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SOUNDWILL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 878)

CONNECTED TRANSACTION DISPOSAL OF SUBSIDIARIES

On 15 October 2013, Rightful Task, Ko Bee and Rally Elite entered into the Agreement. Pursuant to the Agreement, Rightful Task agrees to sell and Rally Elite agrees to purchase the entire issued share capital of Oriental Classic at the consideration in an aggregate amount of HK\$122,768,000 subject to the terms and conditions of the Agreement. Pursuant to the Agreement, Ko Bee agrees to guarantee the due performance of the obligations of Rally Elite under the Agreement.

As the entire issued share capital of Rally Elite is beneficially owned by Ms. Foo Kam Chu Grace and the entire issued share capital of the Ko Bee is beneficially owned by Ms. Foo Kam Chu Grace and Ms. Foo Kam Chu Grace is the controlling shareholder, the chairman and an executive Director of the Company, Ms. Foo Kam Chu Grace is a Connected Person of the Company under Chapter 14A of the Listing Rules. Since the applicable Percentage Ratios calculated under Rule 14.07 of the Listing Rules in respect of the Disposal are more than 0.1% but less than 5%, the Disposal is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 15 October 2013, Rightful Task, Ko Bee and Rally Elite entered into the Agreement in relation to the sale and purchase of the entire issued share capital of Oriental Classic, the holding company within the Disposal Group. Upon completion of the Disposal, the whole Disposal Group will be transferred to Rally Elite.

The principal terms of the Agreement are set out below:

THE AGREEMENT

Date

15 October 2013

Parties

- (1) Rightful Task as Share Vendor;
- (2) Ko Bee as Guarantor; and
- (3) Rally Elite as Share Purchaser.

Transaction

Rightful Task agrees to sell and Rally Elite agrees to purchase the Sale Share subject to the terms and conditions of the Agreement. Pursuant to the Agreement, Ko Bee agrees to guarantee the due performance of the obligations of Rally Elite under the Agreement.

Disposal Share

The Sale Share, representing the entire issued share capital of Oriental Classic.

Consideration

The Consideration for the Disposal shall be an aggregate sum of HK\$122,768,000, subject to adjustment as described in the paragraph headed “Payment Terms” in this announcement.

The Consideration was determined after arm's length negotiation between the Share Vendor and Share Purchaser with reference to: (i) the unaudited pro-forma consolidated net asset value after deducting non-controlling interests of the Disposal Group as at 31 July 2013; (ii) the business prospect of the Disposal Group; and (iii) the interest of the entire shareholders of the Company as a whole.

Payment Terms

- (1) A sum of HK\$60,600,000 shall be payable by the Share Purchaser to the Share Vendor in cash upon completion of the Disposal.
- (2) The balance of the Consideration, being a sum of HK\$62,168,000, shall be payable by the Share Purchaser to the Share Vendor within a period of three years after completion of the Disposal provided that the Disposal Group shall have collected and received payment of the Trade Receivables from time to time and in due course. The Share Purchaser shall pay in arrear to the Share Vendor an amount equivalent to the amounts of the Trade Receivables collected and received by the Disposal Group every three calendar months after completion of the Disposal. For the avoidance of doubt, if the Disposal Group shall have collected and received payment of an aggregate amount of the Trade Receivables falling short of HK\$62,168,000 within a period of three years after completion of the Disposal, the Share Purchaser shall only be obligated to pay an amount equivalent to the amounts of the Trade Receivables actually collected and received by the Disposal Group within a period of three years after completion of the Disposal and, as a result, the total Consideration shall in effect be reduced accordingly.

Conditions Precedent

Completion of the Disposal shall be conditional upon each of the following conditions having been satisfied in all respects (or waived by the Share Purchaser) on or before 22nd October 2013:

- (1) due diligence to be carried out by Share Purchaser in relation to legal, operational and financial conditions of the Disposal Group being satisfactory to Share Purchaser; and
- (2) the representations and warranties contained in the Agreement remaining true and accurate and not misleading in any material respects as given at the date of entering into the Agreement and at completion of the Disposal.

Completion

Completion of the Disposal shall take place on the third Business Day after fulfilment (or waiver) of the conditions precedent (or such other day as the Share Vendor and the Share Purchaser may agree in writing).

