

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2018

FINANCIAL HIGHLIGHTS

| | Year ended 31 December | |
|--|------------------------|---------------------|
| | 2018 | 2017 |
| | <i>HK\$ million</i> | <i>HK\$ million</i> |
| Revenue | 980 | 2,225 |
| Profit before income tax expense excluding net fair value (loss)/gain on investment properties/properties transfer | 820 | 774 |
| Net fair value (loss)/gain on investment properties/properties transfer | (101) | 529 |
| Profit before income tax expense | 719 | 1,303 |
| Profit attributable to owners of the Company | 672 | 1,201 |
| Basic earnings per share (dollars) | HK\$2.37 | HK\$4.24 |
| Dividend per share (dollars) | | |
| — proposed final dividend | HK\$0.20 | HK\$0.20 |
| — proposed special dividend | — | — |
| | At | At |
| | 31 December 2018 | 31 December 2017 |
| | <i>HK\$ million</i> | <i>HK\$ million</i> |
| Total assets | 23,124 | 22,552 |
| Net assets | 20,456 | 19,894 |
| Total borrowings | 1,563 | 1,528 |
| Gearing ratio | 8% | 8% |
| Net asset value per share (dollars) | HK\$72.2 | HK\$70.2 |

* 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 2018 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 2018

| | Notes | 2018 HK\$'000 | 2017 HK\$'000 |
|---|-------|------------------|------------------|
| Revenue | 3 | | |
| Revenue from goods and services | | 440,358 | 1,716,996 |
| Rental income | | 540,040 | 508,000 |
| Total revenue | | 980,398 | 2,224,996 |
| Cost of sales | | (251,303) | (1,213,488) |
| Gross profit | | 729,095 | 1,011,508 |
| Other income | | 47,619 | 110,152 |
| Selling expenses | | (11,935) | (63,672) |
| Administrative expenses | | (142,490) | (206,149) |
| Other gains and losses | | — | (2,191) |
| Gain/(loss) on disposal of subsidiaries | | 235,812 | (50,167) |
| Net fair value (loss)/gain on investment properties/ properties transfer | | (101,018) | 528,792 |
| Finance costs | | (37,815) | (25,503) |
| Profit before income tax expense | 5 | 719,268 | 1,302,770 |
| Income tax expense | 6 | (54,414) | (101,174) |
| Profit for the year | | 664,854 | 1,201,596 |

| | <i>Notes</i> | 2018 HK\$'000 | 2017 HK\$'000 |
|--|--------------|--------------------------------|------------------|
| Other comprehensive (expense)/income, net of tax | | | |
| <i>Item that will not be reclassified to profit or loss:</i> | | | |
| Deficit on revaluation of buildings, net of deferred tax | | (400) | (1,458) |
| <i>Item that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange (loss)/gain on translation of foreign operations | | <u>(33,176)</u> | <u>31,079</u> |
| Other comprehensive (expense)/income for the year, net of tax | | <u>(33,576)</u> | <u>29,621</u> |
| Total comprehensive income for the year | | <u>631,278</u> | <u>1,231,217</u> |
| Profit for the year attributable to: | | | |
| Owners of the Company | | 671,592 | 1,200,781 |
| Non-controlling interests | | (6,738) | 815 |
| | | <u>664,854</u> | <u>1,201,596</u> |
| Total comprehensive income for the year attributable to: | | | |
| Owners of the Company | | 639,739 | 1,227,041 |
| Non-controlling interests | | (8,461) | 4,176 |
| | | <u>631,278</u> | <u>1,231,217</u> |
| Earnings per share | <i>7</i> | | |
| Basic | | <u>HK\$2.37</u> | <u>HK\$4.24</u> |
| Diluted | | <u>N/A</u> | <u>HK\$4.24</u> |

