
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Soundwill Holdings Limited** (the “Company”), you should at once hand this circular, together with the accompanying form of proxy, to the purchaser or to the transferee or to the bank, the licensed securities dealer or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

This circular is addressed to the shareholders of the Company in connection with the Annual General Meeting to be held on 31 May 2004. This circular is not and does not constitute an offer of, nor is it calculated to invite offers for, shares or other securities of the Company.

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SOUNDWILL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 878)

PROPOSALS FOR GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES, AMENDMENTS TO BYE-LAWS, REFRESHMENT OF THE SCHEME MANDATE LIMIT OF EXISTING SHARE OPTION SCHEME, AND BONUS ISSUE OF SHARES

A notice convening the annual general meeting of Soundwill Holdings Limited (the “AGM”) to be held at Unit 02, 30th Floor, Soundwill Plaza, 38 Russell Street, Causeway Bay, Hong Kong at 3:30 p.m. on Monday, 31 May 2004, at which the above proposals will be considered, is contained in pages 15 to 22 of this circular.

If you are not able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the head office and principal place of business of Soundwill Holdings Limited in Hong Kong at 21st Floor, Soundwill Plaza, 38 Russell Street, Causeway Bay, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the AGM. Completion and return of the form of proxy will not preclude you from attending and voting at the AGM should you so wish.

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EXPECTED TIMETABLE

2004

Last day of dealings in Shares cum entitlements to the Bonus Shares	20 May 2004
First day of dealings in Shares ex-entitlements to the Bonus Shares	21 May 2004
Latest time for lodging transfers for entitlements to the Bonus Shares	4:00 p.m. on 24 May 2004
Closure of registers of members (both dates inclusive)	from 25 May 2004 to 31 May 2004 (both dates inclusive)
Proxy forms for the Annual General Meeting to be returned by	3:30 p.m. on 29 May 2004
Record Date for entitlement to the Bonus Shares	31 May 2004
Annual General Meeting	3:30 p.m. on 31 May 2004
Register of members reopen	1 June 2004
Despatch of share certificates for the Bonus Shares	on or about 8 June 2004
Dealings in the Bonus Shares commence	9:30 a.m. on 9 June 2004

DEFINITIONS

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

“AGM” or “Annual General Meeting”	the annual general meeting of the Company to be held at Unit 02, 30th Floor, Soundwill Plaza, 38 Russell Street, Causeway Bay, Hong Kong at 3:30 p.m. on Monday, 31 May 2004;
“AGM Notice”	the notice convening the AGM as contained in Appendix III to this circular;
“Board”	the board of Directors;
“Bonus Issue”	the issue of Bonus Shares on and subject to the terms and conditions set out in this circular;
“Bonus Shares”	new Shares to be issued pursuant to the Bonus Issue;
“Bye-laws”	the bye-laws of the Company, as amended from time to time;
“CCASS”	Central Clearing and Settlement System established and operated by HKSCC;
“Company”	Soundwill Holdings Limited, a company incorporated in Bermuda with limited liability, the securities of which are listed on the Stock Exchange;
“Companies Ordinance”	Companies Ordinance, Chapter 32 of the Laws of Hong Kong;
“Director(s)”	the director(s) of the Company for the time being;
“Existing Share Option Scheme”	the existing share option scheme of the Company adopted by the Company on 22 July 2002, the principal terms of which are summarised in the appendix II to the circular of the Company dated 28 June 2002;
“1997 Share Option Scheme”	the share option scheme of the Company adopted by the Company on 25 February 1997, which was terminated by the Company on 22 July 2002 due to the amendments to Chapter 17 of the Listing Rules by the Stock Exchange in 2001;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“HKSCC”	Hong Kong Securities Clearing Company Limited;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Latest Practicable Date”	26 April 2004, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

