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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 about this circular or as to the action to be taken, 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 and the accompanying form of proxy to the purchaser or to the banker, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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## **SOUNDWILL HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

### **PROPOSED CONSOLIDATION OF SHARE CAPITAL AND CAPITAL REDUCTION**

### **PROPOSED RENEWAL OF GENERAL MANDATES TO ISSUE AND REPURCHASE SECURITIES**

### **PROPOSED APPOINTMENT OF NEW AUDITORS**

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A notice convening a special general meeting of Soundwill Holdings Limited to be held at 9:30 a.m. on 3rd April 2003 at 11/F, Soundwill Plaza, 38 Russell Street, Causeway Bay, Hong Kong is set out on pages 12 to 16 of this circular. If you do not propose to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting should you so wish.

11th March 2003

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## DEFINITIONS

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

“Adjusted Ordinary Shares”	ordinary shares of HK\$0.50 each in the capital of the Company in issue immediately following the Issued Share Consolidation but before the Capital Reduction;
“Auditors”	Messrs. Moores Rowland, Chartered Accountants, Certified Public Accountants;
“Authorized Share Consolidation”	the proposed consolidation of every ten (10) authorized but unissued Ordinary Shares into one (1) Reorganized Ordinary Share;
“Board”	the board of Directors;
“Branch Share Registrars”	Standard Registrars Limited, the Hong Kong branch share registrars and the transfer office of the Company;
“Bye-laws”	the bye-laws of the Company;
“Capital Reduction”	the proposed reduction of the issued Adjusted Ordinary Shares whereby the nominal value of the existing issued Adjusted Ordinary Shares will be reduced from HK\$0.50 each to HK\$0.10 each by cancelling an amount of HK\$0.40 paid up on each existing issued Adjusted Ordinary Share;
“Capital Reorganization”	the capital reorganization of the Company including the Issued Share Consolidation, the Capital Reduction and the Authorized Share Consolidation;
“Capital Reorganization Proposals”	the proposed capital reorganization of the Company comprising the Issued Share Consolidation, the Capital Reduction and the Authorized Share Consolidation;
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC;

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## DEFINITIONS

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“Company”	Soundwill Holdings Limited, a company incorporated in Bermuda with limited liability, the securities of which are listed on the Stock Exchange;
“Directors”	directors of the Company;
“Effective Date”	the date, expected to be 4th April 2003, upon which the Capital Reorganization Proposals become unconditional and effective;
“General Mandates”	the general mandates to authorize the Directors to issue and repurchase securities of the Company in the manner to be sought at the Special General Meeting as set out in the notice convening the same;
“Group”	the Company and its subsidiaries;
“HKSCC”	Hong Kong Securities Clearing Company Limited;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Issued Share Consolidation”	the proposed consolidation of every 50 Ordinary Shares in issue into one Adjusted Ordinary Share;
“Latest Practicable Date”	6th March 2003, the latest practicable date before the printing of this circular for ascertaining certain information contained in this circular;
“Listing Committee”	the listing sub-committee of the Council of the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Matching Agent”	Christfund Securities Limited;

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## DEFINITIONS

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“New Auditors”	Messrs. Grant Thornton, Certified Public Accountants;
“Ordinary Shares”	ordinary shares of HK\$0.01 each in the capital of the Company;
“Reorganized Ordinary Shares”	ordinary shares of HK\$0.10 each in the capital of the Company immediately upon the Capital Reorganization Proposals becoming unconditional and effective;
“SDI Ordinance”	the Securities (Disclosure of Interests) Ordinance (Chapter 396 of Laws of Hong Kong);
“Shareholder(s)”	holder(s) of Ordinary Shares;
“Special General Meeting” or “SGM”	the special general meeting of the Company to be held at 9:30 a.m. on 3rd April 2003 at 11/F, Soundwill Plaza, 38 Russell Street, Causeway Bay, Hong Kong, notice of which is set out on pages 12 to 16 of this circular, and any adjournment thereof;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Takeovers Code”	the Hong Kong Codes on Takeovers and Mergers.

