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## **SOUNDWILL HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 878)**

### **DISCLOSEABLE TRANSACTION Establishment of Joint Venture**

#### **SUMMARY**

The board of directors of the Company announces that Soundwill Yunnan, a wholly-owned subsidiary of the Company, entered into a joint venture agreement with the Qujing Government on May 7, 2004 pursuant to which Soundwill Yunnan will set up a sino foreign equity joint venture company with the Qujing Government. Soundwill Yunnan will own 80% of the shareholding interest in the Joint Venture and the Qujing Government will own 20% of the shareholding interest in the Joint Venture.

Since the consideration given represents more than 5% but less than 25% of the Company's market capitalization, the establishment of the Joint Venture constitutes a discloseable transaction of the Company under Rule 14.08 of the Listing Rules. A circular containing further details of the establishment of the Joint Venture will be sent to the shareholders of the Company as soon as practicable.

#### **THE JOINT VENTURE AGREEMENT**

**Date** : May 7, 2004

#### **Parties**

**The Foreign Party** : Soundwill Yunnan, a wholly-owned subsidiary of the Company

**The PRC Party** : the Qujing Government, an independent third party not connected with the directors, chief executives and substantial shareholders of the Company or any of its subsidiaries or their respective associates

## **TERMS OF THE JOINT VENTURE**

1. the term of the Joint Venture is 30 years from the date of issue of the business licence of the Joint Venture Company.
2. the business scope of the Joint Venture Company will be construction and management of the public duct network for the communication, supply of electricity, supply of water, supply of gas etc in the district area of Qujing City.
3. the total investment and the registered capital of the Joint Venture is RMB200,000,000 (approximately HK\$188,679,245) and HK\$20,000,000 respectively. The amount of the registered capital to be contributed by Soundwill Yunnan, given its 80% shareholding interest in the Joint Venture Company is HK\$16,000,000. Such capital contribution will be made by Soundwill Yunnan in cash and, pursuant to the Joint Venture Agreement. The difference between the registered capital and the total investment may be covered by borrowings from banks and Soundwill Yunnan has not committed to contribute such difference.
4. the board of directors of the Joint Venture Company comprises 7 directors. Soundwill Yunnan is entitled to appoint 5 directors and the Qujing Government is entitled to appoint 2 directors. Soundwill Yunnan is entitled to appoint the chairman of the board of directors.
5. Profits will be distributed to Soundwill Yunnan and the Qujing Government in proportion to their shareholding interests in the Joint Venture Company.
6. At the end of the term of the Joint Venture or upon early termination of the Joint Venture, the remaining assets of the Joint Venture Company (after payment of its debts and tax) will be distributed to Soundwill Yunnan and the Qujing Government in proportion to their shareholding interests in the Joint Venture Company.

## **BUSINESS OF THE GROUP**

The principal activity of the Company is investment holding. The principal activities of the subsidiaries include property development, property leasing and provision of building management services in Hong Kong and the PRC urban infrastructure development.

## **REASONS FOR THE TRANSACTION**

China's entry into the World Trade Organization brings tremendous business and investment opportunities. Quality of urban infrastructure facilities in the PRC has to be improved so as to cope with the mounting business demand. To make use of this immense potential for business development, the Company intends to grasp market share of the urban infrastructure development in the mainland's major cities and provinces.

The establishment of the Joint Venture is consistent with the Company's strategy. The establishment of the Joint Venture provides a further opportunity for the Company to speed up the development of urban infrastructure development business in the PRC. This is expected to improve the efficiency of the Group's urban infrastructure development businesses in addition to generating new revenue streams for the Company.

## GENERAL

Since the consideration given represents more than 5% but less than 25% of the Company's market capitalization, the establishment of the Joint Venture constitutes a discloseable transaction for the Company under Rule 14.08 of the Listing Rules. A circular containing further information on the establishment of the Joint Venture will be sent to shareholders of the Company as soon as practicable.

This announcement also serves to clarify the news articles on the transaction appeared in several newspapers on May 8, 2004.

## TERMS USED IN THIS ANNOUNCEMENT

“associates”	has the meaning ascribed thereto in the Listing Rules
“Company”	Soundwill Holdings Limited, a company incorporated in Bermuda whose securities are listed on the Stock Exchange
“Joint Venture”	the joint venture to be established pursuant to the Joint Venture Agreement
“Joint Venture Agreement”	the joint venture agreement for establishment of the joint venture company made between Soundwill Yunnan and the Qujing Government dated May 7, 2004
“Joint Venture Company”	the joint venture company to be incorporated in Qujing City by Soundwill Yunnan and the Qujing Government pursuant to the Joint Venture Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People's Republic of China
“Qujing City”	Qujing City of Yunnan Province, the PRC
“Qujing Government”	Qujing Municipal People's Government, an independent third party not connected with the directors, chief executives and substantial shareholders of the Company or any of its subsidiaries or their respective associates
“RMB”	Renmibi, the lawful currency of the PRC
“Soundwill Yunnan”	Soundwill (Yunnan) Limited, a company incorporated in Hong Kong, a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

By Order of the Board of  
**SOUNDWILL HOLDINGS LIMITED**  
**Kwan Chai Ming**  
*Executive Director*

Hong Kong, May 12, 2004

Exchange rate used in this announcement is RMB1.06 to HK\$1.00

*As at the date of this announcement, the Board comprises of (1) Executive Directors : Foo Kam Chu, Grace, Chan Wai Ling, Tse Chun Kong, Thomas, Kwan Chai Ming; (2) Non-Executive Directors : Liu Hanbo, Meng Qinghui; and (3) Independent Non-Executive Directors: Wong Tak Leung, Charles and Yuen Hing Man.*

*Please also refer to the published version of this announcement in the (**The Standard**)*