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## **SOUNDWILL HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code : 878)**

### **CONNECTED TRANSACTION PROPOSED CONVERTIBLE BOND ISSUE**

**Financial adviser to the Independent Board Committee**

**TANRICH**  
**Tanrich Capital Limited**

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A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on page 12 of this document.

A notice convening the SGM to be held at 10:00 a.m., Friday on 30 July 2004 at Room 02, 30th Floor, Soundwill Plaza, 38 Russell Street, Causeway Bay, Hong Kong is set out on pages 26 to 27 of this document. A form of proxy for use at the SGM is enclosed. If you are unable to attend the meeting in person, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company at 21st Floor, Soundwill Plaza, 38 Russell Street, Causeway Bay, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for the holding of the SGM. Delivery of a form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned SGM should you so desire.

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# CONTENTS

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	<i>Page</i>
<b>Definitions</b> .....	1
<b>Expected Timetable</b> .....	3
<b>Letter from the Board</b> .....	4
<b>Letter from Independent Board Committee</b> .....	12
<b>Letter from Tanrich</b> .....	13
<b>Appendix — General Information</b> .....	20
<b>Notice of SGM</b> .....	26

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## DEFINITIONS

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*In this document, the following expressions have the following meanings:*

“Agreement”	a conditional agreement dated 17 June 2004 between the Company and Ko Bee in relation to, amongst other things, the subscription and issue of the Bonds
“Banking Day”	the day at which the banks in Hong Kong are opened (except Saturday)
“Board”	the board of directors of the Company
“Bonds”	the interest bearing convertible bonds due by 17 June 2008 in the aggregate principal amount of the aggregate of (i) HK\$147,229,896.66 which equivalents to the principal amount of the Loan together with the interest accrued thereon calculated up to and inclusive of the date of the Agreement; and (ii) the amount representing the amount of interest accrued on the Loan calculated from the date after the date of the Agreement until the date before Completion of the Agreement, each in the denomination of HK\$500,000, to be issued pursuant to the Agreement and to be created by the Instrument and if at any time the outstanding amount is less than HK\$500,000, a Bond shall be issued in respect of such remaining outstanding amount.
“Company”	Soundwill Holdings Limited, the shares of which are listed on the Stock Exchange
“Completion”	completion of the Issue in accordance with the terms of the Agreement
“Completion Date”	the third business day after the fulfillment of all the conditions of the Agreement
“Conversion Shares”	Shares which will fall to be allotted and issued upon full conversion of the Bonds at the conversion price
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HSBC”	The Hongkong and Shanghai Banking Corporation Limited
“Independent Board Committee”	an independent committee of the Board, comprising Wong Tak Leung Charles and Yuen Hing Man, the independent non-executive directors of the Company, for the purpose of advising the Independent Shareholders in respect of the Issue
“Independent Financial Adviser” or “Tanrich”	Tanrich Capital Limited, a deemed licensed corporation to carry on Types 1 and 6 regulated activities (dealing in securities and advising on corporate finance) as defined in Schedule 5 to the SFO, and the independent financial adviser appointed to advise the Independent Board Committee in relation to the Issue

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## DEFINITIONS

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“Independent Shareholders”	Shareholders who are not involved nor interested in the Issue other than their interests as Shareholders
“Instrument”	the instrument to be executed by the Company by way of a deed poll constituting the Bonds substantially in the form set out in the schedule to the Agreement
“Issue”	the issue of the Bonds in registered form to Ko Bee on the terms of the Agreement
“Ko Bee”	Ko Bee Limited, a company incorporated in the British Virgin Islands, the registered office of which is at the Offices of Offshore Incorporations Limited, P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, the British Virgin Islands and the entire issued share capital of which is beneficially owned by Madam Foo Kam Chu Grace, the Chairman of the Company
“Latest Practicable Date”	12 July 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Loan”	an unsecured interest bearing loan owed by the Company to Ko Bee
“Loan Capitalization”	subscription for 17,000,000 Shares at HK\$2.55 per share pursuant to the Loan Capitalization Agreement
“Loan Capitalization Agreement”	a loan capitalization agreement dated 17 March 2004 and entered into between the Company and Ko Bee
“Loan Interest Rate”	the interest at a rate of prime lending rate plus 1.75% per annum to be charged on the outstanding loan owed by the Company to Ko Bee
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the maturity date of the Bonds, being 17 June 2008
“PRC”	The People’s Republic of China and for the purpose of this circular does not include Hong Kong, Macau and Taiwan
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held for the purpose of passing the relevant resolutions in relation to the Issue
“Shares”	ordinary share(s) of par value of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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## EXPECTED TIMETABLE

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2004

Latest time for lodging forms of proxy for the SGM . . . . .	10:00 a.m. on 28 July
SGM . . . . .	10:00 a.m. on 30 July
Completion of the Agreement . . . . .	4 August

*Note:* All time references contained in this document refer to Hong Kong time.



## SOUNDWILL HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

Executive Directors:

Foo Kam Chu Grace, *Chairman*  
Chan Wai Ling, *Executive Director*  
Tse Chun Kong Thomas, *Executive Director*  
Kwan Chai Ming, *Executive Director*

*Registered Office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

Non-executive Directors:

Liu Hanbo, *Non-Executive Vice Chairman*  
Meng Qinghui, *Non-Executive Director*

*Head Office and*

*Principal Place of Business:*  
21st Floor, Soundwill Plaza  
38 Russell Street  
Causeway Bay  
Hong Kong

Independent Non-executive Directors:

Wong Tak Leung Charles  
Yuen Hing Man

13 July 2004

*To the Shareholders and, for information only, warrant holders*

Dear Sirs,

### CONNECTED TRANSACTION PROPOSED CONVERTIBLE BOND ISSUE

#### INTRODUCTION

It was announced on 23 June 2004 that the Company entered into the Agreement on 17 June 2004 with Ko Bee. Ko Bee is the controlling shareholder of the Company, currently holding around 67.05% of the Company's issued share capital and a connected person of the Company as defined under Rule 14A.11(1) of the Listing Rules. Consequently, the Agreement constitutes a connected transaction for the Company and the Issue and allotment and issue of Conversion Shares will be subject to the approval by the Independent Shareholders at the SGM. Accordingly, the Independent Board Committee comprising Mr. Wong Tak Leung Charles and Mr. Yuen Hing Man, both being independent non-executive directors of the Company, have been formed to advise the Independent Shareholders on the terms of the Issue. Tanrich has been appointed as the independent financial adviser to advise the Independent Board Committee in this regard.

Ko Bee and its associates (as defined under the Listing Rules) will abstain from voting the resolutions approving the Issue and the allotment and issue of Conversion Shares at the SGM.