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## EXPECTED TIMETABLE

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2003

Latest time for lodging of proxies .....	9:30 a.m. on Tuesday, 1st April
Special General Meeting .....	9:30 a.m. on Thursday, 3rd April
Effective Date .....	Friday, 4th April
Dealings in Reorganized Ordinary Shares commence .....	9:30 a.m. on Friday, 4th April
Temporary counter for trading in Reorganized Ordinary Shares in board lots of 40 Reorganized Ordinary Shares in the form of existing certificate(s) for existing Ordinary Shares opens and original counter for trading in existing Ordinary Shares in board lots of 2,000 Ordinary Shares closes .....	9:30 a.m. on Friday, 4th April
First day for free exchange of certificate(s) for existing Ordinary Shares for new certificate(s) for Reorganized Ordinary Shares and Matching Agent to stand in the market to purchase and sell odd lots of Reorganized Ordinary Shares .....	Friday, 4th April
Original counter for trading in Reorganized Ordinary Shares in board lots of 2,000 Reorganized Ordinary Shares in the form of new certificate(s) for Reorganized Ordinary Shares re-opens .....	9:30 a.m. on Tuesday, 22nd April
Parallel trading commences .....	9:30 a.m. on Tuesday, 22nd April
Temporary counter for trading in Reorganized Ordinary Shares in board lots of 40 Reorganized Ordinary Shares in the form of existing certificates closes .....	4:00 p.m. on Thursday, 15th May
Last day for Matching Agent to stand in the market to purchase and sell odd lots of Reorganized Ordinary Shares .....	Thursday, 15th May
Parallel trading ends .....	4:00 p.m. on Thursday, 15th May
Last day for free exchange of certificate(s) for existing Ordinary Shares for new certificate(s) for Reorganized Ordinary Shares .....	Tuesday, 20th May

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## LETTER FROM THE BOARD

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# 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*  
Kwan Chai Ming, *Executive Director*  
Liu Hanbo

*Registered office*

Clarendon House,  
2 Church Street,  
Hamilton HM 11  
Bermuda

*Independent Non-executive Directors*

Wong Tak Leung, Charles  
Yuen Hing Man

*Principal place of business*

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

11th March 2003

*To the Shareholders*

Dear Sir or Madam,

### **PROPOSED CONSOLIDATION OF SHARE CAPITAL AND CAPITAL REDUCTION**

### **PROPOSED RENEWAL OF GENERAL MANDATES TO ISSUE AND REPURCHASE SECURITIES**

### **PROPOSED APPOINTMENT OF NEW AUDITORS**

#### **INTRODUCTION**

The Company announced on 26th February 2003 the Capital Reorganization Proposals under which the existing Ordinary Shares of the Company will be consolidated followed by cancellation of part of the paid up amount on the issued Ordinary Shares. The amounts of the paid up capital so cancelled under the Capital Reduction will be credited to the contributed surplus account of the Company. It has also been proposed to renew the General Mandates and to appoint the New Auditors to fill the

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## LETTER FROM THE BOARD

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vacancy arising from the resignation of Auditors. The Capital Reorganization Proposals and the renewal of the General Mandates and appointment of the New Auditors to replace the resigning Auditors require the approval of shareholders of the Company at the Special General Meeting.

In this circular and the appendix hereto, there is set out information, amongst other things, on the Capital Reorganization Proposals, the renewal of the General Mandates, the appointment of the New Auditors and a notice convening the Special General Meeting at which resolutions will be proposed to approve the Capital Reorganization Proposals, the renewal of the General Mandates and the appointment of the New Auditors.

### **THE CAPITAL REORGANIZATION PROPOSALS**

#### **Issued Share Consolidation**

It is proposed that, every 50 issued Ordinary Shares of HK\$0.01 each will be consolidated into one Adjusted Ordinary Share of HK\$0.50 each. All fractions of Adjusted Ordinary Shares in issue after the Share Consolidation will be aggregated and sold for the benefit of the Company.

#### **Capital Reduction**

It is proposed that, conditional upon the Issued Share Consolidation becoming unconditional and effective, the par value of the Adjusted Ordinary Shares will be reduced from HK\$0.50 each to HK\$0.10 each by the cancellation of HK\$0.40 of the paid up share capital on each Adjusted Ordinary Share and the amount arising from the cancellation of issued paid up share capital of HK\$24,931,217.20, on the basis of 3,116,402,151 Ordinary Shares in issue as at the Latest Practicable Date and assuming no Ordinary Shares are issued prior to the Latest Practicable Date, will be credited to the contributed surplus account of the Company where it may be utilized in accordance with the bye-laws of the Company and all applicable laws.