Consolidated Statement of Financial Position
As at 31 December 2018

| | <i>Notes</i> | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|--|--------------|--------------------------------|--------------------------|
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Investment properties | | 20,439,237 | 19,497,324 |
| Property, plant and equipment | | 127,218 | 107,460 |
| Properties held for development | | 17,305 | 18,434 |
| Deposits paid for acquisition of properties | | 63,552 | 56,945 |
| Loan receivables | 8 | 32,756 | 36,894 |
| | | <u>20,680,068</u> | <u>19,717,057</u> |
| Total non-current assets | | | |
| Current assets | | | |
| Properties for sale | | 954,855 | 1,407,876 |
| Trade and other receivables | 8 | 141,192 | 113,804 |
| Financial assets at fair value through profit or loss ("FVTPL") | | 92,443 | — |
| Structured bank deposits | | — | 106,559 |
| Bank deposits at escrow account | | — | 2,231 |
| Restricted bank deposits | | 74,568 | 57,993 |
| Short-term bank deposits | | 575,000 | 480,055 |
| Cash and cash equivalents | | 186,238 | 666,895 |
| | | <u>2,024,296</u> | <u>2,835,413</u> |
| Assets classified as held for sale | | 420,000 | — |
| | | <u>2,444,296</u> | <u>2,835,413</u> |
| Total current assets | | | |
| Current liabilities | | | |
| Trade and other payables | 9 | 619,975 | 501,631 |
| Contract liabilities | | 154,469 | — |
| Deposits received in advance | | — | 292,733 |
| Borrowings | | 1,067,765 | 1,528,120 |
| Provision for income tax | | 213,381 | 228,152 |
| | | <u>2,055,590</u> | <u>2,550,636</u> |
| Total current liabilities | | | |
| Net current assets | | <u>388,706</u> | <u>284,777</u> |
| Total assets less current liabilities | | <u>21,068,774</u> | <u>20,001,834</u> |
| Non-current liabilities | | | |
| Borrowings | | 495,023 | — |
| Deferred tax liabilities | | 117,532 | 107,886 |
| | | <u>612,555</u> | <u>107,886</u> |
| Total non-current liabilities | | | |
| Net assets | | <u><u>20,456,219</u></u> | <u><u>19,893,948</u></u> |

| | <i>Notes</i> | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|---|--------------|--------------------------------|--------------------------|
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | | 28,331 | 28,331 |
| Reserves | | <u>20,412,833</u> | <u>19,829,756</u> |
| | | 20,441,164 | 19,858,087 |
| Non-controlling interests | | <u>15,055</u> | <u>35,861</u> |
| Total equity | | <u><u>20,456,219</u></u> | <u><u>19,893,948</u></u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The consolidated financial statements of the Group for the year ended 31 December 2018 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 HKICPA for the first time in the current year:

| | |
|---|--|
| HKFRS 9 | Financial Instruments |
| HKFRS 15 | Revenue from Contracts with Customers and the related Amendments |
| HK(IFRIC)-Int 22 Amendments to HKFRS 2 | Foreign Currency Transactions and Advance Consideration Classification and Measurement of Share-based Payment Transactions |
| Amendments to HKFRS 4 | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts |
| Amendments to HKAS 28 | As part of the Annual Improvements to HKFRSs 2014–2016 Cycle |

In addition, the Group has applied Amendments to HKFRS 9 “Prepayment Features with Negative Compensation” in advance of the effective date, i.e. 1 January 2019. The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

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.

2.1.1 HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 “Revenue” and HKAS 11 “Construction Contracts” and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Sales of residential, industrial and commercial properties
- Leasing of investment properties
- Provision of building management and other services

Summary of effects arising from initial application of HKFRS 15

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

| | | Carrying amounts previously reported at 31 December 2017 | Reclassification | Carrying amounts under HKFRS 15 at 1 January 2018* |
|------------------------------|------|---|------------------|--|
| | Note | HK\$'000 | HK\$'000 | HK\$'000 |
| Current liabilities | | | | |
| Deposits received in advance | (a) | 292,733 | (292,733) | — |
| Contract liabilities | (a) | — | 292,733 | 292,733 |

* The amounts in this column are before the adjustments from the application of HKFRS 9.

Note:

- (a) As at 1 January 2018, advances from customers of HK\$292,733,000 in respect of sales of properties contracts previously presented as deposits received in advance were reclassified to contract liabilities.