DEFINITIONS

“Loan Capitalisation”	subscription for 17,000,000 Shares pursuant to the Loan Capitalisation Agreement which constitutes a connected transaction for the Company under the Listing Rules;
“Loan Capitalisation Agreement”	a conditional agreement made on 17 March 2004 and announced by the Company on 18 March 2004, the completion of which is conditional upon, inter alia, approval by the independent shareholders of the Company at a special general meeting of the Company to be held on 5 May 2004;
“Loan Capitalisation Shares”	17,000,000 Shares to be issued by the Company pursuant to the Loan Capitalisation Agreement;
“Record Date”	31 May 2004;
“Scheme Mandate Limit”	the maximum number of Shares that may be issued upon exercise of all options to be granted under the Existing Share Option Scheme and any other share option scheme of the Company, which shall not exceed 10 per cent. of the Shares in issue as at the date of adoption of the Existing Share Option Scheme;
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company (or of such other nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of the Company from time to time);
“Share Issue Mandate”	a general mandate to the Directors to exercise the power of the Company to allot and issue Shares during the relevant period up to 20 per cent. of the issued share capital of the Company as at the date of passing of resolution no. 5B set out in the AGM Notice at the AGM;
“Share Registrar”	Standard Registrars Limited at Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, being the Hong Kong branch share registrar and transfer office of the Company;
“Share Repurchase Mandate”	the general mandate to the Directors to exercise the power of the Company to repurchase Shares during the relevant period up to 10 per cent. of the issued share capital of the Company as at the date of passing of the resolution no. 5A set out in the AGM Notice at the AGM;
“Share Repurchase Rules”	the relevant rules set out in the Listing Rules to regulate the repurchase by companies with primary listing of their own securities on the Stock Exchange;
“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Takeovers Code”	the Hong Kong Codes on Takeovers and Mergers and Share Repurchases.



SOUNDWILL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Directors:

FOO Kam Chu, Grace, *Chairman*
CHAN Wai Ling, *Executive Director*
TSE Chun Kong, Thomas, *Executive Director*
KWAN Chai Ming, *Executive Director*
LIU Hanbo, *Non Executive Vice Chairman*
MENG Qinghui, *Non Executive Director*

Independent Non Executive Directors:

WONG Tak Leung, Charles
YUEN Hing Man

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal

Place of Business:

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

3 May 2004

To the Shareholders and, for information only, warrant holders

Dear Sir or Madam,

**PROPOSALS FOR
GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES,
AMENDMENTS TO BYE-LAWS,
REFRESHMENT OF THE SCHEME MANDATE LIMIT
OF EXISTING SHARE OPTION SCHEME,
AND BONUS ISSUE OF SHARES**

1. INTRODUCTION

The Directors are proposing to seek the approvals of the Shareholders at the AGM in relation to:

- (a) the granting of the Share Issue Mandate and the Share Repurchase Mandate;
- (b) the amendments to the Bye-laws;
- (c) the refreshment of the Scheme Mandate Limit of the Existing Share Option Scheme; and
- (d) the Bonus Issue.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with information in respect of the granting of the Share Issue Mandate and the Share Repurchase Mandate, the proposed amendments to the Bye-laws, the refreshment of the Scheme Mandate Limit of the Existing Share Option Scheme, and the Bonus Issue.

2. GRANTING OF THE SHARE ISSUE MANDATE AND THE SHARE REPURCHASE MANDATE

The general mandates given at the special general meeting of the Company on 16 December 2003 to the Directors to exercise the powers of the Company to issue Shares and to repurchase its own Shares will lapse at the conclusion of the AGM.

To facilitate future allotment and issue of Shares by the Directors on behalf of the Company, the Directors will seek the approval of the Shareholders for the grant of the Share Issue Mandate at the AGM.

The Directors will also seek the approval of the Shareholders at the AGM for the grant of the Share Repurchase Mandate in accordance with the requirements set out in the Listing Rules. Pursuant to the requirements of the Listing Rules, Appendix I to this circular sets out the explanatory statement to provide the Shareholders with the requisite information reasonably necessary to enable the Shareholders to make an informed decision in considering the voting on the grant of the Share Repurchase Mandate.

Details of the Share Issue Mandate and the Share Repurchase Mandate are set out in resolutions nos. 5A and 5B in the AGM Notice.

3. AMENDMENTS TO THE BYE-LAWS

Appendix 3 of the Listing Rules has been amended recently and has come into effect on 31 March 2004. The amendments made to Appendix 3 of the Listing Rules are (i) the minimum period for lodgement by the shareholders of the notice to nominate a director; (ii) a director abstaining from voting at the board meeting on any matter in which any of his associates has a material interest and (iii) a shareholder's vote shall not be counted if that shareholder has voted in contravention of the requirement on abstaining from voting on any resolution or being restricted to vote only for or against any resolution. According to such amendments to Appendix 3 of the Listing Rules, the Directors have to propose to make corresponding amendments to the Bye-laws of the Company in order to bring the Bye-laws in line with these amendments to the Listing Rules.

Details of the proposed amendments to the Bye-laws are set out in resolution no. 5F in the AGM Notice.

4. REFRESHMENT OF THE SCHEME MANDATE LIMIT OF EXISTING SHARE OPTION SCHEME

The Company adopted the Existing Share Option Scheme pursuant to an ordinary resolution passed on 22 July 2002.

