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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action you should take, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold** all your shares in **SOUNDWILL HOLDINGS LIMITED**, you should at once hand this circular to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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## **SOUNDWILL HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

### **PROPOSED GENERAL MANDATE TO REPURCHASE SHARES AND PROPOSED GENERAL MANDATE TO ISSUE SHARES AND WARRANTS**

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This circular is despatched together with the 2001 annual report of the Company.

It is proposed that at the Annual General Meeting of Soundwill Holdings Limited for the year ended 31st December, 2001, resolutions be proposed to grant to the Directors general mandates to repurchase Shares of the Company and to issue Shares. This explanatory statement contains all the information required pursuant to the Listing Rules to be given to the shareholders of the Company.

26th April, 2002

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## DEFINITIONS

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*In this circular, the following expressions have the following meanings unless the context requires otherwise:*

“Annual General Meeting”	the annual general meeting of the Company to be held at 25th Floor, Soundwill Plaza, 38 Russell Street, Causeway Bay, Hong Kong on 21st May, 2002 at 10:00 a.m.
“AGM Notice”	the notice convening the Annual General Meeting dated 16th April, 2002
“Board”	the board of directors of the Company
“Company”	Soundwill Holdings Limited, an exempted company incorporated in Bermuda with limited liability
“Directors”	the directors of the Company
“Issue Mandate”	the general mandate to allot, issue and deal with Shares not exceeding 20% of the issued share capital of the Company as at the date of passing of the resolution approving such general mandate
“Latest Practicable Date”	19th April, 2002 being the latest practicable date prior to the printing of this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Repurchase Resolution”	the proposed ordinary resolution as referred to in Ordinary Resolution no. 4A set out in the AGM Notice
“Securities Buy Back Rules”	the relevant rules set out in the Listing Rules to regulate the repurchase by companies with primary listing on the Stock Exchange of their own securities on the Stock Exchange
“Securities Repurchase Mandate”	the Repurchase Resolution to give a general mandate to the Directors to exercise the powers of the Company to repurchase during the period as set out in the Repurchase Resolution Shares up to a maximum of 10% of the issued share capital of the Company as at the date of the Repurchase Resolution
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeover Code”	the Hong Kong Code on Takeovers and Mergers and Share Repurchases
“HK\$” and “cents”	Hong Kong dollars and cents respectively



## SOUNDWILL HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

*Directors:*

Foo Kam Chu, Grace (*Chairman*)  
Liu Guoyuan (*Vice Chairman*)  
Leung Yeuk Kuk, Joseph (*Executive Director*)  
Chan Wai Ling (*Executive Director*)  
Tse Chun Kong, Thomas (*Executive Director*)  
Liu Hanbo  
Wong Tak Leung, Charles\*  
Yuen Hing Man\*

\* *Non-executive Independent Director*

*Head Office and Principal Place  
of Business:*

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

26th April, 2002

*To shareholders and  
for information only, warrant holders*

Dear Sir or Madam,

### **PROPOSED GENERAL MANDATE TO REPURCHASE SHARES AND PROPOSED GENERAL MANDATE TO ISSUE SHARES AND WARRANTS**

#### **1. INTRODUCTION**

The purpose of this circular is to provide you with information regarding the proposed general mandates to repurchase securities of the Company and to issue Shares, and to seek your approval at the Annual General Meeting in connection with such matters.

#### **2. GENERAL MANDATE TO REPURCHASE SECURITIES**

At the annual general meeting of the Company held on 18th May, 2001, a general mandate was given by the Company to the Directors to exercise the powers of the Company to repurchase Shares. Such mandate will lapse at the conclusion of the forthcoming annual general meeting of the Company. The Directors propose to seek your approval of the Repurchase Resolution to be proposed at the Annual General Meeting. An explanatory statement as required under the Securities Buy Back Rules to provide the requisite information of the Securities Repurchase Mandate is set out in the Appendix hereto.

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## LETTER FROM THE CHAIRMAN

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### 3. GENERAL MANDATE TO ISSUE SHARES

It will also be proposed at the Annual General Meeting two ordinary resolutions respectively granting to the Directors a general mandate to allot, issue and deal with Shares not exceeding 20% of the issued share capital of the Company as at the date of the resolutions and adding to such general mandate so granted to the Directors any Shares representing the aggregate nominal amount of the Shares repurchased by the Company after the granting of the general mandate to repurchase Shares up to 10% of the issued share capital of the Company.

### 4. ANNUAL GENERAL MEETING

The notice convening the Annual General Meeting at which ordinary resolutions will be proposed to approve the Issue Mandate and the Securities Repurchase Mandate is set out in the 2001 annual report of the Company which is despatched to shareholders of the Company together with this circular.

### 5. RECOMMENDATION

The Board believes that the Issue Mandate and the Securities Repurchase Mandate are all in the best interests of the Company and its shareholders as a whole. Accordingly, the Board recommends that all shareholders of the Company should vote in favour of all resolutions set out in the AGM Notice respectively.

### 6. ADDITIONAL INFORMATION

Your attention is drawn to the Appendix which is an explanatory statement as required under the Listing Rules to provide the requisite information regarding the Securities Repurchase Mandate.

By Order of the Board  
**Foo Kam Chu, Grace**  
*Chairman*

This appendix serves as an explanatory statement, as required by the Listing Rules and Securities Buy Back Rules to provide requisite information to you for your consideration of the proposal to permit the repurchase of Shares up to a maximum of 10% of the issued share capital of the Company as at the date of the Repurchase Resolution. For the purpose of this appendix, the term “shares” shall be as defined in the Code on Share Repurchases which mean shares of all classes and securities which carry a right to subscribe or purchase shares.