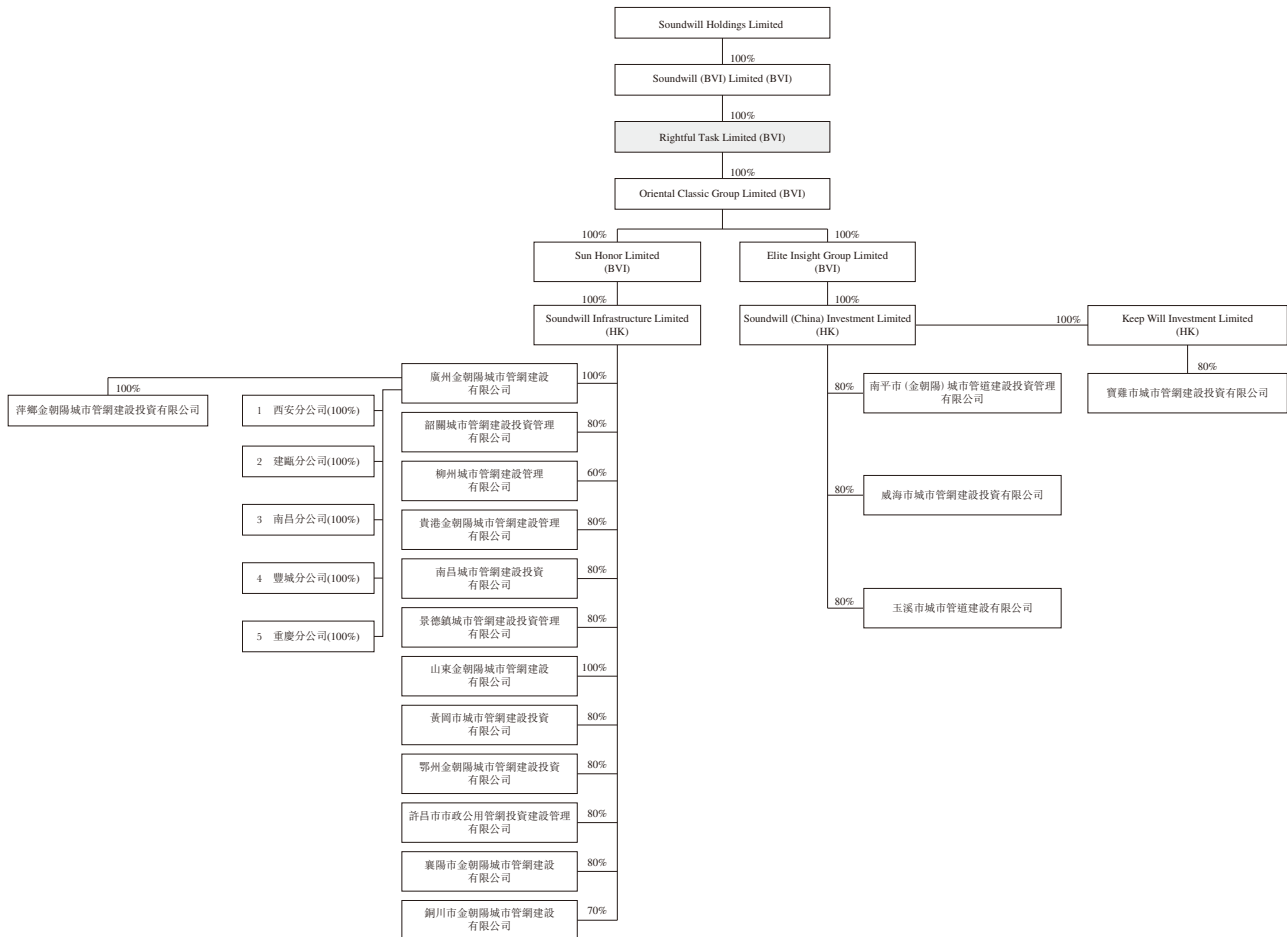
Upon completion of the Disposal, Oriental Classic will become a direct wholly-owned subsidiary of the Share Purchaser and the Disposal Group will cease to be subsidiaries of the Company.

INFORMATION OF THE GROUP

The Group is principally engaged in the business of property assembly, property leasing, property development, property management, urban infrastructure development in the PRC and real estate development in the PRC.

INFORMATION OF THE DISPOSAL GROUP

Oriental Classic was incorporated on 3 July 2013 under the laws of the British Virgin Islands and has not carried on any business other than holding of the Disposal Group (other than Oriental Classic). The Disposal Group comprises a total of 23 companies set out in the Definition section of this announcement and are principally engaged in Underground Pipeline Business in the PRC. A chart of the beneficial shareholdings of the Disposal Group immediately before Disposal is set out below:



As at 31 July 2013, the unaudited pro-forma consolidated net asset value after deducting non-controlling interests of Oriental Classic prepared in accordance with the Hong Kong Financial Reporting Standards was approximately HK\$122,768,000.