The purpose of this document is to provide you with further information in relation to the Issue, to set out the advice of the independent board committee to the Independent Shareholders, to set out the advice of Tanrich to the Independent Board Committee, and to give you the notice of the SGM.

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# LETTER FROM THE BOARD

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## THE AGREEMENT DATED 17 JUNE 2004

The Company has entered into the Agreement with Ko Bee on 17 June 2004 pursuant to which Ko Bee agrees to subscribe for, and the Company agrees to allot and issue the Bonds.

Up to 17 June 2004, the outstanding principal amount of the Loan is HK\$146,068,353.11. The Loan bears interest at a rate of prime lending rate plus 1.75% per annum. The issue price of the Bonds will be satisfied by setting off against the outstanding principal amount of the Loan and interest accrued.

### Conditions

Completion of the Agreement is conditional on the following conditions being satisfied:

- (a) the passing by the Shareholders by poll (other than Ko Bee and its associates (as defined in the Listing Rules)) in the SGM of an ordinary resolution approving the Agreement, the Instrument and the transaction(s) contemplated therein;
- (b) the Stock Exchange having granted the listing of, and permission to deal in the Conversion Shares which may fall to be issued on conversion of the Bonds; and
- (c) the Bermuda Authority having granted its permission for the Issue and the free transferability of the Conversion Shares which may fall to be issued on conversion in full of the Bonds, if necessary.

### Completion

Completion of the Agreement will take place on the third business day after the fulfillment of all the conditions mentioned under the paragraph headed “Conditions” of this circular (or such later date(s) as may be agreed between the parties to the Agreement in writing). If any of the above conditions has not been fulfilled on or before 16 August 2004 (or such later date(s) as may be agreed between the parties to the Agreement in writing), the Agreement shall, subject to the liability of any party to the others in respect of any antecedent breaches of the terms thereof, be null and void and of no effect.

## PRINCIPAL TERMS OF THE BONDS

### Principal amount

The principal amount of the Bonds will be issued at the price of the aggregate of (i) HK\$147,229,896.66 which equivalents to the principal amount of the Loan together with the interest accrued thereon calculated up to and inclusive of the date of the Agreement; and (ii) the amount representing the amount of interest accrued on the Loan calculated from the date after the date of the Agreement until the date before Completion of the Agreement, in denomination of HK\$500,000 each. For the outstanding amount which is less than HK\$500,000, a Bond shall be issued in denomination of such outstanding amount.

The issue price will be satisfied by fully setting off against the outstanding principal amount of the Loan and the interest accrued thereon.

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## LETTER FROM THE BOARD

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### **Interest**

The Bonds will bear interest on the outstanding principal from the date of issue at a rate per annum equal to 3% below prime lending rate of the Banking Day immediately before any date of interest payment quoted by HSBC. Interests will be payable quarterly in arrears commencing 3 months after the date of the Issue.

### **Maturity Date**

The Company will repay the outstanding principal amount of the Bonds on 17 June 2008, unless previously converted into Shares.

### **Redemption Date**

The Company is entitled at any time and from time to time by notice in writing to the holders of the Bonds declare that the Bonds or any part thereof (in an amount or integral multiple of HK\$500,000) be redeemed on such date (being a date not earlier than the expiry of 30 days after the date of the notice) as set out in the notice when the Bonds shall be redeemed by the Company at the principal amount of the outstanding Bonds. If at any time the outstanding amount is less than HK\$500,000, the Company is entitled to exercise its redemption right in respect of such remaining outstanding amount. In the event that the Company redeems the Bonds or any part thereof before the maturity date, the Company shall pay a pre-payment interest to the holders of the Bonds as compensation. Such pre-payment interest shall be calculated on the basis of the amount of interest that would have accrued on the principal amount of the Bonds to be converted until the Maturity Date as if the conversion has never been made.

The Bonds are liable to be redeemed at the option of the holders of the Bonds upon the occurrence of certain events of default as stipulated in the Instrument.

### **Conversion**

Up to 50% of the Bonds held by each of the holders of the Bonds may be convertible into ordinary shares of the Company in amounts or integral multiples of HK\$500,000 at any time immediately following the issue of the Bonds, being the Completion Date, up to 4:00 p.m., 31 December 2004 (Hong Kong time) and all the outstanding principal amount of the Bonds may be convertible up to 4:00 p.m., 17 June 2008 (Hong Kong time). If at any time the outstanding amount of the Bonds is less than HK\$500,000, the holders of the Bonds will have the right to convert such remaining outstanding amount.

### **Conversion price**

The conversion price is HK\$1.68 (subject to adjustment as provided in the Instrument), which is equivalent to 6.3% over and above the average of the closing prices published in the Stock Exchange's daily quotations sheet for one Share (assuming a transaction in a board lot) for the ten consecutive trading days ending on the trading day immediately preceding the date of the Agreement. The conversion price was agreed after arm's length negotiations between the Company and Ko Bee and taken into account of the recent market price of the Shares.



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## LETTER FROM THE BOARD

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### **Shares to be issued upon conversion**

The Shares to be issued upon conversion of the Bonds will rank *pari passu* in all respects among themselves and with the Shares in issue on the relevant date of conversion.

The existing issued share capital of the Company is HK\$12,152,382.70 divided into 121,523,827 Shares. Assuming that the entire principal amount of the Bonds is converted at the conversion price of HK\$1.68 per Share and on the basis that the total amount of the outstanding Loan and interest accrued thereon calculated up to the date before the Completion Date is in the sum of HK\$148,499,490.77, a total of 88,392,554 Shares will be issued. These Shares represent (i) approximately 72.74% of the existing issued share capital of the Company; and (ii) approximately 42.11% of the issued share capital of the Company as enlarged by the new Shares to be issued upon full conversion of the Bonds.

The shareholding of the existing public Shareholders will be diluted from approximately 26.33% to approximately 15.24% as a result of the full conversion of the Bonds at the conversion price as aforesaid. According to the terms of the Instrument, the rights of conversion shall only be exercisable so long as there is a public float of at least 25% of the issued share capital of the Company as enlarged by the new Shares to be issued upon conversion of the Bonds. Based on the register of substantial Shareholder maintained by the Company as at the Latest Practicable Date, Ko Bee is interested in approximately 67.05% of the issued Shares of the Company. Apart from Ko Bee, there is no person interested in 10% or more of the issued Shares of the Company as at the Latest Practicable Date.

### **Voting rights of holders of the Bonds**

The holders of the Bonds will not have any right to attend or vote at any meeting of the Company by virtue of their being the holders of the Bonds.