There is no material impact on the revenue recognition on the timing and amounts of revenue recognised upon the application of HKFRS 15 on 1 January 2018.

2.1.2 HKFRS 9 Financial Instruments and the related amendments

In the current year, the Group has applied HKFRS 9 “Financial Instruments”, Amendments to HKFRS 9 “Prepayment Features with Negative Compensation” and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses (“ECL”) for financial assets and financial guarantee contracts and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 “Financial Instruments: Recognition and Measurement”.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

| | <i>Note</i> | Structured bank deposits HK\$'000 | Financial assets at FVTPL HK\$'000 |
|--|-------------|--|---|
| Closing balance at 31 December 2017 under HKAS 39 | | 106,559 | — |
| Effect arising from initial application of HKFRS 9: | | | |
| Reclassification | (a) | <u>(106,559)</u> | <u>106,559</u> |
| Opening balance at 1 January 2018 | | <u>—</u> | <u>106,559</u> |

Note:

- (a) At the date of initial application, the Group no longer applied designation as measured at FVTPL for the structured bank deposits. However, the Group continues to measure the structured bank deposits at FVTPL as the contractual terms of structured bank deposits give rise to cash flows that are not solely payments of principal and interest on the principal amount outstanding. As at 1 January 2018, structured bank deposits of HK\$106,559,000 were reclassified to financial assets at FVTPL. There was no impact on the amounts recognised in relation to this asset from the application of HKFRS 9.

2.2.1 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 16 | Leases ¹ |
| HKFRS 17 | Insurance Contracts ³ |
| HK(IFRIC)-Int 23 | Uncertainty over Income Tax Treatments ¹ |
| Amendments to HKFRS 3 | Definition of a Business ⁴ |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ² |
| Amendments to HKAS 1 and HKAS 8 | Definition of Material ⁵ |
| Amendments to HKAS 19 | Plan Amendment, Curtailment or Settlement ¹ |
| Amendments to HKAS 28 | Long-term Interests in Associates and Joint Ventures ¹ |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2015–2017 Cycle ¹ |

¹ Effective for annual periods beginning on or after 1 January 2019

² Effective for annual periods beginning on or after a date to be determined

³ Effective for annual periods beginning on or after 1 January 2021

⁴ Effective for business combination for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

⁵ Effective for annual periods beginning on or after 1 January 2020

3. REVENUE

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

| | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Revenue from goods and services | | |
| Property development | | |
| — Sales of completed properties for sale | 417,247 | 1,696,130 |
| Building management and other services | | |
| — Property repairs and maintenance service income | 8,472 | 6,504 |
| — Building management service income | 14,639 | 14,362 |
| Revenue from contracts with customers | 440,358 | 1,716,996 |
| Property leasing | | |
| — Rental and signage rental income | 540,040 | 508,000 |
| Total revenue | 980,398 | 2,224,996 |

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 the chief operating decision maker. 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 | |
|---|----------------------|------------------|------------------|------------------|--|------------------|------------------|------------------|
| | 2018 HK\$'000 | 2017 HK\$'000 | 2018 HK\$'000 | 2017 HK\$'000 | 2018 HK\$'000 | 2017 HK\$'000 | 2018 HK\$'000 | 2017 HK\$'000 |
| Revenue | | | | | | | | |
| External customers | 417,247 | 1,696,130 | 540,040 | 508,000 | 23,111 | 20,866 | 980,398 | 2,224,996 |
| Inter-segments (<i>note</i>) | 17 | 1,381 | 1,017 | 453 | 2,653 | 3,390 | 3,687 | 5,224 |
| Segment revenue | <u>417,264</u> | <u>1,697,511</u> | <u>541,057</u> | <u>508,453</u> | <u>25,764</u> | <u>24,256</u> | <u>984,085</u> | <u>2,230,220</u> |
| Segment profits | <u>155,513</u> | <u>448,844</u> | <u>503,198</u> | <u>462,271</u> | <u>14,056</u> | <u>10,175</u> | <u>672,767</u> | <u>921,290</u> |
| Certain other income, other gains and losses | | | | | | | 13,955 | 8,869 |
| Certain administrative expenses | | | | | | | (64,433) | (80,511) |
| Gain/(loss) on disposal of subsidiaries | | | | | | | 235,812 | (50,167) |
| Net fair value (loss)/gain on investment properties/properties transfer | | | | | | | (101,018) | 528,792 |
| Finance costs | | | | | | | (37,815) | (25,503) |
| Profit before income tax expense | | | | | | | <u>719,268</u> | <u>1,302,770</u> |

