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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your 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, you should at once hand this circular to the purchaser(s) or the transferee(s), or to the bank, licensed securities dealer or other agent through whom the sale or the transfer was effected for transmission to the purchaser(s) or the transferee(s).

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**SOUNDWILL HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 878)**

**MAJOR TRANSACTION  
DISPOSAL OF MORICH PROPERTIES**

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## DEFINITIONS

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

“Agreements”	the agreements dated 30 April 2008 in relation to the sale and purchase of the Morich Properties entered into between the Vendor and the Purchaser
“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Bye-laws”	the Bye-laws of the Company
“Company”	Soundwill Holdings Limited, a limited liability company incorporated in Bermuda, the Shares of which are listed on the Stock Exchange (Stock code: 878)
“Completion”	completion of the sale and purchase of the Morich Properties pursuant to the terms and conditions of the Agreements, the details of which are set out in the section headed “Completion” of this circular
“Connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Controlling Shareholder” or “Ko Bee”	Ko Bee Limited, a company incorporated in British Virgin Islands which owns 156,783,709 Shares, representing 70.05% of the issued share capital of the Company and the ultimate owner of which is Madam Foo Kam Chu, Grace, the chairman of the Company
“CS Property”	4/F, No. 1 Jones Street, Hong Kong
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Morich Properties by the Vendor to the Purchaser pursuant to the Agreements
“Escrow Account”	the escrow fund account jointly maintained by the Vendor’s solicitor and the Purchaser’s solicitor at the Hong Kong & Shanghai Banking Corporation Limited

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## DEFINITIONS

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“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Valuer”	CB Richard Ellis Limited, the independent valuer appointed by the Company for the purpose of preparing a valuation report on the fair market value of the Properties
“LA Properties”	(i) 1/F, No. 5 Jones Street, Hong Kong; and (ii) Flat A on 3/F, No. 5, 5A, 7 & 7A Warren Street, Hong Kong
“Latest Practicable Date”	23 May 2008, being the latest practicable date before the printing of this circular for ascertaining certain information
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Memorandum”	the memorandum of understanding entered into between the Vendor and the Purchaser on 19 March 2008
“Morich Properties”	collectively the Morich Properties 1 and Morich Properties 2, (i.e. Properties other than LA Properties and CS Property)
“Morich Properties 1”	Nos. 5, 7, 9 and 11, Jones Street, Hong Kong and Nos. 3, 5, 5A, 7, 7A, 9 and 11 Warren Street, Hong Kong (other than the LA Properties)
“Morich Properties 2”	Nos. 1 and 3 Jones Street, Hong Kong (other than the CS Property)
“Partial Completion Option”	the option of the Purchaser to proceed and complete (i) only the purchase of the Morich Properties 1 and the LA Properties at the respective consideration as stated in this circular and cancel the sale and purchase agreement for the Morich Properties 2; or (ii) the purchase of the Morich Properties and the LA Properties at the total consideration as stated in this Circular

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## DEFINITIONS

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“Properties”	all of the Nos. 1, 3, 5, 7, 9 and 11 Jones Street, Hong Kong and Nos. 3, 5, 5A, 7, 7A, 9 and 11 Warren Street, Hong Kong
“PRC”	the People’s Republic of China which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Elite Win Investments Limited, a company incorporated in Hong Kong with limited liability, or its designee
“RMB”	Renminbi, the lawful currency of the PRC
“Scavenging Lane”	a strip of land running parallel to Jones Street/Warren Street
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong)
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Morich Properties Limited, a company incorporated in Hong Kong with limited liability, which is a wholly-owned indirect subsidiary of the Company
“working day(s)”	a day between Monday and Friday on which licensed banks are opened for business in Hong Kong
“%”	per cent.

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## LETTER FROM THE BOARD

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# SOUNDWILL HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 878)**

*Executive Directors:*

Foo Kam Chu Grace  
Chan Wai Ling  
Tse Chun Kong Thomas  
Kwan Chai Ming

*Registered Office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Non-Executive Directors:*

Liang Yanfeng  
Meng Qinghui

*Head Office and principal*

*place of business in Hong Kong:*  
21st Floor, Soundwill Plaza  
38 Russell Street  
Causeway Bay  
Hong Kong

*Independent Non-Executive Directors:*

Kwan Kai Cheong  
Ho Suk Yin

26 May 2008

*To the Shareholders*

Dear Sir or Madam,

### **MAJOR TRANSACTION DISPOSAL OF MORICH PROPERTIES**

#### **INTRODUCTION**

By an announcement dated 5 May 2008 the Directors announced that on 30 April 2008, the Vendor entered into the Agreements with the Purchaser for the sale and purchase of the Morich Properties. The consideration for the Disposal of the Morich Properties is HK\$449,000,000 payable by cash.

The transaction contemplated under the Agreement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to Shareholders' approval under Rule 14.40 of the Listing Rules. As none of the Shareholders is interested in the Disposal, none of the Shareholders is required to abstain from voting in respect of the Disposal, and the

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## LETTER FROM THE BOARD

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written shareholders' approval was obtained from the Controlling Shareholder on 30 April 2008 approving the Disposal in lieu of holding a general meeting in accordance with Rule 14.44 of the Listing Rules.