#### **Authorized Share Consolidation**

As the par value of the authorized ordinary shares of the Company is currently HK\$0.01 each, it is necessary to consolidate each of the authorized but unissued Ordinary Shares to bring them in line with the new par value of the issued ordinary shares after the Capital Reduction. As such, it is proposed that every ten (10) authorized but unissued Ordinary Shares of the Company of HK\$0.01 each (including those Ordinary Shares arising from the Capital Reduction) be consolidated into one Reorganized Ordinary Share.



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## LETTER FROM THE BOARD

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### EFFECTS OF THE CAPITAL REORGANIZATION PROPOSALS

At present, the authorized share capital of the Company is HK\$500,000,000.00 comprising 50,000,000,000 Ordinary Shares of HK\$0.01 each, of which 3,116,402,151 Ordinary Shares have been issued and are fully paid or credited as fully paid.

On the basis of 3,116,402,151 Ordinary Shares presently in issue and that no further Ordinary Shares will be issued after the date of this circular but before the Capital Reorganization Proposals become effective, a credit of HK\$24,931,217.20 will arise as a result of the Capital Reduction. Such credit will be transferred to the contributed surplus account of the Company. The amounts transferred to the contributed surplus account may be applied by the Company in any manner permitted by Bermuda law and the Bye-laws. The present intention of the Directors is to apply the entire amount credited to the contributed surplus account arising from the Capital Reduction to partially eliminate the accumulated losses of the Group which amounted to HK\$1,314,567,000.00 as at 31st December 2001 and HK\$1,409,669,000.00 as at 30th June 2002.

Upon the Capital Reorganization Proposals becoming unconditional and effective, the authorized share capital of the Company will be HK\$500,000,000.00 divided into 5,000,000,000 Reorganized Ordinary Shares, of which 62,328,043 Reorganized Ordinary Shares (assuming that no further Ordinary Shares are issued before the Capital Reorganization Proposals become effective) will be in issue fully paid or credited as fully paid.

The Ordinary Shares are presently traded in board lots of 2,000 Ordinary Shares and it is proposed that the board lot size for the Reorganized Ordinary Shares after the Capital Reorganization Proposals will be 2,000 Reorganized Ordinary Shares.

Other than the expenses incurred relating to the Capital Reorganization Proposals, implementation of the Capital Reorganization Proposals will not, by itself, alter the underlying assets, business operations, management or financial position of the Company or the interests of the Shareholders. The Directors believe that the Capital Reorganization Proposals will not have any material adverse effect on the financial position of the Group.

### REASONS FOR THE CAPITAL REORGANIZATION PROPOSALS

The Group has been operating at a loss and the net loss of the Group for the financial year ended 31st December 2001 amounted to HK\$237,830,000.00. The accumulated losses of the Group as at 31st December 2001 was HK\$1,314,567,000.00 and that as at 30th June 2002 was HK\$1,409,669,000.00. In order to reduce the accumulated losses of the Group, the Board proposes that the entire amount credited to the contributed surplus account of the Company arising from the Capital Reorganization Proposals will be applied to partially eliminate the accumulated losses of Group as at the date when

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## **LETTER FROM THE BOARD**

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the Capital Reorganization Proposals becoming effective. If the Capital Reorganization Proposals are approved at the SGM by the Shareholders, it will enable the Company to reduce the accumulated losses of the Group and reduce the transaction costs of the Shareholders.

### **CONDITIONS OF THE CAPITAL REORGANIZATION PROPOSALS**

The Capital Reorganization Proposals are conditional upon:

- (i) the passing by the Shareholders of a special resolution approving the Capital Reorganization Proposals; and
- (ii) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Reorganized Ordinary Shares resulting from the Capital Reorganization Proposals.

Assuming all the above conditions are fulfilled, it is expected that the Capital Reorganization Proposals will become effective on 4th April 2003, being the business day immediately following the date of the Special General Meeting.