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

The operating and reportable segment results exclude finance costs, net fair value (loss)/gain on investment properties/properties transfer, gain/(loss) on disposal of subsidiaries, unallocated other income, other gains and losses, unallocated administrative expenses and income tax expense.

5. PROFIT BEFORE INCOME TAX EXPENSE

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

| | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Amortisation of properties held for development | 546 | 413 |
| Auditor's remuneration | 3,260 | 3,059 |
| Cost of completed properties held for sale recognised as expenses | 246,226 | 1,206,499 |
| Depreciation of property, plant and equipment | 2,987 | 2,250 |
| Employee compensation expense (including Directors' remuneration and defined contribution cost) | 131,507 | 158,206 |
| Impairment loss on trade receivables* | — | 2,191 |
| Minimum operating lease charges | 1,277 | 1,115 |
| Gross rental income from investment properties | (540,040) | (508,000) |
| Less: Direct operating expense arising from investment properties that generated rental income | 29,234 | 38,009 |
| Less: Direct operating expense arising from investment properties that did not generate rental income | 268 | 319 |
| | <u>(510,538)</u> | <u>(469,672)</u> |

* Included in other gains and losses

6. INCOME TAX EXPENSE

| | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Hong Kong Profits Tax: | | |
| Tax for the year (<i>note (a)</i>) | 56,904 | 106,299 |
| (Over)/under-provision in prior years | (39,614) | 25,066 |
| | <u>17,290</u> | <u>131,365</u> |
| PRC Enterprise Income Tax: | | |
| Tax for the year (<i>note (b)</i>) | 19,807 | 1,901 |
| Under-provision in prior years | 1,188 | — |
| | <u>20,995</u> | <u>1,901</u> |
| PRC Land Appreciation Tax ("LAT") (<i>note (c)</i>) | 6,428 | 9,360 |
| Deferred tax charge/(credit) | 9,701 | (41,452) |
| | <u>54,414</u> | <u>101,174</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%.
- (b) For the year ended 31 December 2018, all of the Group’s PRC subsidiaries were subject to PRC EIT rate of 25% (2017: 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 basic and diluted earnings per share of the Company is based on the profit for the year attributable to owners of the Company of HK\$671,592,000 (2017: HK\$1,200,781,000) and the number of ordinary shares of 283,308,635 (2017: 283,308,635) in issue during the year.

The computation of diluted earnings per share does not assume the exercise of the Company’s employee share options because the exercise price of these options was higher than the average market price for shares for year ended 31 December 2017. In addition, the employee share options were lapsed in year 2017.

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

8. TRADE AND OTHER RECEIVABLES/LOAN RECEIVABLES

As at 31 December 2018 and 2017, based on invoice dates, the ageing analysis of the trade receivables, net of allowance for credit losses, was the following:

| | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| 0–30 days | 8,130 | 9,144 |
| 31–90 days | 9,385 | 6,018 |
| 91–180 days | 3,276 | 1,890 |
| Over 180 days | <u>1,244</u> | <u>2,624</u> |
| Total trade receivables, net | <u>22,035</u> | <u>19,676</u> |
| Other receivables, utility deposits and prepayment, net of provision for impairment loss | 114,104 | 92,671 |
| Loan receivables | <u>5,053</u> | <u>1,457</u> |
| | <u>119,157</u> | <u>94,128</u> |
| Total trade and other receivables categorised as current assets | <u>141,192</u> | <u>113,804</u> |
| <i>Non-current assets:</i> | | |
| Loan receivables | <u>32,756</u> | <u>36,894</u> |
| | <u>173,948</u> | <u>150,698</u> |