For the seven months period ended 31 July 2013, the unaudited pro-forma consolidated financial results of Oriental Classic prepared in accordance with the Hong Kong Financial Reporting Standards are as follows:

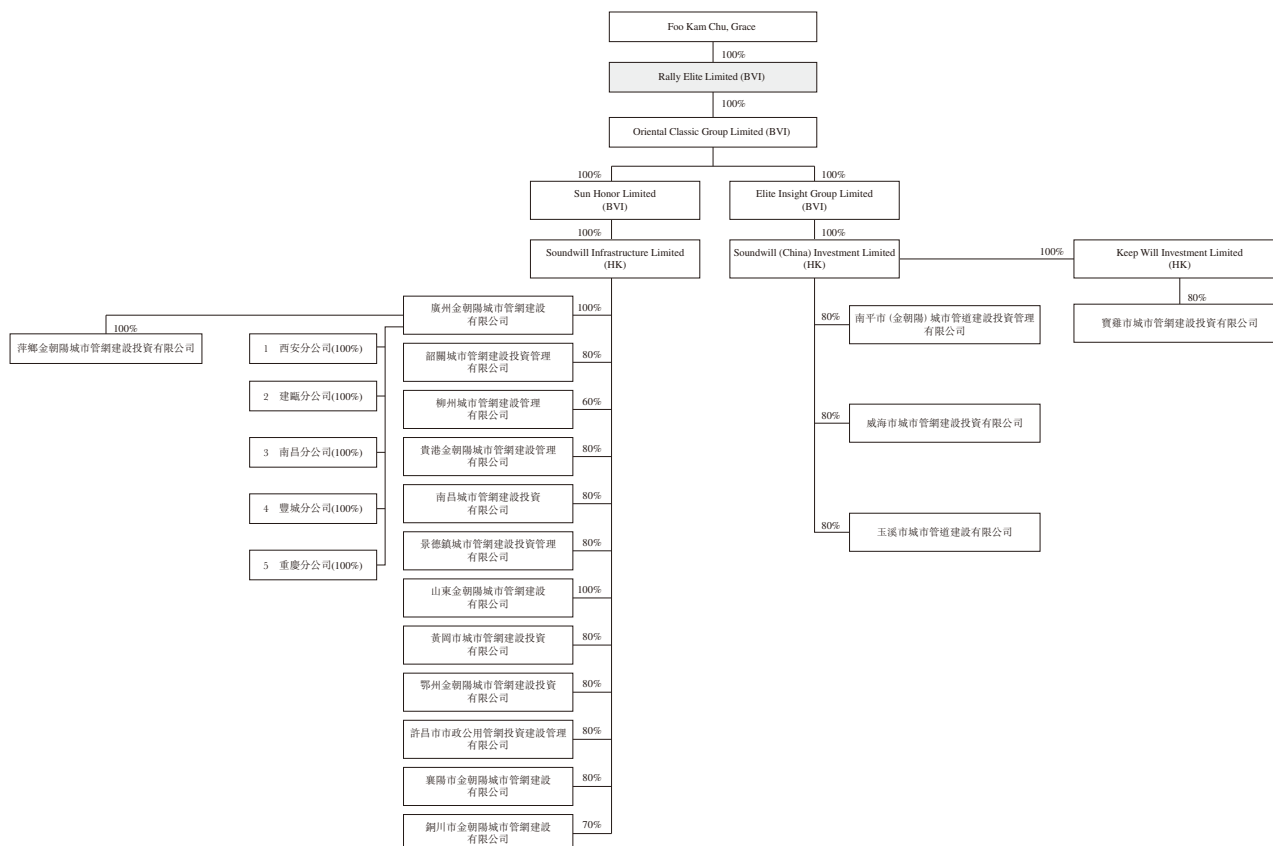
	1 January 2013 to 31 July 2013 (unaudited) <i>HK\$'000</i>
Turnover	7,871
(Loss) before taxation	(32,409)
(Loss) after taxation	(32,936)

The audited consolidated turnover, and profit and loss of the Disposal Group (except Oriental Classic which was incorporated on 3 July 2013 and Sun Honor which was incorporated on 23 May 2013) for the last two financial years ended 31 December prepared under the Hong Kong Financial Reporting Standards are as follows:

	For the year ended 31 December	
	2012	2011
	(audited)	(audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	78,077	79,371
Profit before taxation	12,375	17,687
Profit after taxation	9,546	13,651

Immediately after the Disposal, the Share Purchaser will become the sole beneficial owner of the entire issued share capital of Oriental Classic, the holding company within the Disposal Group.

