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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 2017

#### FINANCIAL HIGHLIGHTS

	Year ended 31 December	
	2017	2016
	<i>HK\$ million</i>	<i>HK\$ million</i>
Revenue	2,225	1,628
Profit before income tax expense excluding net fair value gain on investment properties/properties transfer	774	481
Net fair value gain on investment properties/properties transfer	529	2,622
Profit before income tax expense	1,303	3,103
Profit attributable to owners of the Company	1,201	2,825
Basic earnings per share (dollars)	HK\$4.24	HK\$9.97
Dividend per share (dollars)		
— proposed final dividend	HK\$0.20	HK\$0.20
— proposed special dividend	—	HK\$1.00
	At	At
	31 December 2017	31 December 2016
	<i>HK\$ million</i>	<i>HK\$ million</i>
Total assets	22,552	22,343
Net assets	19,894	19,003
Total borrowings	1,528	1,694
Gearing ratio	8%	9%
Net asset value per share (dollars)	HK\$70.2	HK\$67.1

\* 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 2017 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 2017

		2017	2016
	Notes	HK\$'000	HK\$'000
Revenue	3	2,224,996	1,627,921
Cost of sales		<u>(1,213,488)</u>	<u>(854,226)</u>
Gross profit		1,011,508	773,695
Other income		110,152	32,449
Selling expenses		(63,672)	(30,969)
Administrative expenses		(206,149)	(183,914)
Other gains and losses		(2,191)	(39,107)
(Loss)/gain on disposal of subsidiaries		(50,167)	36,870
Write-down of properties for sale		—	(74,818)
Net fair value gain on investment properties/ properties transfer		528,792	2,621,740
Finance costs		<u>(25,503)</u>	<u>(32,753)</u>
Profit before income tax expense	5	1,302,770	3,103,193
Income tax expense	6	<u>(101,174)</u>	<u>(242,483)</u>
<b>Profit for the year</b>		<b><u>1,201,596</u></b>	<b><u>2,860,710</u></b>

	<i>Notes</i>	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>Other comprehensive income, net of tax</b>			
<i>Item that will not be reclassified to profit or loss:</i>			
Deficit on revaluation of buildings, net of deferred tax		<b>(1,458)</b>	(916)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange gain/(loss) on translation of foreign operations		<b>31,079</b>	(30,765)
		<u>31,079</u>	<u>(30,765)</u>
Other comprehensive income/(expense) for the year, net of tax		<b>29,621</b>	(31,681)
		<u>29,621</u>	<u>(31,681)</u>
<b>Total comprehensive income for the year</b>		<b>1,231,217</b>	2,829,029
		<u>1,231,217</u>	<u>2,829,029</u>
<b>Profit for the year attributable to:</b>			
Owners of the Company		<b>1,200,781</b>	2,824,747
Non-controlling interests		<b>815</b>	35,963
		<u>815</u>	<u>35,963</u>
		<b>1,201,596</b>	2,860,710
		<u>1,201,596</u>	<u>2,860,710</u>
<b>Total comprehensive income for the year attributable to:</b>			
Owners of the Company		<b>1,227,041</b>	2,793,241
Non-controlling interests		<b>4,176</b>	35,788
		<u>4,176</u>	<u>35,788</u>
		<b>1,231,217</b>	2,829,029
		<u>1,231,217</u>	<u>2,829,029</u>
<b>Earnings per share</b>	7		
Basic		<b>HK\$4.24</b>	HK\$9.97
		<u>HK\$4.24</u>	<u>HK\$9.97</u>
Diluted		<b>HK\$4.24</b>	HK\$9.97
		<u>HK\$4.24</u>	<u>HK\$9.97</u>

