u>(502,946)</u>	<u>(510,538)</u>

6. INCOME TAX EXPENSE

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Hong Kong Profits Tax:		
Tax for the year (<i>note (a)</i>)	46,574	56,904
Over-provision in prior years	(8,959)	(39,614)
	<u>37,615</u>	<u>17,290</u>
PRC Enterprise Income Tax:		
Tax for the year (<i>note (b)</i>)	8,695	19,807
Under-provision in prior years	—	1,188
	<u>8,695</u>	<u>20,995</u>
PRC Land Appreciation Tax ("LAT") (<i>note (c)</i>)	4,938	6,428
Deferred tax charge	3,441	9,701
	<u>54,689</u>	<u>54,414</u>

Notes:

- (a) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The Directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

- (b) For the year ended 31 December 2019, all of the Group’s PRC subsidiaries were subject to PRC EIT rate of 25% (2018: 25%).
- (c) Under the Provisional Regulations of LAT (《中華人民共和國土地增值稅暫行條例》) effective on 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值稅暫行條例實施細則》) effective from 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, being the proceeds of sales of properties less deductible expenditures including borrowing costs and property development expenditures in relation to the gains arising from sales of properties in the PRC effective from 1 January 2004, with an exemption provided for property sales of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

7. EARNINGS PER SHARE

The calculation of the earnings per share of the Company is based on the profit for the year attributable to owners of the Company of HK\$217,782,000 (2018: HK\$671,592,000) and the number of ordinary shares of 283,308,635 (2018: 283,308,635) in issue during the year.

No diluted earnings per share for year ended 31 December 2019 and 2018 was presented as there were no potential ordinary shares in issue during the year ended 31 December 2019 and 2018.

8. TRADE AND OTHER RECEIVABLES/LOAN RECEIVABLES

As at 31 December 2019 and 2018, based on invoice dates, the ageing analysis of the trade receivables, net of allowance for credit losses, was the following:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0–30 days	11,772	8,130
31–90 days	6,176	9,385
91–180 days	2,976	3,276
Over 180 days	525	1,244
	<hr/>	<hr/>
Total trade receivables, net	21,449	22,035
	<hr/>	<hr/>
Other receivables, utility deposits and prepayment, net of provision for impairment loss	69,215	114,104
Loan receivables	4,919	5,053
	<hr/>	<hr/>
	74,134	119,157
	<hr/>	<hr/>
Total trade and other receivables categorised as current assets	95,583	141,192
	<hr/>	<hr/>
<i>Non-current assets:</i>		
Loan receivables	26,890	32,756
	<hr/>	<hr/>
	122,473	173,948
	<hr/> <hr/>	<hr/> <hr/>

9. TRADE PAYABLES

Trade payables had credit periods ranging from 30 to 90 days. Based on invoice dates, the ageing analysis of trade payables was the following:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0–30 days	1,519	1,214
31–90 days	1,263	106
Over 90 days	14,576	19,657
	<hr/>	<hr/>
Total trade payables	17,358	20,977
	<hr/> <hr/>	<hr/> <hr/>

OPERATIONS REVIEW AND PROSPECTS

OVERVIEW

In 2019, the global economy experienced a slowdown in growth due to market uncertainties surrounding trade protectionism, the China-US trade talks, the progress of Brexit and social unrest in various cities. As would be expected, this put pressure on the Hong Kong market, which experienced a moderate adjustment. Despite these macroeconomic uncertainties, however, Hong Kong continued to exhibit stable and healthy economic fundamentals and solid core competitiveness.

The performance of our property investment and leasing business segments was adversely affected accordingly, with moderate decreases already recorded in rental income from flagship properties such as Soundwill Plaza and Soundwill Plaza II — Midtown, among others. However, we consolidated the Group's market position through flexible and innovative strategies, tenant mix optimisation, close communication with tenants, increased market promotions and an enhanced customer experience.

In light of the land supply shortages affecting the core areas of Hong Kong, we continued to grow our mini-storage business by opening new stores in prime locations, while at the same time increasing investment in industrial projects and improving our property portfolio so as to steadily expand our business scale.

In order to enhance our market competitiveness and increase profitability, the Group continued to acquire older buildings, improved our investment property portfolio and undertook urban renewal projects, with a view to securing stable sources of land supply for future developments. Looking ahead, the Group will grow and move forward by exploring new market opportunities, sharpening our competitiveness and creating value for both shareholders and society.

