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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 2020

FINANCIAL HIGHLIGHTS

	Year ended 31 December	
	2020	2019
	<i>HK\$ million</i>	<i>HK\$ million</i>
Revenue	690	734
Profit before income tax expense excluding net fair value loss on investment properties	326	403
Net fair value loss on investment properties	(453)	(131)
(Loss)/profit before income tax expense	(127)	272
(Loss)/profit attributable to owners of the Company	(185)	218
Basic (loss)/earnings per share (dollars)	HK\$(0.66)	HK\$0.77
Dividend per share (dollars)		
— proposed final dividend	HK0.20	HK\$0.20
— proposed special dividend	—	—
	At	At
	31 December 2020	31 December 2019
	<i>HK\$ million</i>	<i>HK\$ million</i>
Total assets	23,137	23,617
Net assets	20,387	20,606
Total borrowings	1,852	1,944
Gearing ratio	9%	9%
Net asset value per share (dollars)	HK\$72.0	HK\$72.7

* 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 2020 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 2020

	<i>Notes</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
Revenue	3		
Revenue from goods and services		211,806	201,567
Rental income		478,484	532,305
		<hr/>	<hr/>
Total revenue		690,290	733,872
Cost of sales		(106,784)	(128,918)
		<hr/>	<hr/>
Gross profit		583,506	604,954
Other income, gains and losses	4	78,501	53,387
Selling expenses		(10,298)	(6,272)
Administrative expenses		(154,576)	(188,427)
Gain on disposal of subsidiaries		7,778	—
Net fair value loss on investment properties		(452,999)	(131,243)
Impairment loss on loan receivables		(142,423)	—
Finance costs		(36,885)	(60,035)
		<hr/>	<hr/>
(Loss)/profit before income tax expense	6	(127,396)	272,364
Income tax expense	7	(57,946)	(54,689)
		<hr/>	<hr/>
(Loss)/profit for the year		(185,342)	217,675
		<hr/> <hr/>	<hr/> <hr/>

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

For the year ended 31 December 2020

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Other comprehensive income/(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		(110)	(578)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange gain/(loss) on translation of foreign operations		<u>23,559</u>	<u>(11,118)</u>
Other comprehensive income/(expense) for the year, net of tax		<u>23,449</u>	<u>(11,696)</u>
Total comprehensive (expenses)/income for the year		<u>(161,893)</u>	<u>205,979</u>
(Loss)/profit for the year attributable to:			
Owners of the Company		(185,807)	217,782
Non-controlling interests		<u>465</u>	<u>(107)</u>
		<u>(185,342)</u>	<u>217,675</u>
Total comprehensive (expense)/income for the year attributable to:			
Owners of the Company		(163,959)	206,373
Non-controlling interests		<u>2,066</u>	<u>(394)</u>
		<u>(161,893)</u>	<u>205,979</u>
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company for the year			
Basic	8	<u>HK\$(0.66)</u>	<u>HK\$0.77</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		20,626,625	21,185,655
Property, plant and equipment		151,450	153,712
Deposits paid for acquisition of properties		9,251	9,351
Loan receivables	9	19,761	26,890
Total non-current assets		20,807,087	21,375,608
Current assets			
Properties for sale		940,144	1,025,080
Trade and other receivables	9	171,168	95,583
Financial assets at fair value through profit or loss ("FVTPL")		63,008	99,255
Restricted bank deposits		64,082	43,879
Short-term bank deposits		425,668	250,000
Cash and cash equivalents		601,806	307,211
Assets classified as held for sale		2,265,876	1,821,008
		63,787	420,000
Total current assets		2,329,663	2,241,008
Current liabilities			
Trade and other payables	10	619,689	709,154
Contract liabilities		27,682	60,086
Lease liabilities		9,432	4,473
Borrowings		180,605	213,005
Provision for income tax		127,042	165,647
Total current liabilities		964,450	1,152,365
Net current assets		1,365,213	1,088,643

