
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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SOUNDWILL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 878)

**PROPOSALS FOR
GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES
AND REFRESHMENT OF THE SCHEME MANDATE LIMIT OF
EXISTING SHARE OPTION SCHEME
AND
INFORMATION ON DIRECTORS TO BE RE-ELECTED**

A letter from the board of directors of Soundwill Holdings Limited is set out in pages 3 to 6 of this circular.

A notice convening the annual general meeting (the “AGM”) of Soundwill Holdings Limited (the “Company”) to be held at Unit 05, 10th Floor, Soundwill Plaza, 38 Russell Street, Causeway Bay, Hong Kong at 3:30 p.m. on Monday, 30 May 2005, at which the above proposals will be considered, is contained in the 2004 Annual Report of the Company accompanying this circular.

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

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DEFINITIONS

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

“AGM” or “Annual General Meeting”	the annual general meeting of the Company to be held at Unit 05, 10th Floor, Soundwill Plaza, 38 Russell Street, Causeway Bay, Hong Kong at 3:30 p.m. on Monday, 30 May 2005;
“AGM Notice”	the notice convening the AGM as contained in the 2004 Annual Report of the Company accompanying this circular;
“Board”	the board of Directors;
“Bye-laws”	the bye-laws of the Company, as amended from time to time;
“Company”	Soundwill Holdings Limited, a company incorporated in Bermuda with limited liability, the securities of which are listed on the Stock Exchange;
“Director(s)”	the director(s) of the Company;
“Existing Share Option Scheme”	the existing share option scheme of the Company adopted by the Company on 22 July 2002, the principal terms of which are summarised in the appendix II to the circular of the Company dated 28 June 2002;
“1997 Share Option Scheme”	the share option scheme of the Company adopted by the Company on 25 February 1997, which was terminated by the Company on 22 July 2002 due to the amendments to Chapter 17 of the Listing Rules by the Stock Exchange in 2001;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Latest Practicable Date”	22 April 2005, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Scheme Mandate Limit”	the maximum number of Shares that may be issued upon exercise of all options to be granted under the Existing Share Option Scheme and any other share option scheme of the Company, which shall not exceed 10 per cent. of the Shares in issue as at the date of adoption of the Existing Share Option Scheme;
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company (or of such other nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of the Company from time to time);

DEFINITIONS

“Share Issue Mandate”	a general mandate to the Directors to exercise the power of the Company to allot and issue Shares during the relevant period up to 20 per cent. of the issued share capital of the Company as at the date of passing of resolution no. 5B set out in the AGM Notice;
“Share Registrar”	Standard Registrars Limited at Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, being the Hong Kong branch share registrar and transfer office of the Company;
“Share Repurchase Mandate”	the general mandate to the Directors to exercise the power of the Company to repurchase Shares during the relevant period up to 10 per cent. of the issued share capital of the Company as at the date of passing of the resolution no. 5A set out in the AGM Notice;
“Share Repurchase Rules”	the relevant rules set out in the Listing Rules to regulate the repurchase by companies with primary listing of their own securities on the Stock Exchange;
“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Takeovers Code”	the Hong Kong Codes on Takeovers and Mergers and Share Repurchases.



SOUNDWILL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 878)

Executive Directors:

FOO Kam Chu, Grace, *Chairman*
CHAN Wai Ling
TSE Chun Kong, Thomas
KWAN Chai Ming

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Non-executive Directors:

LIU Hanbo, *Non Executive Vice Chairman*
MENG Qinghui

Head Office and Principal

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

Independent Non Executive Directors:

Heng Kwo Seng
Kwan Kai Cheong
Ho Suk Yin

28 April 2005

*To the Shareholders and, for information only,
warrantholders*

Dear Sir or Madam,

**PROPOSALS FOR
GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES
AND REFRESHMENT OF THE SCHEME MANDATE LIMIT OF
EXISTING SHARE OPTION SCHEME
AND
INFORMATION ON DIRECTORS TO BE RE-ELECTED**

1. INTRODUCTION

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

- (a) the granting of the Share Issue Mandate and the Share Repurchase Mandate;
- (b) the refreshment of the Scheme Mandate Limit of the Existing Share Option Scheme;

The purpose of this circular is to provide you with information in respect of the granting of the Share Issue Mandate and the Share Repurchase Mandate and the refreshment of the Scheme Mandate Limit of the Existing Share Option Scheme and information on directors to be re-elected at the forthcoming AGM.

LETTER FROM THE BOARD

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

The general mandates given at the annual general meeting of the Company on 31 May 2004 to the Directors to exercise the powers of the Company to issue Shares and to repurchase its own Shares will lapse at the conclusion of the AGM.

