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SOUNDWILL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

MAJOR TRANSACTION SHARES SUBSCRIPTION AGREEMENTS

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DEFINITIONS

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

Board	:	The board of directors of the Company
Company	:	Soundwill Holdings Limited
Experts	:	DTZ Debenham Tie Leung Limited, CS Surveyors Limited and Knight Frank
Group	:	The Company and its subsidiaries
Investor	:	Independent third parties not connected with any of the directors, chief executives or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates (as defined in the Listing Rules)
Latest Practicable Date	:	15 March, 2002 being the latest practicable date before the printing of this circular for the purpose of ascertaining certain information contained herein
Listing Rules	:	The Rules Governing the Listing of Securities on the Stock Exchange
Loan	:	An interest bearing shareholder loan of HK\$50,000,000.00 which carries interest at the rate of prime rate plus two per cent. per annum to be granted by the Investor to Super Keep upon the Super Keep Completion
Option	:	An option to be given by Soundwill (BVI) to the Investor to acquire the Well Pacific Existing Deferred Shares and the Well Pacific New Deferred Shares at a consideration of HK\$1.00 within a period of 12 months from the Well Pacific Completion
SDI Ordinance	:	Securities (Disclosure of Interests) Ordinance (Cap. 396)
Shareholders	:	shareholders of the Company
Soundwill (BVI)	:	Soundwill (BVI) Limited, a wholly owned subsidiary of the Company incorporated in the British Virgin Islands with limited liabilities
Soundwill Debt Restructure Agreement	:	The agreement dated 8 May, 2000 made by the Group and its bank creditors for restructuring of its indebtedness
Stock Exchange	:	The Stock Exchange of Hong Kong Limited
Super Keep	:	Super Keep Investment Limited, an indirect wholly owned subsidiary of the Company incorporated in Hong Kong with limited liabilities
Super Keep Completion	:	Completion of the Super Keep Shares Subscription Agreement which is scheduled for on or before 27 August, 2003
Super Keep Development	:	The development of the certain residential properties in Yuen Long, New Territories

DEFINITIONS

Super Keep New Ordinary Shares	:	The 9,998 new ordinary shares of Super Keep of HK\$1.00 each which shall be subscribed for by the Investor pursuant to the terms of the Super Keep Shares Subscription Agreement
Super Keep Re-Organization Scheme	:	The proposed re-organization which involves (i) the increase of the authorised share capital of Super Keep; and (ii) the subscription of the Super Keep New Ordinary shares by the Investor
Super Keep Shares Subscription Agreement	:	The conditional agreement dated 28 February, 2002 made by Super Keep, Soundwill (BVI) and the Investor in respect of the Super Keep Re-Organization Scheme
Transactions	:	The transactions contemplated under the Well Pacific Shares Subscription Agreement and the Super Keep Shares Subscription Agreement
Well Pacific	:	Well Pacific Development Limited, an indirect wholly owned subsidiary of the Company incorporated in Hong Kong with limited liabilities
Well Pacific Completion	:	Completion of the Well Pacific Shares Subscription Agreement which is scheduled for on or before 16 April, 2002
Well Pacific Existing Deferred Shares	:	The 2 non-voting deferred shares of HK\$1.00 each of Well Pacific existing at the date of the Well Pacific Shares Subscription Agreement and beneficially held by Soundwill (BVI)
Well Pacific Existing Ordinary Shares	:	The 9,998 ordinary shares of HK\$1.00 each of Well Pacific existing at the date of the Well Pacific Shares Subscription Agreement and beneficially held by Soundwill (BVI)
Well Pacific New Deferred shares	:	The Well Pacific Existing Ordinary Shares which will be converted into non-voting deferred shares
Well Pacific New Ordinary Shares	:	The 10,000 new ordinary shares of Well Pacific of HK\$1.00 each which shall be subscribed for by the Investor pursuant to the terms of the Well Pacific Shares Subscription Agreement
Well Pacific Properties	:	Shops 1, 2, 3 and 5 on Ground Floor, 1st to 3rd Floors, Flat Roof on the 5th Floor and the parapet walls enclosing the Flat Roof on the 5th Floor, External Walls of Ground Floor to 3rd Floor (except part of the external wall at the 1st Floor level as more particularly shown and coloured pink on the front elevation plan annexed to the Well Pacific Shares Subscription Agreement) of No.8 Russell Street, Causeway Bay, Hong Kong
Well Pacific Re-Organization Scheme	:	The proposed re-organization which involves (i) the increase of the authorised share capital of Well Pacific; (ii) the conversion of the Well Pacific Existing Ordinary Shares into the Well Pacific New Deferred Shares; (iii) the subscription of the Well Pacific New Ordinary Shares by the Investor; and (iv) the grant of the Option by Soundwill (BVI) to the Investor
Well Pacific Shares Subscription Agreement	:	The conditional agreement dated 28 February, 2002 made by Soundwill (BVI), Well Pacific and the Investor in respect of the Well Pacific Re-Organization Scheme



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 Kwong, Thomas (*Executive Director*)
Liu Hanbo (*Director*)
Wong Tak Leung, Charles*
Yuen Hing Man*

* *Non-executive Independent Director*

*Head Office and Principal Place
of Business:*

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

Registered Office:

Clarendon House
Church Street
Hamilton HM 11
Bermuda

21 March, 2002

To the shareholders

Dear Sir or Madam,

MAJOR TRANSACTION SHARES SUBSCRIPTION AGREEMENTS

INTRODUCTION

It was announced on 28 February, 2002 by the Board that on 28 February, 2002 Soundwill (BVI), Well Pacific, Super Keep and the Investor entered into (i) the Well Pacific Shares Subscription Agreement; and (ii) the Super Keep Shares Subscription Agreement respectively.

