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If you have sold or transferred all your shares in Soundwill Holdings Limited, you should at once hand this document to the purchaser or transferee, or to the bank, licensed securities dealer or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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SOUNDWILL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 878)

DISCLOSEABLE TRANSACTION

Establishment of Joint Venture

A letter from the Board of Directors is set out on pages 3 to 5 of this document.

27 May 2004

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DEFINITIONS

In this document, the following expressions have the following meanings:

“associates”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Company”	Soundwill Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“COSCO”	China Ocean Shipping (Group) Company
“Director(s)”	the director(s), including independent non-executive director(s), of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Joint Venture”	the joint venture to be established pursuant to the Joint Venture Agreement
“Joint Venture Agreement”	the joint venture agreement dated 7 May 2004 for the establishment of the joint venture company made between Soundwill Yunnan and the Qujing Government
“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
“Ko Bee”	Ko Bee Limited, a company incorporated in British Virgin Islands, the registered office of which is at the Offices of Offshore Incorporations Limited, P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, the British Virgin Islands and the entire issued share capital of which is beneficially owned by Madam Foo Kam Chu Grace, the Chairman of the Company
“Latest Practicable Date”	25 May 2004
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mrs. Chan”	Foo Kam Chu, Grace, chairman of the Company
“Mr. Tse”	Tse Chun Kong, Thomas, executive Director of the Company
“PRC”	the People’s Republic of China
“Qujing City”	Qujing City of Yunnan Province, the PRC

DEFINITIONS

“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
“SFO”	Securities and Futures Ordinance (Cap. 571)
“Share(s)”	ordinary share(s) of par value of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“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
“RMB”	Renminbi, the lawful currency of the PRC

In this circular, all amounts in Renminbi were translated into Hong Kong dollars at an exchange rate of HK\$1.00: RMB 1.06 for indication only.

LETTER FROM THE BOARD



SOUNDWILL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 878)

Executive Directors:

Foo Kam Chu Grace, *Chairman*
Chan Wai Ling, *Executive Director*
Tse Chun Kong Thomas, *Executive Director*
Kwan Chai Ming, *Executive Director*
Liu Hanbo, *Non Executive Vice Chairman*
Meng Qinghui, *Non Executive Director*

Independent Non-executive Directors:

Wong Tak Leung Charles
Yuen Hing Man

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head Office and Principal Place
of Business:*

21st Floor, Soundwill Plaza
38 Russell Street
Causeway Bay
Hong Kong

27 May 2004

To the Shareholders and for information only, warrant holders

Dear Sir,

DISCLOSEABLE TRANSACTION

Establishment of Joint Venture

INTRODUCTION

Reference is made to the announcement of the Company dated 12 May 2004 that Soundwill Yunnan, a wholly owned subsidiary of the Company, entered into a joint venture agreement with the Qujing Government on 7 May 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.

LETTER FROM THE BOARD

THE JOINT VENTURE AGREEMENT

Date

7 May 2004

Parties

The Foreign Party

Soundwill Yunnan, a wholly-owned subsidiary of the Company

The PRC Party

Qujing Government

The Qujing Government is a government authority in the PRC and one of its functions is to encourage foreign investment in Qujing City.

The Company confirms that, to the best knowledge of the Directors, the Qujing Government is 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

The term of the Joint Venture is 30 years from the date of issue of the business licence of the Joint Venture Company.

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.

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 the Qujing Government by contribution of urban infrastructure development rights pursuant to the Joint Venture Agreement. The capital contribution made by Soundwill Yunnan will be funded by the internal resources of the Group. 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.

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.

Profits will be distributed to Soundwill Yunnan and the Qujing Government in proportion to their shareholding interests in the Joint Venture Company.

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.

LETTER FROM THE BOARD

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.

After completion of the transaction, the Joint Venture Company will become a subsidiary of the Company. Accordingly, the operating results of the Joint Venture Company will be consolidated into the Company's financial statements in accordance with the Group's accounting policies.

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. The Directors consider that the transaction will not have a significant adverse effect on the assets, liabilities and working capital of the Group.

Your attention is also drawn to the general information set out in the appendix to this document.

Yours faithfully,
For and on behalf of the Board
Soundwill Holdings Limited
Chan Wai Ling
Executive Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accepts full responsibility for accuracy of the information contained in this circular concerning the Group and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts concerning the Group the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company was HK\$10,126,985.60 comprising 101,269,856 Shares.

3. DISCLOSURE OF INTERESTS

(a) Directors' interest in the Company

As at the Latest Practicable Date, the interests of the Directors and chief executive in the share, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

(i) Long positions in the Shares:

Name of Director	Capacity	Number of Shares	Percentage of Shareholding
Foo Kam Chu Grace	Interest of controlled corporation	67,902,088 (Note)	67.05
Foo Kam Chu Grace	Beneficial owner	80,000	0.08
Mr. Tse	Interest of Spouse	5,000	0.01
Mr. Tse	Beneficial owner	603	0.00

Note: The 67,902,088 shares are held by Ko Bee, the entire issued share capital of which is held by Madam Foo Kam Chu Grace.