The purpose of this circular is to provide Shareholders with further information on the Disposal and other information in compliance with the requirements of Chapter 14 of the Listing Rules.

Reference is made to the announcements of the Company dated 20 March 2008, 22 April 2008 and 29 April 2008.

### **AGREEMENTS FOR SALE AND PURCHASE OF MORICH PROPERTIES DATED 30 APRIL 2008**

Vendor : Morich Properties Limited

Purchaser : Elite Win Investments Limited

Summary : The Agreements were entered into between the Purchaser and the Vendor pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase the Morich Properties. The aggregate consideration for the Disposal of the Morich Properties is HK\$449,000,000 (of which HK\$372,000,000 and HK\$77,000,000 shall be the respective consideration in respect of Morich Properties 1 and Morich Properties 2) payable by cash.

In respect of the Morich Properties 1, the initial deposit and part payment being HK\$18,600,000 has been paid to the Vendor on 2 April 2008 in the Escrow Account.

A further deposit and part payment being HK\$93,000,000 has been paid by the Purchaser to the Vendor on 6 May 2008 in the Escrow Account.

The remaining consideration for the purchase of the Morich Properties 1 being HK\$260,400,000 shall be paid to the Vendor on Completion.

In respect of the Morich Properties 2, the initial deposit and part payment being HK\$3,850,000 has been paid to the Vendor on 2 April 2008 in the Escrow Account.

A further deposit and part payment being HK\$19,250,000 has been paid by the Purchaser to the Vendor on 6 May 2008 in the Escrow Account.

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## LETTER FROM THE BOARD

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The remaining consideration for the purchase of the Morich Properties 2 being HK\$53,900,000 shall be paid to the Vendor on Completion.

The escrow funds in respect of the initial deposits and further deposits mentioned above shall be released to the Vendor as part of the relevant purchase price for the Morich Properties upon Completion, and the interest accrued thereon shall also be released to the Vendor upon Completion for its own account.

For avoidance of doubt, the aggregate consideration for the disposal of the Properties shall be HK\$470,000,000 payable by cash, which shall be allocated as follows:

- (i) HK\$449,000,000 for the Morich Properties;
- (ii) HK\$14,000,000 for the LA Properties; and
- (iii) HK\$7,000,000 for the CS Property.

As at the date hereof, sale and purchase agreements in relation to the LA Properties and the CS Property have not been signed between the Vendor and the Purchaser, having regard that the legal title of the LA Properties and the CS Property are yet to be acquired by the Vendor.

The sale and purchase agreement for the LA Properties shall be signed between the Vendor and the Purchaser on or before 5:00 p.m. on 4 July 2008 (which may be extended to 5:00 p.m. on 30 September 2008 by the Vendor giving a notice in writing to the Purchaser) if the Purchaser is being satisfied that the Vendor has become the registered and beneficial owner of the LA Properties.

As soon as practicable after the satisfaction of the essential conditions (b) (as stated below), the Vendor agrees to enter into the sale and purchase agreement in respect of the CS Property with the Purchaser.

### COMPLETION

Subject to all the conditions precedent and essential conditions being satisfied, Completion shall take place at or before 5:00 p.m. on 27 February 2009 or at or before 5:00 p.m. of any earlier date subject to not less than 20 working days prior written notice given to the Purchaser, provided that the Vendor may serve not less than 14 working days prior written



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## LETTER FROM THE BOARD

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notice to the Purchaser before 27 February 2009 to extend the date for Completion to a date no later than 5:00 p.m. on 30 June 2009, by reason only of the essential condition (b) not being complied with or demolition of the existing building on Nos. 5-7A Warren Street has not yet been completed.

### CONDITIONS PRECEDENT

Completion is conditional upon (i) the Vendor on Completion deliver to the Purchaser the Morich Properties 1 in bare site condition and free of debris and with vacant possession and Morich Properties 2 with vacant possession (provided that if the demolition of the existing buildings except that on Nos. 5-7A Warren Street cannot be completed on or before Completion, the purchaser shall, by giving the vendor not less than 20 working days prior written notice, complete the transactions contemplated therein provided that the demolition contract shall be satisfactorily novated to the Purchaser; and (ii) the essential conditions as stated below under the section headed "Essential Conditions" being satisfied.

In the event that any of the essential conditions (save and except essential condition (e)(ii) which shall be dealt with in the manner set out herein below) are not complied with to the satisfaction of the Purchaser (or its solicitors) by 5:00 p.m. on 27 February 2009 or (where the Vendor has extended such date) on 30 June 2009, the Purchaser shall have the option by giving the Vendor notice in writing not earlier than 7 working days before the date of Completion:

- (a) to annul the Agreements;
- (b) to extend the date of Completion by not more than 6 months; or
- (c) to proceed and complete according to the Partial Completion Option available to the Purchaser.