Pursuant to the Well Pacific Shares Subscription Agreement, Soundwill (BVI) will effect the Well Pacific Re-Organization Scheme.

After the Well Pacific Completion, other than the Well Pacific Existing Deferred Shares and Well Pacific New Deferred Shares (subject to the Option), Soundwill (BVI) will not have any interest in Well Pacific.

In consideration for Soundwill (BVI) to effect the Well Pacific Re-Organization Scheme, the Investor will pay to Soundwill (BVI) a consideration of HK\$300,000,000.00 in cash.

Pursuant to the Super Keep Shares Subscription Agreement, Soundwill (BVI) will effect the Super Keep Re-Organization Scheme.

LETTER FROM THE CHAIRMAN

After the Super Keep Completion, Soundwill (BVI) will hold 50% of the enlarged issued ordinary shares of Super Keep.

In consideration for Soundwill (BVI) to effect the Super Keep Re-Organization Scheme, the Investor will pay to Soundwill (BVI) a consideration of HK\$10,000,000.00 in cash.

The Transactions constitute a major transaction of the Company under the Listing Rules and is subject to the approval by the shareholders of the Company in a special general meeting.

The Company has obtained a written consent from Ko Bee Limited, its controlling shareholder, which has no interest in the Transactions save for its interest in approximately 55.82% of the issued share capital of the Company. An application has been made by the Company to the Stock Exchange to accept the said written consent of Ko Bee Limited in lieu of a special general meeting, which if convened no person is required to abstain from voting, to consider and approve the Transactions pursuant to Rule 14.10 of the Listing Rules.

The purpose of this circular is to give the Shareholders further information on the Transactions.

THE WELL PACIFIC SHARES SUBSCRIPTION AGREEMENT

Date

On the 28th day of February 2002

Parties

(a) Well Pacific; (b) Soundwill (BVI); and (c) the Investor

Obligations of the parties

Subject to the conditions precedent hereinafter mentioned, the parties have the following obligations:

- (a) Soundwill (BVI) shall effect the Well Pacific Re-Organization Scheme whereby:
 - (i) the authorized share capital of Well Pacific shall be increased from HK\$10,000.00 to HK\$20,000.00 comprising of 20,000 shares of HK\$1.00 each;
 - (ii) the Well Pacific Existing Ordinary Shares shall be converted to non-voting deferred shares ranking parri passu in all respects with the Well Pacific Existing Deferred Shares;
 - (iii) an option will be granted to the Investor at a consideration of HK\$1.00 to acquire the Well Pacific Existing Deferred Shares and the Well Pacific New Deferred Shares within a period of 12 months from the Well Pacific Completion; and
 - (iv) Soundwill (BVI) will assign to the Investor the loan as at the Well Pacific Completion (the amount as at the date of the Well Pacific Shares Subscription Agreement is approximately HK\$263,293,000.00) due by Well Pacific to Soundwill (BVI) for a price of HK\$1.00 upon the Well Pacific Completion.
- (b) the Investor shall subscribe for the Well Pacific New Ordinary Shares at par value of HK\$1.00 each which will represent all the issued ordinary shares of Well Pacific upon the Well Pacific Completion.

LETTER FROM THE CHAIRMAN

Consideration and Payment Terms

The consideration for the Well Pacific Re-Organization Scheme is HK\$300,000,000.00 which shall be satisfied by the Investor by:

- (a) payment of non-refundable cash deposit of HK\$5,000,000.00 to Well Pacific for partial repayment of loan owed by Well Pacific to its bank creditor upon the signing of the Well Pacific Shares Subscription Agreement;
- (b) payment in cash for the amount payable to the existing mortgagee of the Well Pacific Properties to secure a release of the Well Pacific Properties upon the Well Pacific Completion;
- (c) payment in cash of HK\$282,000,000.00 less the amount required for redemption of the Well Pacific Properties from the existing mortgage to Soundwill (BVI) upon the Well Pacific Completion; and
- (d) payment in cash of HK\$13,000,000.00 to Soundwill (BVI) at any time within 6 calendar months from Well Pacific Completion.

The book value of the Well Pacific Properties according to the latest unaudited account as at 28 February, 2002 is approximately HK\$512,560,000.00. The consideration was determined after arm's length negotiations taking into account of the prevailing market price of the Well Pacific Properties of approximately HK\$300,000,000.00 in the district and the valuations made by DTZ Debenham Tie Leung Limited and Knight Frank appointed by the Group in or about August 2001 and February 2002 respectively. Upon the Well Pacific Completion, a deficit of approximately HK\$212,560,000.00 will be incurred.

Well Pacific Completion

Completion of the Well Pacific Shares Subscription Agreement is scheduled for on or before 16 April, 2002. Upon completion, Soundwill (BVI) will only hold the Well Pacific Existing Deferred Shares and Well Pacific New Deferred Shares subject to the Option.

Conditions Precedent

Completion of the Well Pacific Shares Subscription Agreement is conditional upon fulfillment of the following conditions:

- (a) the passing by the shareholders of the Company of a resolution approving the transactions contemplated under the Well Pacific Shares Subscription Agreement;
- (b) the Investor being satisfied with the results of the investigation and review conducted by itself or its agent in relation to Well Pacific; and
- (c) the necessary approval having been obtained from the relevant parties to the Soundwill Debt Restructure Agreement.

INFORMATION ON WELL PACIFIC

Well Pacific is an indirect wholly owned subsidiary of the Company and is incorporated in Hong Kong on 22 September, 1992 engaging in the businesses of property development and property investment and its principal assets are the Well Pacific Properties.