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Total assets less current liabilities	<u>22,172,300</u>	<u>22,464,251</u>
Non-current liabilities		
Borrowings	1,671,393	1,731,058
Lease liabilities	7,981	6,798
Deferred tax liabilities	<u>105,945</u>	<u>120,859</u>
Total non-current liabilities	<u>1,785,319</u>	<u>1,858,715</u>
Net assets	<u><u>20,386,981</u></u>	<u><u>20,605,536</u></u>
EQUITY		
Equity attributable to owners of the Company		
Share capital	28,331	28,331
Reserves	<u>20,341,923</u>	<u>20,562,544</u>
	20,370,254	20,590,875
Non-controlling interests	<u>16,727</u>	<u>14,661</u>
Total equity	<u><u>20,386,981</u></u>	<u><u>20,605,536</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 2020 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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

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

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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

Impacts on application of Amendments to HKAS 1 and HKAS 8 Definition of Material

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

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 and the related Amendments ¹
Amendment to HKFRS 16	Covid-19-Related Rent Concessions ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 ⁵
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	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 ²

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

² Effective for annual periods beginning on or after 1 January 2022

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

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

⁵ Effective for annual periods beginning on or after 1 January 2021

The Directors anticipate that the application of all 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue from contracts with customers under HKFRS 15		
Property development		
— Sales of completed properties for sale	189,678	180,230
Building management and other services		
— Property repairs and maintenance service income	7,023	6,622
— Building management service income	15,105	14,715
Revenue from contracts with customers under HKFRS 15	211,806	201,567
Property leasing		
— Rental and signage rental income	478,484	532,305
Total revenue	690,290	733,872

4. OTHER INCOME, GAINS AND LOSSES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
4a. Other income		
Interest income from financial assets at FVTPL	4,602	4,581
Interest income from loan receivables	19,389	1,066
Other interest income	17,719	22,124
Forfeiture of deposits (<i>note i</i>)	—	13,430
Government grants (<i>note ii</i>)	8,906	—
Miscellaneous income	27,387	17,943
	<u>78,003</u>	<u>59,144</u>
4b. Other gains and losses		
Reversal of impairment loss (impairment loss) on trade receivables, net	501	(5,757)
Loss on disposal of property, plant and equipment	(3)	—
	<u>498</u>	<u>(5,757)</u>
Total income, gains and losses	<u><u>78,501</u></u>	<u><u>53,387</u></u>

Note i: The amount represents forfeiture of deposits upon the termination of the sale and purchase agreement on sales of properties during the year ended 31 December 2019.

Note ii: During the current year, the Group recognised government grants of HK\$8,906,000 in respect of Employment Support Scheme provided by the Hong Kong government.

5. 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. 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	
	2020	2019	2020	2019	2020	2019	2020	2019
	<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	189,678	180,230	478,484	532,305	22,128	21,337	690,290	733,872
Inter-segments (<i>note</i>)	—	—	108	432	1,334	2,004	1,442	2,436
Segment revenue	<u>189,678</u>	<u>180,230</u>	<u>478,592</u>	<u>532,737</u>	<u>23,462</u>	<u>23,341</u>	<u>691,732</u>	<u>736,308</u>
Segment profits	<u>58,229</u>	<u>42,874</u>	<u>435,829</u>	<u>472,206</u>	<u>23,675</u>	<u>17,318</u>	<u>517,733</u>	<u>532,398</u>
Certain other income, gains and losses							33,435	19,779
Certain administrative expenses							(54,035)	(88,535)
Gain on disposal of subsidiaries							7,778	—
Net fair value loss on investment properties							(452,999)	(131,243)
Impairment loss on loan receivables							(142,423)	—
Finance costs							(36,885)	(60,035)
(Loss)/profit before income tax expense							<u>(127,396)</u>	<u>272,364</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, impairment loss on loan receivables, gain on disposal of subsidiaries, certain other income, gains and losses, certain administrative expenses and income tax expense.