In the event that by 5:00 p.m. on 27 February 2009 or (where the Vendor has extended such date) on 30 June 2009 all the essential conditions have been fulfilled save and except essential condition (e)(ii) as stated herein below, if:

- (i) the aforesaid essential condition (e)(ii) is not satisfied (but waived) since the Scavenging Lane is excluded from the site area for gross floor area calculation purposes but by not exceeding certain area as agreed by the parties, the purchase price for the Morich Properties 1 and Morich Properties 2 shall be reduced to HK\$320,000,000 and HK\$66,000,000 respectively; or

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## LETTER FROM THE BOARD

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(ii) the aforesaid essential condition (e)(ii) is not satisfied since the Scavenging Lane is considered to be more than certain area as agreed by the parties and is excluded from site area for gross floor area calculation purposes, the Purchaser may exercise its option to:

- (i) annul the Agreements which may have been entered into; or
- (ii) to proceed and complete the purchase under the Agreements, and to complete its acquisition of the LA Properties and the CS Property, at the total consideration calculated as follows, and which shall be apportioned amongst the Properties:

Total consideration (HK\$) = site area as approved by the government x 10 x HK\$6,833.

The Purchaser intended to purchase the whole Properties for redevelopment purposes. However, since the titles of the LA Properties and the CS Property are yet to be fully acquired and certain essential conditions are yet to be fulfilled, the sale and purchase of the Properties were structured in such a way to cater for certain contingency situation.

### ESSENTIAL CONDITIONS

Completion is subject to and conditional upon satisfaction of, among others, all of the following essential conditions:

**(a) Simultaneous completion**

Subject to Partial Completion Option, the simultaneous completion of the sale and purchase under the sale and purchase agreements for the Morich Properties, the sale and purchase agreements for the LA Properties and the completion of the acquisition of the CS Property.

**(b) Title to the CS Property**

The Purchaser being satisfied, in respect of the CS Property:

- (i) the Vendor obtaining (entirely at its own cost and solely upon its own application) a compulsory sale order under Land (Compulsory Sale for Redevelopment) Ordinance (Cap. 545);
- (ii) the Vendor successfully bidding and acquiring title to all of the property interests in Nos. 1 & 3 Jones Street, Hong Kong (including the CS Property);

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## LETTER FROM THE BOARD

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- (iii) the title of the executor holding under a probate of the deceased owner and the possessory interest or title of the alleged squatter have all been extinguished, and documentary evidence satisfactory to the Purchaser having been shown to the Purchaser that either the squatter has been compelled by law or he shall have agreed in writing to relinquish all possessory interest or title (if any) in respect of the CS Property;
- (iv) the compulsory sale order is upon terms which does not prevent the Purchaser (or its nominee) from completing its intended redevelopment of the Morich Properties, the CS Property and the LA Properties as a whole; and
- (v) the Vendor being able to show, prove and give good title to the CS Property in accordance with Section 13 of Conveyancing and Property Ordinance (Cap. 219), and contemporaneously selling and assigning the CS Property and all of the relevant lots and property interests in the buildings at Nos. 1 & 3 Jones Street, Hong Kong to the Purchaser.

**(c) Title to the LA Properties**

The Vendor having become the registered and beneficial owner of the LA Properties.

**(d) Title as to the Properties**

The Vendor being able to show, prove and give good title to all of the Properties to the Purchaser in accordance with Section 13 of the Conveyancing and Property Ordinance (Cap. 219).

**(e) Government's approval and related matters**

The Purchaser shall be satisfied, by way of having received written confirmation from the government that permission is given for: (i) building over (but not on) the Scavenging Lane; and (ii) the area of the Scavenging Lane be included in the calculation of the total gross floor area calculation purposes in the Purchaser's proposed redevelopment.

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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFITS OF THE DISPOSAL OF THE PROPERTIES

The Properties are located in Tai Hang, Hong Kong and were acquired by the Group during the period in 2007. At the time the Morich Properties were acquired by the Vendor, the Morich Properties were held by the Vendor as investment properties for rental purpose. The registered site area of the Morich Properties is approximately 6,677 square feet (while the registered site area of the Morich Properties 1 and Morich Properties 2 are approximately 5,525 and 1,152 square feet respectively and the total saleable areas for LA Properties and CS Property are approximately 787 and 383 square feet respectively).

The carrying value of the Properties (excluding the CS Property) was HK\$262,813,000 (the carrying value of the Morich Properties 1, Morich Properties 2 and LA Properties were HK\$214,842,000, HK\$41,678,000 and HK\$6,293,000 respectively) as shown in the management account of the Company as at 30 April 2008.

In relation to the details of the Properties, please refer to the table hereinbelow for their respective descriptions:

#### Morich Properties 1:

Address	Type of building	No. of storey	Date of occupation permit	Age (years)
Nos. 5 & 7 Jones Street (see note)	Residential building with ground floor shop	5	7 October 1959	48
Nos. 9 & 11 Jones Street	Residential building with ground floor shop	6	17 November 1960	47
No. 3 Warren Street	Residential building with ground floor shop	6	12 February 1964	44
Nos. 5, 5A, 7 & 7A Warren Street (see note)	Residential building with ground floor shop	6	6 December 1962	45
Nos. 9 & 11 Warren Street	Residential building with ground floor shop	6	11 May 1983	25