9. TRADE PAYABLES

Trade payables had credit periods ranging from 30 to 60 days. Based on invoice dates, the ageing analysis of trade payables was the following:

| | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|----------------------|-------------------------|-------------------------|
| 0–30 days | 1,214 | 22,466 |
| 31–90 days | 106 | 126 |
| Over 90 days | <u>19,657</u> | <u>1,443</u> |
| Total trade payables | <u>20,977</u> | <u>24,035</u> |

OPERATIONS REVIEW AND PROSPECTS

OVERVIEW

In 2018, the world-wide trade war and the global conflicts between China and the United States led to intensified trade disputes, negative market sentiments and fluctuations in stock and foreign exchange markets. In spite of the rapid changes in external economic conditions, Hong Kong's economic fundamentals remained stable and healthy. The performance of the Hong Kong property market went from one extreme to the other from the first half to the second half of the year, as market sentiments changed to conservative.

Property leasing is the core business of the Group. Our investment property portfolio concentrates in popular tourist areas, including Russell Street in Causeway Bay, one of the most expensive streets for retailers in the world, and Tsim Sha Tsui, the top shopping destination for tourists. Although the retail sector performance slowed down and luxury retailers expanded at a cautious pace, the rebound in tourist arrivals kept rents in core districts at a stable level.

During the year under review, major properties such as Soundwill Plaza, Soundwill Plaza II — Midtown and 10 Knutsford Terrace all maintained high occupancy rates. Through flexible tenant management strategies, enhanced promotional activities and enticing advantages offered to encourage customers to visit and spend again, the Group succeeded in increasing visitor flows and sales. Plans were also put in place to optimise and enhance our investment assets and their competitiveness.

As part of our increased investment in industrial projects, we launched a mini-storage business that creates synergy with our investment property portfolio. In 2018, the mini-storage business expansion was proceeded with smoothly, with branches having coverage across Hong Kong Island, Kowloon and the New Territories. Innovative new features such as pre-installed shelves and storage with specific functions were implemented to existing branches to meet market demand.

The Group also adopted a versatile land reserve strategy in order to increase earnings and to enhance the value of our shareholders' investments. During the year, we disposed of the site at 71–75 Chai Wan Kok Street, Tsuen Wan for HK\$530 million; the resulted financial gain was booked in 2018 and contributed to the year's profits.

At the same time, the Group remained focused on driving rental income growth, enhancing our investment property portfolio and urban renewal projects, and launching new projects. Sticking to this proven strategy, we were able to maintain a steady cash flow for the Group and to ensure its balanced long-term development.

PROPERTY PORTFOLIO

During the year, the Group actively acquired a number of old properties in various areas of Hong Kong and continued to increase our investment in projects with high appreciation potential. In addition to this, the Group has remained committed to revitalising old districts, upgrading the quality of the buildings and ancillary facilities for the benefit of all new and existing owners. The Group also continued to look for sites with high potential in order to replenish our land reserves at a reasonable cost, and so to increase our earnings.

PROPERTY ASSEMBLY

The Group has been capturing business opportunities in the local market through property assembly and the acquisition of old buildings. In this business, the Group acquires land reserves with high appreciation potential at a reasonable cost and retains projects with stronger potential for development.

In response to the continuous implementation of property market adjustments and control measures, the pace of the Group's property assembly had noticeably slowed down. Nevertheless, the Group will continue to source quality land sites for acquisition in accordance with our consistent acquisition and development strategy.

PROPERTY LEASING

For the year ended 31 December 2018, this business segment recognised revenue of approximately HK\$540,040,000 (2017: HK\$508,000,000), representing approximately 55% (2017: 23%) of the Group's total revenue for the year.

The Group has relentlessly continued to upgrade the quality of our premises by undertaking regular renovation programmes. The Group constantly reviews our tenant mix in line with the latest trends in consumer spending patterns. With the footfall increased by our marketing and promotional campaigns as well as our Soundwill Club mobile app, the retail tenants of our major premises recorded solid growth in sales performance.