Pursuant to the Listing Rules and the rules of the Existing Share Option Scheme, the maximum number of Shares which may be issued upon the exercise of all options available to be granted by the Directors under the Existing Share Option Scheme and any other share option schemes of the Company may not exceed the Scheme Mandate Limit. The Scheme Mandate Limit may be refreshed by approval of the Shareholders in general meeting from time to time. Options lapsed in accordance with the terms of the Existing Share Option Scheme are not counted for the purpose of calculating the Scheme Mandate Limit.

LETTER FROM THE BOARD

As at the Latest Practicable Date, options carrying rights to subscribe for 820,000 Shares were granted under the Existing Share Option Scheme since its adoption on 22 July 2002, of which options carrying rights to subscribe for 360,000 Shares were exercised, thereby leaving options carrying rights to subscribe for 460,000 Shares outstanding. As at the Latest Practicable Date, options carrying rights to subscribe for 644,000 Shares granted under the 1997 Share Option Scheme (which was terminated on 22 July 2002) remained outstanding. Together with the outstanding options granted under the Existing Share Option Scheme as stated above, the total options carrying rights to subscribe for an aggregate of 1,104,000 Shares under all share option schemes of the Company remain outstanding, which amount of Shares represents approximately 1.31 per cent. of the issued share capital of the Company as at the Latest Practicable Date.

Based on the number of Shares in issue on 22 July 2002 (the date when the Existing Share Option Scheme was adopted), the Scheme Mandate Limit was 311,640,215 Shares, which was since then adjusted to 6,232,804 Shares upon consolidation of the then share capital of the Company on the basis of consolidating 50 Shares then in issue into one consolidated Share. As at the Latest Practicable Date, the Company had an issued share capital of 84,268,932 Shares.

Assuming that (i) the Loan Capitalisation Shares are issued by the Company pursuant to the Loan Capitalisation Agreement prior to the AGM; (ii) no other Shares are issued or repurchased by the Company from the Latest Practical Date up to the AGM and (iii) the refreshment of the Scheme Mandate Limit is approved by the Shareholders at the AGM, the Company will have an issued share capital of 101,268,932 Shares as at the date of the AGM, the refreshed Scheme Mandate Limit will allow the Company to issue under the Existing Share Option Scheme a maximum of 10,126,893 Shares, which are approximately 62.48 per cent. more than the existing Scheme Mandate Limit (i.e. 6,232,804 Shares). Based on the above assumptions but without the assumption that the Loan Capitalisation Shares are issued by the Company pursuant to the Loan Capitalisation Agreement prior to the AGM, the Company will have an issued share capital of 84,268,932 Shares as at the date of the AGM. The refreshed Scheme Mandate Limit will allow the Company to issue under the Existing Share Option Scheme a maximum of 8,426,893 Shares, which are approximately 35.20 per cent. more than the existing Scheme Mandate Limit. Accordingly, the Directors believe that it is in the interest of the Company to refresh the Scheme Mandate Limit to permit the Company to have the right to grant more options under the Existing Share Option Scheme, which will increase the flexibility of the Company to reward eligible participants in recognition of their contribution to the Company.

Application has been made to the Stock Exchange for granting of the approval of the listing of and permission to deal in the Shares, representing a maximum of 10 per cent. of the Shares in issue as at the date of the AGM, which may fall to be issued upon the exercise of any options that may be granted under the Existing Share Option Scheme.

5. BONUS ISSUE OF SHARES

The Directors by the announcement dated 21 April 2004 proposed to make a Bonus Issue to those shareholders whose names appear on the registers of members of the Company on the Record Date on the basis of one new Share for every five existing Shares held on the Record Date. Accordingly, the holders of the Loan Capitalisation Shares will be entitled to be allotted with the corresponding number of the Bonus Shares if the Loan Capitalisation will be completed prior to the closure of the register of members of the Company on 25 May 2004. The Bonus Shares, credited as fully paid by way of capitalisation of part of the amount standing to the credit of the contributed surplus account of the Company, will rank *pari passu* in all respects with the Shares in issue except that they will not rank for the Bonus Issue. No fractional Shares shall be allotted and distributed as aforesaid and Shares representing fractional entitlements will be aggregated and issued to a nominee to be named by the Directors and such Shares shall at such time as the nominee thinks fit be sold and the net proceeds shall be retained for the benefit of the Company.