6. (LOSS)/PROFIT BEFORE INCOME TAX EXPENSE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Auditor's remuneration	3,062	3,350
Cost of completed properties held for sale recognised as expenses	100,317	115,499
Depreciation of right-of-use assets	6,025	3,392
Depreciation of other property, plant and equipment	11,506	5,269
Employee compensation expense (including Directors' remuneration and defined contribution cost)	124,858	126,844
Rentals in respect of short-term leases and low-valued leases	467	680
Revaluation deficit on property, plant and equipment	388	—
Gross rental income from investment properties	(478,484)	(532,305)
Less: Direct operating expense arising from investment properties that generated rental income	23,716	29,167
Less: Direct operating expense arising from investment properties that did not generate rental income	43	192
	<u>(454,725)</u>	<u>(502,946)</u>

7. INCOME TAX EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong Profits Tax:		
Tax for the year (<i>note (a)</i>)	<u>60,785</u>	<u>46,574</u>
Mainland China Enterprise Income Tax:		
Tax for the year (<i>note (b)</i>)	<u>5,582</u>	<u>8,695</u>
Mainland China Land Appreciation Tax ("LAT") (<i>note (c)</i>)	4,536	4,938
Under/(over)-provision in prior years	1,706	(8,959)
Deferred tax (credit)/charge	<u>(14,663)</u>	<u>3,441</u>
	<u>57,946</u>	<u>54,689</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 2020, all of the Group’s Mainland China subsidiaries were subject to Mainland China EIT rate of 25% (2019: 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 Mainland China 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 Mainland China 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 Mainland China 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.

8. (LOSS)/EARNINGS PER SHARE

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

	Year ended 31 December	
	2020	2019
	HK\$’000	HK\$’000
(Loss)/Profit		
(Loss)/profit attributable to owners of the Company	<u>(185,807)</u>	<u>217,782</u>
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share (<i>note</i>)	<u>283,308,635</u>	<u>283,308,635</u>

Note: During the years ended 31 December 2020 and 2019, neither the Company nor any of its subsidiaries had repurchased any of the Company’s shares respectively.

No diluted earnings per share for the years ended 31 December 2020 and 2019 was presented as there were no potential ordinary shares in issue during the years ended 31 December 2020 and 2019.

9. TRADE AND OTHER RECEIVABLES/LOAN RECEIVABLES

As at 31 December 2020 and 2019, based on invoice dates, the ageing analysis of the trade receivables, net of allowance for credit losses, was the following:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0–30 days	15,135	11,772
31–90 days	7,997	6,176
91–180 days	8,564	2,976
Over 180 days	7,044	525
Total trade receivables, net	<u>38,740</u>	<u>21,449</u>
Loan receivables	147,298	4,919
Less: allowance for credit losses	<u>(142,423)</u>	<u>—</u>
Total loan receivables, net	<u>4,875</u>	<u>4,919</u>
Other receivables, utility deposits and prepayment	<u>127,553</u>	<u>69,215</u>
Total trade and other receivables categorised as current assets	<u>171,168</u>	<u>95,583</u>
<i>Non-current assets:</i>		
Loan receivables	<u>19,761</u>	<u>26,890</u>
	<u>190,929</u>	<u>122,473</u>

10. 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0–30 days	1,335	1,519
31–90 days	852	1,263
Over 90 days	9,032	14,576
Total trade payables	<u>11,219</u>	<u>17,358</u>

OPERATIONS REVIEW AND PROSPECTS

OVERVIEW

The outbreak of COVID-19 in 2020 has had a severe impact on the entire world. The various preventative measures that were implemented across most countries caused many economic activities to be suspended or slow down. Commercial markets suffered heavy losses during the year, and many large corporations were forced to scale back their operations. On a more macro level, the global economic environment was affected by continuing Sino-US trade tensions and rising protectionism. During this period, local consumer sentiment remained weak, and investors took a wait-and-see attitude with regard to the local real estate and commercial market. Uncertainties brought about by the novel coronavirus pandemic continued to exacerbate economic contraction throughout the year.