LETTER FROM THE CHAIRMAN

The audited financial information of Well Pacific for each of the 2 years ended 31 December, 1999 and 31 December, 2000 respectively are set out below:

	Year ended 31 December, 1999 (audited) HK\$	Year ended 31 December, 2000 (audited) HK\$
(a) Net Loss before taxation	(225,809)	(69,896)
Net Loss after taxation	(315,841)	(69,896)
(b) Net tangible assets	545,725	475,829

THE SUPER KEEP SHARES SUBSCRIPTION AGREEMENT

Date

On the 28th day of February 2002

Parties

(a) Super Keep; (b) Soundwill (BVI); and (c) the Investor

Obligations of the parties

Subject to the conditions precedent hereinafter mentioned, the parties have the following obligations:

- (a) Soundwill (BVI) shall effect the Super Keep Re-Organization Scheme whereby the authorised share capital of Super Keep shall be increased to HK\$20,000.00 comprising of 20,000 shares of HK\$1.00 each;
- (b) the Investor shall subscribe for the Super Keep New Ordinary Shares at par value of HK\$1.00 each which will represent 50% of the enlarged issued ordinary shares of Super Keep upon the Super Keep Completion; and
- (c) the Investor shall advance the Loan upon normal commercial terms to Super Keep for the purpose of the Super Keep Development. The Loan can be drawn in such amount and number of instalments as the board of directors of Super Keep sees fit and by giving not less than 7 days notice before any draw down and carries an interest at the rate of prime rate plus two per cent per annum.

Consideration and Payment Terms

The consideration for the Super Keep Re-Organization Scheme is HK\$10,000,000.00 which is payable by the Investor in cash to Soundwill (BVI) upon the Super Keep Completion.

The book value of Super Keep Development according to the latest unaudited account as at 28 February, 2002 is approximately HK\$40,600,000.00. The consideration was determined after arm's length negotiations taking into account of the valuation of the Super Keep Development of approximately \$20,000,000.00 made in or about February 2002 by C S Surveyors Limited appointed by the Group.

LETTER FROM THE CHAIRMAN

Super Keep Completion

Completion of the Super Keep Shares Subscription Agreement is scheduled for on or before 27 August, 2003. Upon completion, Soundwill (BVI) will hold 50% of the enlarged issued ordinary shares of Super Keep which will be treated as a subsidiary of the Company.

Conditions Precedent

Completion of the Super Keep Shares Subscription Agreement is conditional upon fulfillment of the following conditions:

- (a) the passing by the shareholders of the Company of a resolution approving the transactions contemplated under the Super Keep Shares Subscription Agreement;
- (b) the Investor being satisfied with the results of the investigation and review conducted by itself or its agent in relation to Super Keep; and
- (c) the Group is released from the obligations in the Soundwill Debt Restructure Agreement under which, the total outstanding indebtedness as at 28 February 2002 is approximately HK\$1,396,600,000.00.

INFORMATION ON SUPER KEEP

Super Keep is an indirect wholly owned subsidiary of the Company and is incorporated in Hong Kong on 23 June, 1992 engaging in the businesses of property development and property investment and its principal business is the Super Keep Development.

The audited financial information of Super Keep for each of the 2 years ended 31 December, 1999 and 31 December, 2000 respectively are set out below:

	Year ended 31 December, 1999 (audited) HK\$	Year ended 31 December, 2000 (audited) HK\$
(a) Net loss before taxation	(10,945)	(209,535)
Net loss after taxation	(10,945)	(209,535)
(b) Net tangible assets	3,016,200	2,806,665

CHANGE TO THE BOARDS OF DIRECTORS

Upon the Well Pacific Completion, all existing directors of Well Pacific shall resign from their directorship and new directors will be nominated by the Investor.

Upon the Super Keep Completion, each of Soundwill (BVI) and the Investor is entitled to nominate not less than 2 and not more than 10 directors to the board of directors of Super Keep in proportion to the ratio of ordinary shares held by each party. Save as aforesaid no casting vote arrangement or separate shareholders' agreement has been made by the parties.

There will be no effect on the board of directors of the Company.

LETTER FROM THE CHAIRMAN

REASONS FOR WELL PACIFIC AND SUPER KEEP RE-ORGANIZATION SCHEMES AND USE OF PROCEEDS

The net proceeds from the Well Pacific Shares Subscription Agreement, which is approximately HK\$293,000,000.00 will be applied to repay bank borrowings of the Group. Upon the Well Pacific Completion, the borrowings of the Group will be reduced substantially and significant savings in interest expenses can be achieved. The gearing ratio of the Company will be reduced from approximately 181% to 149%.

The proceeds of HK\$10,000,000.00 and the Loan of HK\$50,000,000.00 from the Super Keep Shares Subscription Agreement will be applied to the Super Keep Development. Super Keep is able to raise the necessary funding for the purpose of the Super Keep Development including but not limited to further acquisition costs, legal and other professional expenses at reasonable interest expenses.

The Board considers that the Transactions are in the interests of the Company and its shareholders as a whole.

The Company will record a loss in the current financial year of approximately HK\$219,000,000.00 (subject to audit) as a result of the Well Pacific Shares Subscription Agreement.

FINANCIAL EFFECT UPON COMPLETION

Proforma financial effect of the Transactions

	<i>HK\$</i>
<i>Effect on net asset value of the Group</i>	
Before completion	
unaudited consolidated net asset of the Group (include goodwill) as at 28 February, 2002	945,296,897.00
Well Pacific Shares Subscription Agreement	
Less: Net book value of Well Pacific	(512,560,000.00)
Add: Reducing of bank loan	293,000,000.00
Super Keep Shares Subscription Agreement	
share premium on issuance of 9,998 new shares to investor	<u>9,990,002.00</u>
After completion	<u>735,726,899.00</u>
	<i>HK\$</i>
Net asset per share of the Group	
Before completion	0.30
After completion	0.24

Effect on profit/loss per shares

There is no effect on profit/loss of the Group as there is no change in the capital structure of the Company.