PROPERTY PORTFOLIO

During the reporting year, the Group strategically acquired a number of older properties across Hong Kong Island and continued to invest in projects with high appreciation potential. In addition, the Group remained committed to regenerating old districts, elevating the quality of the buildings and enhancing facilities for the benefit of both new and existing owners. The Group also continued to seek out sites with high appreciation potential in order to replenish our land reserves at a reasonable cost and thus increase our earnings.

105–113 Ta Chuen Ping Street, Kwai Chung
42–44 Yiu Wa Street and 28–29 Canal Road East, Causeway Bay

PROPERTY ASSEMBLY

The Group captured business opportunities in the local market through property assembly and the acquisition of old buildings.

The Group strategically adjusted the pace of our property assembly activities in response to the prevailing uncertainty and increasingly challenging outlook of Hong Kong's property market. However, the Group will continue to closely monitor market conditions and seek opportunities to source high-quality land sites for acquisition, in accordance with our development strategy.

PROPERTY LEASING

For the year ended 31 December 2019, the Group's property leasing business segment recognised revenue of approximately HK\$532,305,000 (2018: HK\$540,040,000), representing approximately 73% (2018: 55%) of the Group's total revenue for the year.

During the year, economic volatility in Hong Kong had affected our property leasing business performance, with the retail, catering and tourism industries among the hardest hit. Inevitably, this led to great pressure in terms of rental adjustment. The Group continued to diligently upgrade the quality of our premises while constantly reviewing the tenant mix, so as to enhance the value of our properties. In addition, the Group made wide use of digital technology to improve communication with customers and accommodate the latest trends in consumer's consumption patterns, as well as offered enhanced market promotions and an improved customer experience in a bid to increase revenue and pedestrian flows.

Soundwill Plaza

Soundwill Plaza is located in the heart of Causeway Bay on Russell Street, reputedly the world's most expensive retail street. Supported by high footfall, convenient transport links and a leasable area of 245,105 square feet, this premium Grade A commercial building boasts a wide range of shopping, leisure and beauty outlets and is a centre for international flagship brands, with luxury retail stores occupying the ground floor and first floor. Although rental income performance was down slightly compared to the previous year, returns remained reasonable and Soundwill Plaza was one of the Group's most stable contributors of income.

Soundwill Plaza II — Midtown

Soundwill Plaza II — Midtown, a 31-storey building with a leasable area of 218,000 square feet, is located at 1 Tang Lung Street in Causeway Bay and is renowned as a local hot spot for food & beverage and leisure activities. Since it opened, the property has achieved stable results in terms of pedestrian flow and sales volumes. Although rental income performance declined during the reporting year, Soundwill Plaza II — Midtown nevertheless maintained a consistently high occupancy rate. We also continued to target

promotional and advertising campaigns in key markets and thus helped our tenants to maintain stable footfall and sales, which in turn further consolidated our own competitive advantages.

10 Knutsford Terrace

The 23-storey 10 Knutsford Terrace is located at 10–11 Knutsford Terrace, Tsim Sha Tsui, one of the most prominent tourist and leisure districts in Hong Kong, and covers a leasable area of 114,000 square feet. With its convenient and advantageous central location, it is a popular destination for local office workers. 10 Knutsford Terrace continued to attract increasing footfall during the year while maintaining stable performance and a high occupancy rate, thus making a solid contribution to the Group's rental income.

Kai Kwong Commercial Building

Kai Kwong Commercial Building is a 21-storey integrated commercial project located at 332–334 Lockhart Road, Wan Chai.

During the year, the Group continued to optimise and expand our Hong Kong investment property portfolio. Our investment properties enjoy the competitive advantage of being largely located in core tourist and retail districts, making them attractive to a wide range of retail tenants. This diverse tenant mix will continue to generate steady income for the Group's leasing business.

ONE STORAGE MANAGEMENT COMPANY LIMITED

One Storage, a subsidiary of the Group, offers high-quality storage services to customers through branches in Chai Wan, San Po Kong, Fo Tan, Tuen Mun, Tsing Yi, Kwai Chung and Tsuen Wan. Each branch provides excellent management and first-rate customer service in a secure and comfortable environment. All One Storage branches are equipped with fire safety devices that are in strict compliance with the latest fire safety guidelines.