Affected by various unfavorable factors and the new crises triggered by the epidemic, global economic growth has suffered different negative impacts. Given the decline in commercial and leasing activities in Hong Kong, the Group's investment property valuation and leasing business performance was unavoidably affected. This was mainly the result of the downward pressure on rent for both new and renewal lettings and the rental support measures extended to tenants. Overall rental income for the Group's main properties, including Soundwill Plaza, Soundwill Plaza II — Midtown and 10 Knutsford Terrace, Tsim Sha Tsui, all declined in 2020.

Nevertheless, our resilient business strategies and prudent financial management policies enabled us to respond effectively to business conditions under the 'new normal', including structural changes in consumption patterns. By seizing opportunities to transform and upgrade, the Group was able to withstand the worst of the economic downturn.

In 2020 we applied business technology as well as our customer relationship management system in order to respond effectively to the challenges of the pandemic. We also developed a full range of marketing strategies and an enhanced version of the Soundwill Club mobile app. By connecting the online shop and back-end management functions through this easy-to-use app, customers could enjoy a more comprehensive integrated digital promotion platform. We also increased our online marketing and promotional efforts in order to maintain consumer sentiment. This also helped bring more customers to our tenants' offline business operations with satisfaction.

In support of the Group's long-term development strategies and market competitiveness, we will proceed, albeit cautiously, to acquire older buildings and urban renewal projects as these will provide a stable supply of land as well as create favourable conditions for future development. Moreover, we will continue to expand into additional business ventures and broaden our investment property portfolio. We will accelerate the development of the mini-storage business of our subsidiary, open new stores in prime locations, and make effective use of digital marketing and promotions. Together, these initiatives are expected to increase the Group's sales, revenue and competitive position.

At the same time, the Group will continue to fulfil its commitment to corporate social responsibility, by pursuing activities that promote environmental protection and public welfare. During the year, we increased our efforts to reduce our carbon footprint across the Soundwill portfolio. To that end, we established a working group that has set long-term policies for identifying opportunities to save energy and setting targets. This working group's energy saving plan has helped to reduce energy consumption across the Group's properties and achieve its goals. In line with our commitment to serve society, we donated personal protective equipment to reduce the risk of novel coronavirus infections and sponsored non-profit organisations that help people in need. Through these and other socially-responsible programmes, we believe that we can create long-term value for our shareholders and society.

PROPERTY PORTFOLIO

Despite the impact of COVID-19 on the various businesses of the Group, we continued to acquire older properties and invest in projects with high appreciation potential during the year. We also maintained our commitment to regenerating Hong Kong's older districts, elevating the quality of the buildings and improving facilities for the benefit of both new and existing owners. We also continued to look for sites with high appreciation potential in order to replenish our land reserves at a reasonable cost and thus increase potential earnings.

PROPERTY ASSEMBLY

The Group is dedicated to capture opportunities in the local market through property assembly and the acquisition of old buildings.

Due to the unfavourable business climate, however, property investment sentiment remained bleak throughout the year, as market transactions came under pressure. The Group's pace of property consolidation was adjusted accordingly. Despite weak sentiment, we will continue to implement our long-term development goals, stay abreast of trends in the property market, identify high-quality locations, and proceed along the path of stable development.

PROPERTY LEASING

For the year ended 31 December 2020, the Group's property leasing business segment recognised revenue of approximately HK\$478,484,000 (2019: HK\$532,305,000), representing approximately 69% (2019: 73%) of the Group's total revenue for the year.