LETTER FROM THE CHAIRMAN

It is of importance to note that the above mentioned proforma financial effects are prepared to illustrate a number of specific financial effects which are expected to result from the transactions contemplated under the agreements only.

TRADING PROSPECT

Notwithstanding the economic weakness of Hong Kong in the fourth quarter of 2001, the sale and leasing of the Group's properties have not been adversely affected materially owing to the efforts of the Group's management. Upon completion of the Transactions, the borrowings of the Group will be reduced substantially with its gearing ratio reduced from approximately 181% to 149%. Therefore, management of the Group believes that the Company is able to maintain its financial strength and negotiate with its banks for a new refinancing arrangement with better terms. With the introduction of new strategic partners in developing property projects in the New Territories, the Group's business and other profitable projects can be further developed.

GENERAL

The Group is principally engaged in property development and property investment.

The Transactions constitute a major transaction for the Company under the Listing Rules. Written approval from the controlling shareholder of the Company, Ko Bee Limited, which has no interest in the Transactions save as holding approximately 55.82% of the issued shares of the Company has been obtained in approving the Transactions. The Company has applied to the Stock Exchange for waiver from convening the general meeting of shareholders and substitute thereof by the written approval issued by its controlling shareholder.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in appendix to this circular.

Yours faithfully,
Foo Kam Chu, Grace
Chairman



Formerly C Y Leung & Company
原梁振英測量師行

15th August, 2001

Well Pacific Development Limited
21st Floor, Soundwill Plaza
38 Russell Street
Causeway Bay
Hong Kong

Dear Sirs,

RE: 8 RUSSELL STREET, CAUSEWAY BAY, HONG KONG.

We refer to your instructions for us to carry out an open market valuation of the captioned property as if it were fully completed for financing purpose. We confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the value of the property as at 15th August, 2001 (the “date of valuation”).

Our valuation of the property represents its open market value, on a special assumption that it were fully completed and ready for occupation, which we would define as intended to mean “an opinion of the best price at which the sale of an interest in property would have been completed unconditionally for cash consideration on the date of valuation, assuming:

- (a) a willing seller;
- (b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the sale;
- (c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;
- (d) that no account is taken of any additional bid by a prospective purchaser with a special interest; and
- (e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion.”

Our valuation has been made on the assumption that the owner sells the property as if it were completed on the open market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement which could serve to affect the value of the property.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

We have valued the property by direct comparison approach assuming sale of the property as if completed with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

We have relied to a very considerable extent on the information given by you and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, particulars of occupancy, floor areas and all other relevant matters. Dimensions and measurements are based on the copies of documents or other information provided to us by you and are therefore only approximations. No on-site measurement has been carried out.

We have not been provided with copies of the title documents relating to the property but have caused searches to be made at the Land Registry. However, we have not searched the original documents to verify ownership or to ascertain any amendments. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

We have inspected the exterior of the property. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the property is free of rot, infestation or any other structural defects. No test was carried out on any of the services.

Neither the whole nor any part of this letter and the attached valuation certificate or any reference thereto may be included in any document, circular or statement without our prior written approval of the form and context in which they will appear.

Finally and in accordance with our standard practice, we must state that this letter and the attached valuation certificate are for the use only of the party to whom they are addressed and no responsibility is accepted to any third party for the whole or any part of their contents.

Our valuation certificate is hereby enclosed for your attention.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
K.B. Wong
Registered Professional Surveyor
M.R.I.C.S., A.H.K.I.S.
Director

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value if completed as at 15th August, 2001
8 Russell Street, Causeway Bay, Hong Kong	The property comprises a 27-storey commercial building which is in the final completion stage of construction. The structural works are largely completed and the property is now under finishing works.	The property is currently vacant, being in the final completion stage of development. However, the ground to 3rd floors have been contracted to be rented out to various tenants at a total rent of about HK\$2,500,000 per month.	HK\$650,000,000 <i>(Notes 2 and 3)</i>
The Remaining Portion and Sub-section 1 of Section C, the Remaining Portion and Sub-section 1 of Section D and the Remaining Portion and Sub-section 1 of Section E of Inland Lot No. 746	The property will provide retail space on ground, 1st, 2nd and 3rd floors. The remaining upper floors will accommodate offices except the 5th floor which is a mechanical floor and the 25th floor which is a refuge floor. No 4th, 14th and 24th floors will be designated for the building.		

The gross floor area of the property is as follows:

Floor	Use	Gross Floor Area (sq.ft.)
Ground to 3rd Floors	Shop	22,607
5th Floor	Mechanical	—
6th to 29th (21 storeys) (no 14th and 24th Floor)	Office	79,906
25th Floor	Refuge	—
	Total:	<u><u>102,513</u></u>

The Property is held from the Government for a term of 999 years from 25th June, 1861. The current annual Government rent payable for the property is HK\$122.

Notes:

(1) The registered owner of the property is Well Pacific Development Limited.

(2) The breakdown of the valuation is:

Ground to 3rd Floors	HK\$385,000,000
5th to 29th Floors	HK\$265,000,000

(3) The valuation is conducted on the special assumption that it were fully completed as at the date of valuation with the benefit of all permits, licences and approvals necessary for the immediate occupation of the property. No allowance or deductions for outstanding development costs necessary for completing the property has been made in our valuation.

(4) The Occupation Permit for the property was issued on 29th June, 2001.



簡 福 飴 測 量 行

32/F., AIA Tower, 183 Electric Road
North Point, Hong Kong

21st March, 2002

The Directors
Well Pacific Development Limited
21st Floor, Soundwill Plaza
38 Russell Street
Causeway Bay
Hong Kong

Dear Sirs,

In accordance with your instructions for us to value the property as per attached Valuation Certificate, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the value of the property as at 27th February, 2002.