One Storage will remain committed to innovating our services by keeping ahead of industry developments. We will open additional branches in suitable locations so as to offer our professional facilities and services to more customers.

PROPERTY DEVELOPMENT

For the year ended 31 December 2019, the Group's property development business segment recognised revenue of approximately HK\$180,230,000 (2018: HK\$417,247,000), representing approximately 24% (2018: 43%) of the Group's total revenue for the year.

Residential Project

Jones Hive

Jones Hive, a residential project situated at 8 Jones Street, Tai Hang, was jointly developed by the Group and Henderson Land Development Company Limited. The project includes 119 units with saleable areas ranging from 328 to 558 square feet. The last few remaining residential units had been sold by the end of the year.

Commercial Projects

THE SHARP

Located at 11–13 Sharp Street East and 1–1A Yiu Wa Street in Causeway Bay, THE SHARP is an integrated commercial property project with space for retail, beauty, food & beverage and commercial businesses. This project has been occupied since February 2016.

42–44 Yiu Wa Street And 28–29 Canal Road East, Causeway Bay

This project is located at 42–44 Yiu Wa Street and 28–29 Canal Road East, Causeway Bay, and will have a gross floor area of approximately 44,000 square feet on completion.

Industrial Project

105–113 Ta Chuen Ping Street, Kwai Chung

This industrial project is located at 105–113 Ta Chuen Ping Street, Kwai Chung, and will have a gross floor area of approximately 190,000 square feet on completion.

Real Estate Business in the PRC

For the year ended 31 December 2019, the Group's PRC real estate business segment recognised revenue of approximately HK\$173,092,000 (2018: HK\$250,966,000), representing approximately 24% (2018: 26%) of the Group's total revenue for the year.

During the year under review, the PRC achieved steady economic growth and fully implemented city-specific policies for its real estate market. Nevertheless, an oversupply of properties led to fluctuations in transaction prices.

The Group currently owns a number of real estate projects in the PRC. The Lakeview Bay • VOGUE is an integrated project wholly owned by the Group, comprising villas and high-rise residences located in Gaoyao District, Zhaoqing. As at the end of the reporting year, the villa units of Phase I had nearly sold out and were gradually occupied. In addition, the first batch of high-rise townhouse units of Phase II was almost completely sold and delivered, while the remaining units sold quickly and were in the process of being delivered at the end of 2019. Furthermore, the multi-level residential and shop units of Phase III were launched at the end of 2019 and are now selling fast, with an expected delivery date of mid-2020.

Grand Capital (Shan Shui Xiang Ri Hao Ting) is a project located in Doumen District, Zhuhai. By the end of 2019, the residential units of Phases I and II and the shops of Phase II had sold out and were gradually occupied, while the residential and shop units of Phase III were in hot demand and had fulfilled their handover conditions. The shops have nearly sold out, and merchants are gradually moving in. The related confirmation of rights will be fully completed in 2020, and the units will be sold upon completion.

BUILDING MANAGEMENT AND OTHER SERVICES

For the year ended 31 December 2019, the Group's building management business segment recognised revenue of approximately HK\$21,337,000 (2018: HK\$23,111,000), representing approximately 3% (2018: 2%) of the Group's total revenue for the year.

The Group's building management and maintenance subsidiaries provide high-quality management, customer and maintenance services to both large-scale commercial buildings and small and medium-sized estates. By constantly refining the services we offer, these businesses have successfully raised overall service standards at our properties. Drawing on its extensive customer service experience, the Group's building management team successfully maintained the quality standards of the indoor environments under its care during the reporting year. The team also reduced waste and decreased our properties' carbon footprint through a range of energy efficiency measures.

“The Concierge” — French-style Hotel Management Service

The Group has integrated The Concierge, a new concept modelled on French hotel management services, into its building management offering. The Concierge offers residential tenants a rich array of value-added services, including concierge, dining and catering, household maintenance, laundry and dry-cleaning services, as well as home and car cleaning service referrals. Through these thoughtful, comprehensive and premium services, we are able to provide a higher quality of life to our tenants while continuing to enhance our service quality through innovation.