### **Transferability**

Each of the Bonds is not assignable or transferable by the holders of the Bonds other than to its wholly owned subsidiaries, its holding company or wholly owned subsidiaries of its holding company or with the prior written consent of the Company, subject to the conditions provided in the terms and conditions of the Bonds. The Company has undertaken to inform the Stock Exchange of any dealings by any connected persons (as defined under the Listing Rules) or their respective associates (as defined under the Listing Rules) from time to time in the Bonds as soon as practicable upon the Company becoming aware of such dealing(s).

### **Application for listings**

The Company has submitted an application to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares which may fall to be issued upon conversion of the Bonds. No listing of the Bonds will be sought on the Stock Exchange or any other stock exchanges. This circular is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.

### INFORMATION ON THE COMPANY AND KO BEE

The Company is an investment holding company. The Group is principally engaged in property development, property leasing and provision of building management services in Hong Kong and the PRC urban infrastructure development. Ko Bee is an investment holding company.

### REASONS FOR THE TRANSACTION

Provided that the Bonds are fully converted into Shares, the Issue will enable the Group to:

- (a) fully repay the principal amount of the Loan (with accrued interest) due to Ko Bee which will be due on 24 March 2005 without affecting working capital of the Company; and
- (b) reduce its interest expenses of approximately HK\$580,000 per month due to the reduction of interest rate from prime lending rate plus 1.75% per annum i.e. currently 6.75% per annum to prime lending rate minus 3% per annum i.e. currently 2% per annum.

Henceforth, the Board considers that the Issue is in the best interest of the Company and the Shareholders as a whole.

### CONNECTED TRANSACTION

As Ko Bee is a substantial shareholder of the Company, the Agreement constitutes a connected transaction for the Company under Rule 14A.11(1) of the Listing Rules. Accordingly the Issue and the allotment and issue of Conversion Shares will be subject to the approval by the Independent Shareholders at the SGM by poll. Ko Bee and its associates (as defined under the Listing Rules) will abstain from voting on the resolutions approving the Issue and the allotment and issue of Conversion Shares at the SGM.

An Independent Board Committee has been formed to consider the terms of the Issue and an independent financial adviser, Tanrich, had been appointed to advise the Independent Board Committee in this regard.

# LETTER FROM THE BOARD

## EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE-MONTH PERIOD

Date of announcement	Event	Counterparty	Discount/ premium to the market price	Net proceeds (approximate)	Intended use of proceeds (approximate)	Actual use of proceeds as at the date of announcement (approximate)
30 July 2003	Conditional bonus issue of warrants to Shareholders on the basis of one warrant for every five Shares then held by them	Shareholders (except overseas shareholders) whose names appear on the register of members of the Company on 26 August 2003	a premium of approximately 32.45% to the closing price of HK\$1.51 per Share as quoted on the Stock Exchange on 30 July 2003, and a premium of approximately 34.23% based on the average closing price per Share of HK\$1.49 as quoted on the Stock Exchange for the past 10 trading days up to and including 7 August 2003	If fully subscribed HK\$24,931,216  As at 18 June 2004 7,642,125 Shares have been subscribed for and the amount of proceeds accrued was approximately HK\$15,284,250	For general working capital	HK\$14,700,000 has been used for repayment of shareholder's loan owed to Ko Bee and the remaining balance has been applied as general working capital
13 February 2004	Placing of 5,500,000 existing Shares at HK\$2.20 per Share and subscription of 13,939,688 new Shares at HK\$2.20 per Share	Ko Bee	a discount of around 5.58% to the closing price of HK\$2.33 per Share as quoted on the Stock Exchange on 13 February 2004 and a premium of around 1.85% over the average closing price of HK\$2.16 per Share for the last 10 trading days up to and including 13 February 2004.	HK\$30.67 million. The proceeds was satisfied partly by offsetting against part of the unsecured interest-bearing loan owed by the Company to Ko Bee for an amount of around HK\$18.57 million and the balance of approximately HK\$12.10 million by cash payment	HK\$18.57 million was used for repayment of shareholder's loan owed to Ko Bee and the remaining balance would be applied for future business development and as general working capital of the Group	HK\$18.57 million has been used for repayment of shareholder's loan owed to Ko Bee. The net cash proceeds of around HK\$11 million has been used as to approximately HK\$5,500,000 for the property and urban infrastructure businesses of the Group and the remaining balance of approximately HK\$5,500,000 has been applied as general working capital of the Group

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## LETTER FROM THE BOARD

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Date of announcement	Event	Counterparty	Discount/ premium to the market price	Net proceeds (approximate)	Intended use of proceeds (approximate)	Actual use of proceeds as at the date of announcement (approximate)
18 March 2004	Loan Capitalization Agreement whereby Ko Bee agreed to subscribe for 17,000,000 Shares at HK\$2.55 each	Ko Bee	The same as the closing price of HK\$2.55 per Share quoted on the Stock Exchange on 17 March 2004 and represents a premium of approximately 0.29% to the average closing prices per Share for the 10 trading days ended 17 March 2004	HK\$43,350,000	For partial repayment of the principal amount of loan (with accrued interest) owed to Ko Bee by HK\$43,350,000	For partial repayment of the principal amount of loan (with accrued interest) owed to Ko Bee by HK\$43,350,000

Save as aforesaid, the Company has not conducted any other equity fund raising activities in the past twelve-month period immediately before the date of this circular.

### PUBLIC FLOAT

According to the terms of the instrument constituting the Bonds, the rights of conversion shall only be exercisable so long as there is a public float of at least 25% of the issued share capital of the Company as enlarged by the new Shares to be issued upon conversion of the Bonds.

### GENERAL

The notice for the SGM is set out on pages 26 to 27 of this document. The SGM will be held at 10:00 a.m., Friday on 30 July 2004 at Room 02, 30th Floor, Soundwill Plaza, 38 Russell Street, Causeway Bay, Hong Kong at which resolutions will be proposed to consider and approve the Issue and allotment and issue of Conversion Shares at the SGM.

A form of proxy for use at the SGM is enclosed. If you are unable to attend the meeting in person, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company at 21st Floor, Soundwill Plaza, 38 Russell Street, Causeway Bay, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for the holding of the SGM. Delivery of a form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned SGM should you so desire.

### RECOMMENDATIONS

The Board considers that the terms of the Agreement and the Bonds are fair and reasonable so far as the Independent Shareholders are concerned and the entering into of the Agreement and the Issue is in the interest of the Company and the Shareholders. Accordingly, the Board has recommended the Shareholders to vote in favour of the resolutions in respect of the Agreement and Issue to be proposed at the SGM.