**Consolidated Statement of Financial Position**  
*As at 31 December 2017*

	<i>Notes</i>	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Investment properties		<b>19,497,324</b>	17,794,052
Property, plant and equipment		<b>107,460</b>	112,118
Properties held for development		<b>18,434</b>	18,026
Deposits paid for acquisition of properties		<b>56,945</b>	—
Available-for-sale financial assets		—	10
Loan receivables	8	<b>36,894</b>	7,655
Total non-current assets		<b>19,717,057</b>	17,931,861
<b>Current assets</b>			
Properties for sale		<b>1,407,876</b>	2,617,495
Trade and other receivables	8	<b>113,804</b>	135,119
Deposits paid for acquisition of properties		—	15,203
Structured bank deposits		<b>106,559</b>	—
Bank deposits at escrow account		<b>2,231</b>	51,121
Restricted bank deposits		<b>57,993</b>	67,947
Short-term bank deposits		<b>480,055</b>	988,227
Cash and cash equivalents		<b>666,895</b>	536,201
Total current assets		<b>2,835,413</b>	4,411,313
<b>Current liabilities</b>			
Trade and other payables	9	<b>501,631</b>	488,308
Deposits received in advance		<b>292,733</b>	864,457
Borrowings		<b>1,528,120</b>	1,694,220
Provision for income tax		<b>228,152</b>	144,120
Total current liabilities		<b>2,550,636</b>	3,191,105
<b>Net current assets</b>		<b>284,777</b>	1,220,208
<b>Total assets less current liabilities</b>		<b>20,001,834</b>	19,152,069
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>107,886</b>	149,368
<b>Net assets</b>		<b>19,893,948</b>	19,002,701

	<i>Notes</i>	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		<b>28,331</b>	28,331
Reserves		<b><u>19,829,756</u></b>	<u>18,942,685</u>
		<b>19,858,087</b>	18,971,016
<b>Non-controlling interests</b>		<b><u>35,861</u></b>	<u>31,685</u>
<b>Total equity</b>		<b><u><u>19,893,948</u></u></b>	<u><u>19,002,701</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 2017 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 also the functional currency of the Company.

### 2. APPLICATION OF NEW AND REVISED HKFRSs

#### **Amendments to HKFRSs that are mandatorily effective for the current year**

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

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

#### ***Amendments to Hong Kong Accounting Standard (“HKAS”) 7 Disclosure Initiative***

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of consolidated financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The application of these amendments has had no impact on the Group’s consolidated financial statements.

In the current year, the Group has applied the amendments to HKAS 40 in advance of its effective date. The Group applied the amendments to changes in use that occurred on and after 1 January 2017, the date of initial application.

### ***Amendments to HKAS 40 Transfers of Investment Property***

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in HKAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

At the date of initial application, the Group assessed the classification of property held based on conditions existed at the date, there is no impact to the classification at 1 January 2017.

The early application of amendments to HKAS 40 has resulted in the transfer of certain completed properties for sale to investment properties during the current year as a result of the inception of leases instead of the commencement of the leases.

During the year, the relevant properties were being disposed through disposal of a subsidiary.

If the Group did not early apply amendments to HKAS 40, that's no impact to the net results for the year ended 31 December 2017, but the disposal of subsidiary would result in a net gain of HK\$86,621,000 instead of net loss of HK\$50,167,000 and net fair value gain on investment properties/properties transfer would be decreased from HK\$528,792,000 to HK\$392,004,000.

### **3. REVENUE**

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

	<b>2017</b>	2016
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Revenue</b>		
<b>Property development</b>		
— Sales of completed properties for sale	<b>1,696,130</b>	1,112,319
<b>Property leasing</b>		
— Rental and signage rental income	<b>508,000</b>	498,768
<b>Building management and other services</b>		
— Property repairs and maintenance service income	<b>6,504</b>	6,258
— Building management service income	<b>14,362</b>	10,576
	<b><u>2,224,996</u></b>	<u>1,627,921</u>

### **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. 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
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.

In prior year, the results reported under “others” represents managerial and administrative services provided to the group companies at corporate level. The relevant information previously presented as “other” are excluded from segment results, assets and liabilities in the current year. Prior year information has been represented in current year so as to conform current year’s presentation.

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 the year.

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	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
<b>Revenue</b>								
External customers	1,696,130	1,112,319	508,000	498,768	20,866	16,834	2,224,996	1,627,921
Inter-segments (note)	1,381	98,637	453	469	3,390	5,808	5,224	104,914
<b>Segment revenue</b>	<b>1,697,511</b>	<b>1,210,956</b>	<b>508,453</b>	<b>499,237</b>	<b>24,256</b>	<b>22,642</b>	<b>2,230,220</b>	<b>1,732,835</b>
<b>Segment profits</b>	<b>448,844</b>	<b>74,681</b>	<b>462,271</b>	<b>393,541</b>	<b>10,175</b>	<b>10,051</b>	<b>921,290</b>	<b>478,273</b>
Certain other income, other gains and losses							8,869	20,289
Certain administrative expenses							(80,511)	(21,226)
(Loss)/gain on disposal of subsidiaries							(50,167)	36,870
Net fair value gain on investment properties/properties transfer							528,792	2,621,740
Finance costs							(25,503)	(32,753)
Profit before income tax expense							<b>1,302,770</b>	<b>3,103,193</b>