Soundwill Club

In 2019, with the aim of enhancing the customer experience for the digital era and sharpening our competitive edge, the Group continued to strongly promote the Soundwill Club mobile app and online shopping platform. Soundwill Club provides customers with one-stop member offers and services, including up-to-date merchant offers, event information and a loyalty points programme, while at the same time allowing the Group to collect valuable feedback through big data analytic tools. This deepens our understanding of the needs of merchants, customers and property buyers, and thus helps us to enhance our products and services.

CORPORATE CITIZENSHIP

In addition to generating strong returns for our shareholders, we are dedicated to acting as a socially responsible business in all of our operations. We create positive social impact by supporting fundraising activities, reading programmes and educational events, as well as by providing care and support for underprivileged people in our community through the Soundwill Volunteer Team. In addition, we publish a regular Environmental, Social and Governance Report alongside our key performance indicators, in order to enhance corporate information transparency.

In recognition of our contributions to the community, we were honoured as a “Caring Company” by The Hong Kong Council of Social Service for the eighth consecutive year. The Group also received a number of commendations in conjunction with our member companies and property projects. During the reporting year, the Group was recognised as a “Heart-to-Heart Company”, “Corporate Citizen”, “Partner Employer” and “Construction Industry Caring Organisation”, underscoring our commitment to corporate social responsibility over the years.

PROSPECTS

Looking forward into 2020, we expect the global economy to face more severe challenges. On the one hand, China and the United States have reached an agreement regarding an initial trade deal, and uncertainties around Brexit have reduced. On the other hand, due to heightened geopolitical risks worldwide, a slowdown in global economic growth and the novel coronavirus pandemic, we expect Hong Kong’s markets to suffer from dampened investor sentiment and the global economy to experience a significant shock.

In addition, the recent outbreak of the novel coronavirus has already severely affected Hong Kong's retail, tourism and catering industries, leading to an increase in the unemployment rate and heightened potential economic downside pressures. As such, Hong Kong is facing unprecedented challenges. It is expected that conditions in both the wider local economy and the property leasing market will remain weak and are unlikely to fully recover in the short term, placing the Group's future performance under greater pressure and uncertainty.

Nevertheless, given the mature and healthy nature of Hong Kong's investment environment, combined with the potential opportunities for Hong Kong to capitalise on its competitive advantages in the Greater Bay Area, we expect the local economy to gradually stabilise once the epidemic ends. Backed by a solid foundation, a prudent approach and an experienced management team, we are confident that we will be able to tackle the diverse challenges ahead.

We will continue to improve the effectiveness of our sustainable development by striving to optimise our business structure, while at the same time devoting ourselves to the improvement of Hong Kong's environmental, social and economic situation through continuous efforts in environmental protection, technological development and community investment. In 2020, the Group will adopt a humble and prudent approach to promoting business growth and maintaining competitiveness, in the service of our shareholders' long-term interests.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Results of Operations

During the year, the Group recorded a revenue of approximately HK\$733,872,000 (2018: HK\$980,398,000), representing a decrease of HK\$246,526,000 as compared with last year. The decrease in revenue was mainly due to the decrease in income recorded from the property development projects.

Profit Attributable to Owners of the Company

During the year, the Group has recorded a profit attributable to owners of the Company of approximately HK\$217,782,000 (2018: HK\$671,592,000), a decrease of 68% as compared with last year. This decrease was mainly due to there being no significant gain from disposal of subsidiaries recorded and coupled with decrease in revenue from sale of developed units during the year as compared with the corresponding year in 2018.

Net Assets

The net assets of the Group as at 31 December 2019 amounted to HK\$20,605,536,000 (2018: HK\$20,456,219,000). Net asset value per share as at 31 December 2019 is HK\$72.7 (2018: HK\$72.2).

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2019, the Group's cash and bank balances (including short-term bank deposits and cash and cash equivalents) amounted to HK\$557,211,000 (2018: HK\$761,238,000). Total borrowings of the Group amounted to HK\$1,944,063,000 (2018: HK\$1,562,788,000) as at 31 December 2019.

As at 31 December 2019, the Group's gearing ratio (which was expressed as a percentage of total borrowings over total equity) was 9% (2018: 8%).