LETTER FROM THE BOARD

The exact total number of Bonus Shares to be issued under the Bonus Issue will not be capable of determination until the Record Date. Based on 101,268,932 Shares in issue after completion of the Loan Capitalisation prior to the closure of the register of members of the Company on 25 May 2004 and assuming that no further Shares are issued or repurchased prior to the Record Date, a total of 20,253,786 Bonus Shares will be issued and it is proposed that the Directors be authorized to capitalise the sum of HK\$2,025,378.60 being part of the amount standing to the credit of the contributed surplus account of the Company and apply such sum in paying up in full the Bonus Shares. Based on the same premise mentioned above but without the completion of the Loan Capitalisation prior to the closure of the register of members of the Company on 25 May 2004, then a total of 16,853,786 Bonus Shares will be issued and the Directors will be authorized to capitalise the sum of HK\$1,685,378.60 being part of the amount standing to the credit of the contributed surplus account of the Company and apply such sum in paying up in full the Bonus Shares.

An ordinary resolution set out as resolution no. 5E in the AGM Notice will be proposed at the AGM to approve the Bonus Issue.

Conditions

The Bonus Issue is conditional upon:

- (i) the passing of the ordinary resolution to approve the Bonus Issue at the AGM; and
- (ii) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Bonus Shares.

Closure of Registers of Members

The registers of members of the Company will be closed from 25 May 2004 to 31 May 2004 (both dates inclusive), during which period no transfers of Shares will be registered.

In order to qualify for the proposed Bonus Issue, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Share Registrar for registration no later than 4:00 p.m. on 24 May 2004.

Listing and Dealings

Application has been made to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Bonus Shares. It is expected that certificates for the Bonus Shares will be sent to Shareholders by ordinary post on or about 8 June 2004 at the risk of the persons entitled thereto.

Subject to the granting of listing of, and permission to deal in, the Bonus Shares by the Stock Exchange, the Bonus 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 Bonus 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.

LETTER FROM THE BOARD

The issued Shares are listed and dealt in on the Stock Exchange. Save as disclosed herein, no equity or debt securities of the Company are listed or dealt in on any other stock exchange nor is listing or permission to deal in such securities on any other stock exchange being or proposed to be sought.

Dealings in the Bonus Shares will be subject to Hong Kong stamp duty.

6. ANNUAL GENERAL MEETING

The AGM Notice is set out in Appendix III to of this circular. At the AGM, ordinary resolutions will be proposed to approve the Share Issue Mandate, the extension of the Share Issue Mandate, the Share Repurchase Mandate, the refreshment of the Scheme Mandate Limit of the Existing Share Option Scheme and the Bonus Issue and a special resolution will be proposed to approve the proposed amendments to the Bye-laws.

Pursuant to the Bye-laws, Mr. Meng Qinghui, Mr. Tse Chun Kong Thomas and Mr. Yuen Hing Man, three existing directors of the Company, will be resigning or retiring from office at the AGM. They all are eligible and will be proposed for re-election at the AGM. Details of these three Directors proposed to be re-elected at the AGM are set out in Appendix II to this circular.

A form of proxy for use at the AGM is enclosed with this circular. If you are not able to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the head office and principal place of business of the Company in Hong Kong at 21st Floor, Soundwill Plaza, 38 Russell Street, Causeway Bay, Hong Kong not less than 48 hours before the time appointed for holding the AGM. Completion and return of the proxy form will not preclude Shareholders from attending and voting at the AGM if they so wish.

7. PROCEDURE FOR DEMANDING A POLL

Pursuant to bye-law 66 of the Bye-laws, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

- (a) by the chairman of such meeting; or
- (b) by at least three members of the Company present in person (or in the case of a member of the Company being a corporation by its duly authorised representatives) or by proxy for the time being entitled to vote at the meeting; or
- (c) by any member or members of the Company present in person (or in the case of a member of the Company being a corporation by its duly authorised representatives) or by proxy and representing not less than one-tenth of the total voting rights of all the members of the Company having the right to vote at the meeting; or
- (d) by any member or members of the Company present in person (or in the case of a member of the Company being a corporation by its duly authorised representatives) or by proxy and holding shares in the company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

LETTER FROM THE BOARD

8. RECOMMENDATION

The Directors believe that the Share Repurchase Mandate, the Share Issue Mandate, the extension of the Share Issue Mandate, the refreshment of the Scheme Mandate Limit of the Existing Share Option Scheme, the proposed amendments to the Bye-laws and the Bonus Issue are in the interests of the Company and the Shareholders. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the AGM.

Yours faithfully,
By order of the Board
Soundwill Holdings Limited
Kwan Chai Ming
Executive Director

This Appendix I serves as an explanatory statement, as required by the Listing Rules, to provide requisite information to Shareholders for consideration of the Share Repurchase Mandate and should be read in conjunction with the Letter from the Board hereinbefore appearing.

