

*The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



# **SOUNDWILL HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 878)**

## **CONNECTED TRANSACTION PROPOSED CONVERTIBLE BOND ISSUE**

### **THE AGREEMENT**

On 17 June 2004, the Company entered into the Agreement with Ko Bee, the controlling shareholder of the Company and therefore a connected person, in relation to the subscription and issue of the Bonds pursuant to which Ko Bee agreed to subscribe for, and the Company agreed to allot and issue to Ko Bee, the Bonds.

### **THE BONDS**

The principal amount of the Bonds will be the aggregate of (i) HK\$147,229,896.66 which is equivalent to the principal amount of the Loan together with the interest accrued thereon calculated up to and inclusive of the date of the Agreement; and (ii) the amount representing the amount of interest accrued on the Loan calculated from the date after the date of the Agreement until the date immediately before Completion of the Agreement, in denomination of HK\$500,000 each.

The issue price of the Bonds will be settled by fully setting off against the Loan and accrued interest thereon calculated up to and exclusive of the date of completion of the Agreement.

The Bonds will bear interest on the outstanding principal from the date of issue a rate per annum equal to 3% below prime lending rate of the Banking Day immediately before any date of interest payment quoted by HSBC.

The Company will repay the outstanding principal amount of the Bonds on 17 June 2008, unless previously converted into Shares.

The conversion price shall be equal to 5% over and above the average of the closing prices published in the Stock Exchange's daily quotations sheet for one Share (assuming a transaction in a board lot) for the ten consecutive trading days ending on the trading day immediately preceding the date of the Agreement (subject to adjustment as provided in the Instrument).

As Ko Bee is a substantial shareholder of the Company, the Issue constitutes a connected transaction for the Company under Rule 14A.11(1) of the Listing Rules and will be subject to the approval by the Independent Shareholders at the SGM. Ko Bee and its associates (as defined under the Listing Rules) will abstain from voting on the resolutions approving the Issue at the SGM.

An independent board committee will be formed to consider the terms of the Issue and an independent financial adviser will be appointed to advise the independent board committee in this regard. A circular containing, amongst other things, details of the Issue, the letter from the independent financial adviser containing its advice to the Independent Board Committee, the recommendation of the Independent Board Committee and a notice to convene the SGM will be sent to Shareholders as soon as practicable.

At the request of the Company, trading in the Shares has been suspended from 9:30 a.m. on 18 June 2004. Application has been made by the Company to the Stock Exchange for resumption of trading with effect from 9:30 a.m. on 23 June 2004.

## **THE AGREEMENT DATED 17 JUNE 2004**

The Directors are pleased to announce that the Company have entered into the Agreement with Ko Bee on 17 June 2004 pursuant to which Ko Bee agrees to subscribe for, and the Company agrees to allot and issue the Bonds.

Up to 17 June 2004, the outstanding principal amount of the Loan is HK\$146,068,353.11. The Loan bears interest at a rate of prime lending rate plus 1.75% per annum. The issue price of the Bonds will be satisfied by setting off against the outstanding principal amount of the Loan and interest accrued.

### **Conditions**

Completion of the Agreement is conditional on the following conditions being satisfied:

- (a) the passing by the Shareholders by poll (other than Ko Bee and its associates (as defined in the Listing Rules)) in the SGM of an ordinary resolution approving the Agreement, the Instrument and the transaction(s) contemplated therein;
- (b) the Stock Exchange having granted the listing of, and permission to deal in the Conversion Shares which may fall to be issued on conversion of the Bonds; and
- (c) the Bermuda Authority having granted its permission for the Issue and the free transferability of the Conversion Shares which may fall to be issued on conversion in full of the Bonds, if necessary;

### **Completion**

Completion of the Agreement will take place on the third business day after the fulfillment of all the conditions mentioned under the paragraph headed "Conditions" of this announcement (or such later date(s) as may be agreed between the parties to the Agreement in writing). If any of the above conditions has not been fulfilled on or before 16 August 2004 (or such later date(s) as may be agreed between the parties to the Agreement in writing), the Agreement shall, subject to the liability of any party to the others in respect of any antecedent breaches of the terms thereof, be null and void and of no effect.