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## LETTER FROM THE BOARD

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The Independent Board Committee, having considered the advice from Tanrich, considers that the terms of the Agreement and the Bonds are fair and reasonable so far as the Independent Shareholders are concerned and the entering into of the Agreement and the Issue is in the interest of the Company and the Independent Shareholders. Accordingly, the Independent Board Committee has recommended the Independent Shareholders to vote in favour of the resolutions in respect of the Issue and allotment and issue of Conversion Shares to be proposed in the SGM.

The text of the letter from Tanrich, containing its opinion and the principal factors and reasons taken into account in arriving at its opinion as regards the Issue, is set out on pages 13 to 19 of this circular.

### **ADDITIONAL INFORMATION**

Please refer to the appendix to this document for additional information.

Yours faithfully,  
For and on behalf of the Board  
**Soundwill Holdings Limited**  
**Kwan Chai Ming**  
*Executive Director*



## SOUNDWILL HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

13 July 2004

*To the Independent Shareholders*

Dear Sirs,

### CONNECTED TRANSACTION PROPOSED CONVERTIBLE BOND ISSUE

We refer to the document of the Company dated 13 July 2004 (the “Document”) to the Shareholders, of which this letter forms part. The terms used in this letter shall have the same meanings as defined in the Document unless the context otherwise requires.

We have been appointed by the Board as members to constitute an Independent Board Committee and to advise you in relation to the Issue.

Tanrich has been appointed to advise the Independent Board Committee as to whether the terms of the Agreement and the Bonds are fair and reasonable so far as the Independent Shareholders are concerned. Details of its advice, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 13 to 19 of the Document.

Your attention is also drawn to the letter from the Board set out on pages 4 to 11 of the Document and the additional information set out in the appendix of the Document.

Having considered the terms of the Agreement and the Bonds and the advice of Tanrich, we are of the opinion that the terms of the Agreement and the Bonds are fair and reasonable so far as the Independent Shareholders are concerned and that the entering into the Agreement with Ko Bee Limited and the Issue is in the interest of the Company and the Shareholders. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the entering into of the Agreement, the Issue and allotment and issue of Conversion Shares.

Yours faithfully,

Independent Board Committee of

**Soundwill Holdings Limited**

**Wong Tak Leung Charles**

**Yuen Hing Man**

*Independent Non-executive Director*

*Independent Non-executive Director*

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## LETTER FROM TANRICH

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*The following is the text of the letter of advice from Tanrich, the independent financial adviser to the Independent Board Committee, in relation to the connected transaction, which has been prepared for the purpose of incorporation in this circular.*

**TANRICH**

**Tanrich Capital Limited**  
16/F, Central Plaza,  
18 Harbour Road,  
Wanchai,  
Hong Kong

13 July 2004

The Independent Board Committee  
21/F, Soundwill Plaza,  
38 Russell Street,  
Causeway Bay,  
Hong Kong

Dear Sirs,

### **CONNECTED TRANSACTION PROPOSED CONVERTIBLE BOND ISSUE**

#### **INTRODUCTION**

We refer to our appointment by the Company as the independent financial adviser to the Independent Board Committee to give our recommendation as to whether the terms of the transaction under the Agreement is fair and reasonable so far as the Independent Shareholders are concerned, details of the Issue has been set out in the letter from the Board (the “Letter from the Board”) contained in the circular of the Company dated 13 July 2004 (the “Circular”), of which this letter forms part. Unless the context requires otherwise, capitalized terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

On 17 June 2004, the Company entered into the Agreement with Ko Bee in connection with the proposed issue of the Bonds to Ko Bee for the purpose of fully setting off against the Loan and interest accrued thereon. Upon full conversion of the Bonds, 88,392,554 Conversion Shares will be issued at HK\$1.68, representing approximately 72.74% of the existing issued share capital of the Company and approximately 42.11% of the enlarged share capital of the Company. As at the Latest Practicable Date, Ko Bee is the controlling shareholder of the Company holding approximately 67.05% of the Company’s issued share capital and is a connected person of the Company as defined under Rule 14A.11(1) of the Listing Rules. The entering into the Agreement is therefore a connected transaction of the Company and will be subject to the approval by the Independent Shareholders at the SGM. An independent board committee comprising Mr. Wong Tak Leung Charles and Mr. Yuen Hing Man was established to advise the Independent Shareholders on the terms of the Issue. Ko Bee and its associates (as defined under the Listing Rules) will abstain from voting on the resolutions approving the Issue at the SGM.

In formulating our opinion and recommendation, we have relied on the statements, information and facts supplied by, the opinions expressed by and the representations of, including but not limited to, the Agreement and have assumed that any representations made to us are true, accurate and complete. We have also relied on the statements, information, opinions and representations contained in the Circular and the

information and representations provided to us by the Directors and management of the Company. We have also assumed that all statements, information and representations contained or referred to in the Circular, which have been provided by the Directors and management of the Company, for which they are solely and wholly responsible, were true, complete and accurate in all aspects at the time they were made and given and continue to be so in all respects as at the date of dispatch of the Circular. We have also assumed that all statements of beliefs, opinions and intentions made by the Directors in the Circular were reasonably made after due and careful enquiry and were based on honestly-held opinions. The Directors have confirmed that they take full responsibility for the contents of the Circular.

We consider that we have been provided with sufficient information to enable us to reach an informed view and to provide a reasonable basis for our opinion regarding the entering of the Agreement. We have no reason to suspect that such information is inaccurate or that any material facts have been omitted or withheld from the information and representations provided or opinions expressed in the Circular. In line with normal practice, we have not, however, conducted any independent in-depth investigation into the business and affairs and prospects of the Group. The Directors have confirmed that no material facts have been omitted from the information supplied to us.

## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion in respect of the terms of the Agreement, we have considered, among other things, the following factors and reasons:

### **1. Background and reasons for the entering into the Agreement**

The Company is an investment holding company. The Group is principally engaged in property development, property leasing and provision of building management services in Hong Kong and the PRC urban infrastructure development. For each of the two years ended 31 December 2003, the Group recorded loss attributable to shareholders of approximately HK\$411.8 million and profit attributable to shareholders of approximately HK\$61.8 million respectively. As stated in the Company's 2003 annual report, the Group achieved a turnaround in 2003 in terms of financial position and the Group's success in overcoming the financial difficulties was attributable to the positive impact from factors like low interest rate and the Group's re-financing arrangement with major creditor banks at the end of 2002, which effectively lowered the Group's borrowing interest rate.