A chart of the beneficial shareholdings of the Disposal Group immediately after the Disposal is set out below:



POSSIBLE FINANCIAL EFFECT ON THE DISPOSAL

Immediately after completion of the Disposal, the Disposal Group will cease to be the subsidiaries of the Company and the financial results of the Disposal Group will no longer be consolidated into the Company's financial statements.

Based on the unaudited pro-forma consolidated net asset value after deducting non-controlling interests of Oriental Classic as at 31 July 2013 of approximately HK\$122,768,000 and the Consideration, the Company currently expects to record a profit of approximately HK\$19,519,000 (representing foreign currency gain being reclassified from exchange reserve account) arising from the Disposal upon completion of the Disposal assuming that no adjustment to the Consideration shall have been made as described in the paragraph headed "Payment Terms" in this announcement.

Shareholders should note that the above figures are for illustration only. The actual profit or loss on the Disposal may be different from the above and will be determined based on the audited financial position of Oriental Classic on the date of completion of the Disposal and whether should there be any adjustment to the Consideration as described in the paragraph

headed “Payment Terms” in this announcement. The actual profit or loss on the Disposal will be accounted for and shown in the annual results of the Company ending 31 December 2013 and disclosed to the Shareholders in the annual report for the financial year ending 31 December 2013.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Board is of the view that since the Disposal Group has recorded loss and the business prospect of the Disposal Group is no longer promising and the business of the Disposal Group will no longer create effective synergy with the Group’s principal businesses. Consequently, disposal of the Disposal Group may streamline the businesses of the Group so that the Group may focus the resources of the Group on its principal businesses. Therefore, the Board considers that the Disposal is in the interests of the Company and its shareholders as a whole.

The proceeds from the Disposal will be used as the general working capital of the Group.

None of the Directors, except Ms. Foo Kam Chu Grace, has a material interest in the Disposal or is required to abstain from voting on the Board resolutions to approve the entering into the Agreement. The Directors (including all independent non-executive Directors) are in the opinion that the terms of the Agreement have been negotiated at arm’s length and entered into on normal commercial terms, and the terms of the Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As the entire issued share capital of the Share Purchaser is beneficially owned by Ms. Foo Kam Chu Grace and the entire issued share capital of the Guarantor is beneficially owned by Ms. Foo Kam Chu Grace and Ms. Foo Kam Chu Grace is the controlling shareholder, the chairman and an executive Director of the Company, Ms. Foo Kam Chu Grace is a Connected Person of the Company under Chapter 14A of the Listing Rules. Since the applicable Percentage Ratios calculated under Rule 14.07 of the Listing Rules in respect of the Disposal are more than 0.1% but less than 5%, the Disposal is subject to the reporting and announcement requirements but exempt from the independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

None of the Directors, except Ms. Foo Kam Chu Grace, has a material interest in the Disposal. Ms. Foo Kam Chu Grace is a Connected Person and therefore has abstained from voting on the relevant Board resolutions approving the Disposal.

DEFINITIONS

In this announcement, the following expressions have the meanings set out bellows unless the context otherwise requires.

“Agreement”	the agreement entered into between Rightful Task, Ko Bee and Rally Elite on 15 October 2013 in respect of the sale and purchase of the Sale Share
“Board”	the board of Directors
“Business Day”	A day (not being a Saturday or Sunday or day on which typhoon signal No. 8 or above or black rainstorm warning signal is hosted) in Hong Kong at any time from (9:00 a.m. to 5:00 p.m.) on which banks are generally open for general banking business (excluding internet banking business) in Hong Kong
“BVI”	The British Virgin Islands
“Company”	Soundwill Holdings Limited (金朝陽集團有限公司), a 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)
“Connected Person”	has the meaning ascribed to it in the Listing Rules
“Consideration”	an aggregate amount of HK\$122,768,000, subject to adjustment as described in the paragraph headed “Payment Terms” in this announcement
“Directors”	the directors of the Company
“Disposal”	the disposal of the entire issued share capital of Oriental Classic pursuant to the Agreement

“Disposal Group”

comprises the following companies:

