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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)

DISCLOSEABLE TRANSACTION IN RELATION TO DISPOSAL OF PROPERTY

THE DISPOSAL

The Board is pleased to announce that on 15 August 2023 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase, the Property for a total consideration of HK\$122,000,000.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules, in respect of the Disposal exceeds 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements.

The Disposal was not disclosed by the Company in accordance with Chapter 14 of the Listing Rules in a timely manner because of its inadvertence. The Company has since taken remedial actions to prevent occurrence of similar incidents in the future.

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THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are as follows:

- Date : 15 August 2023 (after trading hours)
- Parties : (1) ONE STORAGE (KC1) COMPANY LIMITED (an indirect wholly-owned subsidiary of the Company), as the Vendor
- (2) THE GENERAL OF THE SALVATION ARMY as the Purchaser
- Property : Godown A on the Ground Floor; Units A, B1, B2 and C on the 1st Floor; Units A, B1, B2 and C on the 2nd Floor; Units B1 and B2 on the 3rd Floor and Car Parking Space No. 16 on the Ground Floor of TUNG CHUN INDUSTRIAL BUILDING STAGE I (BLOCK A), Nos. 9–11 Cheung Wing Road, Kwai Chung, New Territories, Hong Kong
- The Property is to be sold to the Purchaser on an “as is” basis.
- Consideration and payment term : The total Consideration for the Disposal is HK\$122,000,000, which shall be paid by the Purchaser to the Vendor in the following manner:
- (1) An initial deposit of HK\$2,000,000 was paid by the Purchaser to the Vendor’s solicitors as stakeholder prior signing of the Sale and Purchase Agreement;
- (2) Further deposit of HK\$10,200,000, shall be paid by the Purchaser to the Vendor’s solicitors as stakeholder upon signing of the Sale and Purchase Agreement; and

(3) HK\$109,800,000, being the balance of the Consideration shall be paid by the Purchaser to the Vendor on Completion.

The Consideration was arrived based on arm's length negotiations between the Vendor and the Purchaser on normal commercial terms, and after taking into account the prevailing property market conditions, the market price of the similar properties adjacent to the Property.

Completion : Completion is expected to take place on or before 10 November 2023.

INFORMATION OF THE PROPERTY

The net profits before taxation and after taxation attributable to the Property for the two financial years ended 31 December 2021 and 31 December 2022 were approximately as follows:

	For the year ended 31 December 2021 (HK\$)	For the year ended 31 December 2022 (HK\$)
Net profits before taxation	9,153,000	6,867,000
Net profits after taxation	8,568,000	6,390,000

FINANCIAL EFFECTS OF THE DISPOSAL AND PROPOSED USE OF PROCEEDS

The book value of the Property as shown in the audited consolidated financial statements of the Company as at 31 December 2022 was approximately HK\$106,000,000. The Group is expected to record a gain of approximately HK\$16,000,000 from the Disposal, which is calculated based on the Consideration to be received by the Group for the Disposal less the book value of the Property as at 31 December 2022 before any related expenses. The actual amount of gain as a result of the Disposal to be recorded by the Company will be subject to the review and final audit by the auditor of the Company. The Company intends to use the net proceeds from the Disposal as general working capital of the Group.

INFORMATION OF THE VENDOR, THE GROUP AND THE PURCHASER

The Vendor is a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company, and is principally engaged in investment holding.

The Group is principally engaged in investment holding and the Group is principally engaged in various lines of business including property assembly, property leasing, property development and provision of building management services in Hong Kong and property development in the Mainland China.

The Purchaser is a corporation incorporated in Hong Kong under the Salvation Army Ordinance, Cap. 1062 of Laws of Hong Kong and engages charity work in Hong Kong. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are independent third parties of the Company and its connected persons.

REASONS FOR AND BENEFITS OF THE DISPOSAL

Taking into account of the current financial position and business operation of the Group, the Directors believe that the Disposal represents a good opportunity for the Company to realise the value of the Property at a reasonable price and the proceeds from the Disposal will improve the financial position and increase the general working capital of the Group. The terms of the Sale and Purchase Agreement were determined after arm's length negotiations between the parties thereto and the Directors consider that the terms and conditions of the Disposal are on normal commercial terms, which are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules, in respect of the Disposal exceeds 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements.