In 2020, social distancing measures and restrictions on premise operations due to the pandemic dampened the Group's property leasing business. Businesses in the retail, catering and tourism sectors were particularly affected, while beauty and fitness centres were forced to suspend businesses. In order to help tenants during these difficult times, we provided rental support and launched a comprehensive marketing plan with online and offline promotional activities. As well as leveraging the effectiveness of the Group's digital platform, the plan included e-coupons to attract footfall and stimulate consumption. We also stepped up our cleaning and disinfection regime throughout our property portfolio to minimise the threat of infection, thereby assuring tenants that Soundwill was concerned about their health and welfare.

Soundwill Plaza

Soundwill Plaza, a 37-storey building, is located in the heart of Causeway Bay on Russell Street, reputedly the world's most expensive retail street, as a centre for international flagship brands. As a premium Grade A commercial building, it is supported by high footfall, convenient transport links and a leasable area of 245,100 square feet. Affected by various unfavorable factors and the new crises triggered by the epidemic, overall rental income for Soundwill Plaza declined.

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 hotspot for food and beverage and leisure activities. Affected by various unfavorable factors and the new crises triggered by the epidemic, overall rental income for Soundwill Plaza II — Midtown declined.

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. It covers a leasable area of 114,000 square feet. Affected by various unfavorable factors and the new crises triggered by the epidemic, overall rental income for 10 Knutsford Terrace declined.

Kai Kwong Commercial Building

Kai Kwong Commercial Building is a 21-storey integrated commercial project located at 332–334 Lockhart Road, Wan Chai. Affected by various unfavorable factors and the new crises triggered by the epidemic, overall rental income for Kai Kwong Commercial Building declined.

ONE STORAGE MANAGEMENT COMPANY LIMITED

One Storage, a subsidiary of the Group, offers secure and comfortable storage space to customers with professional management and services. The storage facility is equipped with fire safety devices that are in compliance with the latest guidelines. The existing branches of One Storage are now scattered across Wong Chuk Hang, Chai Wan, San Po Kong, Yau Tong, Fo Tan, Tuen Mun, Tsing Yi, Kwai Chung and Tsuen Wan. By the end of 2020, the number of One Storage branches has increased to 23 (from that of 17 as at the end of 2019). In 2021, the business will be expanded continuously with the opening of additional branches in suitable locations. High-quality, professional storage services will thus be provided to more customers for this service.

During the year, One Storage launched a new website. A comprehensive online and offline promotion programme successfully attracted the attention of potential customers and leasing inquiries. The promotion has improved the Company's operating efficiency, strengthened communication with customers, and increased revenue.

PROPERTY DEVELOPMENT

For the year ended 31 December 2020, the Group's property development business segment recognised revenue of approximately HK\$189,678,000 (2019: HK\$180,230,000), representing approximately 27% (2019: 24%) of the Group's total revenue for 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.

Real Estate in the Mainland China

During the year under review, the Group's real estate business in the Mainland China was affected by several external factors. In the first quarter of 2020, the national market was in a state of suspension due to the impact of the novel coronavirus pandemic. Subsequently, as the domestic pandemic was brought under control and the housing leasing environment relaxed, the real estate industry was able to make a steady recovery.

We currently own a number of real estate projects in the Mainland China. Our domestic project, Grand Capital (Shan Shui Xiang Ri Hao Ting), is located in Doumen District, Zhuhai City. The related confirmation of rights of the project was fully completed in 2020, and sales proceeded on a buy-and-deliver basis. Sales performance for this development was relatively stable.

The Lakeview Bay • VOGUE is another integrated project wholly owned by the Group, comprising villas and high-rise residences. The villa of Phase I have been sold out and were delivered for occupation, while units of Phase II were completed for sale and in the process of being delivered for occupation.

BUILDING MANAGEMENT AND OTHER SERVICES

For the year ended 31 December 2020, the Group's building management business segment recognised revenue of approximately HK\$22,128,000 (2019: HK\$21,337,000), representing approximately 4% (2019: 3%) of the Group's total revenue for the year.