Soundwill Plaza

Soundwill Plaza is located in the heart of Causeway Bay on Russell Street, the reputed most expensive street in the world. Supported by high pedestrian flow and convenient transport connections, this premium Grade A commercial building, with a gross floor area of approximately 245,100 square feet, is a centre for international flagship brands, with luxury retail stores occupying the ground floor and first floor. With its wide range of shopping, leisure and beauty options, Soundwill Plaza generated steady returns during the year, making it one of the most stable contributors of income for the Group.

Soundwill Plaza II — Midtown

Soundwill Plaza II — Midtown, a 31-storey building located at 1 Tang Lung Street in Causeway Bay, is a popular landmark for food & beverage and leisure activities in Causeway Bay. With a gross floor area of approximately 218,000 square feet, the property reported stable results in both footfall and sales. With the introduction of more trendsetting tenants, the property recorded solid rental income and a high occupancy rate during the year. We also continued to step up our advertising and promotional efforts, which were highly appreciated by our customers and tenants and successfully attracted more pedestrian flows and sales, so that this property can generate satisfactory rental income for the Group and further consolidate our competitive advantages.

10 Knutsford Terrace

The 23-storey property, 10 Knutsford Terrace is located at 10–11 Knutsford Terrace, Tsim Sha Tsui, one of the prominent tourist and leisure districts in Hong Kong, with a gross floor area of approximately 114,000 square feet. With the advantages of a convenient central location, it is one of the popular destinations for office workers in the area. The property continued to attract increasing pedestrian flow during the year to maintain stable performance and a high occupancy rate, bringing solid rental income to the Group.

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 optimised and expanded our investment property portfolio in Hong Kong. Our investment properties enjoy geographical advantages as they are primarily located in core tourist and retail districts that appeal to a variety of retail tenants. Our versatile mix of tenants will continue to generate impressive returns for the leasing business of the Group.

ONE STORAGE MANAGEMENT COMPANY LIMITED

One Storage, a subsidiary of the Group, provides high quality storage service to customers through branches in Chai Wan, San Po Kong, Fo Tan, Tuen Mun, Tsing Yi, Kwai Chung and Tsuen Wan. Each offers a high standard of management and professional customer service in a safe and comfortable environment. All One Storage branches come equipped with fire-safety devices that are in strict compliance with the latest fire safety guidelines and have been inspected and approved by the Fire Services Department and the Buildings Department of Hong Kong.

One Storage will continue to innovate by keeping abreast of the latest developments in the industry. In our existing branches, we have added new features such as pre-installed shelves and other storage functions to deliver a more professional storage service. We will also expand our branch network in order to enlarge our market share in this business.

PROPERTY DEVELOPMENT

For the year ended 31 December 2018, this business segment recognised revenue of approximately HK\$417,247,000 (2017: HK\$1,696,130,000), representing approximately 43% (2017: 76%) of the Group's total revenue for the year.

Residential Project

Jones Hive

Jones Hive, a residential project located at 8 Jones Street, Tai Hang, was jointly developed by the Group and Henderson Land Development Company Limited. This project provides 119 units, which covers a saleable area ranging from 328 to 558 square feet.

Commercial Projects

THE SHARP

Situated at 11–13 Sharp Street East and 1–1A Yiu Wa Street in Causeway Bay, THE SHARP is an integrated commercial property project combining retail, beauty, food & beverage and commercial space. The Group has retained shops from the ground floor to the second floor for leasing, which generated stable rental income for the Group.

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, with a gross floor area of approximately 44,000 square feet upon redevelopment.

Industrial Projects

iPLACE

The iPLACE industrial project, located at 301–305 Castle Peak Road, Kwai Chung. The entire project provides 322 workshops in total.

105–113 Ta Chuen Ping Street, Kwai Chung

This industrial project is located at 105–113 Ta Chuen Ping Street, Kwai Chung, with a gross floor area of approximately 190,000 square feet upon redevelopment.

Real Estate Business in the PRC

For the year ended 31 December 2018, the PRC real estate business segment recognised revenue of approximately HK\$250,966,000 (2017: HK\$237,603,000), representing approximately 26% (2017: 11%) of the Group's total revenue for the year.

During the year under review, economic growth in mainland China resumed, the property market became more rational and transaction prices stabilised.