# **PRINCIPAL TERMS OF THE BONDS**

## **Principal amount**

The principal amount of the Bonds will be issued at the price of the aggregate of (i) HK\$147,229,896.66 which equivalent to the principal amount of the Loan together with the interest accrued thereon calculated up to and inclusive of the date of the Agreement; and (ii) the amount representing the amount of interest accrued on the Loan calculated from the date after the date of the Agreement until the date immediately before Completion of the Agreement, in denomination of HK\$500,000 each. For the outstanding amount which is less than HK\$500,000, the Bond shall be issued in denomination of such outstanding amount.

The issue price will be satisfied by fully setting off against the outstanding principal amount of the Loan and the interest accrued thereon.

## **Interest**

The Bonds will bear interest on the outstanding principal from the date of issue at a rate per annum equal to 3% below prime lending rate of the Banking Day immediately before any date of interest payment quoted by HSBC. Interests will be payable quarterly in arrears commencing 3 months after the date of issue of the Bonds.

## **Maturity Date**

The Company will repay the outstanding principal amount of the Bonds on 17 June 2008, unless previously converted into Shares.

## **Redemption Date**

The Company is entitled at any time and from time to time by notice in writing to holders of the Bonds declare that the Bonds or any part thereof (in an amount or integral multiple of HK\$500,000) be redeemed on such date (being a date not earlier than the expiry of 30 days after the date of the notice) as set out in the notice when the Bonds shall be redeemed by the Company at the principal amount of the outstanding Bonds. If at any time the outstanding amount is less than HK\$500,000, the Company is entitled to exercise its redemption right in respect of such remaining outstanding amount. In the event that the Company redeems the Bonds or any part thereof before the maturity date, the Company shall pay a pre-payment interest to the holders of the Bonds as compensation. Such pre-payment interest shall be calculated on the basis of the amount of interest that would have accrued on the principal amount of the Bonds to be converted until the Maturity Date as if the conversion has never been made.

The Bonds are liable to be redeemed at the option of the holders of the Bonds upon the occurrence of an Event of Default (as defined in the Instrument).

## **Conversion**

Up to 50% of the Bonds held by each of the holders of the Bonds may be convertible into ordinary shares of the Company in the amounts or integral multiples of HK\$500,000 at any time immediately following the issue of the Bonds, being the Completion Date, up to 4:00 p.m., 31 December 2004 (Hong Kong time) and all the outstanding principal amount of the Bonds may be

convertible up to 4:00 p.m., 17 June 2008 (Hong Kong time) If at any time the outstanding amount of the Bonds is less than HK\$500,000, the Bondholder will have the right to convert such remaining outstanding amount.

## **Conversion price**

The conversion price is HK\$1.68 (subject to adjustment as provided in the Instrument), which is equivalent to 5% over and above the average of the closing prices published in the Stock Exchange's daily quotations sheet for one Share (assuming a transaction in a board lot) for the ten consecutive trading days ending on the trading day immediately preceding the date of the Agreement. The conversion price was agreed after arm's length negotiations between the Company and Ko Bee and taken into account of the recent market price of the Shares.

## **Shares to be issued upon conversion**

The Shares to be issued upon conversion of the Bonds will rank *pari passu* in all respects among themselves and with the Shares in issue on the relevant date of conversion.

The existing issued share capital of the Company is HK\$12,152,382.70 divided into 121,523,827 Shares. Assuming that the entire principal amount of the Bonds is converted at the conversion price of HK\$1.68 per Share and on the basis that the total amount of the outstanding Loan and interest accrued thereon calculated up to the date of the Agreement is in the sum of HK\$147,229,896.66, a total of 87,636,843 Shares will be issued. These Shares represent (i) approximately 72.11% of the existing issued share capital of the Company; and (ii) approximately 41.90% of the issued share capital of the Company as enlarged by the new Shares to be issued upon full conversion of the Bonds.

The shareholding of the existing public Shareholders will be diluted from approximately 26.33% to approximately 15.30% as a result of the full conversion of the Bonds at the conversion price as aforesaid. According to the terms of the Instrument, the rights of conversion shall only be exercisable so long as there is a public float of at least 25% of the issued share capital of the Company as enlarged by the new Shares to be issued upon conversion of the Bonds. Based on the register of substantial Shareholder maintained by the Company as at the date of this announcement, Ko Bee is interested in approximately 67.05% of the issued Shares of the Company. Apart from Ko Bee, there is no person interested in 10% or more of the issued Shares of the Company as at the date of this Announcement.