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

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



## 5. PROFIT BEFORE INCOME TAX EXPENSE

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Amortisation of properties held for development	413	479
Auditor's remuneration	3,059	3,054
Bad debts written off*	—	195
Cost of completed properties held for sale recognised as expenses	1,206,499	839,912
Depreciation of property, plant and equipment	2,250	1,803
Employee compensation expense (including Directors' remuneration and defined contribution cost)	158,206	132,389
Impairment loss on trade receivables*	2,191	724
Impairment loss on other receivables*	—	39,462
Minimum operating lease charges in respect of office premises	1,115	1,312
Reversal of impairment loss on trade receivables*	—	(1,274)
Write-down of properties for sale#	—	74,818
Gross rental income from investment properties	(508,000)	(498,768)
Less: Direct operating expense arising from investment properties that generated rental income	38,009	33,025
Less: Direct operating expense arising from investment properties that did not generate rental income	319	1,290
	<u>(469,672)</u>	<u>(464,453)</u>

\* Included in other gains and losses

# Write-down of properties for sale amounting to HK\$74,818,000 represents write-down of the unsold units of a property development project to their net realisable value. The net realisable value is determined with reference to the fair value of these unsold units as at 31 December 2016 as estimated by Cushman & Wakefield Limited, an independent professional valuer.

## 6. INCOME TAX EXPENSE

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Hong Kong Profits Tax:		
Tax for the year ( <i>note (a)</i> )	106,299	165,285
Under-provision in prior years	<u>25,066</u>	<u>3,706</u>
	131,365	168,991
PRC Enterprise Income Tax:		
Tax for the year ( <i>note (b)</i> )	1,901	—
PRC Land Appreciation Tax (“LAT”) ( <i>note (c)</i> )	9,360	—
Deferred tax (credit)/charge	<u>(41,452)</u>	<u>73,492</u>
	<u><u>101,174</u></u>	<u><u>242,483</u></u>

Notes:

- (a) Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the year.
- (b) For the year ended 31 December 2017, all of the Group’s PRC subsidiaries were subject to PRC EIT rate of 25% (2016: 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 HK\$1,200,781,000 (2016: HK\$2,824,747,000) and the weighted average number of ordinary shares of 283,308,635 (2016: 283,396,360) in issue during the year.

No adjustment has been made to basic earnings per share amount presented for the years ended 31 December 2017 and 2016 in respect of the diluted earnings per share as the exercise price of those share options were higher than the average market price for shares for both years.

## 8. TRADE AND OTHER RECEIVABLES/LOAN RECEIVABLES

The credit terms of the Group's trade receivables range from 30 to 90 days. At 31 December 2017 and 2016, based on invoice dates, the ageing analysis of the trade receivables was as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
0–30 days	9,144	10,710
31–90 days	6,018	5,384
91–180 days	1,890	6,366
Over 180 days	<u>2,624</u>	<u>1,615</u>
Total trade receivables, net	<u>19,676</u>	<u>24,075</u>
Other receivables, utility deposits and prepayment, net of provision for impairment loss	92,671	110,849
Loan receivables	<u>1,457</u>	<u>195</u>
	<u>94,128</u>	<u>111,044</u>
	<u>113,804</u>	<u>135,119</u>
<i>Non-current:</i>		
Loan receivables	<u>36,894</u>	<u>7,655</u>
	<u>150,698</u>	<u>142,774</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 as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
0–30 days	22,466	2,472
31–90 days	126	1,105
Over 90 days	<u>1,443</u>	<u>3,767</u>
Total trade payables	<u>24,035</u>	<u>7,344</u>

## **OPERATIONS REVIEW AND PROSPECTS**

### **OVERVIEW**

The global economy picked up in 2017, showing better-than-expected growth accompanied by abundant capital flows and adjustments in interest rates that were in alignment with market expectations. In Mainland China, the economy grew at a faster rate than had been anticipated, while in Hong Kong a flourishing property investment market and the gradual recovery of consumer confidence contributed to stable economic growth. Rents in the retail sector gradually stabilised in core districts of Hong Kong, following a stable performance in retail sales figures. In the market for commercial floor space, huge demand from Mainland-funded, foreign and local companies accounted for the development of this market as a whole.