Note: LA Properties are located at 1/F, No. 5 Jones Street, Hong Kong; and (ii) Flat A, 3/F, Nos. 5, 5A, 7 & 7A Warren Street, Hong Kong

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## LETTER FROM THE BOARD

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### Morich Properties 2:

Address	Type of building	No. of storey	Date of occupation permit	Age (years)
Nos. 1 & 3 Jones Street (see note)	Residential building with ground floor shop	6	17 November 1960	47

Note: CS Property is located at 4/F, No. 1 Jones Street, Hong Kong

### LA Properties:

Address	Type of unit	Date of occupation permit	Age (years)
1/F, No. 5 Jones Street	Residential unit	7 October 1959	48
Flat A on 3/F, Nos. 5, 5A, 7 & 7A Warren Street	Residential unit	6 December 1962	45

### CS Property:

Address	Type of unit	Date of occupation permit	Age (years)
4/F, No. 1 Jones Street	Residential unit	17 November 1960	47

In light of the substantial gain expected to be generated from the Disposal, the Directors consider that it is an opportunity for the Group to realize its investments in the property market. The Group has purchased or agreed to purchase (as the case may be) the Properties (other than the CS Property) at a cost of HK\$262,813,000 in aggregate (the Morich Properties 1, Morich Properties 2 and LA Properties at a cost of HK\$214,842,000, HK\$41,678,000 and HK\$6,293,000 respectively).

Based on such acquisition costs, the expected net gain accrued to the Group upon completion of the disposal of the Morich Properties and the LA Properties will approximately be HK\$195,687,000 after taking into account selling and other expenses payable by the Group in relation to the disposal of the Properties approximately HK\$4,500,000. The Group intends to use the sale proceeds from the disposal of the Properties as to approximately HK\$160,000,000 for repayment of the mortgages on the Morich Properties and LA Properties and the balance of HK\$298,500,000 for general working capital of the Group.

In relation to the CS Property, after obtaining the order from the court for compulsory sale, the CS Property will be offered for sale under public auction. In this regard, the cost to acquire the CS Property is yet to be ascertained.

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## LETTER FROM THE BOARD

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The gross rental income attributable to part of the Morich Properties 1 and Morich Properties 2 with tenancies are approximately HK\$16,600 and HK\$8,000 for the year ended 31 December 2007 respectively. The net rental income attributable to part of the Morich Properties 1 and the Morich Properties 2 with tenancies are approximately HK\$14,486 and HK\$7,714 for the year ended 31 December 2007 respectively.

The Directors confirm that the consideration for the Properties has been determined after arm's length negotiations between the parties by reference to the market value of similar properties in the same location. The valuation of the Properties by the Independent Valuer, an independent professional valuer with valuation date as at 17 March 2008 was approximately HK\$414,000,000 with reference to the comparable market price. The consideration of the Disposal is at 13.5% premium as compared to such value. The Directors considered that the Disposal at such premium is a good opportunity for the Group to realize its investments.

The Directors are of the view that the Disposal is in the interest of the Company and the terms of the Agreements and the consideration are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### INFORMATION OF THE COMPANY AND THE PURCHASER

#### **The Company**

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 infrastructure facilities in the PRC.

#### **The Purchaser**

The Purchaser carries on the business of property investment and is incorporated in Hong Kong with limited liabilities.

To the best knowledge of the Directors and having made all reasonable enquiries, the Purchaser and the ultimate beneficial owner of the Purchaser are not connected persons (as defined in the Listing Rules) of the Company and are independent from and not connected with the Company and its connected persons (as defined in the Listing Rules).

### FINANCIAL EFFECTS OF THE DISPOSAL ON THE GROUP

It is estimated that the Group will record a net gain of approximately HK\$195,687,000 from the disposal of the Morich Properties and the LA Properties for the year ending 31 December 2008 or 31 December 2009 (depending on whether completion takes place in the year 2008 or 2009) based on the carrying value of the Morich Properties and LA Properties of HK\$262,813,000 as at 31 March 2008.

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## LETTER FROM THE BOARD

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The disposal of the Morich Properties and the LA Properties will have a positive effect on the Group's working capital position as the Group will retain an estimated amount of HK\$298,500,000 in cash.

The Disposal is not expected to have any material impact on the consolidated total assets and consolidated total liabilities of the Group. After the disposal of the Morich Properties and the LA Properties, the consolidated total assets of the Group will be increased by the net gain of HK\$195,687,000. There will also be a decrease in consolidated total liabilities of the Group by about HK\$160,000,000 due to the repayment of mortgage loan on the Properties.

### LISTING RULES IMPLICATIONS

The Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to Shareholders' approval under Rule 14.40 of the Listing Rules. As none of the Shareholders is interested in the Disposal, none of the Shareholders is required to abstain from voting in respect of the Disposal, and the written shareholders' approval was obtained from the Controlling Shareholder on 30 April 2008 approving the Disposal in lieu of holding a general meeting in accordance with Rule 14.44 of the Listing Rules.

In relation to the sale and purchase of the LA Properties and the CS Property, the Company will duly comply with the Listing Rules and publish an announcement on the disposal of the CS Property and the LA Properties at the relevant time in order to keep the Shareholders informed.