1. LISTING RULES

The Listing Rules permit companies whose primary listings are on the Stock Exchange to repurchase their shares on the Stock Exchange or on any other stock exchange on which the shares of the companies may be listed and recognised for the purpose by the Securities and Futures Commission of Hong Kong and the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

- (a) The shares proposed to be purchased by the company are fully-paid up.
- (b) The company has previously sent to its shareholders an explanatory statement complying with the Listing Rules.
- (c) The shareholders of the company have given a specific approval or a general mandate to the directors of the company to make such purchase, by way of an ordinary resolution which complies with the Listing Rules and which has been passed at a general meeting of the company duly convened and held and the company has delivered a copy of such resolution, together with the necessary supporting documentation, to the Stock Exchange in accordance with the Listing Rules.

2. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 84,268,932 Shares. Assuming that the Loan Capitalisation is completed pursuant to the Loan Capitalisation Agreement prior to the AGM, the issued share capital of the Company as at the date of the AGM would comprise 101,268,932 Shares.

Subject to the passing of the ordinary resolution to approve the Share Repurchase Mandate and on the assumptions that (i) the Loan Capitalisation Shares are issued by the Company pursuant to the Loan Capitalisation Agreement prior to the AGM and (ii) no further Shares are issued or repurchased prior to the AGM, the Company would be allowed under the Share Repurchase Mandate to repurchase up to a limit of 10,126,893 Shares. Based on the same premise mentioned above but without the assumption that the Capitalisation Shares are issued by the Company pursuant to the Loan Capitalisation Agreement prior to the AGM, the Company would be allowed under the Share Repurchase Mandate to repurchase up to a limit of 8,426,893 Shares only.

3. REASON FOR REPURCHASES

Repurchases of Shares will only be made when the Directors believe that such a repurchase will benefit 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 value of the Company and its assets and/or its earnings per Share.

4. FUNDING OF REPURCHASES

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its Bye-laws, the laws of the jurisdiction in which the Company is incorporated and the Listing Rules.

The Companies Act 1981 of Bermuda provides 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 the funds of the Company which would otherwise be 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 the funds of the Company which would otherwise be available for dividend or distribution or out of the share premium account of the Company before the Shares are repurchased.

5. FINANCIAL EFFECT OF REPURCHASE OF SHARES

There might be material 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 31 December 2003) in the event that the proposed repurchase of Shares was to be carried out in full at any time during the proposed repurchase period. However, the Directors have no current intention to exercise the Share Repurchase Mandate to an extent as would, having regard to the relevant circumstances, have a material adverse effect on the working capital or gearing position of the Company.

6. SHARE PRICES

The highest and lowest prices at which the Shares have been traded on the Stock Exchange during each of the twelve months preceding the Latest Practicable Date were as follows:

	Shares	
	Highest HK\$	Lowest HK\$
2003		
April	1.450	1.300
May	1.500	1.330
June	1.540	1.350
July	1.520	1.460
August	1.530	1.300
September	2.425	1.450
October	2.400	1.550
November	2.300	1.800
December	2.025	1.770
2004		
January	2.500	1.750
February	3.000	1.850
March	2.850	2.300
April (up to the Latest Practicable Date)	2.700	2.300

7. GENERAL

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise Share Repurchase Mandate in accordance with the Listing Rules, the Bye-laws of the Company and the applicable laws of Bermuda.

If as a result of a share repurchase pursuant to the Share Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. As a result, a Shareholder or a group of Shareholders

acting in concert, depending on the level of increase of the interest of such Shareholder(s), could obtain or consolidate control of the Company and 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 was beneficially interested in 50,902,088 Shares representing approximately 60.40 per cent. of the issued share capital of the Company. In the event that the Share Repurchase Mandate was exercised in full, the shareholding of Ko Bee Limited would be increased to approximately 67.12 per cent. of the issued share capital of the Company. Assuming that the Loan Capitalisation Shares are issued by the Company pursuant to the Loan Capitalisation Agreement prior to the AGM, Ko Bee Limited would then at the date of AGM be beneficially interested in 67,902,088 Shares representing approximately 67.05 per cent. of the issued share capital of the Company. In the event that the Share Repurchase Mandate was exercised in full, the shareholding of Ko Bee Limited would be increased to approximately 74.50 per cent. of the issued share capital of the Company. In the opinion of the Directors, such increase would not give rise to a mandatory offer in accordance with the Takeovers Code. However the Directors have no current intention to exercise the Share Repurchase Mandate in full.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules), presently intend to sell any Shares to the Company under the Share Repurchase Mandate in the event that the Share Repurchase Mandate is approved by the Shareholders.

The Company has not been notified by any connected persons (as defined in the Listing Rules) that they have a present intention to sell any Shares, or that they have undertaken not to sell any Shares held by them to the Company in the event that the Share Repurchase Mandate is approved by the Shareholders.