As at 31 December 2003, the Group had total interest bearing borrowings of approximately HK\$1,357 million, out of which approximately HK\$353 million were short-term interest bearing borrowings which would fall due before 31 December 2004. The Group had also recorded net current liabilities of HK\$345 million by the end of 2003. According to the Company's 2003 annual report, the cash and bank balances of the Group amounted to approximately HK\$36 million as at 31 December 2003. As advised by the Directors, the Group had undertaken various steps to alleviate its debt burden including (i) negotiation with major bank creditors to refinance and/or extend its existing short-term loans; (ii) raising funds from capital markets through placing of Shares in February 2004; and (iii) entering into the Loan Capitalisation Agreement with Ko Bee to partially repay the Loan by approximately HK\$43.4 million in March 2004. In addition, as stated in the Letter from the Board, the Issue, upon full conversion by the Bonds, will enable the Group to (i) fully repay the principal amount of the Loan (with accrued interest) due to Ko Bee which will be due on 24 March 2005 without affecting working capital of the Company; and (ii) reduce its interest expenses by approximately HK\$580,000 per month due to the reduction of interest rate from prime lending rate plus 1.75% per annum i.e. currently 6.75% per annum to prime lending rate minus 3% per annum i.e. currently 2% per annum. The Directors believe that these steps will help to alleviate the Group's short-term debt burden and strengthen the Group's working capital position.



Based on the above, we concur with the Directors' view that it is in the interest of the Company and the Shareholders as a whole to alleviate the Company's debt burden by way of the Issue in order to set off against the full amount of the Loan and interest thereon and effectively extending the repayment date of the Loan from March 2005 to June 2008, thus strengthening the Group's working capital position.

### 2. Principal terms of the Agreement

#### (i) *Interest rate*

The Bonds carry an interest rate of 3% below the prime lending rate of the Banking Day immediately before any date of interest payment quoted by HSBC per annum, payable quarterly in arrears. According to the facilities letter of the Loan, the Loan Interest Rate is prime lending rate plus 1.75% per annum, payable quarterly in arrears. Hence, the interest rate of the Bonds is substantially lower than the Loan Interest Rate, representing a 4.75% interest rate reduction and approximately HK\$6.96 million saving in interest expense per annum. Further, the average borrowing cost of the Group throughout the year ended 31 December 2003 was approximately 4% per annum as stated in the Company's 2003 annual report and the Bonds' interest rate is substantially lower than that. Having considered the above comparisons, we are of the view that the interest rate of the Bonds of prime lending rate minus 3% per annum is highly favourable to the Company as a whole and the Independent Shareholders concerned.

#### (ii) *Conversion price*

Under the Instrument, the holder of the Bonds has the right to convert the principal amounts of the Bonds into new Shares at HK\$1.68 per Share. Such conversion price was determined after arm's length negotiations between the Company and Ko Bee with reference to the prevailing market price of the Shares.

We note that the conversion price of HK\$1.68 per Share represents:

- a premium of approximately 18.3% to the closing price of HK\$1.42 as quoted on the Stock Exchange on 17 June 2004, being the date of signing of the Agreement;
- a premium of approximately 6.3% to the average of the closing prices per Share as quoted on the Stock Exchange of approximately HK\$1.58 for the ten trading days up to and including 17 June 2004; and
- a premium of approximately 21.7% to the closing price of HK\$1.38 as quoted on the Stock Exchange on 12 July 2004, being the Latest Practicable Date.

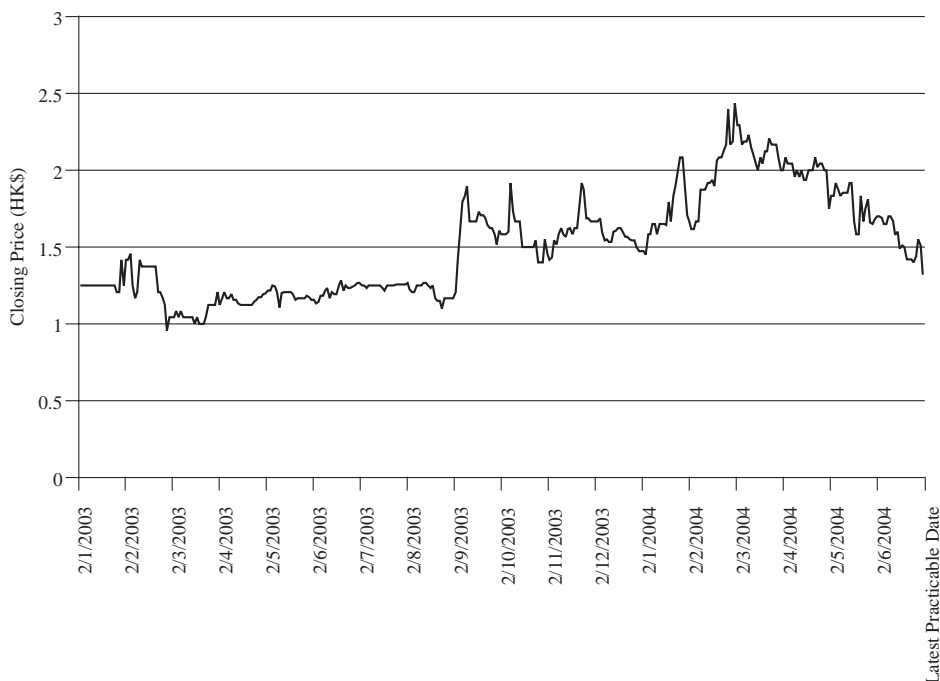
With reference to the net assets of the Group, the conversion price of HK\$1.68 per Share represents a discount of approximately 87.3% to the net asset value per Share based on the audited consolidated net assets value of the Company of approximately HK\$13.22 per Share as at 31 December 2003 (the "NAV per Share").

The conversion price of the Bonds is substantially below the NAV per Share as stipulated above. However, as illustrated from the chart below, we noted that the Shares have been trading at a price ranging from the highest closing price, being HK\$2.437 and the lowest closing price, being HK\$0.958 during the period from 1 January 2003 to the Latest Practicable Date. Hence,

## LETTER FROM TANRICH

we concur with the Directors' view that the Shares have been trading substantially below the net asset value of the Company for a certain period of time and the prevailing market price per Share would be a more appropriate indicator as a basis for determination of the conversion price.

The following chart illustrates the closing price of the Shares on the Stock Exchange during the period from 1 January 2003 to the Latest Practicable Date.



Source: Bloomberg.

We further noted that as stated in the announcement of the Company dated 18 March 2004, under the Loan Capitalisation Agreement, the Company issued 17,000,000 Shares at HK\$2.55 each to Ko Bee for partially setting off the Loan. Such subscription price was the same as the closing price on the last trading day prior to the signing of the Loan Capitalisation Agreement and represents a slight premium of 0.29% (together the “Loan Capitalisation Premiums”) over the average closing prices per Share for the last ten trading days prior to the signing of the Loan Capitalisation Agreement.