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

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

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

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

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

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

As at the Latest Practicable Date, options carrying rights to subscribe for 2,035,000 Shares were granted (1,145,000 to Connected Persons (as defined in the Listing Rules) of the Company and 890,000 to other employees of the Group) under the Existing Share Option Scheme since its adoption on 22 July 2002, of which options carrying rights to subscribe for 820,000 Shares were exercised and options carrying rights to subscribe for 215,000 Shares became lapsed, thereby leaving options carrying rights to subscribe for 1,000,000 Shares outstanding. As at the Latest Practicable Date, options carrying rights to subscribe for 414,000 Shares granted under the 1997 Share Option Scheme (which was terminated on 22 July 2002) remained outstanding. Together with the outstanding options granted under the Existing Share Option Scheme as stated above, the total options carrying rights to subscribe for an aggregate of 1,414,000 Shares under all share option schemes of the Company remain outstanding, which amount of Shares represents approximately 0.86 per cent. of the issued share capital of the Company as at the Latest Practicable Date.

The Scheme Mandate Limit was refreshed on the annual general meeting of the Company convened on 31 May 2004 whereby the same was increased to 10,126,893 Shares. As at the Latest Practicable Date, the Company had an issued share capital of 164,867,821 Shares.

LETTER FROM THE BOARD

Assuming that (i) no other Shares are issued or repurchased by the Company from the Latest Practical Date up to the AGM and (ii) the refreshment of the Scheme Mandate Limit is approved by the Shareholders at the AGM, the refreshed Scheme Mandate Limit will allow the Company to issue under the Existing Share Option Scheme a maximum of 16,486,782 Shares, which are approximately 62.80 per cent. more than the existing Scheme Mandate Limit (i.e. 10,126,893 Shares). Accordingly, the Directors believe that it is in the interest of the Company to refresh the Scheme Mandate Limit to permit the Company to have the right to grant more options under the Existing Share Option Scheme, which will increase the flexibility of the Company to reward eligible participants in recognition of their contribution to the Company.

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

4. ANNUAL GENERAL MEETING

The AGM Notice is set out in the 2004 Annual Report of the Company accompanying this circular. At the AGM, ordinary resolutions will be proposed to approve the Share Issue Mandate, the extension of the Share Issue Mandate, the Share Repurchase Mandate and the refreshment of the Scheme Mandate Limit of the Existing Share Option Scheme.

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

5. RE-RELECTION OF DIRECTORS

Pursuant to the Bye-laws, Mr. Heng Kwo Seng, Mr. Kwan Kai Cheong, Ms. Ho Suk Yin and Mr. Kwan Chai Ming, existing directors of the Company, will be resigning or retiring from office at the AGM. They all are eligible and will be proposed for re-election at the AGM. Details of these Directors proposed to be re-elected at the AGM are set out in Appendix II to this circular.

6. PROCEDURE FOR DEMANDING A POLL

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

- (a) by the chairman of such meeting; or
- (b) by at least three members of the Company present in person (or in the case of a member of the Company being a corporation by its duly authorised representatives) or by proxy for the time being entitled to vote at the meeting; or

LETTER FROM THE BOARD

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

7. RECOMMENDATION

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

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

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

1. LISTING RULES

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

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

2. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 164,867,821 Shares. Subject to the passing of the ordinary resolution to approve the Share Repurchase Mandate and on the assumption that no further Shares are issued or repurchased prior to the AGM, the Company would be allowed under the Share Repurchase Mandate to repurchase up to a limit of 16,486,782 Shares.

3. REASON FOR REPURCHASES

Repurchases of Shares will only be made when the Directors believe that such a repurchase will benefit the Company and its Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of the Company and its assets and/or its earnings per Share.

4. FUNDING OF REPURCHASES

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

The Companies Act 1981 of Bermuda provides that the amount of capital repaid in connection with a share repurchase may only be paid out of either the capital paid up on the relevant Shares or the funds of the Company which would otherwise be available for dividend or distribution or the proceeds of a fresh issue of Shares made for the purpose. The amount of premium payable on

repurchase may only be paid out of the funds of the Company which would otherwise be available for dividend or distribution or out of the share premium account of the Company before the Shares are repurchased.

5. FINANCIAL EFFECT OF REPURCHASE OF SHARES

There might be material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited accounts contained in the Annual Report for the year ended 31 December 2004) in the event that the proposed repurchase of Shares was to be carried out in full at any time during the proposed repurchase period. However, the Directors have no current intention to exercise the Share Repurchase Mandate to an extent as would, having regard to the relevant circumstances, have a material adverse effect on the working capital or gearing position of the Company.

6. SHARE PRICES

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

	Shares	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2004		
April	2.25	1.667
May	1.958	1.583
June	1.7	1.31
July	1.51	1.3
August	1.55	1.4
September	1.68	1.43
October	1.78	1.5
November	2.85	1.62
December	2.6	2.2
2005		
January	3.325	2.3
February	3	2.4
March	2.775	2.45
April (up to the Latest Practicable Date)	2.7	2.35

7. GENERAL

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

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

Shareholders acting in concert, depending on the level of increase of the interest of such Shareholder(s), could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, Ko Bee Limited was beneficially interested in 114,615,035 Shares representing approximately 69.52 per cent. of the issued share capital of the Company. In the event that the Share Repurchase Mandate was exercised in full, the shareholding of Ko Bee Limited would be increased to approximately 77.24 per cent. of the issued share capital of the Company. In the opinion of the Directors, such increase would not give rise to a mandatory offer in accordance with the Takeovers Code. However the Directors have no current intention to exercise the Share Repurchase Mandate in full.