### RECOMMENDATION

The Directors consider that the terms of the Disposal are fair and reasonable, and the Disposal is in the best interests of the Company and its Shareholders as a whole. Accordingly, the Directors would have recommended the Shareholders to vote for the Disposal if a shareholders' meeting were to be convened to approve the Disposal.

### ADDITIONAL INFORMATION

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

By Order of the Board  
**Soundwill Holdings Limited**  
**Kwan Chai Ming**  
*Executive Director*

**INDEBTEDNESS**

As at 31 March 2008, the Group had outstanding secured and unsecured borrowings of HK\$2,093,473,000 and convertible bonds of HK\$23,355,000. The borrowings comprised secured bank loans of HK\$2,089,042,000 and unsecured other borrowings of HK\$4,431,000. The bank borrowings were secured by certain investment properties and properties held for sale with a carrying value of HK\$6,032,628,000 as at 31 March 2008.

Save as aforesaid or as otherwise disclosed herein and apart from intra-group liabilities and normal accounts payable in the ordinary course of business of the Group, the Group did not have any debt securities, term loans or other outstanding borrowings or indebtedness including bank overdrafts, liabilities under acceptance, acceptance credits, hire purchase commitments, mortgage or charge or other material contingent liabilities or guarantees as at 31 March 2008.

As at the Latest Practicable Date, the Directors are not aware of any material adverse changes in the Group's indebtedness position since 31 March 2008.

**WORKING CAPITAL**

The net gain on the disposal of the Morich Properties and LA Properties, after taking into account of related cost and expenses, is approximately HK\$195,687,000. The amount of all outstanding mortgage loan on the Morich Properties and LA Properties is approximately HK\$160,000,000. After the repayment of this mortgage loan from the sales proceeds, the Group will retain an estimated amount of HK\$298,500,000 in cash. Accordingly, the disposal has a positive effect on the Group's working capital position.

The Directors are of the opinion that, after taking into account the internal resources available to the Group, net proceeds from the Disposal and present available banking facilities, the Group has sufficient working capital for the next twelve months from the date of this circular.

**TRADING AND FINANCIAL PROSPECTS**

Following the trend declining interest in the US, the Hong Kong interest rate had been lowered several times. During the first quarter of the year, the Hong Kong economy continued to show healthy growth as the local economic fundamentals remained sound in 2008. The gradual appreciation of RMB has attracted more tourists from the PRC in spending in Hong Kong. This has generated favorable impact on Hong Kong's commercial and retail property markets. Furthermore, some of the investors who have cashed in from the stock market in the past year are switching their gains to the property market. It is anticipated that these positive factors will continue to support the development of Hong Kong's property market in 2008.



Looking forward, the Group expects to complete the acquisition of several redevelopment sites, which are all on Hong Kong Island. The Group intends to reserve certain projects for redevelopment or as long-term investment in order to expand the Group's recurrent income base.

Soundwill Plaza, the Group's flagship property, is located in the prime shopping and commercial area on the Hong Kong Island. Soundwill Plaza will continue to provide stable recurrent income to the Group. In 2008, approximately 50% of leases of Soundwill Plaza will be expired. It is expected that when renewing the leases, the Group's average rental will be increased by approximately 55%.

With regard to the Group's business in the PRC, it will continue to actively participate in the urban infrastructure development project in the PRC. The Group is expected to further expand its business in the PRC. By participating in the infrastructure development projects in various secondary cities, the Group is able to establish solid relations with the local governments and business sectors. These relationships will constitute a valuable platform for the Group's exploration of other business opportunities in the PRC.

*The following is the text of a letter together with valuation certificate from the Independent Valuer, in connection with his opinion of value of the Properties as at 17 March 2008.*

CB Richard Ellis Limited

**CBRE**

CB RICHARD ELLIS  
世邦魏理仕

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地產代理(公司)牌照號碼  
Estate Agent's Licence No: C-004065

Morich Properties Limited  
Unit 01, 9/F., Soundwill Plaza,  
38 Russell Street,  
Causeway Bay, Hong Kong

26 May 2008

*Dear Sirs,*

**RE: Nos. 1-11 Jones Street and Nos. 3-11 Warren Street,  
Causeway Bay, Hong Kong**

We refer to your instruction for us to carry out a valuation of the captioned property in Hong Kong. We confirm that we have made relevant investigations and enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital value of the property as at 17 March 2008.

Our valuation is prepared in accordance with the "HKIS Valuation Standards on Properties (First Edition 2005)" published by the Hong Kong Institute of Surveyors. We have also complied with all the requirements contained in Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Our valuation is our opinion of Market Value which is defined to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

Our valuation has been made on the assumption that the owners sell the property on the open market without the benefit or burden of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which could affect the value of the property.

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

We have caused searches to be made at the Land Registry, however we have not inspected the original documents to verify ownership or to ascertain the existence of any amendments which may not appear on the copies handed to us.

We have inspected the property to such extent that we consider necessary for the purpose of this valuation. However, we have not carried out building surveys of the existing buildings, nor have we inspected those parts of the property which are covered, unexposed or inaccessible and such parts have been assumed to be in reasonable repair and condition. During our inspection, we did not notice any serious defects. We have not carried out any structural survey and we are therefore unable to report whether the property are or are not free from rot, infestation or any other defects. No tests have been carried out on any of the building services.