Our building management and maintenance subsidiaries are committed to providing high-quality property and facility management services. Properties under management include large-scale commercial buildings and small- and medium-sized estates. During the year the building management team, with its rich experience and professionalism, achieved ISO9001 certification, demonstrating that Soundwill's management system complies fully with the highest international standards. The building management team also conducts internal assessments in its quest for continuous improvement. By constantly innovating to improve its overall service quality, the team has shown that it is committed to providing owners and tenants with high quality property management, customer and maintenance services.

In 2020, the building management team established an environmental protection and energy saving team for managing indoor environmental quality, reducing waste and lowering our portfolio's carbon footprint. With the outbreak of COVID-19, the management team quickly adopted appropriate preventative measures in each property, including large-scale cleansing operations, a comprehensive building disinfection programme, and the application of photocatalyst coating technology, as well as the provision of contact-free equipment and infrared temperature detectors. Through these measures, the team was able to provide a safe and secure environment for customers, merchants and employees during the challenging conditions of the year.

Soundwill Club

During the year, we promoted the integration of business and technology. Through online marketing activities and the upgraded Soundwill Club mobile app, we integrated e-commerce and back-end management functions to provide customers with a more convenient and efficient one-stop digital platform. The easy-to-use system combines membership recruitment, e-promotions, e-payments and digital points reward programmes with a full range of online and offline marketing and promotion activities. By encouraging greater spending, this enhanced digital consumer experience is helping to

support tenants and promote traffic. The Soundwill Club's membership programme is also making it easier for us to learn about the opinions and needs of merchants, customers and property buyers, thereby strengthening cooperation and our connections with them. Ultimately, the programme will lead to better service to customers and increase the Group's market competitiveness.

CORPORATE CITIZENSHIP

During the review period, we continued to improve the quality of our products and services for the benefit of all our stakeholders. As a social stakeholder, the Group is also committed to corporate social responsibility and giving back to society. During the pandemic, we distributed protective equipment and used digital technologies to deliver positive messages. These included online seminars and virtual charity walks, as well as interactive activities to respond to the social needs of underprivileged children. We also encouraged our employees to participate in the Soundwill Volunteer Team, take part in fundraising activities, sponsoring social enterprises that benefit underprivileged people in the community, and promoting recycling activities that help to protect the environment. To increase corporate transparency, we publish an annual Environmental, Social and Governance report together with key performance indicators as a record of the Group's sustainability performance.

In 2020, the Group received the Caring Company award from The Hong Kong Council of Social Service for the ninth consecutive year and the Industry Cares award from the Federation of Hong Kong Industries for the third year. We were also recognised with the Social Capital Builder Awards, HSBC Living Business Awards and BOCHK Corporate Environmental Leadership Awards during the year. In addition to these awards, we received a number of commendations in conjunction with our member companies and property projects, underscoring our contributions to the community and the environment.

PROSPECTS

For the remainder of 2021, the global economic environment is expected to remain vulnerable as the world continues to be affected by uncertainty and the unpredictability of the novel coronavirus pandemic. These considerations, coupled with the economic slowdown, unsettled Sino-US trade relations, a new administration in the United States, and uncertainties surrounding the official Brexit, are likely to put further downward pressures on the economy in the year ahead.

Hong Kong is not immune to developments in the macro environment, as evidenced by shrinking local consumption and diminishing investment demand in certain areas that have taken a heavy toll on the economy. At the same time, Hong Kong has a strong financial foundation and solid investment environment. Along with steady demand in the

local property market, a low interest rate environment, relaxation of mortgage measures and huge development opportunities in the Greater Bay Area, Hong Kong can expect the local economy to stabilise gradually.

Although the market expects that once a vaccination programme for the novel coronavirus has been launched, the pandemic will gradually subside and relieve the pressure of the economic recession in Hong Kong. At the same time, the situation is likely to remain volatile in the near future and this has created uncertainty about the future performance of the Group. We will therefore closely monitor global market conditions and the progress of the pandemic, take appropriate measures to minimise their impact on the Group's business operations, and remain flexible in our long-term planning.