The conversion price of the Bonds represents a premium of approximately 18.3% to the closing price on the date of signing of the Agreement and represents a premium of approximately 6.3% over the average closing prices per Share for the last ten trading days prior to the signing of the Agreement (together the “Bonds Premiums”).

As illustrated above, the Bonds Premiums are higher than the Loan Capitalisation Premiums and thus, the conversion price of the Bonds represents a higher premium than that of the subscription price under the Loan Capitalisation when comparing against their respective premiums over the closing prices on the last trading day and the average closing prices for the last ten trading days prior to entering into the respective agreements. As such, we concur with the Directors' view that the conversion price of the Bonds is no less favourable to the Company as compared to that under the Loan Capitalisation.

In light of the above facts and that the conversion price of the Bonds represents premiums over closing price per Share on the date of signing of the Agreement and average closing price per Share for the last ten trading days prior to the signing of the Agreement, we consider that the conversion price of HK\$1.68 per Share is fair and reasonable so far as the Company and Independent Shareholders are concerned.

(iii) *Conversion by stages*

We noted that conversion of the Bonds would be subject to restriction on conversion by two stages, under which up to 50% of the Bonds may be convertible into Shares before 31 December 2004, and the whole or any outstanding part having the right to be converted into Shares before the Maturity Date. Having conducted research on recent issues of convertible bonds by other Hong Kong listed companies since 1 January 2004, we have not found similar restriction mechanism on conversion by stages as comparable to the Bonds. We concur with the Directors' view that the said restriction on conversion by stages would protect Independent Shareholders from a potential immediate full dilution and thus we consider that such restriction on conversion by stages is justifiable so far as the Independent Shareholders are concerned.

(iv) *Redemption*

The Company is entitled at any time and from time to time by notice in writing to holders of the Bonds to declare that the Bonds or any part thereof (in an amount or integral multiple of HK\$500,000) be redeemed. In the event that the Company redeems the Bonds or any part thereof before the Maturity Date, the Company shall pay a pre-payment interest to the holders of the Bonds as compensation. Such pre-payment interest shall be calculated on the basis of the amount of interest that would have accrued on the principal amount of the Bonds to be converted until the Maturity Date as if the conversion has never been made.

We concur with the Directors' view that the right for the Company to redeem the Bonds provides flexibility for the Company to, either redeem the Bonds or allow the holder of the Bonds thereof to convert the Bonds into the Shares after considering the effect of redemption on the then financial position of the Group, and is in the interests of the Company.

We are of the view that the terms of the Agreement are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

### **3. Financial Impacts**

(i) *Profit & loss figure*

The issue of the Bonds to Ko Bee for setting off against the Loan will significantly reduce the Group's interest expenses which in turn will enhance the profit and loss figure of the Group. As mentioned in the Letter from the Board of the Circular, the Directors believe that it will enable the Group to reduce its interest expenses by approximately HK\$580,000 per month or approximately HK\$6.96 million per annum. Such interest expenses reduction represents approximately 7.3% and 12.7% of finance costs of the Group for each of the two years ended 31 December 2003. As such, we consider the Issue will reduce the Group's interest expenses and have positive impact on the Group's profit and loss figure.

(ii) *Net asset value*

As stated in the Company's 2003 annual report, the audited consolidated net assets of the Group amounted to approximately HK\$922 million as at 31 December 2003. The NAV per Share of the Group amounted to approximately HK\$13.22 as at 31 December 2003.

Upon conversion of the Bonds, the NAV per Share would be reduced and such reduction is mainly attributable to the conversion price of HK\$1.68 being substantially lower than the Group's NAV per Share of HK\$13.22 as at 31 December 2003. Based on the above, we consider that the decrease in the Group's net assets value per Share is acceptable since the Group's earnings and gearing ratio will both be improved by the Issue and upon conversion of the Bonds respectively.

(iii) *Working capital and Gearing ratio*

As stated in the Company's 2003 annual report, the Group had total borrowings of approximately HK\$1,357 million, comprising current portion of borrowings of approximately HK\$353 million and non-current borrowings of approximately HK\$1,004 million as at 31 December 2003. The Group had shareholders' funds of approximately HK\$922 million as at 31 December 2003.

The Group had a net current liabilities amounted to approximately HK\$345 million as at 31 December 2003. The Loan and its accrued interest, amounted to approximately HK\$148.5 million, would be due in March 2005 and would be classified as short-term borrowings as at the Latest Practicable Date. The Issue reduces the net current liabilities by approximately HK\$148.5 million and effectively extend the original due date of the Loan from March 2005 to June 2008.

Further, the Group's gearing ratio was approximately 147% as at 31 December 2003. The gearing ratio of the Group will be reduced as a result of reduced borrowings of HK\$148.5 million and the increase in shareholders' fund by the same amount upon full conversion of the Bonds.

Based on the above, we consider that such potential improvement in the Group's working capital and gearing ratio is in the interest of the Company and the Shareholders as a whole.

(iv) *Dilution effect*

Upon full conversion, 88,392,554 Conversion Shares will be issued to Ko Bee, which represent approximately 72.74% of the existing issued share capital of the Company and approximately 42.11% of the enlarged share capital of the Company. Before 31 December 2004, up to 50% of the Bonds can be converted into 44,196,277 Conversion Shares by Ko Bee, which represent approximately 36.37% of the existing issued share capital of the Company and approximately 26.67% of the enlarged share capital of the Company.

The aggregate shareholding of the existing public Shareholders will decrease from approximately 26.3% to approximately 19.3% before 31 December 2004 upon conversion of 50% of the Bonds, while it will further decrease from approximately 19.3% to approximately 15.2% upon full conversion of the rest of the Bonds after 31 December 2004 and before the Maturity Date. According to the terms of the Instrument, the rights of conversion shall only be exercisable so long as there is a public float of at least 25% of the issued share capital of the Company as enlarged by the Conversion Shares to be issued upon conversion of the Bonds.

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## LETTER FROM TANRICH

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Having considered the facts that (i) the Bonds effectively extend repayment date of the Loan to June 2008, thereby reducing the Company's cash outflow pressure in March 2005 upon maturity of the Loan; (ii) reduce the Group's interest expenses; and (iii) the mechanism for restriction on conversion by stages are in place, we concur with the Directors' view that the dilution effects are justifiable in so far as the independent Shareholders are concerned.