We have not carried out investigations on site to determine the suitability of soil conditions and the availability of services etc. for future development. Our report is prepared on the assumption that these aspects are satisfactory. This report does not make any allowance for contamination or pollution of the land, if any, which may have occurred as a result of past usage.

We have relied to a considerable extent on information given to us by the instructing party, in particular on matters such as planning approvals, statutory notice, easements, floor layout plans, gross and leaseable floor areas and tenancy details. Dimensions, measurements and areas included in the report are taken from the information and are therefore only approximations.

We enclose herewith our valuation certificate.

Yours faithfully,  
For and on behalf of  
**CB Richard Ellis Limited**

**Alex PW Leung MRICS MHKIS RPS(GP)**  
*Director*  
Valuation & Advisory Services

## VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value in as at 17 March 2008
Nos. 1-11 Jones Street and Nos. 3-11 Warren Street, Hong Kong	The subject property comprises a land with a site area of approximately 6,677 sq ft (620.27 sq m).	62 out of 68 units have been leased to various tenants for terms of 1 month to 3 years at a total monthly rent of about HK\$207,600. The latest expiry date of the leases is 30 June 2009.	<b>HK\$414,000,000</b> (HONG KONG DOLLARS FOUR HUNDRED FOURTEEN MILLION)
Sections A, B, C, F, G, H, J and K, Remaining Portion of Section D, Remaining Portion of Section E and Remaining Portion of Inland Lot No. 2087	There are seven 6-storey and two 5-storey tenement blocks erected on the land.  Completed in between 1959 and 1983, the nine subject buildings are provided with retail shops on the ground floor.		
	We were advised the total saleable area of the existing buildings is approximately 25,944 sq ft (2,410 sq m) including balconies but excluding yards and roofs.		
	According to the Causeway Bay Outline Zoning Plan No. S/H6/14 dated 30 September 2005, the property lies within an area zoned as “Residential (A)”. The lease is basically unrestricted and thus the development potential follows the Building (Planning) Regulations.		
	The property is held under Government Lease for a term of 75 years renewable for 75 years commencing from 28 September 1914. The total annual government rent is HK\$57,318.		

*Notes*

1. According to the Land Registry, the registered owner of the following units is Morich Properties Limited:
  - Ground to Third Floors, No. 1 Jones Street
  - Ground to Fifth Floors, No. 3 Jones Street
  - Third and Fourth Floors, No. 5 Jones Street
  - Ground and Second Floors, No. 7 Jones Street
  - Ground to Second Floors, No. 9 Jones Street
  - Ground Floor, No. 11 Jones Street
  - Fifth Floor and Roof, No. 3 Warren Street
  - Shop B and Shop C on Ground Floor, Nos. 5-7A Warren Street
  - Units B on First to Fourth Floors, Nos. 9-11 Warren Street
  
2. According to Land Registry, the ownerships of the following units have been granted to Morich Properties Limited whereas the relevant assignments are currently under Deed Pending Registration.
  - First and Fifth Floors, No. 1 Jones Street
  - Ground and Second Floors, No. 5 Jones Street
  - First, Third and Fourth Floors, No. 7 Jones Street
  - Third to Fifth Floors, No. 9 Jones Street
  - First to Fifth Floors, No. 11 Jones Street
  - First Floor, Fifth Floor and Roof, No. 3 Warren Street
  - Shop A on Ground Floor, Shop D on Ground Floor, Unit A on First Floor, Unit B on First Floor, Unit A on Second Floor, Unit B on Second Floor, Unit B on Third Floor, Unit A on Fourth Floor, Unit B on Fourth Floor, Unit A on Fifth Floor, Unit B on Fifth Floor, Roof (excluding Roof B), Nos. 5-7A Warren Street
  - Shop A on Ground Floor, Shop B on Ground Floor, Unit A on First Floor, Unit A on Second Floor, Unit A on Third Floor, Unit A on Fourth Floor, Unit A on Fifth Floor, Unit B on Fifth Floor, Nos. 9-11 Warren Street
  
3. The units listed in Notes 1 and 2 above are all subject to Mortgage in favour of DBS Bank (Hong Kong) Limited dated 31 January 2008 vide Memorial No. 08022900650125.
  
4. Units at No. 1 Jones Street and No. 3 Jones Street are subject to a Sealed Copy of Notice of Application to Lands Tribunal for an Order for Sale in favour of Morich Properties Limited as the Applicant and Heer Ann Alias Hui Che On The Sole Executor of Hui (or Hsu) Wong (or Wan) Hoy (or Hoi) Deceased as the Respondent dated 13 February 2008 vide Memorial No. 08031402510038, which is under Deed Pending Registration.
  
5. The registered owner of Fourth Floor, No. 1 Jones Street is Heer Ann Alias: Hui Che On.
  
6. The registered owner of First Floor, No. 5 Jones Street is Wong Chun Ming.
  
7. The registered owner of Unit A on Third Floor, Nos. 5-7A Warren Street is Yeung Chak King.
  
8. The building at No. 1 Jones Street is subject to Deed of Mutual Covenant dated 15 December 1960 vide Memorial No. UB331220.
  