In the year ahead and beyond, we will continue to build on our sustainable development strategy and solid business foundation by developing creative solutions and our high-quality investment property portfolio so we are able to meet challenges and maintain our competitiveness. We will also adopt a prudent approach in the way we promote our business growth, make effective use of the digital technologies and talent at our disposal, and work to achieve diversified development in the best interests of our stakeholders.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Results of Operations

During the year, the Group recorded a revenue of approximately HK\$690,290,000 (2019: HK\$733,872,000), representing a decrease of approximately HK\$43,582,000 as compared with last year. The decrease in revenue was mainly due to the decrease in rental income due to the rental waivers to its tenants in response to the adverse impact to their business brought by COVID-19 outbreak.

(Loss)/profit Attributable to Owners of the Company

During the year, the Group has recorded a loss attributable to owners of the Company of approximately HK\$185,807,000 (2019: profit of HK\$217,782,000), a decrease of 185.3% as compared with last year. This decrease was mainly due to valuation loss of HK\$452,999,000 (2019: HK\$131,243,000) and impairment loss on loan receivable of HK\$142,423,000 (2019: Nil) was recorded as of 31 December 2020.

Net Assets

The net assets of the Group as at 31 December 2020 amounted to HK\$20,386,981,000 (2019: HK\$20,605,536,000). Net asset value per share as at 31 December 2020 is HK\$72.0 (2019: HK\$72.7).

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2020, the Group's cash and bank balances (including short-term bank deposits and cash and cash equivalents) amounted to HK\$1,027,474,000 (2019: HK\$557,211,000). Total borrowings of the Group amounted to HK\$1,851,998,000 (2019: HK\$1,944,063,000) as at 31 December 2020.

As at 31 December 2020, the Group's gearing ratio (which was expressed as a percentage of total borrowings over total equity) was 9% (2019: 9%).

The Group mainly operates and invests in Hong Kong and the Mainland China with most of the transactions denominated and settled in Hong Kong Dollars and Renminbi respectively. Therefore, any Mainland China 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 2020, the Group provided guarantees amounted to HK\$260,417,000 (2019: HK\$275,589,000) 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 16 October 2020, 12 November 2020 and 19 November 2020, the Group entered into agreements to dispose the entire equity interest in certain wholly-owned subsidiaries, namely Easy Loyal International Limited ("Easy Loyal"), Well Huge Corporation Limited ("Well Huge"), Fast Rich Enterprise Limited ("Fast Rich") and Manage International Limited ("Manage International") (collectively named as "Disposal Subsidiaries") at total cash consideration of HK\$63,787,000. The Disposal Subsidiaries are investment holding companies which in turn holds properties comprises located in Hong Kong. The disposal of Easy Loyal, Well Huge, Fast Rich and Manage International were completed in January and February 2021 respectively.

EMPLOYEES REMUNERATION

The Group employed an annual average of 269 people and 47 people in Hong Kong and Mainland China respectively for the year (2019: 294 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 2020 were approximately HK\$124,858,000 (2019: HK\$126,844,000) and no share option expenses (2019: Nil) during the year.

DIVIDEND

The Board recommends a payment of a final dividend of HK\$0.20 (2019: HK\$0.20) per share and no payment of special dividend (2019: Nil) for the year ended 31 December 2020, subject to the approval of the shareholders at the forthcoming annual general meeting to be held on Thursday, 27 May 2021. The final dividend will be payable on or about Thursday, 17 June 2021 to shareholders whose names appear on the register of members on Thursday, 3 June 2021.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "AGM") will be held on Thursday, 27 May 2021 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, 24 May 2021 to Thursday, 27 May 2021 (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, 21 May 2021.
- (b) For determining the entitlement to the proposed final dividend for the year ended 31 December 2020, the register of members of the Company will be closed from Wednesday, 2 June 2021 to Thursday, 3 June 2021 (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, 1 June 2021.

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 2020 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 2020 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 2020 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 2020 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, 25 March 2021

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.