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## **SOUNDWILL HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 878)**

### **DISCLOSEABLE TRANSACTION: FORMATION OF A JOINT VENTURE FOR DEVELOPMENT OF LAND IN ZHAOQING CHINA**

The Board is pleased to announce that on 24 February 2010, Soundwill Real Estate (an indirect wholly-owned subsidiary of the Company) entered into the Agreement in relation to the acquisition of 85% shareholding of Target Company (the “Acquisition”). Upon completion of the Acquisition, Target Company will be converted to a Sino Foreign Equity Joint Venture Enterprise and becomes JVC to carry out the development of the Land.

Target Company is a company incorporated in the PRC with limited liabilities. The registered capital of Target Company is RMB3,000,000. Upon completion of the Acquisition, JVC will be owned as to 85% by Soundwill Real Estate (or its wholly-owned subsidiary) and as to 15% by the JV Partner. It is intended and agreed pursuant to the Agreement that the JVC is to own and develop the Land.

One or more of the applicable percentage ratios (as defined in the Listing Rules) in the total commitment of Soundwill Real Estate in the Acquisition and in respect of the pro-rata contribution of Soundwill Real Estate towards the JV for the development of the Land exceed 5% but are less than 25%. Accordingly, the Agreement and the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

The Board is pleased to announce that on 24 February 2010, Soundwill Real Estate (an indirect wholly-owned subsidiary of the Company) entered into the Agreement in relation to the acquisition of 85% shareholding of Target Company (the “Acquisition”), and form a JV with JV Partner through converting Target Company into JVC to carry out the development of the Land.

## **(I) DATE OF THE AGREEMENT TO FORM A JOINT VENTURE**

24 February 2010

## **(II) PARTIES TO THE JOINT VENTURE**

1. JV Partner;
2. Mr. Ou Yang;
3. Soundwill Real Estate; and
4. Target Company, a company incorporated in the PRC with limited liabilities, which is jointly owned by JV Partner and Mr. Ou Yang before the Acquisition.

To the best of the Directors' information, knowledge and belief (upon making reasonable enquiries), JV Partner and Mr. Ou Yang are independent third parties and are not connected persons of the Company.

## **(III) KEY ISSUES OF THE JOINT VENTURE**

### **Purpose of the JV**

Target Company is a company incorporated in the PRC with limited liabilities. The registered capital of Target Company is RMB3,000,000.

Target Company owes and has the right to develop the Land. Pursuant to the Agreement the principal business of the JVC is to develop the Land. The Land is situated at Zhaoqing with an area of approximately 73,917.07 square meters. The permissible total gross floor area for construction is approximately 74,047.3 square meter, comprising approximately 38,662 square meter for villas, approximately 31,788 square meter for residential buildings, and approximately 1,992 square meter for commercial use.

### **Formation and Ownership of JVC**

Before the Acquisition, Target Company is owned by as to 50% by JV Partner, and as to 50% owned by Mr. Ou Yang. Pursuant to the Agreement, Mr. Ou Yang will sell and transfer to Soundwill Real Estate all his shareholding of Target Company while JV Partner will sell and transfer 35% of the shareholding of Target Company to Soundwill Real Estate at the total consideration of RMB56,610,000. Upon completion of the Acquisition, Target Company will be converted into a Sino Foreign Equity Joint Venture Enterprise and becomes JVC and will be owned as to 85% by Soundwill Real Estate, as to 15% by JV Partner, and JVC will become a non-wholly owned subsidiary of the Company.

The board of directors of JVC will comprise five directors, four of whom will be nominated by Soundwill Real Estate and one of whom will be nominated by JV Partner.

### **Financing of the JV Company**

Soundwill Real Estate and JV Partner will finance the development of the Land in proportion to their respective interests in JVC.

The Company may finance its portion of the funding requirements by internal resources of the Group.

### **Profit Sharing**

Soundwill Real Estate and JV Partner have agreed that any profit derived from the development of the Land will be apportioned between Soundwill Real Estate and JV Partner on a pro-rata basis, by reference to their respective interests in the JVC.

## **(IV) CONSIDERATIONS & COMMITMENT OF THE GROUP UNDER THE JOINT VENTURE**

The consideration payable by Soundwill Real Estate for the Acquisition is RMB56,610,000. The total cost for the construction and the development of the Land is presently estimated to be approximately RMB128,747,000.

On this basis, the total commitment of the Group in Target Company is approximately RMB166 million (subject to such changes as may be agreed by Soundwill Real Estate and JV Partner may from time to time agree).

The consideration of RMB56,610,000 for the acquisition of 85% shareholding of Target Company and the Land was arrived at after arms-length negotiation between the parties to the Agreement taking into account value of the Land as of 22 February 2010, and will be paid by instalments as set out here below. JV Partner and Mr. Ou Yang are to be solely responsible for all debts and liabilities of Target Company accrued before the Acquisition. According to the Valuation Report of the Land dated 22 February 2010 prepared by the Valuer, an independent firm of qualified valuers, based on open market value, the value of the Land was RMB73,104,000 as of 22 February 2010.

1. RMB1,650,000 and RMB2,350,000 payable to JV Partner and to Mr. Ou Yang respectively within 3 working days after signing of the Agreement as deposits;
2. RMB6,590,000 and RMB9,410,000 payable to JV Partner and Mr. Ou Yang respectively within 3 working days after Soundwill Real Estate is satisfied with due diligence verification of the affairs of Target Company and approval for converting Target Company into a Sino Foreign Equity Joint Venture Enterprise and approval for new business licence of JVC have been granted by the relevant regulatory authorities;

3. RMB8,230,000 and RMB11,770,000 payable to JV Partner and to Mr. Ou Yang respectively within 3 working days after the existing common seals of Target Company have been destroyed, and the new business licence, and the new company seals of JVC have been delivered to Soundwill Real Estate; and
4. RMB6,840,000 and RMB9,770,000 payable to JV Partner and Mr. Ou Yang respectively within 30 working days after all necessary regulatory process and formalities and approval for Soundwill Real Estate to own 85% of JVC have been obtained and all books and records have been delivered to Soundwill Real Estate.

