



# South Sea Holding Company Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 680)

## ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2004

### RESULTS

The directors of **South Sea Holding Company Limited** (the “Company”) hereby announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2004, together with the comparative figures for the nine months ended 31 December 2003 as follows:

### CONSOLIDATED INCOME STATEMENT

		Year ended 31 December 2004 <i>HK\$'000</i>	Period from 1 April 2003 to 31 December 2003 <i>HK\$'000</i>
	<i>Notes</i>		
<b>Turnover</b>		1,215	11,708
Cost of sales		<u>(1,569)</u>	<u>(21,207)</u>
<b>Gross loss</b>		(354)	(9,499)
Other revenue		17,523	19,807
(Loss on dissolution of a subsidiary)/Gain on disposal of subsidiaries		(177)	53,421
Engineering expenses		(65)	(732)
Administrative expenses		(10,345)	(9,837)
Other operating expenses		<u>(219)</u>	<u>(880)</u>
<b>Profit from operations</b>	3	6,363	52,280
Interest waived by creditors		–	34,066
Finance costs		(2,369)	(22,251)
Share of profits/(losses) of associates		<u>1,244</u>	<u>(550)</u>
<b>Profit before taxation</b>		5,238	63,545
Taxation	4	<u>(21)</u>	<u>–</u>
<b>Profit after taxation but before minority interests</b>		5,217	63,545
Minority interests		–	–
<b>Profit for the year/period attributable to shareholders</b>		<u>5,217</u>	<u>63,545</u>
		<i>HK cent</i>	<i>HK cent</i>
<b>Basic earnings per share</b>	5	<u>0.0174</u>	<u>0.2123</u>

Notes:

(1) **Basis of preparation**

As at 31 December 2004, the Group had net current liabilities of HK\$1,375,220,000. Notwithstanding this, the financial statements have been prepared on a going concern basis, the validity of which depends upon the following:

- the Group is currently in the course of discussion with some of its bankers to apply for new credit facilities and the directors anticipate that the Group will be able to obtain new credit facilities from its bankers. Such new credit facilities will be used for working capital purpose after repayment of the existing loan liabilities;
- the ultimate holding company and certain fellow subsidiaries have undertaken to provide financial support to the Group and not to demand repayment of debts due by the Group until such time when repayment will not affect the Group's ability to repay other creditors in the normal course of business;
- Robina Profits Limited, the holder of the Company's convertible notes and a fellow subsidiary, has confirmed in writing to the Company that it will convert the entire principal amount under the convertible notes HK\$200,000,000 into ordinary shares of the Company prior to the due date of these convertible notes; and
- the directors anticipate that the Group will generate positive cash flows from its property development business.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to restate the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively.

(2) **Segment Information**

2(a) **Business segments**

The following tables present revenue, results and certain assets, liabilities and capital expenditure information for the Group's business segments for the year ended 31 December 2004 and for the period from 1 April 2003 to 31 December 2003.

	Consumer packaged electronics		Continuing operations				Discontinued operations				Total	
	Property development		Others		Electronics manufacturing services		Telecommunication products		Year ended 31 December 2004	Period from 1 April 2003 to 31 December 2003	Year ended 31 December 2004	Period from 1 April 2003 to 31 December 2003
	Year ended 31 December 2004	Period from 1 April 2003 to 31 December 2003	Year ended 31 December 2004	Period from 1 April 2003 to 31 December 2003	Year ended 31 December 2004	Period from 1 April 2003 to 31 December 2003	Year ended 31 December 2004	Period from 1 April 2003 to 31 December 2003				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue</b>												
Sales to external customers	1,215	2,164	-	-	-	-	-	9,544	-	-	1,215	11,708
<b>Segment results</b>	(4,834)	(6,728)	8,296	7,311	(285)	(214)	-	(8,358)	-	-	3,177	(7,989)
Interest income											3,363	6,848
Finance costs											(2,369)	(22,251)
Interest waived by creditors											-	34,066
(Loss on dissolution of a subsidiary) Gain on disposal of subsidiaries					(177)	(109)		51,530			(177)	51,421
Share of (profits)/(losses) of associates			(417)	(550)	1,661						1,244	(550)
<b>Profit before taxation</b>											5,228	63,545
Taxation											(21)	-
<b>Profit after taxation but before minority interests</b>											5,217	63,545
Minority interests											-	-
<b>Profit for the year/period attributable to shareholders</b>											5,217	63,545
<b>Segment assets</b>	2,474	19,008	3,610,295	3,455,125	372	116,662	-	-	-	379	3,613,141	3,591,174
Interest in associates	-	-	208,256	224,711	20,812	-	-	-	-	-	229,068	224,711
<b>Total assets</b>	2,474	19,008	3,818,551	3,679,836	21,184	116,662	-	-	-	379	3,842,209	3,815,885
<b>Segment liabilities</b>	11,578	12,134	609,002	609,853	193,308	352,044	-	-	-	3,009	873,968	977,040
Loan liabilities	-	-	-	-	-	-	-	-	-	-	548,839	424,660
<b>Total liabilities</b>	11,578	12,134	609,002	609,853	193,308	352,044	-	-	-	3,009	1,422,807	1,401,700