Our valuation of the property represents its open market value which we would define as intended to mean “the best price at which the sale of an interest in a property would have been completed unconditionally for cash consideration on the date of valuation, assuming:

- (a) a willing seller;
- (b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the sale;
- (c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;
- (d) that no account is taken of any additional bid by a prospective purchaser with a special interest; and
- (e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion.”

Our valuation has been made on the assumption that the owner sells the property on the open market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement which could serve to increase the value of the property.

We have valued the property by reference to comparable market transactions and where appropriate on the basis of capitalization of the net income shown on the schedules handed to us with due allowance for outgoings and provisions for reversionary income potential.

We have relied to a very considerable extent on the information given by you and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, particulars of occupancy, floor areas and all other relevant matters. We have caused searches to be made at the Land Registry. However, we have not scrutinised the original documents to verify ownership or to ascertain any amendments. All documents have been used for reference only and all dimensions, measurements and areas are only approximations.

We have inspected the exterior of the property. During the course of our inspection, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report whether the property is or is not free of rot, infestation or any other defects. No tests were carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

We enclose herewith our valuation certificate.

Yours faithfully,
for and on behalf of
KNIGHT FRANK
C.K. Lau
AHKIS MRICS RPS(GP)
Director

Note: Mr. C.K. Lau, who is an associate member of the Hong Kong Institute of Surveyors, a professional member of the Royal Institution of Chartered Surveyors and a Registered Professional Surveyor in General Practice, has over eight years of post-qualification experience in valuing properties in Hong Kong and the People's Republic of China.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 27th February, 2002
Shops 1, 2, 3 and 5 on Ground Floor, the whole of First, Second and Third Floors, 8 Russell Street, Causeway Bay, Hong Kong	The property comprises four shop units on the Ground Floor, the whole of the 1st, 2nd and 3rd Floors of a 27-storey commercial building completed in about 2001.	The property is subject to four tenancies all for terms of 3 years with the latest one expiring in July 2004 at a total rent of approximately \$2,500,000 per month exclusive of rates, management fees and air-conditioning charges.	\$300,000,000
Situated within the Remaining Portion and Sub-section 1 of Section C, the Remaining Portion and Sub-section 1 of Section D, the Remaining Portion and Sub-section 1 of Section E of Inland Lot No. 746	The Ground, 1st, 2nd and 3rd Floors of the building are designed for retail purposes whilst the remaining upper floors are for office purposes. The 5th and 25th Floors are the mechanical floor and refuge floor respectively. The building has no designations for 4th, 14th and 24th Floors.	Except for one tenancy, each of the tenant of the remaining three tenancies has an option to renew the tenancy for a further term of 3 years.	
	The total gross floor area of the property is approximately 26,751 sq.ft.		
	The property is held under a Government Lease for a term of 999 years from 25th June, 1861.		
	The Government rent payable for the relevant lot sections is \$122 per annum.		

Notes:

- (1) The registered owner of the property is Well Pacific Development Limited.
- (2) The property is subject to a First Building Mortgage dated 16th October, 1997 and a Second Mortgage dated 9th June, 2000 both in favour of The Hongkong and Shanghai Banking Corporation Limited registered by Memorial Nos. 7334479 and 8100318 respectively.
- (3) The property is subject to a Confirmation Deed dated 7th November, 2000 in favour of The Hongkong and Shanghai Banking Corporation Limited registered by Memorial No. 8236866.



忠誠測量行有限公司

C S SURVEYORS LIMITED

25th February, 2002

The Directors
Soundwill Group Holdings Limited
21st Floor,
38 Russell Street,
Causeway Bay,
Hong Kong.

Dear Sirs,

RE: S.A — S.H, S.J — S.N, S.P — S.Z, S.AA — S.AH, S.AJ — S.AN AND THE REMAINING PORTION OF LOT NO.1502 IN D.D.113, YUEN LONG, NEW TERRITORIES.

In accordance with your instructions, we have carried out an inspection, made relevant enquiries and obtained such information as we consider necessary for the purpose of providing you with our opinion of the capital value of the subject property as at 18th February, 2002 (referred to as the “valuation date”).

This letter forms part of our valuation certificate, which explains the basis and methodology of valuation, and clarifies our assumptions made, titleship of property and the limiting conditions.

Our valuation is our opinion of the open market value which we would define as intended to mean “the best price at which the sale of an interest in a property might reasonably be expected to have been completed unconditionally for cash consideration on the date of valuation, assuming:

- (a) a willing seller;
- (b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of price and terms and for the completion of the sale;
- (c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;
- (d) that no account is taken of any additional bid by a purchaser with a special interest; and
- (e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion.”

Unless otherwise stated, the property interests are valued by the comparison method where a comparison based on prices realized of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital value.

Our valuation has been made on the assumption that the owner sells the property interests on the open market without the benefit of a deferred term contract, leaseback, joint venture, management agreement, or any similar arrangement, which could serve to increase the value of the property interests.

As the property is held under the Block Government Lease, we have assumed that the owner of the property interest has free and uninterrupted rights to use the property for the whole of the unexpired term of the Lease. Unless stated as otherwise, vacant possession is assumed for the property concerned. In addition, we assumed that no encroachment or trespass exists, unless noted in the certificate.

In the course of our valuation, we believe that the assumptions so made by us are reasonable in the circumstances. We have also assumed that vacant possession shall be obtained without any onerous or undue time delay which might affect the value. Other special assumptions in respect of the property, if any, have been set out in the footnotes of the valuation certificate.

We have relied to a considerable extent on the information given by you and have accepted advice given to us on such matters as statutory notices, planning approval, easements, tenure, particulars of occupancy, drawing plans, site and floor areas and all other relevant matters.