### **RENEWAL OF GENERAL MANDATES TO ISSUE AND REPURCHASE SECURITIES**

The Directors have also taken the opportunity at the Special General Meeting to propose a resolution to renew the general mandates granted to the Directors to exercise the powers of the Company to allot and issue shares not exceeding 20% of the aggregate nominal amount of the issued ordinary share capital of the Company in issue, either (a) as at the date of the passing of the resolution; or (b) if the Capital Reorganization Proposals become unconditional and effective, as at the date of the passing of the resolution as reduced by the Capital Reorganization Proposals as the case may be. It will also be proposed at the Special General Meeting to renew the general mandates to the Directors to repurchase securities not exceeding 10% of the aggregate nominal amount of the issued ordinary share capital of the Company, either (a) as at the date of the passing of the resolution; or (b) if the Capital Reorganization Proposals become unconditional and effective as at the date of the passing of the resolution as reduced by the Capital Reorganization Proposals as the case may be.

The Directors believe that it is in the interests of the Company and its Shareholders that the General Mandates are granted at the Special General Meeting. The reason for the grant of the General Mandates on the basis stated above is to ensure that if Capital Reorganization Proposals become unconditional and effective the aggregate nominal amount of the share capital constituted by the Reorganized Ordinary Shares are used in the calculation of the number of shares which are permitted to be issued and the number of securities which are permitted to be repurchased under such mandates.

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## LETTER FROM THE BOARD

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An explanatory statement to provide Shareholders with all the information reasonably necessary to enable them to make an informed decision whether to vote for or against the resolution concerning the repurchase of securities is set out in the appendix.

### LISTING AND DEALINGS

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Reorganized Ordinary Shares resulting from the Issued Share Consolidation; the Capital Reduction and the Authorized Share Consolidation. The Ordinary Shares are not listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought.

### SHARE CERTIFICATES AND TRADING ARRANGEMENTS

Subject to the granting of the listing of and permission to deal in the Reorganized Ordinary Shares on the Stock Exchange, the Reorganized Ordinary Shares will be accepted as eligible securities by HKSCC for deposit clearance and settlement in CCASS with effect from the commencement date of dealings in the Reorganized Ordinary Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The Reorganized Ordinary Shares will be traded in board lots of 2,000 Reorganized Ordinary Shares. Subject to the Capital Reorganization Proposals becoming unconditional and effective, dealings in the Reorganized Ordinary Shares are expected to commence on 4th April 2003 and it is proposed that arrangements for dealings in the Reorganized Ordinary Shares will be as follows:

- from 9:30 a.m. on 4th April 2003, the original counter for trading in the existing Ordinary Shares in board lots of 2,000 existing Ordinary Shares will be closed. A temporary counter for trading in the Reorganized Ordinary Shares in board lots of 40 Reorganized Ordinary Shares will be established and every 50 existing Ordinary Shares will be deemed to represent one Reorganized Ordinary Share. Only existing yellow certificate(s) for existing Ordinary Shares may be traded at this counter;
- with effect from 9:30 a.m. on 22nd April 2003, the original counter will be re-opened for trading in the Reorganized Ordinary Shares in board lots of 2,000 Reorganized Ordinary Shares. Only new pink certificate(s) for Reorganized Ordinary Shares may be traded at this counter;
- during the period from 9:30 a.m. on 22nd April 2003 to 4:00 p.m. on 15th May 2003, both dates inclusive, there will be parallel trading at the above two counters; and,

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## LETTER FROM THE BOARD

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- the temporary counter for trading with the yellow certificates for the existing Ordinary Shares in board lots of 40 Reorganized Ordinary Shares will be removed after the close of business on 15th May 2003, and thereafter, trading will be in board lots of 2,000 Reorganized Ordinary Shares with the new pink certificates only and the existing yellow certificates for existing Ordinary Shares will cease to be marketable. However, such certificates will continue to be good evidence of legal title to the Reorganized Ordinary Shares on the basis of 50 existing Ordinary Shares for one Reorganized Ordinary Share, fractional entitlements to Reorganized Ordinary Shares will be ignored, and the yellow certificates for existing Ordinary Shares may be lodged with the Branch Share Registrars in exchange for new pink certificate(s) for Reorganized Ordinary Shares at any time commencing 4th April 2003.

Subject to the Capital Reorganization Proposals becoming unconditional and effective, Shareholders may submit their yellow certificates for existing Ordinary Shares in exchange for new pink certificates for Reorganized Ordinary Shares, on the basis of 50 existing Ordinary Shares for one Reorganized Ordinary Share, free of charge to the Branch Share Registrars at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong during business hours from 4th April 2003 to 20th May 2003. Thereafter, the certificates for existing Ordinary Shares will be accepted for exchange only on payment of a fee of HK\$2.50 for each new certificate to be issued.