## **1. SECURITIES BUY BACK RULES**

The Securities Buy Back Rules permit companies whose primary listing are on the Stock Exchange to repurchase their fully paid up shares on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

### **(a) Shareholders’ Approval**

The Securities Buy Back Rules provide that all on-market share repurchases by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of a specific approval in relation to specific transactions or by a general mandate to the directors of the Company to make such repurchase.

### **(b) Source of Funds**

Repurchase must be made out of funds which are legally available for the purpose and in accordance with the laws of Bermuda and the memorandum of association and bye-laws of the Company.

The Company is empowered by its memorandum of association and bye-laws to purchase its Shares. The laws of Bermuda provide that the amount of capital repaid in connection with a share repurchase may only be paid out of either the capital paid up on the relevant Shares, or out of funds of the Company otherwise available for dividend or distribution or the proceeds of a fresh issue of Shares made for the purpose. The amount of premium payable on repurchase may only be paid out of funds of the Company otherwise available for dividend or distribution or out of the share premium account of the Company. In addition, under the laws of Bermuda, in connection with any repurchase, two Directors of the Company would be required to swear an affidavit on the date which the repurchase takes effect to the effect that either the Company is solvent or that all creditors of the Company have agreed to the purchase. The affidavit may, at the option of the Company, be sworn within 30 days after the end of each calendar quarter giving details of the repurchases made during each quarter to the effect that the Company is solvent at all material times during the quarter.

### **(c) Maximum Number of Shares to be Repurchased and Subsequent Issue**

A maximum of 10% of the existing issued share capital of a company at the date of passing the relevant resolution may be repurchased on the Stock Exchange and a company may not, without the prior approval of the Stock Exchange, issue new share or announce a proposed new issue of shares for a period of 30 days immediately following a share repurchase whether on the Stock Exchange or otherwise (other than an issue of securities pursuant to the exercise of warrants, share options or similar instruments requiring the company to issue securities, which were outstanding prior to the repurchase).

## **2. SHARE CAPITAL**

As at the Latest Practicable Date, the issued share capital of the Company comprised 3,116,402,151 Shares.

Subject to the passing of the Repurchase Resolution and on the basis that no change in the number of Shares prior to the Annual General Meeting, the Company would be allowed under the Securities Repurchase Mandate to repurchase a maximum of 311,640,215 Shares representing not more than 10% of the issued share capital at the Latest Practicable Date.

### 3. REASONS FOR REPURCHASE

The Directors believe that the Securities Repurchase Mandate is in the best interests of the Company and its shareholders. Such repurchase may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets and/or earnings per Share of the Company and will only be made when the Directors believe that such a repurchase will benefit the Company and its shareholders.

### 4. FUNDING OF REPURCHASES

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum of association and bye-laws and the laws of Bermuda.

There might be an adverse impact on the working capital or gearing position of the Company as compared with the position disclosed in the audited accounts contained in the annual report for the year ended 31st December, 2001 in the event that the Securities Repurchase Mandate were to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the Securities Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

### 5. SHARE PRICES

The highest and lowest traded prices of the Company's Shares on the Stock Exchange during each of the 12 months before the printing of this document were as follows:

	<b>Highest</b> <i>HK\$</i>	<b>Lowest</b> <i>HK\$</i>
<b>2001</b>		
April	0.082	0.075
May	0.105	0.075
June	0.105	0.092
July	0.116	0.094
August	0.100	0.090
September	0.098	0.064
October	0.078	0.068
November	0.077	0.068
December	0.080	0.056
<b>2002</b>		
January	0.069	0.057
February	0.061	0.057
March	0.059	0.053

## 6. DISCLOSURE OF INTERESTS

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make repurchases pursuant to the Repurchase Resolution and in accordance with the Listing Rules and the applicable laws of Bermuda.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, their associates, have any present intention to sell any Shares to the Company or its subsidiaries under the Securities Repurchase Mandate if such is approved by the shareholders.

No other connected persons (as defined in the Listing Rules) have notified the Company that they have a present intention to sell Shares to the Company or its subsidiaries, or have undertaken not to do so, in the event that the Securities Repurchase Mandate is approved by the shareholders.

## 7. TAKEOVER CODE

If on the exercise of the power to repurchase Shares pursuant to the Securities Repurchase Mandate, a shareholder's proportionate interest in the voting rights of the Company increase, such increase will be treated as an acquisition for the purposes of Rule 32 of the Takeover Code. As a result, a shareholder or group of shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeover Code.

As at the Latest Practicable Date, Madam Foo Kam Chu, Grace, through Ko Bee Limited which is beneficially owned by her, held on a beneficial basis 1,739,586,000 Shares representing approximately 55.82% of the issued share capital of the Company. Based on such shareholding and in the event that the Directors exercised in full the power to repurchase Shares under the Securities Repurchase Mandate, the shareholding of Madam Foo Kam Chu, Grace in the Company would be increased to 62.02%. The Directors are not aware of any consequences which may arise under the Takeover Code as a result of any repurchases made under the Securities Repurchase Mandate. The Company will not purchase Shares which would result in the number of Shares held by the public being reduced to less than 25%.

## 8. SHARES PURCHASE MADE BY THE COMPANY

The Company had not purchased any Shares (whether on the Stock Exchange or otherwise) in the six months preceding the Latest Practicable Date.