(ii) *Long positions in underlying shares of equity derivatives of the Company — interests in share options of the Company (being granted and remained outstanding):*

Name	Capacity	Number of Shares in the Option	Exercise Period	Price of Grant	Subscription Price per Share
Foo Kam Chu Grace	Beneficial owner	70,000	08/08/2000 to 31/12/2004	HK\$1.00	HK\$8.20
		76,000	02/07/2001 to 24/02/2007	HK\$1.00	HK\$2.97
Mr. Tse	Beneficial owner	40,000	08/08/2000 to 31/12/2004	HK\$1.00	HK\$8.20
		50,000	02/07/2001 to 24/02/2007	HK\$1.00	HK\$2.97
		60,000	08/01/2004 to 07/01/2009	HK\$1.00	HK\$1.50
Chan Wai Ling	Beneficial owner	60,000	08/01/2004 to 07/01/2009	HK\$1.00	HK\$1.50
Chan Wai Ling	Interest of Spouse	60,000	08/01/2004 to 07/01/2009	HK\$1.00	HK\$1.50
Kwan Chai Ming	Beneficial Owner	20,000	01/06/2001 to 24/02/2007	HK\$1.00	HK\$12.40
		10,000	02/01/2002 to 24/02/2007	HK\$1.00	HK\$2.97
		40,000	08/01/2004 to 07/01/2009	HK\$1.00	HK\$1.50
Liu Hanbo	Beneficial Owner	60,000	08/01/2004 to 07/01/2009	HK\$1.00	HK\$1.50
Meng Qinghui	Beneficial owner	60,000	08/01/2004 to 07/01/2009	HK\$1.00	HK\$1.50

(b) Directors' interests in associated corporations

Name of Director	Name of Associated Corporation	Capacity	Number and Class of Shares	Percentage of Shareholding
Foo Kam Chu Grace	Ko Bee	Beneficial owner	1 ordinary share	100%

4. SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors, as at the Latest Practicable Date, the persons other than a director or chief executive of the Company who has an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is expected, directly or indirectly, to be interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, were as follows:

(a) Long positions in the Shares

Name of Shareholder	Capacity	Number of Shares	Percentage of Shareholding
Ko Bee	Beneficial owner	67,902,088	67.05%
COSCO Investments Limited (<i>Note 1</i>)	Beneficial owner	3,705,920	3.66%
Graceful Nice Limited (<i>Note 1</i>)	Beneficial owner	2,908,800	2.87%

(b) Long positions in underlying shares of equity derivatives of the Company — interest in the warrants of the Company:

Name of Shareholder	Capacity	Units of Warrant	Number of Underlying Shares
COSCO Investments Limited (<i>Note 2</i>)	Beneficial owner	741,184	741,184
Graceful Nice Limited (<i>Note 2</i>)	Beneficial owner	581,760	581,760

Notes:

1. COSCO Investments Limited and Grace Nice Limited were both indirect subsidiaries of COSCO.
2. 741,184 and 581,760 units of warrant of the Company had been granted and remained unexercised.

5. MATERIAL LITIGATION

As at the Latest Practicable Date, a property-related proceeding relating to the purchase of certain properties in Yuen Long by Pacific Well Realty Limited, a subsidiary of the Company, is still under progress. In such transaction, the said subsidiary has paid a deposit of HK\$65,000,000. The transaction has fallen through and the said deposit of HK\$65,000,000 has been forfeited by the vendor of this transaction. According to the legal advice taken by the Company, the shareholders of Pacific Well Realty Limited would not incur any further liability apart from costs of the proceedings. Full provision has already been made in respect of the aforesaid deposit.

Save as disclosed above, neither the Company nor any other member of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any other member of the Group.

6. SERVICE AGREEMENTS

There is no existing or proposed service contract between any of the Directors and the Company or any of its members which is not terminable within one year without payment compensation (other than statutory compensation) and no service contract has been entered into or amended within six months before 12 May 2004, being the date of the Announcement.

7. MISCELLANEOUS

As at the Latest Practicable Date, there is no material contract or arrangement entered into by any of the Directors which any Directors has a material personal interest.

Each of the Directors has confirmed that he/ she and their respective associates (as defined under the Listing Rules) do not have any interests in a business apart from the Group's business which directly competes with and will have material adverse impact on the Group.

8. GENERAL

- (a) The company secretary of the Company is Mr. Kwan Chai Ming, a qualified solicitor in Hong Kong, and the qualified accountant of the Company is Mr. Yim Chun Leung, a qualified accountant in Hong Kong.
- (b) The Company's Hong Kong branch share registrar is Standard Registrars Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (c) The registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (d) The registered office of Ko Bee is Offices of Offshore Incorporations Limited, P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, the British Virgin Islands.
- (e) The English text of this document shall prevail over the Chinese text in the case of any inconsistency.