Other segment information												
Capital expenditure	7	97	90,190	77,585	-	-	-	161	-	-	90,197	77,843
Depreciation and amortisation	880	522	66	27	-	47	-	3,474	-	-	946	4,070
Write-off of product development costs	149	27	-	-	-	-	-	-	-	-	149	27
Amortisation of goodwill	-	-	1,085	181	-	-	-	-	-	-	1,085	181
Negative goodwill recognised as income	-	-	(14,089)	(10,566)	-	-	-	-	-	-	(14,089)	(10,566)

## 2(b) Geographical segments

The following tables present revenue, results, certain assets and capital expenditure information for the Group's geographical segments.

	Europe		Asia		Total	
	Year ended	Period from	Year ended	Period from	Year ended	Period from
	31 December	1 April 2003	31 December	1 April 2003	31 December	1 April 2003
	2004	to 31 December	2004	to 31 December	2004	to 31 December
	HKS'000	2003	HKS'000	2003	HKS'000	2003
		HKS'000		HKS'000		HKS'000
<b>Segment revenue</b>						
Sales to external customers	<u>59</u>	<u>857</u>	<u>1,156</u>	<u>10,851</u>	<u>1,215</u>	<u>11,708</u>
<b>Segment results</b>	<u>(175)</u>	<u>(2,652)</u>	<u>3,352</u>	<u>(5,337)</u>	<u>3,177</u>	<u>(7,989)</u>

	Europe/ North America		Hong Kong		People's Republic of China, other than Hong Kong		Total	
	Year ended	Period from	Year ended	Period from	Year ended	Period from	Year ended	Period from
	31 December	1 April 2003	31 December	1 April 2003	31 December	1 April 2003	31 December	1 April 2003
	2004	to 31 December	2004	to 31 December	2004	to 31 December	2004	to 31 December
	HKS'000	2003	HKS'000	2003	HKS'000	2003	HKS'000	2003
		HKS'000		HKS'000		HKS'000		HKS'000
<b>Segment assets</b>	<u>1,201</u>	<u>1,621</u>	<u>1,645</u>	<u>134,428</u>	<u>3,839,363</u>	<u>3,679,836</u>	<u>3,842,209</u>	<u>3,815,885</u>
<b>Other segment information</b>								
Capital expenditure	<u>-</u>	<u>-</u>	<u>7</u>	<u>16,135</u>	<u>90,190</u>	<u>61,708</u>	<u>90,197</u>	<u>77,843</u>

## (3) Profit from operations

	<b>Year ended</b>	<b>Period from</b>
	<b>31 December</b>	<b>1 April 2003 to</b>
	<b>2004</b>	<b>31 December</b>
	<b>HKS'000</b>	<b>2003</b>
		<b>HKS'000</b>
Profit from operations is arrived at after charging:		
Provision for bad and doubtful debts	<u>17</u>	<u>1,592</u>
Exchange loss	<u>968</u>	<u>-</u>
Depreciation and amortisation on owned property, plant and equipment	<u>946</u>	<u>4,070</u>

## (4) Taxation

	<b>Year ended</b>	<b>Period from</b>
	<b>31 December</b>	<b>1 April 2003 to</b>
	<b>2004</b>	<b>31 December</b>
	<b>HKS'000</b>	<b>2003</b>
		<b>HKS'000</b>
The tax charge comprises:		
Current tax – Hong Kong profits tax		
– Under-provision in respect of prior years	<u>21</u>	<u>-</u>

No Hong Kong profits tax has been provided in the financial statements in respect of the current year and the prior period as the Group did not derive any assessable profit in Hong Kong during that year/period.