It is expected that new certificates for Reorganized Ordinary Shares will be available for collection within a period of two weeks or so from the date of submission of the certificates for existing Ordinary Shares to the Branch Share Registrars for exchange. Shareholders are reminded to submit their yellow certificates in exchange for new pink certificates for Reorganized Ordinary Shares on 4th April 2003 if they want to have their new certificates ready on 22nd April 2003.

The Shares are at present traded in board lots of 2,000 existing Ordinary Shares and the Reorganized Ordinary Shares will also be traded in board lots of 2,000 Reorganized Ordinary Shares with effect from 22nd April 2003.

In order to alleviate the difficulties arising from the existence of odd lots of Reorganized Ordinary Shares, the Company has agreed to make arrangements, during the period commencing from 4th April 2003 and ending on 15th May 2003, both dates inclusive, for a broker to stand in the market to purchase and sell odd lots of Reorganized Ordinary Shares at the relevant market price per Reorganized Ordinary Share. Christfund Securities Limited has been appointed as the broker and has opened a securities trading account for this purpose. Holders of odd lots of Reorganized Ordinary Shares who wish to deal in odd lots of Reorganized Ordinary Shares are asked to contact Christfund Securities Limited through their brokers during the period commencing from 4th April 2003 and ending on 15th May 2003. For those holders of odd lots of Reorganized Ordinary Shares with queries, they should contact Ms. Cynthia Tsang (tel: 2147-9898) of Christfund Securities Limited, Suite 2808-2811, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong. Shareholders should note that successful matching of the sale and purchase of odd lots of Reorganized Ordinary Shares is not guaranteed.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, according to the register kept by the Company under section 16(1) of the SDI Ordinance, Madam Foo Kam Chu, Grace (“Madam Foo”) through Ko Bee Limited (“Ko Bee”), a company 100% beneficially owned by Madam Foo, owned 1,739,600,000 Ordinary Shares representing about 55.82% of the issued Ordinary Shares. Based on such number of ordinary shares, Ko Bee will own 34,792,000 Reorganized Ordinary Shares upon the Capital Reorganization Proposals becoming effective.

The Capital Reorganization Proposals will take effect on the Effective Date and dealings on the Stock Exchange in the Reorganized Ordinary Shares is expected to commence on 9:30 a.m. on 4th April 2003. Shareholders are reminded that for the period up to and including 3rd April 2003, the last dealing day immediately preceding the commencement of dealings on the Stock Exchange in the Reorganized Ordinary Shares, dealings in the existing Ordinary Shares will be in board lots of 2,000 existing Ordinary Shares.

### **APPOINTMENT OF NEW AUDITORS**

The Auditors of the Company have tendered their resignation to the Board to take effect on 20th February 2003. The Directors therefore propose to accept the resignation of the Auditors as auditors of the Company and to appoint the New Auditors as the new auditors of the Company at the SGM. The Auditors has confirmed in writing that it did not consider anything material that should be brought to the attention of the Shareholders or creditors of the Company.

### **SPECIAL GENERAL MEETING**

There is set out on pages 12 to 16 of this circular a notice of the Special General Meeting at which resolutions will be proposed to approve the Capital Reorganization Proposals and the renewal of the General Mandates and the appointment of the New Auditors.

Holders of Ordinary Shares are entitled to attend and vote at the Special General Meeting and, on a poll, shall also have one vote for each Ordinary Share held by them.

The Directors consider that the Capital Reorganization Proposals, the renewal of the General Mandates and the appointment of the New Auditors will be in the interests of the Company and the Shareholders generally. In view of this, they recommend that Shareholders show their support for the Capital Reorganization Proposals, the renewal of the General Mandates and the appointment of the New Auditors by voting in favour of all the resolutions to be proposed at the Special General Meeting.

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## LETTER FROM THE BOARD

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A form of proxy for use at the Special General Meeting is enclosed. If you are not able to attend the Special General Meeting in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Company's principal office in Hong Kong at 21/F, Soundwill Plaza, 38 Russell Street, Causeway Bay, Hong Kong as soon as possible but in any event not less than forty eight hours before the time appointed for the Special General Meeting or any adjournment thereof. Completion of the form of proxy will not preclude you from attending and voting at the Special General Meeting should you so wish.