**(V) CONDITIONS PRECEDENT:**

Pursuant to the Agreement, completion of the acquisition of 85% of JVC by Soundwill Real Estate is subject to the satisfaction of the conditions precedent, including (among others) the following:

1. having satisfied the requirements of the relevant government authorities for transferring 85% shareholding of Target Company to Soundwill Real Estate according to the laws and regulations;
2. having completed the procedure of transferring the right to develop the Land according to the laws and regulations, and obtained the approval of all relevant government authorities and regulatory bodies (including but not limited to approval from the Stock Exchange); and
3. having obtained the approval from the Stock Exchange in relation to transferring 85% shareholding of Target Company and publication of the relevant Announcement.

**COMPLETION DATE OF THE ACQUISITION:**

Within 4 months or any such other date as the parties may agree in writing from the date of the Agreement and after satisfaction of all the Conditions Precedent.

**INFORMATION OF THE COMPANY**

The Company is an investment holding company with its subsidiaries principally engaged in various lines of business including (i) property assembly; (ii) property leasing; (iii) property development; (iv) property management and building management services; and (v) urban infrastructure development business in the PRC.

## **INFORMATION OF SOUNDWILL REAL ESTATE**

Soundwill Real Estate is a company incorporated in British Virgin Islands with limited liabilities and a wholly owned subsidiary indirectly held by the Company.

## **INFORMATION OF JVC**

高要市金城房地產發展有限公司 (Gao Yao Shi Jincheng Property Development Company Limited<sup>#</sup>), a company incorporated in the PRC with limited liabilities with a registered capital of JVC is RMB3,000,000, and is jointly owned by JV Partner and Mr. Ou Yang before the Acquisition.

## **INFORMATION OF JV PARTNER**

李漢成 (Li Han Cheng<sup>#</sup>), a PRC citizen and a shareholder of JVC.

## **INFORMATION OF MR. OU YANG**

歐陽效宏 (Ou Yang Xiao Hong<sup>#</sup>), a PRC citizen and a shareholder of JVC.

## **REASONS FOR THE FORMATION OF THE JOINT VENTURE**

The Company is of the view that the Acquisition and development of the Land is in line with the business objective of the Group in relation to the property development business in the PRC. It is a good opportunity for the Company to further expand its property development business in the PRC.

The Directors consider that the terms of the JV are on normal commercial terms, and are fair and reasonable so far as the Company and the Shareholders are concerned, and that the JV is in the interest of the Company and the Shareholders as a whole.

## **IMPLICATION UNDER THE LISTING RULES**

As one of the applicable percentage ratios calculated under Chapter 14 of the Listing Rules is more than 5% and below 25%, the formation of the JV by acquiring 85% of JVC constitutes a discloseable transaction of the Company and is subject to announcement requirement under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Acquisition” means the acquisition of 85% shareholding of JVC pursuant to the Agreement at a total consideration of RMB56,610,000;

“Agreement”	means the agreement dated 24 February 2010 entered into by JV Partner, Mr. Ou Yang, Soundwill Real Estate and JVC;
“Board”	the board of directors of the Company;
“Company”	Soundwill Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange;
“connected person”	the meaning as ascribed thereto in the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HK\$”	Hong Kong dollars (the lawful currency of Hong Kong);
“independent third party(ies)”	a third party independent of the Company and not connected with (as defined in the Listing Rules) the Company;
“JV”	The joint venture to be formed between Soundwill Real Estate and JV Partner principally for the development of the Land through JVC;
“JVC”	Target Company when converted into a Sino Foreign Equity Joint Venture Enterprises upon completion of the Acquisition and pursuant to the Agreement;
“JV Partner”	李漢成 (Li Han Cheng <sup>#</sup> ), a PRC citizen and a shareholder of JVC;
“Land”	an undeveloped Land in Zhaoqing in the area of approximately 73,917.07 square meters being used for residential and commercial purposes;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Ou Yang”	歐陽效宏 (Ou Yang Xiao Hong <sup>#</sup> ), a PRC citizen and a shareholder of JVC;
“PRC”	The People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	the Shareholders of the Company;

“Soundwill Real Estate”	Soundwill Real Estate (China) Limited, a company incorporated in British Virgin Islands with limited liabilities and a wholly owned subsidiary indirectly held by the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	高要市金城房地產發展有限公司 (Gao Yao Shi Jincheng Property Development Company Limited <sup>#</sup> ), a company incorporated in the PRC with limited liabilities which is jointly owned by JV Partner and Mr. Ou Yang; and
“Valuer”	肇慶萬聯房地產土地評估有限公司.

# *the English translation of the Chinese names or words in this announcement, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

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

Hong Kong, 24 February 2010

*As at the date of this announcement, the Board of Directors of the Company comprises (i) Executive Directors: Foo Kam Chu, Grace, Chan Wai Ling, Tse Chun Kong, Thomas; Kong Siu Man, Kenny (ii) Non-Executive Directors: Liang Yanfeng, Meng Qinghui; and (iii) Independent Non-Executive Directors: Chan Kai Nang, Kwan Kai Cheong and Pao Ping Wing.*