## (5) Earnings per share

The calculation of basic earnings per share is based on the Group's profit for the year/period attributable to shareholders of HK\$5,217,000 (9 months ended 31 December 2003: HK\$63,545,000) and on the weighted average of 29,931,804,183 (9 months ended 31 December 2003: 29,931,804,183) ordinary shares in issue during the year/period.

Diluted earnings per share for the year ended 31 December 2004 was not presented because the impact of the exercise of the convertible notes was anti-dilutive.

Diluted earnings per share for the period ended 31 December 2003 has not been presented as there was no dilutive potential ordinary shares.

## **SUMMARY OF AUDITORS' REPORT**

The auditors of the Company have modified their report on the Group's accounts for the year ended 31 December 2004 and their report has included the following paragraph regarding the adoption of the going concern basis for the preparation of the accounts:

*"Fundamental uncertainty relating to the going concern basis of the financial statements*

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the adoption of the going concern basis for the preparation of the financial statements. As set out in note 2 to the financial statements, the financial statements have been prepared on a going concern basis, the validity of which is dependent on the following:

- the successful outcome of the discussion with the Group's bankers for the granting of new credit facilities to the Group;
- the financial support and undertakings from the ultimate holding company and certain fellow subsidiaries; and
- the assumption that the Group will generate positive cash flows from its property development business.

The financial statements do not include any adjustments that would result from a failure of the Group to operate as a going concern. Had the going concern basis not been used, adjustments would have to be made to the financial statements to reduce the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. We consider that appropriate disclosures relating to this fundamental uncertainty have been made and our opinion is not qualified in this respect."

## **FINAL DIVIDEND**

The directors of the Company have resolved not to recommend the declaration of any final dividend for the year ended 31 December 2004 (9 months ended 31 December 2003: Nil).

## **CLOSURE OF REGISTER**

The register of members will be closed from 6 June 2005 to 10 June 2005, both days inclusive, during which period no transfer of shares will be effected for the purpose of determining the identity of members who are entitled to attend and vote at the forthcoming annual general meeting. In order to register the transfers, all transfers accompanied by the relevant share certificates must be lodged with the branch share registrars of the Company in Hong Kong, Abacus Share Registrars Limited at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00p.m. on 3 June 2005.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **OPERATION REVIEW**

During the year, the Group was principally engaged in property development; design and marketing of consumer packaged electronic. Turnover for the year was approximately HK\$1.2 million (9 months ended 31 December 2003: HK\$11.7 million) and a net profit of HK\$5.2 million (9 months ended 31 December 2003: HK\$63.5 million) was recorded. The net assets value of the Group amounted to HK\$2,419.4 million (9 months ended 31 December 2003: HK\$2,414.2 million), representing a value of HK\$0.081 per share.

The Group's net profit of HK\$5.2 million was mainly attributable from the negative goodwill released and interest income during the year.

#### *Property Development*

During the year, the Group recorded no turnover (9 months ended 31 December 2003: nil) and a segment profit of approximately HK\$8.3 million (9 months ended 31 December 2003: HK\$7.3 million) for this business division. The profit was mainly attributable to negative goodwill released for the year.

In this report period, the Company's Shenzhen property project has received the government's approval as planned, and was named "The Peninsula" which has begun construction and entered into marketing promotion phase. In view of the current market price, and the trend of supply and demand, the investment return of this property project will be very optimistic. Based on the approved construction plans and concepts, this unique cultural community will have total floor area of about 1 million sq.m. The pre-sale of the Phase I of The Peninsula is expected to be commenced in September 2005, and this project is expected to generate strong cash inflow in the coming few years.