### **ADJUSTMENTS TO THE EXERCISE PRICE OF THE OPTIONS**

The Company will appoint its auditors/financial adviser to review whether or not adjustments to the exercise price of the options granted pursuant to the employee share option schemes adopted by the Company on 25th February 1997 and 22nd July 2002, after the Capital Reorganization becoming effective, are necessary.

### **FURTHER INFORMATION**

Your attention is drawn to the appendix to this circular.

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

**RESPONSIBILITY STATEMENT**

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for accuracy of the information contained in this circular concerning the Group and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts concerning the Group the omission of which would make any statement herein misleading.

**SECURITIES REPURCHASE MANDATE***Explanatory statement regarding repurchase mandate*

This is an explanatory statement given to the shareholders of the Company relating to a resolution authorizing the Company to repurchase its own securities proposed to be passed by the Shareholders by means of a resolution at the Special General Meeting.

This explanatory statement contains a summary of the information required pursuant to rule 10.06 of the Listing Rules which is set out as follows:

**1.    SHARE CAPITAL**

- As at the Latest Practicable Date, the issued share capital of the Company was HK\$31,164,021.51 comprising 3,116,402,151 Ordinary Shares.
- Subject to the passing of the special resolution no.1 and ordinary resolution no.2 as set out in the notice convening the Special General Meeting, and on the basis of 3,116,402,151 Ordinary Shares are in issue and assuming no Ordinary Shares are issued or repurchased by the Company prior to the Special General Meeting, the Company will be allowed under the repurchase mandate to repurchase a maximum of 6,232,804 Reorganized Ordinary Shares.

**2.    REASONS FOR REPURCHASE**

- the Directors believe that the repurchase mandate is in the best interests of the Company and its Shareholders. Such repurchases may depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and, or its earnings per share and will only be made when the Directors believe that such repurchases will benefit the Company and its Shareholders;

**3.    FUNDING OF REPURCHASE**

- in repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with its memorandum of association and Bye-laws and the applicable laws of Bermuda;

**4. EXERCISE OF REPURCHASE MANDATE**

- the Directors do not propose to exercise the repurchase mandate to such an 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. DISCLOSURE OF INTERESTS**

- none of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates has any present intention, in the event that the repurchase mandate is approved by Shareholders, to sell Shares to the Company or its subsidiaries;
- the Company had not purchased any Shares or Warrants, whether on the Stock Exchange or otherwise, in the six months preceding the Latest Practicable Date;
- no connected person, as defined in the Listing Rules, has notified the Company that he has a present intention to sell Ordinary Shares or Reorganized Ordinary Shares to the Company, or has undertaken not to do so, in the event that the repurchase mandate is approved by the Shareholders of the Company;

**6. UNDERTAKING OF DIRECTORS**

- the Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules, the Bye-laws of the Company and the applicable laws of Bermuda;

**7. TAKEOVERS CODE**

- if as a result of repurchase of Ordinary Shares by the Company, a proportionate interest in the voting rights of the Company held by a holder of Ordinary Shares increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a holder of Ordinary Shares, or group of holders of Ordinary Shares acting in concert, could obtain or consolidate control of the Company or become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. As at the Latest Practicable Date, Ko Bee Limited, a substantial shareholder of the Company, which is in turn 100% beneficially owned by Madam Foo, the chairman of the Company, owned 1,739,600,000 Ordinary Shares, representing about 55.82% of the issued Ordinary Shares. On the basis of 3,116,402,151 Ordinary Shares in issue and Ko Bee Limited owns 1,739,600,000 Ordinary Shares (or 34,792,000 Reorganized Ordinary Shares upon the Capital Reorganization becoming unconditional and effective) and assuming full exercise of the repurchase mandate by way of repurchasing Ordinary Shares or Reorganized Ordinary Shares, Ko Bee Limited would be interested in about 62.02% of the issued Ordinary Shares or Reorganized Ordinary Shares, as the case may be;



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**APPENDIX FURTHER INFORMATION REQUIRED BY THE LISTING RULES**

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- the Directors are not aware of any consequences which may arise under the Takeovers Code as a result of any repurchases made under the repurchase mandate. The Company will not purchase Ordinary Shares or Reorganized Ordinary Shares which would result in the number of issued Ordinary Shares or Reorganized Ordinary Shares held by the public being reduced to less than 25 per cent.