We have caused a search to be made at the relevant Land Registry for the subject property interests. We have not examined the original documents to verify ownership or to ascertain the existence of any amendments which may not appear on the copies handed to us.

All dimensions, measurements and areas included in the valuation certificate attached are based on information contained in the documents provided to us and are therefore only approximations. Unless otherwise stated in the report, no on-site measurement has been taken. We have no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the group that no material facts have been omitted from the information supplied.

No allowance has been made in our valuation for any charges, mortgages, or amount owing on any property interest nor for any expenses or taxation which may be incurred in effecting a sale. It is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their value.

We have carried out an inspection of the property. However, no site investigations have been carried out to determine the suitability of the ground conditions for any property development. Our valuation is on the basis that these aspects are satisfactory and that no extraordinary expenses or delay will be incurred during the construction period.

The market value estimate contained within this certificate specifically excludes the impact of geotechnical problems or environmental assessment or other inherent cause. It is recommended that the reader of this certificate consult a qualified engineer and/or environment consultant for the evaluation of possible geotechnical/environment defects, the existence of which could have a material impact on market value.

The capital value of the property interests is shown in the valuation certificate.

Yours faithfully,
For and on behalf of
C S Surveyors Limited
Lo Hon Cheung, Sam
Director

MRICS AHKIS RPS(GP) RPHM MHIREA ACIArb AHKIArb

Note: Mr. Lo Hon Cheung, Sam is a Chartered Surveyor and has over 10 years of experience in the valuation of properties in Hong Kong.

Property	Description and tenure	Particulars of occupancy	Capital value as at 18th February, 2002
S.A — S.H, S.J — S.N, S.P — S.Z, S.AA — S.AH, S.AJ — S.AN and the Remaining Portion of Lot No.1502 in D.D.113, Yuen Long, New Territories.	<p>The property comprises a number of agricultural lands.</p> <p>The total registered site area is approximately 141,134.2 sq.ft. (The total surveyed area as provided is approximately 145,486 sq.ft.)</p> <p>The property is held under Block Government Lease for a term of 75 years renewable for 24 years commencing from 1st July, 1898. The term is extended until 30th June, 2047 under Section 6 of the New Territories (Lease) Extension Ordinance. The current Government Rent payable for the property is HK\$2.24 per annum.</p>	The property is currently vacant farmland and being fallowed.	HK\$20,000,000.00

Notes:

1. The registered owners are shown as attached. (Please see Table of Ownerships.)
2. There are being no registered encumbrances of significance.
3. The subject property is partly zoned for “Village Type Development” purposes and partly zoned for “Agricultural” purpose under the Kam Tin South Outline Zoning Plan No. S/YL — KTS/6 dated 12th December, 2000.
4. We have been instructed to assess the vacant site value of the subject property taken into account of the development potential assuming that building licences had been obtained for a proposed development of 37 detached New Territories Exempted Houses.

Table of Ownership

Lot No.	Owner	Memorial No.	Date of Instrument	Consideration (HK\$)
Lot No.1502 S.A	Tsang Yat Wah	808238	5.3.1998	\$1,000,000.00
Lot No.1502 S. B	Lai Kwai Tong	808235	5.3.1998	\$1,000,000.00
Lot No.1502 S. C	Wu Man Fai	808236	5.3.1998	\$1,000,000.00
Lot No.1502 S. D	Wu Man Tik	808242	5.3.1998	\$1,000,000.00
Lot No.1502 S. E	Lai, David Chi Keung	808241	5.3.1998	\$1,000,000.00
Lot No.1502 S. F	Wong Tin Yau	808243	5.3.1998	\$1,000,000.00
Lot No.1502 S. G	Lai Kwai Moon	808237	5.3.1998	\$1,000,000.00
Lot No.1502 S. H	Leung Hin Ping	808240	5.3.1998	\$1,000,000.00
Lot No.1502 S. J	Tsang Chi Ping	808239	5.3.1998	\$1,000,000.00
Lot No.1502 S. K	Tsang Chi Man	808581	5.3.1998	\$1,000,000.00
Lot No.1502 S. L	Tsang Tze Ying	810304	20.3.1998	\$1,000,000.00
Lot No.1502 S. M	Woo Ka Lok	810305	20.3.1998	\$1,000,000.00
Lot No.1502 S. N	Tsoi Wing Chiu	812580	7.4.1998	\$1,000,000.00
Lot No.1502 S. P	Cheung Kwok Wai	812829	20.4.1998	\$1,000,000.00
Lot No.1502 S. Q	Lai Kwai Lam	817725	1.6.1998	\$1,000,000.00
Lot No.1502 S. R	Law Kwok Hung	817722	1.6.1998	\$1,000,000.00
Lot No.1502 S. S	Lai Chi Yuen	817721	1.6.1998	\$1,000,000.00
Lot No.1502 S. T	Tang Man Kit	817726	1.6.1998	\$1,000,000.00
Lot No.1502 S. U	Tang Wai Hong	822922	30.6.1998	\$1,000,000.00
Lot No.1502 S. V	Yeung King Wai	822924	23.6.1998	\$1,000,000.00
Lot No.1502 S. W	Cheung Wing Pai	822923	23.6.1998	\$1,000,000.00
Lot No.1502 S. X	Teng Kon Song	822929	23.6.1998	\$1,000,000.00
Lot No.1502 S. Y	Law Sai Kit	822920	23.6.1998	\$1,000,000.00
Lot No.1502 S. Z				
Lot No.1502 S. AA				
Lot No.1502 S. AB				
Lot No.1502 S. AC				
Lot No.1502 S. AD				
Lot No.1502 S. AE				
Lot No.1502 S. AF				\$26,188,272.00
Lot No.1502 S. AG	Super Keep	799996	1.12.1997	(For the whole
Lot No.1502 S. AH	Investment Limited			of Lot No. 1502)
Lot No.1502 S. AJ				
Lot No.1502 S. AK				
Lot No.1502 S. AL				
Lot No.1502 S. AM				
Lot No.1502 S. AN				
Lot No.1502. R.P				