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

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

8. SHARE REPURCHASE MADE BY THE COMPANY

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

The following are the particulars of the Directors proposed to be re-elected at the Annual General Meeting to be held on 30 May 2005:

1. **Mr. Heng Kwo Seng**, aged 57, Independent Non-Executive Director of the Company, is the managing partner of Morison Heng, Chartered Accountants and Certified Public Accountants. He is a fellow member of The Institute of Chartered Accountants in England & Wales, an associate member of The Hong Kong Institute of Certified Public Accountants. He is currently the Vice Chairman of The Hong Kong Hainan Commercial Association. He is an independent non-executive director of various public companies, being Lee & Man Holding Limited, Lee & Man Paper Manufacturing Limited, The Thai-Asia Fund Limited, The Thai Asset Fund Limited, Winfair Investment Limited, China Fire Safety Enterprise Group Holdings Limited and Tack Fat Group International Limited. He had been independent non-executive director of Greater China Technology Group Limited, E-Life International Limited and REXCAPITAL Financial Holdings Limited and Matrix Holdings Limited for the past three years. Mr. Heng is also the Company Secretary of AEON Stores (Hong Kong) Co., Limited and China Life Insurance Company Limited, which are listed on the Stock Exchange.

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

As at the Latest Practicable Date, Mr. Heng did not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”).

Mr. Heng has entered into a service contract with the Company which will continue until terminated by either party serving not less than three months’ notice. The total emoluments of Mr. Heng for the period between his appointment on 30 September 2004 and 31 December 2004 is HK\$20,000.

2. **Mr. Kwan Kai Cheong**, aged 55, Independent Non-Executive Director of the Company, holds a Bachelor of Accountancy (Honours) degree from the University of Singapore and is a member of the Institute of Chartered Accountants in Australia. Mr. Kwan is currently the President of Morrison & Company Limited which is a business consultancy firm and a director of China Medical Science Limited which is listed on the Stock Exchange. He is also an independent non-executive director of Hutchison Harbour Ring Limited and Hutchison Telecommunications International Limited which are both listed on the Stock Exchange.

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

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

Mr. Kwan has entered into a service contract with the Company which will continue until terminated by either party serving not less than three months’ notice. The total emoluments of Mr. Kwan for the period between his appointment on 30 September 2004 and 31 December 2004 is HK\$17,500.

3. **Ms. Ho Suk Yin**, aged 53, Independent Non-Executive Director of the Company, attained her Master of Business Administration Degree from the University of Santa Barbara California, U. S. A. in 1990/91. She was awarded the Badge of Honour in 1995 and appointed Justice of the Peace since 1996. Ms. Ho is the founder of Relybase Consultants Limited which provides

management advice, public relation and training services in Hong Kong and some provinces in Mainland China. She is currently Council Member of the Sir Edward Youde Memorial Fund, Member of Road Safety Campaign Committee, Council Member of HK Award for Young People, Member of the Steering Committee on Youth Development Centre, Member of the Standing Committee on Language and Research, Member of Municipal Services Appeals Board and Member of the Railway Objections Hearing Panel. Ms. Ho also serves as an independent non-executive director of Glory Future Group Limited which is listed on the Stock Exchange.

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

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

Ms. Ho has entered into a service contract with the Company which will continue until terminated by either party serving not less than three months' notice. The total emoluments of Ms. Ho for the period between her appointment on 30 September 2004 and 31 December 2004 is HK\$15,000.

4. **Mr. Kwan Chai Ming**, aged 39, is the Executive Director and Company Secretary of the Company. He graduated from the University of London with an honours bachelor degree in laws. Mr. Kwan is a qualified solicitor in Hong Kong and has more than 10 years working experience in the legal field. Before joining the Group, he had his private practice in different areas. Mr. Kwan joined the Group in 2000 as Group Legal Adviser and is in charge of the legal and company secretarial department.

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

As at the Latest Practicable Date, Mr. Kwan had the following interest in the shares of the Company within the meaning of Part XV of the SFO:

Number of Shares	Number of Underlying Shares*	Nature of interest
—	30,000	Beneficial Owner

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

Mr. Kwan has entered into a service contract with the Company which will continue until terminated by either party serving not less than one month's notice. According to the service contract, the total emoluments of Mr. Kwan for the year ended 31 December 2004, amounted to HK\$519,000.

The Board is not aware of any other matter relating to the proposed re-election of the abovenamed Directors that need to be brought to the attention of the Shareholders.