**8. SHARE PRICES**

The highest and lowest prices at which the Ordinary Shares were traded on the Stock Exchange during each of the previous twelve months up to the Latest Practicable Date were as follows:

	<b>SHARES</b>	
	<b>Highest</b>	<b>Lowest</b>
	<i>HK\$</i>	<i>HK\$</i>
<b>2002</b>		
March	0.059	0.050
April	0.062	0.043
May	0.060	0.046
June	0.058	0.041
July	0.062	0.036
August	0.048	0.030
September	0.049	0.024
October	0.055	0.026
November	0.041	0.026
December	0.039	0.025
<b>2003</b>		
January	0.034	0.027
February	0.035	0.020

**GENERAL**

The Branch Share Registrars and transfer office of the Company is Standard Registrars Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

The English text of this circular and the form of proxy shall prevail over the Chinese text for the purpose of interpretation.

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## NOTICE OF SPECIAL GENERAL MEETING

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# SOUNDWILL HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

**NOTICE IS HEREBY GIVEN** that a special general meeting of Soundwill Holdings Limited (the “Company”) will be held at 9:30 a.m. on Thursday, 3rd April 2003 at 11/F, Soundwill Plaza, 38 Russell Street, Causeway Bay, Hong Kong for the purpose of considering and, if thought fit, passing the following resolutions which, except for special resolution no. 1 which will be proposed as a special resolution, will be proposed as ordinary resolutions:

### **SPECIAL RESOLUTION NO. 1**

“**THAT** conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited approving the listing of, and granting the permission to deal in, shares of HK\$0.10 each in the issued share capital of the Company upon the Capital Reorganization (as defined below) becoming effective, with effect from 9:30 a.m. on the date falling on the next business day (not being a Saturday) after the date on which this resolution is passed (the “Effective Date”):—

- (a) every fifty (50) issued shares of HK\$0.01 each be consolidated into one (1) share of HK\$0.50 in the capital of the Company (the “Issued Share Consolidation”);
- (b) subject to and forthwith upon the Issued Share Consolidation becoming effective, the issued share capital of the Company be reduced by cancelling paid up capital to the extent of HK\$0.40 on each of the shares of HK\$0.50 each in the capital of the Company in issue on the Effective Date (the “Capital Reduction”) so that each issued share in the capital of the Company shall be treated as one fully-paid up share of HK\$0.10 in the capital of the Company (the “Reduced Share”) and any liability of the holders of the Reduced Shares to make any further contribution to the capital of the Company on each such Reduced Share shall be treated as satisfied;
- (c) subject to and forthwith upon the Capital Reduction becoming effective, the credit arising from the Capital Reduction be credited to the contributed surplus account of the Company where it may be utilized in accordance with the bye-laws of the Company and all applicable laws, including to partially eliminate the accumulated losses of the Company as at the Effective Date (the “Application of Credit”);

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- (d) subject to and forthwith upon the Capital Reduction becoming effective, every ten (10) authorized but unissued shares of HK\$0.01 each (including the authorized but unissued shares of HK\$0.01 each arising from the Capital Reduction) be consolidated into one (1) share of HK\$0.10 in the capital of the Company (the “Authorized Share Consolidation”); and
- (e) the directors of the Company be and are hereby authorized generally to do all such acts, deeds and things as they shall, in their absolute discretion, deem appropriate to effect and implement the Issued Share Consolidation, the Capital Reduction, the Application of Credit and the Authorized Share Consolidation (collectively, the “Capital Reorganization”).