In Hong Kong's complex and ever-changing business environment, the Group managed to maintain sound business growth during the year thanks to the positive impression of our brand and flexible management style. The performance remained stable in our leasing business, largely as a result of our efforts to optimise the tenant mix through the introduction of more widely-recognised retail names, the effectiveness of our marketing and promotional programmes, and excellent customer service.

The Hong Kong property market remained robust in 2017, with the government benefiting from the additional revenue derived from land sales. As property adjustment and control measures continued to take effect, the market gradually found its footing after coming to terms with disruptive factors such as interest rate hikes. A firm economic base together with strong demand helped housing prices maintain their upward trend. Faced with the growing possibility of a housing bubble, the Group focused on driving rental income growth in Hong Kong and diversifying our investment property portfolio. This strategy helped us maintain a steady cash flow and a healthy source of revenue, which will contribute to the long-term development of the Group.

During the year, the Group continued to build up our property portfolio. In the first half of 2017, the Group acquired Kai Kwong Commercial Building situated at 332–334 Lockhart Road, Wan Chai for HK\$410 million. The Group also successfully acquired 42–44 Yiu Wa Street and 28–29 Canal Road East, Causeway Bay, which further strengthened our property leasing income.

Moreover, the Group improved our market competitiveness during the review period with the launch of the Soundwill Club mobile app, which connects the Group's flagship properties and gives us a deeper understanding of the needs of customers and property buyers. Along with other innovations by the marketing team, this tool will open up more business opportunities for us, creating greater long-term value for customers, shareholders, business partners, investors, our staff and society.

## **PROPERTY PORTFOLIO**

During the year, the Group actively acquired a number of old properties in various areas of Hong Kong Island, as well as premium properties. The Group also continued to increase our investment in projects with high appreciation potential in order to improve the scope and quality of our property portfolio. In addition to this, the Group has remained committed to revitalising the environment of the areas in which our properties are located, upgrading our current properties, and supporting our new and existing owners.

The Group also continued to look for sites with high potential away from Hong Kong Island in order to replenish our land reserves at a reasonable cost. At the same time, the Group continued to prudently assess our investment property portfolio and retained projects with high appreciation potential for the Group's own construction and development, in order to increase earnings.

### **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.

### **57 Kin Wah Street and 66 Fort Street, North Point**

This project is located at 57 Kin Wah Street and 66 Fort Street, North Point, with a gross floor area of approximately 30,000 square feet.

### **71–75 Chai Wan Kok Street, Tsuen Wan**

This industrial project is located at 71–75 Chai Wan Kok Street, Tsuen Wan, with a gross floor area of approximately 114,000 square feet.

### **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.

## **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 strong potential for development.

As a result of property adjustment and control measures adopted by the government to cool down the property market, the pace of our property assembly slowed down to a certain extent. Nevertheless, the Group will continue to source quality land sites for acquisition for the long term in accordance with our acquisition and development strategy.

## **PROPERTY LEASING**

For the year ended 31 December 2017, this business segment recognised revenue of approximately HK\$508,000,000 (2016: HK\$498,768,000), representing approximately 23% (2016: 31%) 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 greater footfall generated from our marketing and promotional campaigns as well as our new mobile app, vendors at our retail premises recorded solid growth in sales performance.

### **Soundwill Plaza**

Soundwill Plaza is located at 38 Russell Street in the heart of Causeway Bay. Supported by high pedestrian flow and convenient transport connections, this premium Grade A commercial building 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.

### **Midtown**

Soundwill Plaza II — Midtown is a 31-storey building located at 1 Tang Lung Street in Causeway Bay. The property reported stable results in both footfall and sales in 2017, which is the third year since its opening. With the introduction of more trend-setting food & beverage outlets and famous vendors, the mall recorded solid rental income and a high occupancy rate during the year. We also began stepping up our advertising and promotional efforts to attract more customers and sales, so that this property — which is now poised to become a popular landmark for food & beverage and leisure activities in Causeway Bay — can continue to generate satisfactory rental income for the Group.

## **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 retail districts in Hong Kong. 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. The Group acquired this leasing project in 2017.

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.

## **PROPERTY DEVELOPMENT**

For the year ended 31 December 2017, this business segment recognised revenue of approximately HK\$1,696,130,000 (2016: HK\$1,112,319,000), representing approximately 76% (2016: 68%) of the Group's total revenue for the year.