8. SHARE REPURCHASE MADE BY THE COMPANY

During the six months preceding the Latest Practicable Date, there was no repurchase of its Shares made by the Company (whether on the Stock Exchange or otherwise).

APPENDIX II DETAILS OF DIRECTORS PROPOSED TO BE RE-ELECTED

The following are the particulars of the three Directors proposed to be re-elected at the Annual General Meeting to be held on 31 May 2004:

1. **Mr. Meng Qinghui**, aged 48, was appointed as a Non-Executive Director of the Company on 22 April 2003. He is also a director of COSCO International Holdings Limited and COSCO Pacific Limited and the managing director of the finance division of COSCO Hong Kong. Mr. Meng graduated from Changsha Railway University in 1978 and was awarded the professional qualification of accountant in China. He has 24 years of experience in financial management and accounting and is familiar with corporate financial planning.

Mr. Meng does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company.

As at the Latest Practicable Date, Mr. Meng had personal interest in share options to subscribe for 60,000 Shares within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”).

There is no service contract between Mr. Meng and the Company and he did not receive any emolument from the Company for the year ended 31 December 2003.

2. **Mr. Tse Chun Kong Thomas**, aged 42, is the Executive Director of the Company in charge of the Group’s property investment. Mr. Tse graduated from McMaster University, Canada with a bachelor degree in Civil Engineering, and also obtained his master degree of Business Administration from the City University of New York, USA. He joined the Company in 1997 and has over 15 years experience in the Hong Kong and Mainland property market.

Mr. Tse does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company.

As at the Latest Practicable Date, Mr. Tse had the following interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”):

Number of Shares	Number of Underlying Shares*	Nature of interest
603	—	Personal interest
5,000	—	Interest of spouse
—	150,000	Personal interest

* Shares to be issued pursuant to options granted and remained outstanding as at the Latest Practicable Date

Mr. Tse has entered into a service contract with the Company which will continue until terminated by either party serving not less than one month’s notice. According to the service contract, the total emoluments of Mr. Tse for the year ended 31 December 2003, amounted to HK\$1,584,725.

3. **Mr. Yuen Hing Man**, aged 44, an Independent Non-Executive Director of the Company, graduated from London University, King’s College with a bachelor degree in laws. He is a practising solicitor in Hong Kong and is the sole proprietor of Chris H.M. Yuen & Co.. He is also a Notary Public in Hong Kong and a China appointed attesting officer. He has been admitted as a solicitor in Singapore and the United Kingdom, and in the Supreme Court of Australian Capital Territory.

APPENDIX II DETAILS OF DIRECTORS PROPOSED TO BE RE-ELECTED

Mr. Yuen does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company.

As at the Latest Practicable Date, Mr. Yuen did not have any interest in the shares of the Company within the meaning of Part XV of SFO.

For the year ended 31 December 2003, Mr. Yuen received an annual director's fee of HK\$30,000, which was determined by the Company with reference to the prevailing market condition.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Soundwill Holdings Limited (“the Company”) will be held at 3:30 p.m., on Monday, 31 May 2004 at Unit 02, 30th Floor, Soundwill Plaza, 38 Russell Street, Causeway Bay, Hong Kong for the following purposes:

1. To receive and consider the audited Financial Statements and the Reports of the Directors and Auditors for the year ended 31 December 2003;
2. To declare a final dividend for the year ended 31 December 2003;
3. To elect Directors and to authorise the Board of Directors of the Company to fix the remuneration of the Directors;
4. To re-appoint Auditors and to authorise the Board of the Directors of the Company to fix their remuneration; and
5. As special business, to consider and, if thought fit, pass the following resolutions, with or without modifications, as Ordinary Resolutions and Special Resolution respectively:

ORDINARY RESOLUTIONS

A. **“THAT:**

- (a) subject to paragraph (b) of this Resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to repurchase shares of HK\$0.10 each in the capital of the Company (“Shares”) on The Stock Exchange of Hong Kong Limited (“the Stock Exchange”) or on any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, 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 of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate number of Shares to be repurchased by the Company pursuant to the approval in paragraph (a) of this Resolution shall not exceed 10 per cent. of the aggregate of (1) the number of the Shares in issue at the date of passing of this Resolution; and (2) the number of the Shares which may be issued pursuant to the issue of the Bonus Shares referred to in Ordinary Resolution No. 5E set out in the notice convening the meeting at which this Resolution is proposed, and the authority pursuant to paragraph (a) of this Resolution shall be limited accordingly; and
- (c) for the purposes of this Resolution,

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company; or
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Companies Act 1981 of Bermuda or the Company’s Bye-laws to be held; and

- (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting.”