### RECOMMENDATION

Having considered the above principal factors and reasons, in particular:

- (i) substantial reduction of interest rate from prime lending rate plus 1.75% of the Loan to prime lending rate minus 3% of the Bonds;
- (ii) substantial reduction of interest expenses by approximately HK\$6.96 million per annum;
- (iii) refinancing the Loan which would fall due in March 2005 and effectively extending repayment date to June 2008;
- (iv) strengthening working capital of the Group and lowering the Group's gearing ratio upon conversion of the Bonds; and
- (v) the dilution effects on the shareholding of the Independent Shareholders brought by full conversion are justifiable, after taken into accounts the facts that the Bonds effectively extend repayment date of the Loan to June 2008 and restriction on conversion by stages are in place to protect against potential immediate full dilution upon conversion, in so far as the independent Shareholders are concerned.

We are of the view that the terms of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned and the entering into the Agreement is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolutions relating to the Agreement to be proposed at the SGM.

Yours faithfully,  
For and on behalf of  
**Tanrich Capital Limited**  
**Kenneth Sit**  
*Director*

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

## 2. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company was HK\$12,152,382.70 comprising 121,523,827 Shares.

Assuming that the entire principal amount of the Bonds is converted at the conversion price of HK\$1.68 per Share and on the basis that the total amount of the outstanding Loan and interest accrued thereon calculated up to the date before the Completion Date is in the sum of HK\$148,499,490.77, a total of 88,392,554 Shares will be issued. The total issued share capital of the Company will then become HK\$20,991,638.10 comprising 209,916,381 Shares.

## 3. DISCLOSURE OF INTERESTS

### (a) Directors' interest in the Company

As at the Latest Practicable Date, the interests of the Directors and chief executive in the share, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

#### (i) Long positions in the Shares:

Name of Director	Capacity	Number of Shares	Percentage of Shareholding
Foo Kam Chu Grace	Interest of controlled corporation	81,482,505 <i>(Note)</i>	67.05
Foo Kam Chu Grace	Beneficial owner	96,000	0.08
Tse Chun Kong Thomas	Interest of Spouse	6,000	0.00
Tse Chun Kong Thomas	Beneficial owner	723	0.00

*Note:* The 81,482,505 Shares are held by Ko Bee, the entire issued share capital of which is held by Foo Kam Chu Grace.

- (ii) Long positions in underlying shares of equity derivatives of the Company — interests in share options of the Company (being granted and remained outstanding):

Name	Capacity	Number of Shares in the Option	Exercise Period	Price of Grant	Subscription Price per Share
Foo Kam Chu Grace	Beneficial owner	70,000	08/08/2000 to 31/12/2004	HK\$1.00	HK\$8.20
		76,000	02/07/2001 to 24/02/2007	HK\$1.00	HK\$2.97
Tse Chun Kong Thomas	Beneficial owner	40,000	08/08/2000 to 31/12/2004	HK\$1.00	HK\$8.20
		50,000	02/07/2001 to 24/02/2007	HK\$1.00	HK\$2.97
		60,000	08/01/2004 to 07/01/2009	HK\$1.00	HK\$1.50
Chan Wai Ling	Beneficial owner	60,000	08/01/2004 to 07/01/2009	HK\$1.00	HK\$1.50
Kwan Chai Ming	Beneficial Owner	20,000	01/06/2001 to 24/02/2007	HK\$1.00	HK\$12.40
		10,000	02/01/2002 to 24/02/2007	HK\$1.00	HK\$2.97
		40,000	08/01/2004 to 07/01/2009	HK\$1.00	HK\$1.50
Liu Hanbo	Beneficial Owner	60,000	08/01/2004 to 07/01/2009	HK\$1.00	HK\$1.50
Meng Qinghui	Beneficial owner	60,000	08/01/2004 to 07/01/2009	HK\$1.00	HK\$1.50

**(b) Directors' interests in associated corporations**

Name of Director	Name of Associated Corporation	Capacity	Number and Class of Shares	Percentage of Shareholding
Foo Kam Chu Grace	Ko Bee	Beneficial owner	1 ordinary share	100%

**(c) Interest in assets and contracts of the Group**

As at the Latest Practicable Date, save as mentioned below, none of the Directors has any interest in any assets which have been, since 31 December 2003, being the date to which the latest published audited accounts of the Company were made up, acquired, disposed of or leased to any member of the Group, or are proposed to be acquired, disposed of or leased to any member of the Group.

A wholly owned subsidiary of the Company rent a property from a company associated with the Chairman and an executive director of the Company for a term of 3 years from 1 May 2004 at monthly rent of HK\$80,000.

As at the Latest Practicable Date, there is no material contract or arrangement entered into by the Company, in which any Directors has a material personal interest.

#### 4. SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors, as at the Latest Practicable Date, the persons other than a director or chief executive of the Company who has an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is expected, directly or indirectly, to be interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, were as follows:

##### (a) Long positions in the Shares

Name of Shareholder	Capacity	Number of Shares	Percentage of Shareholding
Ko Bee	Beneficial owner	81,482,505	67.05%
COSCO Investments Limited ( <i>Note 1</i> )	Beneficial owner	4,447,104	3.66%
Graceful Nice Limited ( <i>Note 1</i> )	Beneficial owner	3,490,560	2.87%

##### (b) Long positions in underlying shares of equity derivatives of the Company — interest in the warrants of the Company:

Name of Shareholder	Capacity	Units of Warrant	Number of Underlying Shares
COSCO Investments Limited ( <i>Note 2</i> )	Beneficial owner	741,184	741,184
Graceful Nice Limited ( <i>Note 2</i> )	Beneficial owner	581,760	581,760

*Notes:*

1. COSCO Investments Limited and Grace Nice Limited were both indirect subsidiaries of COSCO.
2. 741,184 and 581,760 units of warrant of the Company had been granted and remained unexercised.

#### 5. CONSENT

Tanrich has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its opinion or letter, as the case may be, and the references to its name, opinion or letter in the form and context in which it appears.

#### 6. MATERIAL LITIGATION

As at the Latest Practicable Date, a property-related proceeding relating to the purchase of certain properties in Yuen Long by Pacific Well Realty Limited, a subsidiary of the Company, is still under progress. In such transaction, the said subsidiary has paid a deposit of HK\$65,000,000 has been forfeited by the vendor of this transaction. According to the legal advice taken by the Company, the shareholders of Pacific Well Realty Limited would not incur any further liability apart from costs of the proceedings. Full provision has already been made in respect of the aforesaid deposit.



Save as disclosed above, 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 Company or any other member of the Group.

## 7. MATERIAL CONTRACTS

Save as disclosed below, neither the Company nor any members of the Group has entered into any material contracts (not being contracts entered into in the ordinary course of business carried out by the Group) after the date two years preceding the Latest Practicable Date.