The architectural planning and design of The Peninsula is of world class standards, completed by a renowned French company. Boasting an unique geographical location, the development will become prime property in the South China Sea region's real estate market. The Peninsula participated in several real estate sale and promotion events in 2004, and received highly popular acclaim. The marketing campaigns conducted in early 2005 received even more spectacular feedback, rarely seen in the Shenzhen property market.

In addition, the development plan of our Guangzhou project, a super sized international contemporary commercial and residential community integrating cultural recreations and commercial amenities, is being reviewed in detail. All approval procedures are progressing as planned, with overall construction and first phase opening to be expected soon.

#### *Consumer Packaged Electronics*

During the year, turnover from this division was approximately HK\$1.2 million (9 months ended 31 December 2003: HK\$2.2 million) and a reduced segmental loss of approximately HK\$4.8 million (9 months ended 31 December 2003: HK\$6.7 million) was recorded.

The market in this industry has always been very competitive and as a result, the turnover in this division has been decreasing during the year. However, our management would continue to monitor the market and to make necessary steps to reduce the negative impact from such competitive environment.

#### **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL**

The Group continues to adopt prudent funding and treasury policies. As at 31 December 2004, net assets value of the Group amounted to approximately HK\$2,419.4 million, including cash and bank balances of approximately HK\$1 million which was denominated mainly in Renminbi and Hong Kong dollars. As at 31 December 2004, the Group's bank and other borrowings increased to HK\$548.8 million (at 31 December 2003: HK\$425 million), including convertible notes amounted to HK\$200 million (which all bears an interest rate of 1% per annum and will mature on 30 July 2005) issued by the Company during the year. For the Group's bank and other borrowings, approximately HK\$388.6 million were bearing interest at fixed rates while approximately HK\$160.2 million were bearing interest at floating rates. The increase in bank and other borrowings is mainly due to the issue of the HK\$200 million convertible notes pursuant to the subscription agreement as detailed in the Company's circular dated 23 March 2004 during the year. The gearing ratio of the Group, measured on the basis of total bank and other borrowings as a percentage of total shareholders' equity increased to 23% as of 31 December 2004 from 18% as at 31 December 2003. The Group's contingent liabilities at 31 December 2004 were HK\$33.8 million due to the guarantees given in connection with credit facilities.

As at 31 December 2004, land held for development with land lot no. K708-5 at Liu Wan, Shekou, China together with all its sales proceeds; and shares in certain subsidiaries within the Group were pledged as securities for credit facilities.

#### **EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATE**

As the majority of the Group's borrowings and transactions are denominated in Hong Kong dollars, US dollars and Renminbi, the Group's exposure to exchange rate fluctuations is relatively insignificant. In general, the Group mainly utilizes its Renminbi income receipt for capital requirements expenditures in China and has not used any financial instruments for hedging Renminbi bank borrowings during the year and such borrowings were mainly used for Renminbi capital requirements in China.

#### **EMPLOYEE**

The Group employs and remunerates its staff based on their qualifications, experience and performance. In addition to basic salary payments, other benefits include contributions to provident fund schemes, group medical insurance, group personal accident insurance and external training sponsorship. Employees are eligible to be granted share options under the Company's share option scheme at the discretion of the board of directors. In general, salary review is conducted annually. At 31 December 2004, the Group had approximately 38 employees (at 31 December 2003: 32 employees). The salaries and allowance of employees for the year ended 31 December 2004 was approximately HK\$6 million (9 months ended 31 December 2003: HK\$9 million).

#### **PROSPECT**

The shareholding restructure plan with its controlling shareholder, Sino-i Technology Limited ("Sino-i"), will be completed in 2005. Afterwards, the Company will become the holding company of Sino-i. The Company's core business will expand. Besides focusing on property development business, the Company through its subsidiary, Sino-i, will also participate in the IT business, and share in the substantial rewards from the rapidly growing information technology sector. This restructure will optimize the Company's business operations by consolidating the structure, to facilitate the Company's move toward a more balanced and mature stage, and achieve solid returns for shareholders.

We have completed all related procedures for the restructure, Sino-i is awaiting the High Court's approval on capital reduction and distribution, and expects that such approval will be obtained in mid-2005. In 2005, the Company will continue to expedite implementation of the restructure plan, complete the business unit reorganization, and the remaining interest in the property development under Sino-i will be sorted out properly.