B. “THAT:

- (a) subject to paragraph (c) of this Resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to allot, issue and deal with additional shares of HK\$0.10 each in the capital of the Company (“Shares”) and to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and other securities which carry rights to subscribe for or are convertible into Shares) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this Resolution shall authorise the directors of the Company during the Relevant Period to make and grant offers, agreements and options (including warrants, bonds, debentures, notes and other securities which carry rights to subscribe for or are convertible into Shares) which would or might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate number of Shares allotted or agreed conditionally or unconditionally to be allotted or issued or dealt with (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) an issue of Shares under any option scheme or similar arrangement for the time being adopted for the grant or issue to the grantees as specified in such scheme or similar arrangement of Shares or rights to acquire Shares; or (iii) an issue of Shares upon the exercise of subscription or conversion rights under the terms of any existing warrants, bonds, debentures, notes and other securities of the Company which carry rights to subscribe for or are convertible into Shares; or (iv) an issue of Shares as scrip dividends pursuant to the Bye-laws of the Company from time to time, shall not exceed 20 per cent. of the aggregate of (1) the number of Shares in issue at the date of passing of this Resolution; and (2) the number of the Shares which may be issued pursuant to the issue of the Bonus Shares referred to in Ordinary Resolution No. 5E set out in the notice convening the meeting at which this Resolution is proposed, and the said approval shall be limited accordingly; and
- (d) for the purpose of this Resolution,

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier 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 the Companies Act 1981 of Bermuda or the Company’s Bye-laws to be held; and
- (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting; and

“Rights Issue” means an offer of shares of the Company or issue of option, warrants or other securities giving the right to subscribe for Shares, open for a period fixed by the directors of the Company to holders of Shares whose names appear on the register of members of the Company (and, where appropriate, to holders of other securities of the Company entitled to the offer) on a fixed record date in proportion to their then holdings of such Shares (or, where appropriate, such other securities) (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 applicable to the Company).”

- C. “**THAT** conditional upon the passing of Ordinary Resolutions Nos. 5A and 5B set out in the notice convening this meeting, the general mandate granted to the directors of the Company to exercise the powers of the Company to allot, issue and deal with additional shares of HK\$0.10 each in the capital of the Company (“Shares”) pursuant to Resolution No. 5B set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate number of the Shares repurchased by the Company under the authority granted pursuant to Resolution No. 5A set out in the notice convening this meeting, provided that such extended amount shall not exceed 10 per cent. of the aggregate of (1) the number of the Shares in issue as at the date of passing of this Resolution; and (2) the number of the Shares which may be issued pursuant to the issue of the Bonus Shares referred to in Ordinary Resolution No. 5E set out in the notice convening the meeting at which this Resolution is proposed.”
- D. “**THAT** conditional on The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the shares of the Company to be issued pursuant to the exercise of any options to be granted on or after the date of this Resolution under the existing share option scheme of the Company adopted on 22 July 2002 or under any other share option schemes of the Company (the “Options”), the directors of the Company be and are hereby authorised, at their absolute discretion, to grant Options and to allot and issue shares of the Company pursuant to the exercise of any Options up to 10 per cent. of the issued share capital of the Company as at the date of this Resolution.”
- E. “**THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting or agreeing to grant listing of and permission to deal in the Bonus Shares (as hereinafter defined):
- (a) upon the recommendation of the directors of the Company, the necessary sum be capitalised from the amount standing to the credit of contributed surplus account of the Company and the directors of the Company be and are hereby authorised and directed to apply such sum in paying up in full at par shares of HK\$0.10 each in the capital of the Company, (“Bonus Shares”) to be allotted and distributed, credited as fully paid up, to and amongst those shareholders whose names appear on the register of members of the Company on 31 May 2004 (the “Record Date”) on the basis of one Bonus Share for every five existing issued shares of HK\$0.10 each in the capital of the Company held by them respectively on the Record Date;

- (b) the shares to be issued pursuant to this Resolution shall, subject to the Memorandum and Articles of Association of the Company, rank *pari passu* in all respects with the shares of HK\$0.10 each in the capital of the Company in issue on the Record Date, except that they will not rank for the bonus issue of shares mentioned in this Resolution;
- (c) no fractional shares shall be allotted and distributed as aforesaid, but shares representing fractional entitlements shall be aggregated and issued to a nominee to be named by the directors of the Company and such shares shall at such time as the nominee thinks fit be sold and the net proceeds shall be retained for the benefit of the Company; and
- (d) the directors of the Company be authorised to do all acts and things as may be necessary and expedient in connection with the allotment and issue of the Bonus Shares including, but not limited to, determining the amount to be capitalised out of contributed surplus account and the number of Bonus Shares to be allotted and distributed in the manner referred to in paragraph (a) of this Resolution.”