## **RESIDENTIAL PROJECT**

### **Jones Hive**

In 2017, the Group completed the development of Jones Hive, a residential project located at 8 Jones Street, Tai Hang, together with Henderson Land Development Company Limited. Delivery of the 119 units at this project, which covers a saleable area ranging from 328 to 1,098 square feet, began in 2017.

## **COMMERCIAL PROJECT**

### **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 and office space. The Group has retained shops from the ground floor to the second floor for leasing, and started delivering units on different floors of the project in 2016.

## **INDUSTRIAL PROJECTS**

### **iPLACE**

The iPLACE industrial project, located at 301-305 Castle Peak Road, Kwai Chung, went on sale in the first half of 2015. The entire project provides 322 workshops in total. Delivery of the project commenced in 2017.

### **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. Demolition was completed at the end of 2015.

### **71–75 Chai Wan Kok Street, Tsuen Wan**

This industrial project is located at 71–75 Chai Wan Kok Street, Tsuen Wan, with a gross floor area of approximately 114,000 square feet.

## **BUILDING MANAGEMENT**

For the year ended 31 December 2017, the building management segment recognised revenue of approximately HK\$20,866,000 (2016: HK\$16,834,000), representing approximately 1% (2016: 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 providing new and innovative services, 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 SERVICES**

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 upon delivery to the owners. Tenants 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. In addition to providing premium customer services and the latest information on lifestyle trends, the Soundwill Club launched a mobile app and online shopping platform during the year to give customers easy access to the latest offers and promotions of the flagship properties under the Group. The mobile app also allows customers to download e-coupons and sign up as a member of the Club, and earn cash rebates through spending and member referrals. What's more, we collect customer feedback through the Soundwill Club so that we can further enhance the quality of our products and services.

## **REAL ESTATE BUSINESS IN THE PRC**

For the year ended 31 December 2017, the PRC real estate business segment recognised revenue of approximately HK\$237,603,000 (2016: HK\$8,347,000), representing approximately 11% (2016: nil) of the Group's total revenue for the year.

During the year under review, economic growth in mainland China met market expectations, with "adjustment and control" featured as the main theme in the real estate market. Despite new property curbs and fierce market competition, the transactions in property market reached an all-time high in terms of sales and area sold. Third-tier and fourth-tier cities became the new focus of market growth in 2017, as the Group managed to keep pace with the market and maintain its competitiveness.

The Group currently owns a number of real estate projects in the PRC. Shang Hui Hai An (The Lakeview Bay) is an integrated project wholly owned by the Group with villas and high-rise residences located in Gaoyao City, Zhaoqing. The villas in Phase 1 were gradually occupied during the year, while the high-rise residences offered in the first-batch of Phase 2 were nearly sold out and successively delivered.

In addition, the residential units in Phase I of Yu Ming Du (Shan Shui Xiang Ri), a project located in Doumen District, Zhuhai, were nearly sold out and successively delivered.

## **CORPORATE CITIZENSHIP**

The Group sets ever-higher quality benchmarks in order to create significant returns for stakeholders. At the same time, the Group is mindful of our social responsibilities and supports fund-raising activities, reading programmes, educational events and care for the underprivileged, all of which have a positive impact on society.

In recognition of our contributions to the community, the Group has been honoured as a Caring Company by The Hong Kong Council of Social Service for the fifth consecutive year. The Group, in conjunction with its member companies and property projects, has also received numerous commendations. In particular, the Group was recognised as a Happy Company, Heart-to-Heart Company and Corporate Citizen for the first time in 2017, acknowledging our commitment to social responsibility over the years.

The Group operated as a socially-responsible company across all of its businesses and disclosed its Environmental, Social and Governance Report and key performance indicators during the year.

## **PROSPECTS**

2018 is expected to be another challenging year. While a number of institutions remain optimistic about the global economy, there are still uncertainties in the international political arena with expectations of reductions in the balance sheet, tax reform and interest rate hikes in the United States as well as the tightening of national monetary policies. Given these uncertainties in the global economy, we will remain alert to market developments in mainland China and Hong Kong.

