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SOUNDWILL HOLDINGS LIMITED

(Stock Code: 878)

(Incorporated in Bermuda with limited liability)

LOAN CAPITALISATION CONNECTED TRANSACTION

The Loan Capitalisation

The Company and Ko Bee entered into the Loan Capitalisation Agreement on 17th March 2004 whereby Ko Bee agreed to subscribe for 17,000,000 Shares of HK\$0.10 each. The Shares represent approximately 20.17% of the existing issued share capital of the Company and approximately 16.79% of the enlarged share capital of the Company upon completion of Loan Capitalisation. The consideration of HK\$43,350,000 will be satisfied by setting off against amount owed by the Company to Ko Bee upon completion of the Loan Capitalisation.

As Ko Bee is a substantial shareholder of the Company, the Loan Capitalisation constitutes a connected transaction for the Company under Rule 14.26 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 Rule) will abstain from the resolutions approving the Loan Capitalisation at the SGM. An independent board committee will be formed to consider the terms of the Loan Capitalisation and an independent financial adviser will be appointed to advise the independent board committee in this regard.

General

A circular containing, amongst other things, details of the Loan Capitalisation, a letter from the independent board committee, a letter from the independent financial adviser setting out its advice in relation to the Loan Capitalisation and a notice of the SGM, will be despatched 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 of the Company has been suspended since 9:30 a.m. of 18th March 2004 pending the release of this announcement.

Application has been made by the Company to the Stock Exchange for the resumption of trading in the shares of the Company with effect from 9:30 a.m. on 19th March 2004.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

LOAN CAPITALISATION AGREEMENT

Date: 17th March 2004

Subscriber

Ko Bee, a company incorporated in the British Virgin Islands, is the controlling shareholder of the Company, currently holding around 60.40% of the Company's issued share capital. Ko Bee is wholly owned by Madam Foo Kam Chu Grace, Chairman of the Company.

Up to 17th March 2004, the total amount of outstanding loan owed by the Company to Ko Bee is HK\$187,723,537.76.

Loan Capitalisation Shares

17,000,000 Shares at HK\$2.55 each

The Loan Capitalisation Shares represent approximately 20.17% of the existing issued share capital of the Company and approximately 16.79% of the enlarged share capital of the Company upon completion of the Loan Capitalisation. The consideration of HK\$43,350,000 will be satisfied by setting off against part of the total amount of outstanding loan owed by the Company to Ko Bee.

The issue and allotment of the Loan Capitalisation Shares are subject to the approval of the Independent Shareholders in a SGM.

Loan Capitalisation Price

The Loan Capitalisation Price of HK\$2.55 per Loan Capitalisation Share has been arrived at taking into account the latest trading prices of the Shares. The Loan Capitalisation Price: (i) is the same as the closing price of HK\$2.55 per share quoted on the Stock Exchange on 17th March 2004, being the last trading day before suspension of trading of the Share on 18th March 2004 pending the release of this announcement; and (ii) represents a premium of approximately 0.29% to the average of the closing prices per Share as quoted on the Stock Exchange of approximately HK\$2.543 for the 10 trading days ended 17th March 2004.

Conditions of Loan Capitalisation

Completion of the Loan Capitalisation Agreement shall be conditional upon:

- (i) the Stock Exchange granting approval for the listing of, and permission to deal in, the Loan Capitalisation Shares on the Stock Exchange;
- (ii) the approval of the Loan Capitalisation Agreement and the transactions therein contemplated by the Independent Shareholders in a SGM in accordance with the requirements of the Listing Rules; and
- (iii) if necessary, all consents of all relevant governmental or regulatory authorities and other relevant third parties in Hong Kong, Bermuda, or elsewhere which are required or appropriate for the entering into and the implementation of the Loan Capitalisation Agreement having been given or made.