The Company should have complied with the relevant notification and announcement requirements under Rule 14.34 of the Listing Rules in respect of the Disposal as and when such obligations arose. The Company has established its internal control policy and procedures for compliance with notifiable transaction requirements. However, in assessing the Disposal due consideration and weight had not been given to whether the Disposal being revenue in nature. Consequentially, the Company inadvertently treated the Disposal a transaction exempt for disclosure by reason of it was conducted in the ordinary course of business of the Group.

REMEDIAL ACTIONS

The Company would express its sincere regret for non-compliance with the Listing Rule, and would also stress that this non-compliance incident was unintentional and the Company has not ever had any intent to withhold information relating to the Disposal from disclosure to the public.

To prevent occurrence of similar cases in the future, the Company has implemented and taken the following remedial actions:

- (a) The Company has specifically advised and urged responsible staff who are responsible for handling and/or may handle acquisitions or disposals of real property of the Group which may exceed 5% for the purpose of calculating the relevant percentage ratio pursuant to the Listing Rules to consult finance department and legal advice at an early stage for assessing whether announcement requirements under the Listing Rules may be triggered.
- (b) Procedures have been set so that any such acquisitions and disposals proposed to be undertaken by the Group will have to be first assessed and approved by internal compliance and legal advisers and also designated Director(s) of the Company.
- (c) The Company will continue to strengthen training provided to the responsible staff of the Group and reinforce their knowledge and understanding relating to notifiable transactions, and their awareness and ability to identify potential issues at the early stage.
- (d) The Company will work more closely with its internal compliance and legal advisers on compliance issues generally, and where deemed necessary and appropriate consult other professional advisers before committing any potentially notifiable transaction, and/or may consult the Stock Exchange on proper treatment of the proposed transaction.

DEFINITIONS

In this announcement, unless the context requires otherwise, capitalised terms used shall have the following meanings:

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| “Board” | the board of Directors |
| “Company” | Soundwill Holdings Limited (金朝陽集團有限公司*), an exempted company incorporated in Bermuda with limited liability, and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 878) |
| “Completion” | Completion of the Disposal in accordance with the terms and conditions of the Sale and Purchase Agreement |

“Consideration”	HK\$122,000,000, being the consideration for the Disposal
“Directors”	the directors of the Company
“Disposal”	the Disposal of the Property by the Vendor to the Purchaser under the terms and conditions of the Sale and Purchase Agreement
“Group”	collectively, the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Parties”	persons who are not connected persons (as defined in the Listing Rules) of the Company and are third parties independent of and not connected with the Company or its connected persons (as defined in the Listing Rules)
“Listing Rules”	the rules governing the listing of securities on the Stock Exchange
“Property”	Godown A on the Ground Floor; Units A, B1, B2 and C on the 1st Floor; Units A, B1, B2 and C on the 2nd Floor; Units B1 and B2 on the 3rd Floor and Car Parking Space No. 16 on the Ground Floor of TUNG CHUN INDUSTRIAL BUILDING STAGE I (BLOCK A), Nos. 9–11 Cheung Wing Road, Kwai Chung, New Territories, Hong Kong
“Purchaser”	THE GENERAL OF THE SALVATION ARMY, a corporation incorporated in Hong Kong under the Salvation Army Ordinance, Cap. 1062 of Laws of Hong Kong
“Sale and Purchase Agreement”	the sale and purchase agreement dated 15 August 2023 entered into among the Vendor and the Purchaser in relation to the Disposal
“Shareholders”	holder(s) of ordinary share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Vendor” ONE STORAGE (KC1) COMPANY LIMITED, incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company

“%” per cent.

By Order of the Board
SOUNDWILL HOLDINGS LIMITED
Chan Hing Tat
Chairman

Hong Kong, 3 October 2023

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, Chan Hing Tat and Tse Wai Hang; and (ii) Independent Non-Executive Directors: Chan Kai Nang, Pao Ping Wing and Young Chun Man Kenneth.

* *For identification purpose only*