## **Voting rights of holders of the Bonds**

The holders of the Bonds will not have any right to attend or vote at any meeting of the Company by virtue of their being the holders of the Bonds.

## **Transferability**

Each of the Bonds is not assignable or transferable by the holders of the Bonds other than to its wholly owned subsidiaries, its holding company or wholly owned subsidiaries of its holding company or with the prior written consent of the Company, subject to the conditions provided in the terms and conditions of the Bonds. The Company has undertaken to inform the Stock Exchange of any dealings by any connected persons (as defined under the Listing Rules) or their respective associates (as defined under the Listing Rules) from time to time in the Bonds as soon as practicable upon the Company becoming aware of such dealing(s).

## **Application for listings**

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares which may fall to be issued upon conversion of the Bonds. No listing of the Bonds will be sought on the Stock Exchange or any other stock exchanges. This announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities.

## **INFORMATION ON THE COMPANY AND KO BEE**

The Company is an investment holding company. The Group is principally engaged in property development, property leasing and provision of building management services in Hong Kong and the PRC urban infrastructure development. Ko Bee is an investment holding company.

## **REASONS FOR THE TRANSACTION**

Provided that the Bonds are fully converted into Shares, the Issue will enable the Group to:

- (a) fully repay the principal amount of the Loan (with accrued interest) due to Ko Bee which will be due on 24 March 2005 without affecting working capital of the Company; and
- (b) reduce its interest expenses of approximately HK\$580,000 per month due to the reduction of interest rate from prime lending rate plus 1.75% per annum i.e. currently 6.75% per annum to prime lending rate minus 3% per annum i.e. currently 2% per annum.

Henceforth, the Board considers that the Issue is in the best interest of the Company and the Shareholders as a whole.

## **CONNECTED TRANSACTION**

As Ko Bee is a substantial shareholder of the Company, the Issue constitutes a connected transaction for the Company under Rule 14A.11(1) of the Listing Rules. Accordingly the Issue and the allotment and issue of Conversion Shares will be subject to the approval by the Independent Shareholders at the SGM by poll. Ko Bee and its associates (as defined under the Listing Rules) will abstain from voting on the resolutions approving the Issue and the allotment and issue of Conversion Shares at the SGM.

An independent board committee will be formed to consider the terms of the Issue and an independent financial adviser will be appointed to advise the independent board committee in this regard.

# EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE-MONTH PERIOD

Date of announcement	Event	Counterparty	Discount/premium to the market price	Net proceeds (approximate)	Intended use of proceeds (approximate)	Actual use of proceeds as at the date of this announcement (approximate)
30 July 2003	Conditional bonus issue of warrants to Shareholders on the basis of one warrant for every five Shares then held by them	Shareholders (except overseas shareholders) whose names appear on the register of members of the Company on 26 August 2003	a premium of approximately 32.45% to the closing price of HK\$1.51 per Share as quoted on the Stock Exchange on 30 July 2003, and a premium of approximately 34.23% based on the average closing price per Share of HK\$1.49 as quoted on the Stock Exchange for the past 10 trading days up to and including 7 August 2003	If fully subscribed HK\$24,931,216  As at 18 June 2004 7,642,125 Shares have been subscribed for and the amount of proceeds accrued was approximately HK\$15,284,250	For general working capital	HK\$14,700,000 has been used for repayment of shareholder's loan owed to Ko Bee and the remaining balance has been applied as general working capital
13 February 2004	Placing of 5,500,000 existing Shares at HK\$2.20 per Share and subscription of 13,939,688 new Shares at HK\$2.20 per Share	Ko Bee	a discount of around 5.58% to the closing price of HK\$2.33 per Share as quoted on the Stock Exchange on 13 February 2004 and a premium of around 1.85% over the average closing price of HK\$2.16 per Share for the last 10 trading days up to and including 13 February 2004	HK\$30.67 million. The proceeds was satisfied partly by offsetting against part of the unsecured interest-bearing loan owed by the Company to Ko Bee for an amount of around HK\$18.57 million and the balance of approximately HK\$12.10 million by cash payment	HK\$18.57 million was used for repayment of shareholder's loan owed to Ko Bee and the remaining balance would be applied for future business development and as general working capital of the Group	HK\$18.57 million has been used for repayment of shareholder's loan owed to Ko Bee. The net cash proceeds of around HK\$11 million has been used as to approximately HK\$5,500,000 for the property and urban infrastructure businesses of the Group and the remaining balance of approximately HK\$5,500,000 has been applied as general working capital of the Group
18 March 2004	Loan capitalization agreement whereby Ko Bee agreed to subscribe for 17,000,000 Shares at HK\$2.55 each	Ko Bee	The same as the closing price of HK\$2.55 per Share quoted on the Stock Exchange on 17 March 2004 and represents a premium of approximately 0.29% to the average closing prices per Share for the 10 trading days ended 17 March 2004	HK\$43,350,000	For partial repayment of the principal amount of loan (with accrued interest) owed to Ko Bee by HK\$43,350,000	For partial repayment of the principal amount of loan (with accrued interest) owed to Ko Bee by HK\$43,350,000