9. The building at No. 3 Jones Street is subject to Deed of Mutual Covenant dated 26 January 1961 vide Memorial No. UB333009.
  
10. The building at No. 5 Jones Street is subject to Deed of Mutual Covenant dated 23 November 1959 vide Memorial No. UB 306961.
  
11. The building at No. 7 Jones Street is subject to Deed of Mutual Covenant dated 23 November 1959 vide Memorial No. UB306962.

12. The building of No.9 Jones Street is subject to the following encumbrances:
  - a) Deed of Mutual Covenant dated 1 March 1961 vide Memorial No. UB336151; and
  - b) Deed Poll dated 4 February 2004 vide Memorial No. UB9146025 regarding First Floor of Wong Hou Yu formerly known as Wong Chi Man.
13. The building at No.11 Jones Street is subject to Deed of Mutual Covenant dated 15 December 1960 vide Memorial No.UB331221.
14. The Ground Floor at No. 3 Warren Street is subject to Notice No. WNZ/U19-025/0001/05 issued by the Building Authority under Section 24 (C)1 of the Buildings Ordinance.
15. The building at Nos. 5, 5A, 7 and 7A Warren Street is subject to the following encumbrances:
  - a) Deed of Mutual Covenant dated 18 December 1962 vide Memorial No. UB386235; and
  - b) Order No. CRT/RT/005774/06/HK dated 22 September 2006 vide Memorial No. 06102001240253 regarding Roof excluding Roof B.
16. The building at Nos. 9 and 11 Warren Street is subject to the following encumbrances:
  - a) Deed of Mutual Covenant in favour of Yuen Kwai Yung dated 25 May 1983 vide Memorial No. UB2417808; and
  - b) Deed of Mutual Covenant in favour of James Chu Wing Kee dated 25 May 1983 vide Memorial No. UB2417808.
17. In our valuation, we have assumed there are no immediate maintain works needed in respect of the Orders above issued by the Building Authority and have disregarded the relevant costs in our value.

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

**2. DISCLOSURE OF INTERESTS****(a) Directors' interest in the Company**

As at the Latest Practicable Date, save as mentioned below, none of the Directors and chief executive has any interest or short position in the shares, 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.

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

Name of Director	Capacity	Number of Shares	Approximate
			percentage of shareholding
Foo Kam Chu, Grace	Interest of controlled corporation	156,783,709 (Note)	70.05
	Beneficial owner	96,000	0.04
Tse Chun Kong, Thomas	Interest of spouse	6,000	0.00
	Beneficial owner	723	0.00
Kwan Chai Ming	Beneficial owner	30,000	0.01

*Note:* The 156,783,709 Shares are held by Ko Bee, the entire issued share capital of which is held by Madam 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		Price of Grant (HK\$)	Subscription Price per Share (HK\$)
		Shares in the Option	Exercisable Period		
Foo Kam Chu, Grace	Beneficial owner	200,000	06/01/2005 to 05/01/2010	1.00	1.47
		200,000	04/01/2006 to 03/01/2011	1.00	2.38
		200,000	20/05/2007 to 19/05/2012	1.00	2.52
		600,000	18/01/2008 to 21/07/2012	1.00	6.17
Tse Chun Kong, Thomas	Beneficial owner	60,000	08/01/2004 to 07/01/2009	1.00	1.50
		90,000	06/01/2005 to 05/01/2010	1.00	1.47
		90,000	04/01/2006 to 03/01/2011	1.00	2.38
		90,000	20/05/2007 to 19/05/2012	1.00	2.52
		90,000	18/01/2008 to 21/07/2012	1.00	6.17
Chan Wai Ling	Beneficial owner	60,000	08/01/2004 to 07/01/2009	1.00	1.50
		90,000	06/01/2005 to 05/01/2010	1.00	1.47
		90,000	04/01/2006 to 03/01/2011	1.00	2.38
		90,000	20/05/2007 to 19/05/2012	1.00	2.52
		2,000,000	18/01/2008 to 21/07/2012	1.00	6.17
Kwan Chai Ming	Beneficial owner	150,000	18/01/2008 to 21/07/2012	1.00	6.17
Meng Qinghui	Beneficial owner	60,000	08/01/2004 to 07/01/2009	1.00	1.50
		90,000	06/01/2005 to 05/01/2010	1.00	1.47
		90,000	04/01/2006 to 03/01/2011	1.00	2.38
		90,000	20/05/2007 to 19/05/2012	1.00	2.52
		90,000	18/01/2008 to 21/07/2012	1.00	6.17
Liang Yanfeng	Beneficial owner	90,000	20/05/2007 to 19/05/2012	1.00	2.52
		90,000	18/01/2008 to 21/07/2012	1.00	6.17



*(iii) Long positions in underlying shares of equity derivatives of the Company — interests in convertible bonds each of which is convertible into one Share at the conversion price of HK\$1.66:*

Name of Director	Capacity	Principal amount of convertible bonds	Number of underlying Shares
Foo Kam Chu, Grace	Interest of controlled corporation	HK\$23,499,490	14,156,319 <i>(Note)</i>

*Note:* These convertible bonds are held by Ko Bee, a company wholly owned by Madam Foo Kam Chu, Grace who is deemed, by virtue of the SFO, to be interested in these convertible bonds.