- (A) Oriental Classic;
- (B) Sun Honor;
- (C) Elite Insight;
- (D) Soundwill Infrastructure;
- (E) Soundwill Investment;
- (F) Keep Will; and
- (G) 17 companies set up in the PRC, namely:
 - (i) 廣州金朝陽城市管網建設有限公司, a wholly foreign-owned enterprise established in the PRC, which directly and wholly owns the following PRC branch companies: (1) 西安分公司, (2) 建甌分公司, (3) 南昌分公司, (4) 豐城分公司, and (5) 重慶分公司;
 - (ii) 萍鄉金朝陽城市管網建設投資有限公司, a domestic company incorporated in the PRC with limited liability;
 - (iii) 韶關城市管網建設投資管理有限公司, a cooperative joint venture established in the PRC;
 - (iv) 柳州城市管網建設管理有限公司, a cooperative joint venture established in the PRC;
 - (v) 貴港金朝陽城市管網建設管理有限公司, a cooperative joint venture established in the PRC;
 - (vi) 南昌城市管網建設投資有限公司, a cooperative joint venture established in the PRC;
 - (vii) 景德鎮城市管網建設投資管理有限公司, a cooperative joint venture established in the PRC;
 - (viii) 山東金朝陽城市管網建設有限公司, a wholly foreign-owned enterprise established in the PRC;
 - (ix) 黃岡市城市管網建設投資有限公司, a cooperative joint venture established in the PRC;

- (x) 鄂州金朝陽城市管網建設投資有限公司, a cooperative joint venture established in the PRC;
- (xi) 許昌市市政公用管網投資建設管理有限公司, a cooperative joint venture established in the PRC;
- (xii) 襄陽市金朝陽城市管網建設有限公司, a cooperative joint venture established in the PRC;
- (xiii) 銅川市金朝陽城市管網建設有限公司, a cooperative joint venture established in the PRC;
- (xiv) 南平市(金朝陽)城市管道建設投資管理有限公司, a cooperative joint venture established in the PRC;
- (xv) 威海市城市管網建設投資有限公司, a cooperative joint venture established in the PRC;
- (xvi) 玉溪市城市管道建設有限公司, a cooperative joint venture established in the PRC; and
- (xvii) 寶雞市城市管網建設投資有限公司, a cooperative joint venture established in the PRC.

“Elite Insight”	Elite Insight Group Limited, a company incorporated in BVI with limited liability and a direct wholly-owned subsidiary of Oriental Classic
“Group”	the Company and its subsidiaries
“Guarantor”	Ko Bee
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China

“Keep Will”	Keep Will Investment Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of Soundwill Investment
“Ko Bee”	Ko Bee Limited, a company incorporated in BVI with limited liability, being the controlling shareholder of the Company
“Listing Rules”	The Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“Oriental Classic”	Oriental Classic Group Limited, a company incorporated in BVI with limited liability and a direct wholly-owned subsidiary of the Share Vendor
“Percentage Ratios”	has the meaning ascribed to it in the Listing Rules
“PRC”	The People’s Republic of China
“Rally Elite/ Share Purchaser”	Rally Elite Limited, a company incorporated in BVI with limited liability and direct wholly-owned by the Company’s controlling shareholder, Ms. Foo Kam Chu Grace
“Rightful Task/ Share Vendor”	Rightful Task Limited, an indirect wholly-owned subsidiary of the Company incorporated in BVI with limited liability
“Sale Share”	One (1) share of US\$1 each, representing the entire issued share capital of Oriental Classic
“Shareholders”	Shareholders of the Company
“Soundwill Infrastructure”	Soundwill Infrastructure Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of Sun Honor
“Soundwill Investment”	Soundwill (China) Investment Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of Elite Insight
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subsidiary(ies)”	has the meaning ascribed to it in the Listing Rules
“Sun Honor”	Sun Honor Limited, a company incorporated in BVI with limited liability and a direct wholly-owned subsidiary of Oriental Classic
“Trade Receivables”	The total sum of trade receivables for a sum of HK\$62,168,000 as stated in the unaudited pro-forma consolidated accounts of Oriental Classic as at 31 July 2013
“Underground Pipeline Business”	The business of constructing, selling and maintaining the underground pipelines in the PRC constructed or built by the Disposal Group
“%”	Percentage

By Order of the Board
Soundwill Holdings Limited
Foo Kam Chu Grace
Chairman

Hong Kong, 15 October 2013

As at the date of this announcement, the Board 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.