The Group currently owns a number of real estate projects in the PRC. The Lakeview Bay · Shang Hui Hai An is an integrated project wholly owned by the Group, with villas and high-rise residences located in Gaoyao City, Zhaoqing. During the year, the villas in Phase 1 were nearly sold out and gradually occupied, while the high-rise residences offered in the first-batch of Phase 2 were nearly sold out and delivered. The remaining units are for sale and expected to be delivered by the end of 2019. At the beginning of 2019, we plan to launch apartments and retail space for sale.

In addition, the residential units in Phase I of Yu Ming Du (Shan Shui Xiang Ri), a project located in Doumen District, Zhuhai, were sold out and delivered. The residential units in Phase II are already eligible for delivery, and the residential units in Phase III are planned to be launched in 2019.

BUILDING MANAGEMENT AND OTHER SERVICES

For the year ended 31 December 2018, the building management and other services segment recognized revenue of approximately HK\$23,111,000 (2017: HK\$20,866,000), representing approximately 2% (2017: 1%) of the Group's total revenue for the year.

The Group's building management and maintenance subsidiaries are engaged in the provision of high quality management, customer and maintenance services in large-scale commercial buildings, as well as small and medium sized estates. By constantly refining the services being provided, these businesses have succeeded in raising overall service standards at our properties. With extensive experience in serving customers, the building management team successfully maintained the quality standards of the indoor environments under their care during the year. They also reduced waste and lowered the carbon footprint of our properties by employing a range of energy-efficient measures.

THE CONCIERGE — A NEW FRENCH-STYLE HOTEL MANAGEMENT SERVICE

The Group launched The Concierge, a service modelled on hotel management services in France, at the Park Haven luxury residential project. As part of our approach to building management, The Concierge offers a wide range of value-added concierge, dining and catering, household maintenance, laundry and dry-cleaning services as well as home and car cleaning referral services. Through these premium personal services, we are able to provide a high-quality lifestyle for our tenants.

CUSTOMER SERVICES

The Group offers a comprehensive range of outstanding after-sales services following the delivery of units to their owners. These are provided by a team dedicated to identifying relevant and appropriate services for newly-completed units as they are being occupied. To increase confidence, we provide first hand homeowners of these residential units with warranties covering repair and maintenance for the first two years.

Our handover team also conducts several thorough inspections to ensure the highest level of quality of each property unit upon delivery to the owners. The Owners can further enjoy a full range of personal services during the handover period to ensure a smooth transition into their new homes. During this process, we collect opinions of homeowners directly as part of our commitment to provide building management services of the highest standard. The building management subsidiaries of the Group provide excellent building management services through continuous innovation and enhancement of service quality.

SOUNDWILL CLUB

The Soundwill Club was established by the Group to interact and develop long-term relationships with our customers, retail tenants and visitors to the Group's properties, and provide them with premium services and information on the latest lifestyle trends. To enhance our competitive edge, during the year the Group began using digital technology to launch the Soundwill Club mobile app and online shopping platform to give customers easy access to offers and promotions from the Group's flagship properties. The mobile app also allows customers to download e-coupons and sign up as member of the Club to earn cash rebates through spending and member referrals. Additionally, we are using customer feedback collected through the Soundwill Club to better understand the needs of our customers and property buyers, as well as enhancing the quality of our products and services.

CORPORATE CITIZENSHIP

In addition to providing significant returns to shareholders, we remain firmly committed to operating as a socially-responsible company in all of our business operations. We support fund-raising activities, reading programmes and educational events and, through our Soundwill Volunteer Team, provide care for the underprivileged in the community, all of which have a positive impact on society. We also regularly publish an Environmental, Social and Governance Report as well as our key performance indicators.

In recognition of our contributions to the community, we have been honoured as a Caring Company by The Hong Kong Council of Social Service for seven consecutive years. The Group, in conjunction with its member companies and property projects, has also received numerous commendations. During the review period, the Group received the Social Capital Builder Awards and was also recognised as a Happy Company, Heart-to-Heart Company and Corporate Citizen, acknowledging our commitment to social responsibility over the years.