Save as aforesaid, the Company has not conducted any equity fund raising activities in the past twelve-month period immediately before the date of this announcement.

## PUBLIC FLOAT

According to the terms of the Instrument, the rights of conversion shall only be exercisable so long as there is a public float of at least 25% of the issued share capital of the Company as enlarged by the new Shares to be issued upon conversion of the Bonds.

## GENERAL

A circular containing, amongst other things, details of the Issue, the letter from the independent financial adviser containing its advice to the Independent Board Committee, the recommendation of the Independent Board Committee and a notice to convene the SGM, will be dispatched to the Shareholders as soon as practicable and in compliance with the requirements of the Listing Rules.

At the request of the Company, trading in the Shares has been suspended from 9:30 a.m. on 18 June 2004 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading with effect from 9:30 a.m. on 23 June 2004. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

## DEFINITIONS

“Agreement”	a conditional agreement dated 17 June 2004 between the Company and Ko Bee in relation to, amongst other things, the subscription and issue of the Bonds
“Banking Day”	the day at which the banks are opened (except Saturday)

“Board”	the Board of directors of the Company
“Bonds”	the interest bearing convertible bonds due by 2008 in the aggregate principal amount of the aggregate of (i) HK\$147,229,896.66 which equivalents to the principal amount of the Loan together with the interest accrued thereon calculated up to and inclusive of the date of the Agreement; and (ii) the amount representing the amount of interest accrued on the Loan calculated from the date after the date of the Agreement until the date before Completion of the Agreement, each in the denomination of HK\$500,000, to be issued pursuant to the Agreement and to be created by the Instrument. If at any time the outstanding amount is less than HK\$500,000, Bonds shall be issued in respect of such remaining outstanding amount
“Company”	Soundwill Holdings Limited, the shares of which are listed on the Stock Exchange
“Completion”	completion of the Issue on the terms of the Agreement
“Completion Date”	the third business day after the fulfillment of all the conditions of the Agreement
“Conversion Shares”	Shares which will fall to be allotted and issued upon full conversion of the Bonds at the conversion price
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HSBC”	The Hongkong and Shanghai Banking Corporation Limited
“Independent Board Committee”	an independent committee of the Board, comprising the independent non-executive directors, to be appointed by the directors of the Company to advise the Independent Shareholders in respect of the issue of the Bonds
“Independent Shareholders”	Shareholders who are not involved nor interested in the Issue other than interests as Shareholders
“Instrument”	the instrument to be executed by the Company by way of a deed poll constituting the Bonds substantially in the form set out in the schedule to the Agreement
“Issue”	the issue of the Bonds in registered form to Ko Bee on the terms of the 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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	an unsecured interest bearing loan owed by the Company to Ko Bee
“Loan Interest Rate”	the interest at a rate of prime lending rate plus 1.75% per annum to be charged on the outstanding loan owed by the Company to Ko Bee
“SGM”	the special general meeting of the Company to be held for the purpose of passing the relevant resolutions in relation to the Issue
“Shares”	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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By Order of the Board  
**Kwan Chai Ming**  
*Executive Director*

Hong Kong, 21 June 2004

*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**)*