**(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

Save that Madam Foo Kam Chu, Grace is the sole director of Ko Bee, the controlling and substantial shareholder of the Company, none of the Directors is a director or employee of Ko Bee.

**(c) Interests in assets of the Group**

An unsecured revolving credit facility up to a maximum total principal amount of HK\$100,000,000 with interest rate at prime lending rate for Hong Kong dollars plus 1% per annum granted by a related company in which the Chairman and an executive director of the Company have interests to a wholly owned subsidiary of the Company has been renewed from 1 May 2008 until 30 April 2011 on the same terms.

Save as above, as at the Latest Practicable Date, none of the Directors has any interest in any assets which have been, since 31 December 2007, 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.

### 3. SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors or chief executive of the Company, as at the Latest Practicable Date, the person other than a director or chief executive of the Company who has an interest or short position in the shares and 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, 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	Approximate percentage of shareholding
Ko Bee	Beneficial owner	156,783,709	70.05

#### (b) Long positions in underlying Shares of equity derivatives of the Company — interests in the convertible bonds of the Company:

Name of Shareholder	Capacity	Principal amount of convertible bonds	Number of underlying Shares	Approximate percentage of shareholding
Ko Bee	Beneficial owner	HK\$23,499,490	14,156,319	6.32%

### 4. CONSENT

The Independent Valuer has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and valuation certificate and the references to its name, letter and valuation certificate in the form and context in which it appears.

### 5. MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor any other member of the Group is engaged in any litigation or claims of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any other member of the Group.

**6. MATERIAL CONTRACTS**

Save as (i) the Agreements; (ii) the sale and purchase agreement dated 11 August 2007 (as announced by the Company on 14 August 2007) between Benway Limited and Ever Manor International Limited and Wonder Mark Limited (a wholly owned indirect subsidiary of the Company) for the disposal of the properties located at Nos. 19 and 21 Sharp Street East, Hong Kong at the consideration of HK\$148,000,000 which was completed on 26 November 2007; (iii) the sale and purchase agreement dated 18 April 2007 (as announced by the Company on 20 April 2007) between Shun Ho Real Estate Limited, Wealth Sky Properties Limited and Soundwill (Chongqing) Limited (wholly owned indirect subsidiaries of the Company) for the disposal of the properties located at No. 30, 32, 34, 36, 38, and 40 Bowrington Road, Hong Kong at the consideration of HK\$230,000,000 which has been completed on 20 August 2007; and (iv) the sale and purchase agreement dated 20 October 2006 (as announced by the Company on 23 October 2006) between Rise Champion Holdings Limited (a wholly owned indirect subsidiary of the Company) and Better Chance International Limited for the disposal of properties located on Nos, 8, 10 and 12 Lin Fa Kung Street West and Nos. 98 and 100 Tung Lo Wan Road, Hong Kong at the consideration of HK\$245,000,000 which has been completed on 15 December 2006, neither the Company nor any other member 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) within the two years preceding the Latest Practicable Date.

**7. SERVICE AGREEMENT**

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

**8. MISCELLANEOUS**

As at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement which is significant in relation to the business of the Group.

Each of the Directors has confirmed that he/she and their respective associates do not have any interests in a business which directly or indirectly competes with the business of the Group.

**9. EXPERT**

The following is the qualification of the expert who has given its letter and valuation certificate on 17 March 2008 which were made by the expert for incorporation in this circular and are contained or referred to in this circular:

<b>Name</b>	<b>Qualification</b>
CB Richard Ellis Limited	Independent Property Valuer

As at the Latest Practicable Date, the Independent Valuer is 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 2007 (the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of or leased to, or are proposed to be acquired or disposed of or leased to any member of the Group.

**10. GENERAL**

- (a) The company secretary of the Company is Kwan Chai Ming, a qualified solicitor in Hong Kong.
- (b) The qualified accountant of the Company is Lau Chan Wing, Raymond, a certified public accountant in Hong Kong.
- (c) The Company's Hong Kong branch share registrar is Tricor Standard Limited, 26th Floor, Tesbury Centre, No. 28 Queen's Road East, Wanchai, Hong Kong.
- (d) The registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (e) 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.
- (f) The English text of this circular shall prevail over the Chinese text in the case of any inconsistency.

**11. 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 10 June 2008:

- (a) the memorandum and Bye-laws of the Company;
- (b) the material contracts referred to in the section headed “Material Contracts” in Appendix III to this circular;
- (c) the annual reports of the Company for years ended 31 December 2006 and 31 December 2007 respectively;
- (d) the valuation report in respect of the Properties, from the Independent Valuer, the text of which is set out in Appendix II to this circular;
- (e) the letter of consent from the expert referred to in the section headed “Expert” in Appendix III to this circular;
- (f) the circular of the Company dated 4 September 2007;
- (g) the circular of the Company dated 14 May 2007; and
- (h) the circular of the Company dated 14 November 2006.