Completion of Loan Capitalisation

Completion of the Loan Capitalisation Agreement shall take place on the third Business Day following the satisfaction of all conditions specified in the Loan Capitalisation Agreement. If any of the above conditions are not fulfilled on or before 31st May 2004 or such other date as the Company and Ko Bee may agree in writing, the Loan Capitalisation Agreement will lapse and be of no further effect.

Reasons for the Loan Capitalisation

The Loan Capitalisation will enable the Group to: (i) partially repay the principal amount of loan (with accrued interest) due to Ko Bee by HK\$43,350,000 as at the date of the Loan Capitalisation Agreement and the date of this announcement without affecting working capital of the Company; (ii) lower its gearing ratio from approximately 198% to approximately 181%; and (iii) reduce its interest expenses by approximately HK\$200,000 per month. Henceforth, the Board considers that the Loan Capitalisation is in the best interest of the Company and its shareholders as a whole.

CONNECTED TRANSACTION

As Ko Bee is substantial shareholder of the Company, the Loan Capitalisation constitutes a connected transaction for the Company under Rule 14.26 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 Loan Capitalisation at the SGM. An independent board committee will be formed to consider the terms of the Loan Capitalisation and an independent financial adviser will be appointed to advise the independent board committee in this regard.

RANKING AND RIGHT OF LOAN CAPITALISATION SHARES

The Loan Capitalisation Shares will rank pari passu in all respects among themselves and with all other Shares in issue or to be issued by the Company on or prior to completion of the Loan Capitalisation including the rights to all dividends and other distributions declared, made or paid at any time after the date of issue and allotment.

CHANGES TO THE SHAREHOLDING AS A RESULT OF THE LOAN CAPITALISATION

The effect of the Loan Capitalisation on the shareholding structure of the Company is as follows:

	Immediately before the Loan Capitalization		Immediately after the completion of Loan Capitalization	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Ko Bee	50,902,088	60.40	67,902,088	67.05
Mrs. Chan	80,000	0.09	80,000	0.08
Mr. Tse	5,603	0.01	5,603	0.01
COSCO	6,614,720	7.85	6,614,720	6.53
Public	<u>26,666,493</u>	<u>31.65</u>	<u>26,666,493</u>	<u>26.33</u>
Total	<u>84,268,904</u>	<u>100</u>	<u>101,268,904</u>	<u>100</u>

GENERAL INFORMATION

The principal activities of the Group are property development, property leasing and provision of building management services.

The Company will submit an application to the Stock Exchange for the listing of, and permission to deal in, the Loan Capitalisation Shares pursuant to the Loan Capitalisation Agreement.

An independent board committee will be formed to consider the terms of the Loan Capitalisation. 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 Loan Capitalisation, a letter from the independent board committee, a letter from the independent financial adviser setting out its advice in relation to the Loan Capitalisation and a notice of the SGM, will be despatched 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 of the Company has been suspended since 9:30 a.m. on 18th March 2004 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the shares of the Company with effective from 9:30 a.m. on 19th March 2004. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS:

“Board”	the board of Directors
“Business Day”	a day on which banks in Hong Kong are generally open for business (other than a Saturday)
“Company”	Soundwill Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“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
“Independent Shareholders”	Shareholders who are not involved nor interested in the Loan Capitalisation other than their interest as Shareholders
“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 is beneficially owned by Madam Foo Kam Chu Grace, Chairman of the Company
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Capitalisation”	the subscription of 17,000,000 Shares at HK\$2.55 per Share pursuant to the Loan Capitalisation Agreement
“Loan Capitalization Agreement”	a conditional loan capitalization agreement dated 17th March 2004 and entered into between the Company and Ko Bee
“Loan Capitalisation Shares”	17,000,000 Shares in the issued share capital of the Company to be subscribed by Ko Bee pursuant to the Loan Capitalisation
“SGM”	the special general meeting of the Company to be held for the purpose of passing the relevant resolutions in relation to the Loan Capitalisation
“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
“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, 18th March 2004

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, the opinions expressed in this Announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

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