PROSPECTS

The year 2019 is expected to be more complex and challenging as a result of China-US trade tensions, Brexit uncertainty and the slowdown in global economic growth. All of these factors have affected business sentiment, but with Hong Kong's solid economic fundamentals and active participation in the Belt and Road initiative, we expect that economic growth in Hong Kong will remain stable.

Fluctuations associated with property adjustment and control measures together with changes in interest rates are likely to prevail in the Hong Kong property market during the year ahead. In the leasing market, concerns over the uncertain economic outlook and depreciation of the Renminbi, the drop in demand for leased properties from Mainland-funded enterprises, and cost-saving measures adopted by companies will be the main challenges in the leasing market in core districts. Despite the buoyant labour market and rebound in tourist arrivals, the Group is prudently optimistic about the leasing market in Hong Kong in view of the cautious consumer sentiment.

Based on the solid foundation we have established and our experienced teams and premium investment property portfolio, we believe we are well positioned to capitalise on the opportunities that lie ahead and overcome any challenges we may face. We will remain committed to promoting our business development and maintaining our competitiveness, using creative solutions and our market insights to diversify our operations and enhance the Soundwill brand.

We will also continue our efforts in environmental protection, technological development and community care for the sustainability of our operations, the betterment of society and the interests of our stakeholders.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Results of Operations

During the year, the Group recorded a revenue of approximately HK\$980,398,000 (2017: HK\$2,224,996,000), representing a decrease 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\$671,592,000 (2017: HK\$1,200,781,000), a decrease of 44% as compared with last year. This decrease was mainly due to there being no property development project completed and delivered during the year as compared with the corresponding period in 2017 and the resulted decrease in profits recognised by property development and a net loss on fair value adjustments on investment properties during the year.

Net Assets

The net assets of the Group as at 31 December 2018 amounted to HK\$20,456,219,000 (2017: HK\$19,893,948,000). Net asset value per share as at 31 December 2018 is HK\$72.2 (2017: HK\$70.2).

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2018, the Group's cash and bank balances (including short-term bank deposits and cash and cash equivalents) amounted to HK\$761,238,000 (2017: HK\$1,146,950,000). Total borrowings of the Group amounted to HK\$1,562,788,000 (2017: HK\$1,528,120,000) as at 31 December 2018.

As at 31 December 2018, the Group's gearing ratio (which was expressed as a percentage of total borrowings over total equity) was 8% (2017: 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, it is expected that any fluctuation of the foreign currency exchange rate would not have material effect on the operations of the Group. However, as the Group's consolidated financial statements are presented in Hong Kong Dollar, the Group's financial position is subject to exchange exposure to the foreign currency. The Group would closely monitor this risk exposure from time to time. 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 2018, the Group provided guarantees amounted to HK\$337,389,000 (2017: HK\$309,431,000) 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.

EMPLOYEES REMUNERATION

The Group had 276 and 79 employees in Hong Kong and PRC respectively as at 31 December 2018 (2017: 285 and 88 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 2018 were approximately HK\$131,507,000 (2017: HK\$158,206,000) and no share option expenses (2017: Nil) during the year.

DIVIDEND

The Board recommends a payment of a final dividend of HK\$0.20 (2017: HK\$0.20) per share and no payment of special dividend (2017: Nil) for the year ended 31 December 2018, subject to the approval of the shareholders at the forthcoming annual general meeting to be held on Friday, 24 May 2019. The final dividend will be payable on or about Friday, 14 June 2019 to shareholders whose names appear on the register of members on Friday, 31 May 2019.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

For determining the entitlement to attend and vote at the forthcoming annual general meeting of the Company, the register of members of the Company will be closed from Tuesday, 21 May 2019 to Friday, 24 May 2019 (both dates inclusive), during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the annual general meeting, 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 20 May 2019.

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

For determining the entitlement to the proposed final dividend for the year ended 31 December 2018, the register of members of the Company will be closed from Thursday, 30 May 2019 to Friday, 31 May 2019 (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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 29 May 2019.

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.

REVIEWED BY AUDIT COMMITTEE

The audited consolidated results of the Group for the year ended 31 December 2018 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 2018 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 2018 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.

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, 21 March 2019

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