The Group mainly operates and invests in Hong Kong and the PRC with most of the transactions denominated and settled in Hong Kong Dollars and Renminbi respectively. Therefore, any PRC operations are translated from RMB into Hong Kong dollars at the year end date and the exchange differences will be reflected in the consolidated income statement at average rate and exchange reserve in other comprehensive income at closing rate. During the year, the Group did not engage in any derivative activities or use 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.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group provided guarantees amounted to HK\$275,589,000 (2018: HK\$337,389,000) to banks with respect to mortgage loans procured by the purchasers of the Group's properties. 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.

EVENTS AFTER REPORTING PERIOD

On 19 July 2018, the Group entered into an agreement to dispose of the entire equity interest in a wholly-owned subsidiary, namely Lucky Way Holdings Investment Limited ("Lucky Way"), to an independent third party at a cash consideration of HK\$467,635,000. Lucky Way is an investment holding company and holds the entire issued share capital of a subsidiary which in turn holds a property comprises a work site and a tenement building located in Hong Kong (collectively the "Lucky Way Group"). The disposal of Lucky Way Group was completed on 5 February 2020 with details disclosed in the announcement dated 5 February 2020.

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

EMPLOYEES REMUNERATION

The Group had 248 and 70 employees in Hong Kong and PRC respectively as at 31 December 2019 (2018: 276 and 79 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. Total salaries and wages incurred in 2019 were approximately HK\$126,844,000 (2018: HK\$131,507,000) and no share option expenses (2018: Nil) during the year.

DIVIDEND

The Board recommends a payment of a final dividend of HK\$0.20 (2018: HK\$0.20) per share and no payment of special dividend (2018: Nil) for the year ended 31 December 2019, subject to the approval of the shareholders at the forthcoming annual general meeting to be held on Thursday, 28 May 2020. The final dividend will be payable on or about Thursday, 18 June 2020 to shareholders whose names appear on the register of members on Thursday, 4 June 2020.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the “AGM”) will be held on Thursday, 28 May 2020 and the notice of AGM will be published and dispatched in the manner as required by the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed for the following periods:

- (a) For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 25 May 2020 to Thursday, 28 May 2020 (both dates inclusive), during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company’s branch share registrar in Hong Kong, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Friday, 22 May 2020.
- (b) For determining the entitlement to the proposed final dividend for the year ended 31 December 2019, the register of members of the Company will be closed from Wednesday, 3 June 2020 to Thursday, 4 June 2020 (both dates inclusive), during which period no transfer of shares will be registered. In order to qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company’s branch share registrar in Hong Kong, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 2 June 2020.

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

During the year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is public available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of the Company's shares in the market as at the date of this announcement.

REVIEWED BY AUDIT COMMITTEE

The audited consolidated results of the Group for the year ended 31 December 2019 and the financial and accounting policies adopted by the Group have been reviewed by the audit committee of the Company.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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 Listing Rules on the Stock Exchange during the year ended 31 December 2019 except for the following deviations:

(1) CODE PROVISION A.2.1

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

The roles of the chairman and chief executive officer are neither separated nor performed by two different individuals. Madam Foo Kam Chu Grace is the founder and the 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 and various department heads with clearly defined authority policy. The Board is of the view that the current management structure can effectively facilitate the Group’s operation and business development.

(2) CODE PROVISION A.4.1

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

The independent non-executive directors are not appointed for a specific term as they are subject to retirement by rotation at least once every three years and re-election at annual general meetings in accordance with the bye-laws of the Company.

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules. Having made specific enquiries with all Directors, the Company confirms that all of them have complied with the Model Code throughout the year.

The Company has also adopted the written guidelines on no less exacting terms than the Model Code for those relevant employees (as defined in the CG Code) in respect of their dealings in the securities of the Company in compliance with the Code Provision A.6.4 of the CG Code.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the Company's website at www.soundwill.com.hk and the Stock Exchange's website at www.hkexnews.hk. The 2019 annual report will be despatched to the shareholders of the Company and will be made available on the websites of the Company and the Stock Exchange in due course in accordance with the Listing Rules.

APPRECIATION

As a final note, I wish to take this opportunity to thank the Directors and staff for their contributions and good performance in the past financial year.

By Order of the Board
SOUNDWILL HOLDINGS LIMITED
Foo Kam Chu Grace
Chairman

Hong Kong, 27 March 2020

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