

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



## **SOUNDWILL HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

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

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

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

#### **SUMMARY**

- The board (“Board”) of directors (“Directors”) of Soundwill Holdings Limited (“Soundwill”) wish to announce capital reorganization proposals (“Proposals”) of Soundwill to:
  - (i) consolidate every 50 issued ordinary shares of Soundwill of HK\$0.01 each into one ordinary share of HK\$0.50 each (“Issued Share Consolidation”);
  - (ii) following the Issued Share Consolidation, reduce the paid up capital and par value of the issued ordinary shares of Soundwill from HK\$0.50 each to HK\$0.10 each by the cancellation of HK\$0.40 paid up on each ordinary share (“Capital Reduction”);
  - (iii) credit the amount arising from the cancellation of the paid up capital of each of the issued ordinary shares pursuant to the Capital Reduction to the contributed surplus account of Soundwill; and
  - (iv) following the Capital Reduction, consolidate every ten (10) authorized but unissued ordinary shares of Soundwill of HK\$0.01 each in to one (1) ordinary share of HK\$0.10 each (“Authorized Share Consolidation”).
- The Proposals are conditional (see “Conditions of the Proposals” below).
- The Board also proposes to (i) renew the general mandates granted to the Directors to allot, issue and repurchase securities of Soundwill; and (ii) accept the resignation of existing auditors and appoint new auditors to fill the vacancy arising therefrom.
- Soundwill will send to its shareholders (“Shareholders”), a circular containing, amongst other things, further information on the Proposals and a notice convening a special general meeting of the Shareholders at which resolutions will be proposed to approve, inter alia, the Proposals, the renewal of mandates and the appointment of new auditors as soon as practicable.

## **THE PROPOSALS**

### **Issued Share Consolidation**

It is proposed that every 50 issued ordinary shares of Soundwill of HK\$0.01 each will be consolidated into one ordinary share of HK\$0.50 each. All fractions of ordinary shares in issue after the Issued Share Consolidation will be aggregated and sold for the benefit of Soundwill.

### **Capital Reduction**

It is proposed that the paid up capital and par value of the issued ordinary shares of Soundwill after the Issued Share Consolidation, will be reduced from HK\$0.50 each to HK\$0.10 each by the cancellation of HK\$0.40 paid up on each ordinary share and the amount arising from the cancellation of issued paid up ordinary share capital will be credited to the contributed surplus account of Soundwill.

### **Authorized Share Consolidation**

As the par value of the authorized shares of Soundwill is currently HK\$0.01 each, it is necessary to consolidate each of the authorized but unissued shares to bring them in line with the new par value of the issued ordinary shares after the Capital Reduction. As such, it is proposed that every ten (10) authorized but unissued ordinary shares of Soundwill of HK\$0.01 each be consolidated into one (1) ordinary share of HK\$0.10 each.

## **EFFECTS OF THE PROPOSALS**

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

On the basis of 3,116,402,151 Ordinary Shares presently in issue and that no further Ordinary Shares are issued before the Proposals become effective, a credit of HK\$24,931,217.20 will arise as a result of the Capital Reduction. Such credit will be credited to the contributed surplus account of Soundwill. The amounts credited to the contributed surplus account may be applied by the Directors in any manner permitted by Bermuda law and the bye-laws of Soundwill. The Directors of Soundwill intend to apply the entire amount credited to the contributed surplus account arising from the Capital Reduction to partially eliminate the accumulated losses of Soundwill and its subsidiaries (the “Group”) which amounted to HK\$1,314,567,000.00 as at 31st December 2001 and HK\$1,409,669,000.00 as at 30th June 2002.

Upon the Issued Share Consolidation, the Capital Reduction and the Authorized Share Consolidation (collectively, the “Capital Reorganization”) becoming unconditional and effective, the authorized share capital of Soundwill will be HK\$500,000,000.00 divided into 5,000,000,000 ordinary shares of HK\$0.10 each (“Adjusted Ordinary Shares”) of which 62,328,043 Adjusted Ordinary Shares (assuming that no further Ordinary Shares are issued before the Proposals become effective) will be in issue, fully paid or credited as fully paid.

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

Other than the expenses incurred relating to the Proposals, implementation of the Proposals will not, of itself, alter the underlying assets, business operations, management or financial position of Soundwill or the interest of the Shareholders. The Board believes that the Proposals will not have any material adverse effect on the financial position of Soundwill.

## **REASONS FOR THE PROPOSALS**

The Group has been operating at a loss and the net loss of the Group for the financial year ended 31st December 2001 amounted to HK\$237,830,000.00. The accumulated losses of the Group as at 31st December 2001 was HK\$1,314,567,000.00 and that as at 30th June 2002 was HK\$1,409,669,000.00. In order to reduce the accumulated losses of the Group, the Board proposes that the entire amount credited to the contributed surplus account of Soundwill arising from the Proposals will be applied to partially eliminate the accumulated losses of Group as at the date when the Proposals becoming effective. If the Proposals are approved at the SGM (as defined hereinafter) by the Shareholders, it will enable Soundwill to reduce the accumulated losses of the Group and reduce the transaction costs of the Shareholders.

## **CONDITIONS OF THE PROPOSALS**

The Capital Reorganization is conditional upon:

- (i) the passing by the shareholders of Soundwill of a special resolution approving the Capital Reorganization; and
- (ii) the Listing Committee of The Stock Exchange of Hong Kong Limited (“Stock Exchange”) granting listing of and permission to deal in the Adjusted Ordinary Shares resulting from the Proposals.

Assuming all the above conditions are fulfilled, it is expected that the Proposals will become effective on the business day immediately following the date of the special general meeting (“SGM”) of Soundwill.

## **PROPOSAL TO RENEW GENERAL MANDATES TO ISSUE AND REPURCHASE SECURITIES**

The Board proposes to renew the general mandates granted to the Directors at the SGM to allot, issue and repurchase securities of Soundwill following the Proposals becoming unconditional and effective. The Board will seek approvals of the relevant resolutions to be proposed at the SGM of Soundwill.

## **RESIGNATION AND APPOINTMENT OF AUDITORS**

The existing auditors of Soundwill, Messrs. Moores Rowland, Certified Public Accountants (“Moores Rowland”), has tendered its resignation to the Board to take effect on 20th February 2003. The Directors therefore propose to accept the resignation of Moores Rowland as auditors of Soundwill and to appoint Messrs. Grant Thornton, Certified Public Accountant as the new auditors of Soundwill at the SGM. Moores Rowland has confirmed in writing that it did not consider anything material that should be brought to the attention of the Shareholders or creditors of Soundwill. The Directors will seek approvals of the relevant resolutions to be proposed at the SGM of Soundwill.

## **GENERAL**

Application will be made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Adjusted Ordinary Shares. Subject to the Capital Reduction becoming unconditional, arrangements will be made for a dealer in securities to stand in the market following the Capital Reduction to purchase and sell odd lots of Adjusted Ordinary Shares. Details of the timetable for the Proposals, trading arrangements, free exchange of share certificates following the Proposals and matching services will be included in the circular as described above and a further announcement including the aforementioned information will be made after the SGM.

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

Hong Kong, 25th February 2003

*Please also refer to the published version of this announcement in the (**China Daily**)*