### ORDINARY RESOLUTION NO. 1

“**THAT:**—

- (a) subject to the following provisions of this resolution, the exercise by the directors of the Company (the “Directors”) during the Relevant Period (as defined in paragraph (d) below) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options including warrants, bonds and debentures convertible into shares of the Company which might require the exercise of such powers be and is hereby generally and unconditionally approved in substitution for and to the exclusion of any existing authority previously granted; and
- (b) the approval in paragraph (a) shall authorize the Directors during the Relevant Period to make or grant offers, agreements, and options including warrants, bonds and debentures convertible into shares of the Company which might require the exercise of such powers after the end of the Relevant Period; and
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined), (ii) the exercise of the conversion rights attaching to any convertible securities issued by the Company, (iii) the exercise of options granted under any ordinary share option scheme adopted by the Company or (iv) an issue of shares of the Company in lieu of whole or part of a dividend on shares of the Company in accordance with the bye-laws shall not exceed 20 per cent. of the aggregate nominal amount of the ordinary share capital of the Company in issue either (a) at the date of passing of this resolution or, (b) if the capital reduction and share consolidation (each as defined in the special resolution no. 1 set out in the notice of special general meeting of the Company dated 11th March 2003, of which this resolution forms part become

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unconditional and effective, as at the date of the passing of this resolution as reduced by the capital reduction and the share consolidation, as the case may be, and the said approval shall be limited accordingly;

(d) for the purpose of this resolution:

“Relevant Period” means the period from the date of the passing of this resolution until which ever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law of Bermuda to be held; or
- (iii) the time at which the authority set out in this resolution is revoked or varied by way of ordinary resolution of the company in general meeting.”

“Rights Issue” means an offer of shares open for a period fixed by the directors of the Company to the holders of shares of the Company whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company).”

### ORDINARY RESOLUTION NO. 2

**“THAT:**

- (a) subject to the following provisions of this resolution, the exercise by the directors of the Company (the “Directors”) during the Relevant Period (as defined in paragraph (d) below) of all powers of the Company to repurchase issued shares in the capital of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or any other stock exchange on which the securities of the Company may be listed and recognized by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose (“Recognized Stock Exchange”) subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or those of any Recognized Stock Exchange as amended from time to time be generally and unconditionally approved in substitution for and to the exclusion of any existing authority previously granted;

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- (b) the approval in paragraph (a) shall authorize the Directors on behalf of the Company during the Relevant Period to procure the Company to repurchase its shares at a price determined by the Directors;
- (c) the aggregate nominal amount of share capital of the Company repurchased or agreed conditionally or unconditionally to be repurchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the ordinary share capital of the Company in issue either (a) as at the date of passing of this resolution or (b) if the capital reduction and the share consolidation (each as defined in the special resolution no. 1 set out in the notice of special general meeting of the Company dated 11th March 2003, of which this resolution forms part become unconditional and effective, as at the date of the passing of this resolution as shall be reduced by the capital reduction and the share consolidation, as the case may be;
- (d) for the purpose of this resolution:

“Relevant Period” means the period from the date of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable law of Bermuda to be held; or
- (iii) the revocation or variation of this resolution by any ordinary resolution of the shareholders of the Company in general meeting.”

### ORDINARY RESOLUTION NO. 3

“**THAT** subject to the passing of the ordinary resolutions nos. 1 and 2 set out in the notice convening this meeting (the “Notice”), the general mandate granted to the directors of the Company to allot, issue and deal with additional shares pursuant to the ordinary resolution no.1 set out in the Notice be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares in the capital of the Company repurchased by the Company under the authority granted pursuant to the ordinary resolution no.2 set out in the Notice, provided that such amount of shares so repurchased shall not exceed 10 per cent. of the aggregate nominal value of the issued share capital of the Company at the date of passing of this resolution.”

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### ORDINARY RESOLUTION NO. 4

“**THAT** the resignation of Messrs. Moores Rowland, Certified Public Accountants, (“Moores Rowland”) the existing auditors to take effect on 20th February, 2003 be accepted and approved and ratified and the appointment of Messrs. Grant Thornton, Certified Public Accountants (“Grant Thornton”) as the new auditors of the Company to fill the vacancy arising from the resignation of Moores Rowland to take effect from 6th March, 2003 be accepted, approved and ratified.”

By Order of the Board

**Kwan Chai Ming**

*Executive Director*

Hong Kong, 11th March 2003

*Notes:*

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more than one proxy to attend and vote instead of him/her. A proxy need not be a member of the Company but must be present in person to represent the member.
2. In order to be valid, the proxy form together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy of such power or authority), must be delivered to the Company’s principal office in Hong Kong at 21/F, Soundwill Plaza, 38 Russell Street, Causeway Bay, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting, delivering of an instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or on the poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
3. A form of proxy for use at the above meeting is enclosed herewith.