- (a) a placing and subscription agreement dated 13 February 2004 entered into with Quam Securities Company Limited and the Ko Bee in relation to the placement of 5,500,000 existing Shares at a placing price of HK\$2.20 per Share and the subscription of 13,939,688 new Shares at a subscription price of HK\$2.20 per Share;
- (b) a loan capitalisation agreement dated 17 March 2004 entered into with Ko Bee in relation to the subscription of 17,000,000 Shares by Ko Bee at a price of HK\$2.55 each for setting off against part of the outstanding loan owed by the Company to Ko Bee; and
- (c) a joint venture agreement dated 12 May 2004 entered into between Soundwill (Yunnan) Limited, a wholly-owned subsidiary of the Company, and Qujing Municipal People's Government in relation to the establishment of a sino-foreign equity joint venture company, the business scope of which includes the construction and management of public duct network for the communication, supply of electricity, supply of water, supply of gas, etc., in the district area of Qujing City of Yunnan Province, the PRC.

## 8. SERVICE AGREEMENTS

There is no existing or proposed service contract between any of the Directors and the Company or any of its members which is not terminable within one year without payment compensation (other than statutory compensation) and no service contract has been entered into or amended within six months before the Latest Practicable Date.

## 9. MATERIAL CHANGES IN THE FINANCIAL OR TRADING POSITION

Save as disclosed below, the Directors are not aware of any circumstances or events that may give rise to a material change in the trading and financial position or prospect of the Group since 31 December 2003, being the date to which the latest published audited accounts of the Group were made up.

- (a) Subscription for 13,939,688 Shares at HK\$2.20 per Share by Ko Bee on 13 February 2004. The consideration was satisfied partly by offsetting against part of the unsecured interest-bearing loan owed by the Company to Ko Bee for an amount of around HK\$18,570,000 and the balance of approximately HK\$12,100,000 by cash payment.
- (b) Subscription for 17,000,000 Shares at HK\$2.20 per Share by Ko Bee on 17 March 2004. The consideration was satisfied by offsetting against part of the unsecured interest-bearing loan owed by the Company to Ko Bee for an amount of HK\$43,350,000.

## 10. MISCELLANEOUS

As at the Latest Practicable Date save for the Agreement, there is no material contract or arrangement entered into by the Company in which any Directors has a material personal interest.

Each of the Directors has confirmed that he/she and their respective associates (as defined under the Listing Rules) do not have any interests in a business apart from the Group's business which directly competes with and will have material adverse impact on the Group.

## 11. EXPERTS

The following is the qualification of the expert who has given an opinion or advice which is contained or referred to in this circular:

<b>Name</b>	<b>Qualification</b>
Tanrich	a deemed licensed corporation to carry on Types 1 and 6 regulated activities (dealing in securities and advising on corporate finance) as defined in Schedule 5 to the SFO

As at the Latest Practicable Date, Tanrich was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor did it have any interest, either direct or indirect, in any assets which have been, since 31 December 2003 (the date to which the latest published audited financial statements of the Group were made up), acquired by or disposed of or leased to or are proposed to be acquired by or disposed of or leased to any member of the Group.

## 12. GENERAL

- (a) The company secretary of the Company is Kwan Chai Ming, a qualified solicitor in Hong Kong.
- (b) The Company's Hong Kong branch share registrar is Standard Registrars Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (c) The registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (d) The registered office of Ko Bee is Offices of Offshore Incorporations Limited, P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, the British Virgin Islands.
- (e) The registered office of Tanrich is 16/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.
- (f) The English text of this document and form of proxy shall prevail over the Chinese text in the case of any inconsistency.

**13. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the head office of the Group at 21st Floor, Soundwill Plaza, 38 Russell Street, Causeway Bay, Hong Kong up to and including 29 July 2004:

- (a) the memorandum and bye-laws of the Company;
- (b) the material contracts referred to in the section headed “Material Contracts” in this appendix;
- (c) the letter from the Independent Board Committee, the text of which is set out on page 12 of this document;
- (d) the letter of advice from Tanrich the text of which is set out on pages 13 to 19 of this document; and
- (e) the consent letter referred to under the section headed “Consent” in this appendix.



## SOUNDWILL HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

**NOTICE IS HEREBY GIVEN** that the special general meeting (the “Special General Meeting”) of the shareholders of Soundwill Holdings Limited (the “Company”) will be held at 10:00 a.m., Friday on 30 July 2004 at Room 02, 30th Floor, Soundwill Plaza, 38 Russell Street, Causeway Bay, Hong Kong, for the purposes of considering and, if thought fit, passing with or without amendments, the following resolutions which will be proposed as ordinary resolutions:

### ORDINARY RESOLUTIONS

1. **“THAT**, the Agreement (as defined in the document of the Company dated 13 July 2004 of which this notice of Special General Meeting forms a part) (a copy of which has been produced to this meeting marked document “A” and signed by the Chairman of the meeting for identification purposes) entered into on 17 June 2004 between Company of the one part and Ko Bee Limited of the other part and the transactions contemplated thereunder are hereby approved, confirmed and ratified; and that any one director of the Company be and is hereby authorised with full power to do all things and execute all documents which may in his opinion be necessary or desirable in connection with the Agreement or any matters relating thereto.”
2. **“THAT**, the Instrument (a copy of which has been produced to this meeting marked document “B” and signed by the Chairman of the meeting for identification purposes), the Issue (as defined in the document of the Company dated 13 July 2004 of which this notice of Special General Meeting forms a part) and the transaction contemplated thereunder are hereby approved and confirmed, and that any two directors of the Company be and are hereby authorised to execute the Instrument and affix the common seal of the Company thereto for and on behalf of the Company and any one director of the Company (where the common seal of the Company is required to be affixed, then any two directors of the Company) be authorised with full power to do all things and execute all documents which may in his opinion be necessary or desirable in connection with the Instrument and the Issue or any matters relating thereto.”
3. **“THAT**, the directors of the Company be and is authorised to allot, issue and deal with additional shares in the capital of the Company which may fall to be allotted and issued upon conversion rights attached to the Instrument.”

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

Hong Kong, 13 July 2004

*Head office and principal place  
of business in Hong Kong:*

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

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## NOTICE OF SGM

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**Notes:**

1. Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
2. A form of proxy for use at the meeting is enclosed.
3. In order to be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's head office at 21st Floor, Soundwill Plaza, 38 Russell Street, Causeway Bay, Hong Kong in accordance with the instructions printed thereon as soon as possible but in any event not less than 48 hours before the time of the meeting. Delivering of an instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or on the poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.