SPECIAL RESOLUTION

- F. **“THAT** the existing Bye-laws of the Company be and are hereby amended in the following manner:
- (a) By adding the following definition in Bye-law 1 immediately after the definition of “Act”:

“associate” has the meaning ascribed to it in Rule 1.01 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.”
 - (b) By deleting the words “a recognised clearing house within the meaning of Section 2 of the Securities and Futures (Clearing Houses) Ordinance of Hong Kong or” from the definition of “clearing house” in Bye-law 1 and substituting therefor the words “a recognised clearing house within the meaning of Part 1 of Schedule 1 to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and any amendments thereto for the time being in force or”
 - (c) By deleting the existing Bye-law 76 in its entirety and substituting therefor the following:

“76. (1) No Member shall, unless the Board otherwise determines, be entitled to attend and vote and to be reckoned in a quorum at any general meeting unless he is duly registered and all calls or other sums presently payable by him in respect of shares in the Company have been paid.

- (2) Where the Company has actual knowledge that any Member is, under the rules of the Designated Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such Member in contravention of such requirement or restriction shall not be counted.”
- (d) By deleting the existing Bye-law 88 in its entirety and substituting therefor the following:

“88. No person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a Notice signed by a Member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a Notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the Registration Office provided that the minimum length of the period, during which such Notice(s) are given, shall be at least seven (7) days and that the period for lodgement of such Notice(s) shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.”

- (e) By deleting the existing Bye-law 103 in its entirety and substituting therefor the following:

“103. (1) A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his associate(s) is to his knowledge materially interested, but this prohibition shall not apply to any of the following matters namely:

- (i) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associate(s) or obligations incurred or undertaken by him or any of his associate(s) at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

- (iii) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
- (v) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director or his associate(s) is/are beneficially interested in shares of that company, provided that the Directors and any of his associates are not in aggregate beneficially interested in five (5) per cent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or
- (vi) any proposal or arrangement for the benefit of employees of the Company or of any of its subsidiaries including the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to the Directors, their respective associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director or his associate(s), as such any privilege or advantage not accorded to the employees to which such scheme or fund relates.

For the purpose of this Bye-law 103(1), “subsidiary” shall have the meaning as defined in Rule 1.01 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

- (2) A company shall be deemed to be a company in which a Director and/or his associate(s) own(s) five (5) per cent. or more if and so long as (but only if and so long as) he and/or his associate(s) (either directly or indirectly) are the holders of or beneficially interested in five (5) per cent. or more of any class of the equity share capital of such company or of the voting rights available to members of such company (or of any third company through which his/their interest or that of any of his associate(s) is derived). For the purpose of this paragraph there shall be disregarded any shares held by a Director or his associate(s) as bare or custodian trustee and in which he or any of them has no beneficial interest, any shares comprised in a trust in which the interest of the Director or his associate(s) is/are in reversion or remainder if and so long as some other person is entitled to receive the income thereof, and any shares comprised in an authorised unit trust scheme in which the Director or his associate(s) is/are interested only as a unit holder.
- (3) Where a company in which a Director and/or his associate(s) holds five (5) per cent. or more is materially interested in a transaction, then that Director and/or his associate(s) shall also be deemed materially interested in such transaction.
- (4) If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director (other than the chairman of the meeting) or his associate(s) or as to the entitlement of any Director (other than such chairman) to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to such other Director shall be final and conclusive except in a case where the nature or extent of the interest of the Director and/or his associate(s) concerned as known to such Director has not been fairly disclosed to the Board. If any question as aforesaid shall arise in respect of the chairman of the meeting such question shall be decided by a resolution of the Board (for which purpose such chairman shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such chairman as known to such chairman has not been fairly disclosed to the Board,

and that the directors of the Company be and are hereby authorised to do all such acts, deeds and things as they shall, in their absolute discretion, deem fit in order to effect any of the foregoing.”

By Order of the Board
Kwan Chai Ming
Company Secretary

Hong Kong, 21 April 2004

Head Office and Principal Place of Business:

21st Floor, Soundwill Plaza

38 Russell Street

Causeway bay

Hong Kong

Notes:

1. *Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and to vote instead of him. A proxy need not be a member of the Company.*
2. *To be valid, a form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be lodged with the head office and principal place of business of the Company at 21st Floor, Soundwill Plaza, 38 Russell Street, Causeway Bay, Hong Kong not less than 48 hours before the time appointed for holding the meeting.*