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 the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

DIRECTORS' INTERESTS**(i) Shares**

As at the Latest Practicable Date, the interests of the Directors or chief executive of the Company in the securities of the Company and its associated corporations (within the meaning of the SDI Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including the interests which they were deemed or taken to have under Section 31 or Part I of the Schedule to the SDI Ordinance) or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name of Director	No. of shares held
Foo Kam Chu, Grace	1,739,586,000 <i>(corporate interest)</i>
Tse Chun Kong, Thomas	280,179 <i>(personal interest)</i>

Notes:

- (a) Madam Foo Kam Chu, Grace's corporate interest (within the meaning of Practice Note No. 5 to the Listing Rules (the "Practice Note")), arises by virtue of her shareholding in Ko Bee Limited referred to in paragraph (b) below.
- (b) Madam Foo Kam Chu, Grace has a personal interest (within the meaning of the Practice Note) in respect of one share of US\$1, representing the entire issued share capital of Ko Bee Limited, a company incorporated in the British Virgin Islands, which holds and is beneficially interested in 1,739,586,000 shares of the Company.

(ii) Share options

Apart from the shares as disclosed herein, share options to subscribe for ordinary shares of the Company have been granted to the Directors pursuant to the Company's share option scheme which was adopted at a special general meeting of the Company held on 25 February, 1997. Particulars of share options outstanding at the Latest Practicable Date were as follows:

Name of director	Number of options outstanding	Exercise price	Period within which options can be exercised
Foo Kam Chu, Grace	3,000,000	HK\$0.660	01/01/1999 to 31/12/2002
	3,500,000	HK\$0.164	08/08/2000 to 31/12/2004
	3,800,000	HK\$0.100	02/07/2001 to 24/02/2007
Leung Yeuk Kuk, Joseph	1,000,000	HK\$0.660	01/01/1999 to 31/12/2002
	2,000,000	HK\$0.164	08/08/2000 to 31/12/2004
	2,500,000	HK\$0.100	02/07/2001 to 24/02/2007
Liu Guoyuan	3,800,000	HK\$0.100	02/07/2001 to 24/02/2007
Chan Wai Ling	3,000,000	HK\$0.100	02/07/2001 to 24/02/2007
Tse Chun Kong, Thomas	2,000,000	HK\$0.660	01/01/1999 to 31/12/2002
	2,000,000	HK\$0.164	08/08/2000 to 31/12/2004
	2,500,000	HK\$0.100	02/07/2001 to 24/02/2007

Save as disclosed herein, none of the directors or chief executives of the Company or their respective associates (as defined in the Listing Rules) had, as at the Latest Practicable Date, any interest, either beneficial or non-beneficial, in the securities of the Company.

None of the Directors has any direct or indirect interest in any assets which have been since the date of the latest published audited accounts of the Group, acquired or disposed of by or leased to any member of the Group.

None of the Directors is materially interested in any contract which is significant in relation to the business of the Group.

SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, other than the interests already disclosed above in respect of certain directors, the interest of the substantial shareholders of the Company, being 10% or more of the Company's issued share capital, as recorded in the register of the substantial shareholders maintained under section 16(1) of the SDI Ordinance were as follows:

Shareholder	Number of shares	% of issued share capital as at Latest Practicable date
Foo Kam Chu, Grace (<i>note (a)</i>)	1,739,586,000	55.82%
China Ocean Shipping (Group) Company (<i>note (b)</i>)	330,736,000	10.61%

Notes:

- (a) 1,739,586,000 shares of the Company are held by Ko Bee Limited, the share of which is beneficially wholly owned by Madam Foo Kam Chu, Grace.
- (b) 185,296,000 shares and 145,440,000 shares of the Company are held by COSCO Investments Limited and Graceful Nice Limited respectively, both of which are indirect subsidiaries of China Ocean Shipping (Group) Company.

Save as disclosed above, no person had registered an interest in the share capital of the Company that was required to be recorded under section 16(1) of the SDI Ordinance.

FINANCIAL INFORMATION ABOUT THE GROUP

- (1) As at the Latest Practicable Date, there are no debt securities of the Group issued and outstanding;
- (2) As at 31 December, 2001, on a consolidated basis :
 - (i) the total amount of mortgages and charges of the Group as secured bank loan is approximately HK\$1,322,100,000.00 which is supported by the guarantee from the Company;
 - (ii) the total amount of other bank loans and overdraft of the Group is approximately HK\$74,500,000.00;
 - (iii) the total amount of other loans of the Group is approximately HK\$329,600,000.00;
 - (iv) the aggregate amount of (i) and (ii) aforesaid is approximately HK\$1,396,600,000.00 represents the total outstanding indebtedness under the Soundwill Debt Restructure Agreement; and
 - (v) save as described in sub-paragraphs (i), (ii) and (iii) of this paragraph and intra-group liabilities, there are no other borrowings or indebtedness including bank overdrafts and liabilities under acceptance (other than normal trade bills) or acceptance credits or hire purchase commitments.
- (3) As at the Latest Practicable Date, the contingent liabilities of the Group are as follows:
 - (i) the litigations as mentioned in this circular; and

- (ii) the minimum return to the Group's bank creditors on the exercise of unlisted warrants issued by the Company as guaranteed by the Group whereby the maximum liability of the Company is approximately HK\$18,000,000.00.
- (4) Notwithstanding the economic weakness of Hong Kong in the fourth quarter of 2001, the sale and leasing of the Group's properties have not been adversely affected materially owing to the efforts of the Group's management. Upon completion of the Transactions, the borrowings of the Group will be reduced substantially with its gearing ratio reduced from approximately 181% to 149%. Therefore, management of the Group believes that the Company is able to maintain its financial strength and negotiate with its banks for a new refinancing arrangement with better terms. With the introduction of new strategic partners in developing property projects in the New Territories, the Group's business and other profitable projects can be further developed.
- (5) With the Transactions, the Group is able to reduce its borrowings and interest expenses substantially and source funding for the existing project. After taking into account of the aforesaid, the Directors believe that the Group has sufficient working capital available for its present operating requirements and be able to meet its financial obligation when they fall due in the foreseeable future.