Restrictions associated with the property adjustment and control measures in the Hong Kong property market are likely to continue. However, we believe there are a number of favourable factors that support Hong Kong's property market. These include the ongoing robust demand for commercial floor space from Mainland-funded enterprises and financial services companies, demand for housing by young people, and the overall demand for residential, commercial and industrial properties. We are confident that these factors will contribute to healthy growth in the year ahead. Moreover, the recent rebound in the number of inbound visitors and stable local consumption and economic indexes will likely result in a more stable leasing market.

Further increases in asset prices in an overheated market together with various uncertainties in an ever-changing market have created a challenging business environment for the Group. Nevertheless, the Group will continue to champion the long-term interests of our shareholders and maintain a cautious approach regarding the overall business outlook, while monitoring the situation closely and making necessary adjustments.

The Group remains committed to refining our operations and structure as well as promoting our business development in a prudent manner in order to maintain our competitiveness. The Group will embrace challenges with creative and innovative solutions and look for additional development opportunities with a view to diversifying our operations.

In light of the growing concern for sustainability in the community at large, the Group will continue our efforts in environmental protection, technological development and community care for the betterment of society.

In the 20 years since our listing, the Group has established an outstanding brand and a solid investment portfolio in Hong Kong, which has been built on a strong foundation by a seasoned professional team. In the year ahead, the Group will continue to seize opportunities and rise to different challenges, with the aim of enhancing the value of the Soundwill brand, achieving solid and sustainable growth, and maximising returns for our stakeholders.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW**

#### **Results of Operations**

During the year, the Group recorded a revenue of approximately HK\$2,224,996,000 (2016: HK\$1,627,921,000), representing an increase as compared with last year. The increase in revenue was mainly due to the increase 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\$1,200,781,000 (2016: HK\$2,824,747,000), a decrease of 57% as compared with last year. This decrease was mainly due to decrease in the net fair value gain on investment properties/properties transfer during the year.

#### **Net Assets**

The net assets of the Group as at 31 December 2017 amounted to HK\$19,893,948,000 (2016: HK\$19,002,701,000). Net asset value per share as at 31 December 2017 is HK\$70.2 (2016: HK\$67.1).

### **FINANCIAL RESOURCES AND LIQUIDITY**

As at 31 December 2017, the Group's cash and bank balance (including structured bank deposits, short-term bank deposits and cash and cash equivalents) amounted to HK\$1,253,509,000 (2016: HK\$1,524,428,000). Total borrowings of the Group amounted to HK\$1,528,120,000 (2016: HK\$1,694,220,000) as at 31 December 2017.

As at 31 December 2017, the Group's gearing ratio (which was expressed as a percentage of total borrowings over total equity) was 8% (2016: 9%).

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**

During the course of business, certain bank accounts were opened and held in the name of certain subsidiaries on behalf of third parties to whom these subsidiaries provided building management services. As at the reporting date, those bank balances which were held on behalf of third parties and were not accounted for in the consolidated financial statements of the Group amounted to HK\$44,715,000 (2016: HK\$37,271,000).

## **EMPLOYEES REMUNERATION**

The Group had 285 and 88 employees in Hong Kong and PRC respectively as at 31 December 2017 (2016: 344 and 81 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 2017 were approximately HK\$158,206,000 (2016: HK\$132,379,000) and no share option expenses (2016: HK\$10,000) during the year.

## **DIVIDEND**

The Board recommends a payment of a final dividend of HK\$0.20 (2016: HK\$0.20) per share and no payment of special dividend (2016: HK\$1.00) for the year ended 31 December 2017, subject to the approval of the shareholders at the forthcoming annual general meeting to be held on Friday, 25 May 2018. The final dividend will be payable on or about Friday, 15 June 2018 to shareholders whose names appear on the register of members on Friday, 1 June 2018.

## **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 Monday, 21 May 2018 to Friday, 25 May 2018 (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 Friday, 18 May 2018.

## **CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND**

For determining the entitlement to the proposed final dividend for the year ended 31 December 2017, the register of members of the Company will be closed from Thursday, 31 May 2018 to Friday, 1 June 2018 (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, 30 May 2018.

## **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 2017 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 2017 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 Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) during the year ended 31 December 2017 except that:

### **(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 as its code of conduct regarding Directors’ securities transactions. The Company has made specific enquiry of all Directors confirmed that they have complied with the required standard of dealing as set out in the Model Code during 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, 28 March 2018

*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 Kong Siu Man Kenny; and (ii) Independent Non-Executive Directors: Chan Kai Nang, Pao Ping Wing and Ng Chi Keung.*