LITIGATION

The two property related proceedings relating to the sale and purchase of certain properties involving two wholly owned subsidiaries of the Company are still on-going. According to a Judgement dated 3 December, 2001, it was ordered that the relevant agreements relating to one of such proceedings wherein the subsidiary of the Company is the plaintiff thereof be rescinded and the deposit of HK\$33,000,000.00 be refunded to the subsidiary of the Company. The Defendants of such proceeding have lodged an appeal against such court order. There is no material changes to the other proceeding wherein the subsidiary of the Company is the defendant thereof since the publication of the 2001 Interim Report. According to the latest legal advice taken by the Company, the subsidiaries of the Company and their respective shareholders would not, in any event, incur any further liability other than the deposits of HK\$33,000,000.00 and HK\$65,000,000.00 and/or security for costs already paid.

Save and except the two litigations aforesaid, neither the Company nor any other member of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Group.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has an unexpired service contract with the Company which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

MATERIAL CONTRACTS

The following material contracts have been entered into by the Group within the two years preceding the date of this circular:

- (1) the subscription agreement 10 March, 2000 entered into between, inter alia, the Company and Vision Telecommunications Holdings Limited ("Vision") under which wholly-owned subsidiary of the Company subscribed for 20% of the enlarged issued share capital of Vision at the price of HK\$82,113,500.00 which was financed by the placing and subscription agreement dated 10 March, 2000 hereinafter mentioned;

- (2) the placing and subscription agreement dated 10 March, 2000 made between Madam Foo Kam Chu Grace (“Mrs. Chan”), Prudential-Bache Securities (Hong Kong) Limited (“Prudential”) and the Company under which Mrs. placed 135,000,000 then existing shares and subscribed for 135,000,000 new shares of the Company at the price of HK\$0.63 per share;
- (3) the subscription agreement dated 11 April, 2000 made between, inter alia, Mrs. Chan and the Company under which, the wholly owned subsidiary of the Company acquired 70% of the issued shares of Vision at the price of HK\$287,398,440.00 which was satisfied by the Company by issuing 456,188,000 shares at HK\$0.63 per share to Mrs. Chan;
- (4) the Soundwill Debt Restructuring Agreement dated 8 May, 2000 made by the bank creditors of the Group and the Company to restructure the indebtedness of the Group owed to its bank creditors;
- (5) the placing agreement and subscription agreement both dated 8 September, 2000 made between Ko Bee Limited (“Ko Bee”), a company wholly owned by Mrs. Chan, and Kingsway SW Securities Limited and between Ko Bee and the Company respectively under which Ko Bee placed and subscribed for 115,000,000 shares of the Company at HK\$0.128 per share;
- (6) the instrument dated 15 November, 2000 made by the Company under which the Company issued 184,381,339 warrants to its bank creditors pursuant to the terms of the Soundwill Debt Restructure Agreement entitling the holder of each warrant to subscribed for one share of the Company at the subscription price as defined in the said instrument within the period of one year from 31 January, 2002;
- (7) the agreement for sale and purchase dated 8 May, 2001 made between the subsidiaries of the Company acting by the receivers of certain properties of the Group, the said receivers and the purchaser, Century Score Limited under which the said properties were sold for the price of HK\$275,000,000.00 which was applied to repay bank borrowings of the Group;
- (8) the agreement for sale and purchase dated 27 August, 2001 made by the wholly owned subsidiary of the Company and the purchaser, Pogain Limited under which certain properties of the Group were sold for the price of HK\$290,000,200.00 which was applied to repay bank borrowings of the Group;
- (9) the Well Pacific Shares Subscription Agreement; and
- (10) the Super Keep Shares Subscription Agreement.

EXPERT

- (1) As at the Latest Practicable Date, the Experts do not have any shareholding in any member of the Group or the right (whether legally enforceable or not) or option to subscribe for securities in any member of the Group.
- (2) The Experts have given and have not withdrawn consent to the issue of this document with the inclusion of and references to its respective name and, where relevant, letters and/or valuation certificates in the forms and contexts in which they respectively appear.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company at 21st Floor, Soundwill Plaza, No. 38 Russell Street, Causeway Bay, Hong Kong during normal business hours until 4 April, 2002:

- (1) the memorandum and articles of association of the Company;
- (2) the material contracts mentioned aforesaid;
- (3) the audited accounts of Well Pacific and Super Keep for 1999 and 2000.
- (4) the consolidated audited accounts of the Group for 1999 and 2000;
- (5) the valuation report made in August 2001 by DTZ Debenham Tie Leung Limited;
- (6) the valuation report made in February 2002 by CS Surveyors Limited; and
- (7) the valuation report made in February 2002 by Knight Frank.

MISCELLANEOUS

1. The company secretary of the Company is Mr. Kwan Chai Ming who has been admitted as a Solicitor in the High Court of Hong Kong and is a member of The Law Society of Hong Kong.
2. The Hong Kong branch share registrar and transfer office of the Company is Standard Registrars Limited whose registered office is at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong.
3. The English text of this circular shall prevail over the Chinese text.