In 2005, the Company, as the holding company, will strongly support Sino-i to develop its IT sector, and steadily observe the cultural media sector developments. Through expansion of business profile, the management believes that the restructure will allow the Company to share in the benefits of the information technology, and cultural media sectors. The expansion will also lead to unforeseen growth in the Company's finance and business, and provide foundation for consolidated development.

In 2005, the Company will continue to develop the property development business in China. In 2004, China's real estate market experienced immense activity and rise in market price; and in the foreseeable future, the demand for middle to high class property will continue to rise. Even though market capacity and rise in real estate prices will be managed, the overall real estate and property development market trend will nevertheless continue to grow. The Company holds land reserves in Shenzhen and Guangzhou. In addition, China's real estate sector's continuing expansion along with the related financial, insurance and legal regulatory reforms underway, are all conducive to the development of the overall property investment and development sector in China. Therefore, the Company's management is highly confident of the property development business in the coming year.

#### **PURCHASE, SALE OR REDEMPTION OF SHARES**

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold or redeemed any of the Company's shares during the year.

#### **CHANGE OF COMPANY NAME**

The Directors also propose to change the name of the Company to "Nan Hai Corporation Limited" in order to expressly reflect our main direction and continued expansion in the People's Republic of China, and the Chinese translation of the Company's name of "南海控股有限公司" would remain unchanged. In this connection, the special resolution (Resolution numbered 7) as set out in the notice of the AGM is proposed to approve the change of name.

Subject to the approval of Shareholders and the Registrar of Companies in Bermuda, the change of the Company's name will take effect on the date on which the new name is entered by the Registrar of Companies in Bermuda into the companies register in place of the existing name. The Company will attend to the necessary filings with the Registrar of Companies in Hong Kong following the change of name in compliance with applicable laws and regulations in Hong Kong. Further announcement will be made when the change of the Company's name becomes effective.

The change of the Company's name will not affect any rights of the Shareholders. Upon the change of the Company's name becoming effective, all existing share certificates bearing the existing name of the Company will continue to be evidence of title to the shares in the capital of the Company and be valid for trading and settlement purpose. Shareholders who desire to exchange their existing share certificates for share certificates bearing the new name of the Company may do so at no cost if effected within 30 days from the effective date of the change of company name. Subsequent exchanges will incur a fee of HK\$2.50 (subject to change) for each share certificate submitted or each certificate issued whichever is the higher amount.

#### **AMENDMENTS TO BYE-LAWS**

Amendments have been made by the Stock Exchange to Appendix 14 to the Listing Rules concerning the code on corporate governance practices which came into effect on 1 January 2005. In this connection, the special resolution (Resolution numbered 8) as set out in the notice of the AGM is proposed to make amendments to the existing Bye-Laws, to the extent permitted under the laws of Bermuda, to comply with the requirements of the amended Appendix 14 to the Listing Rules.

Bye-laws 99 and 182(vi) dealing with retirement of directors will be amended to the extent permitted under the laws of Bermuda, to add the requirement for retirement of Directors by rotation at least once every three years at the Company's annual general meeting; and Bye-laws 90, 102 and 104 will be amended to the effect that all Directors appointed to fill a casual vacancy would be subject to election by Shareholders at the first general meeting after their appointment, in each case to reflect code provisions under the amended Appendix 14 to the Listing Rules.

#### **LIST OF DIRECTORS**

As at the date of this announcement, the board of directors of the Company comprises three executive directors, namely Mr. Yu Pun Hoi, Mr. Zhang Hong Ren and Dr. Zhao Liang; two non-executive directors, namely Mr. Yu Lin Hoi and Mr. Lam Bing Kwan and three independent non-executive directors, namely Ms. Wei Jingyun, Mr. Qin Tian Xiang and Mr. Wu Chen.

#### **PUBLICATION OF FURTHER INFORMATION**

All information required by paragraphs 45(1) to 45(3) inclusive of Appendix 16 to the Listing Rules in force prior to 31 March 2004, which remains applicable to results announcement in respect of accounting periods commencing before 1 July 2004 under the transitional arrangements, will be published on the Stock Exchange's website in due course.

By order of the Board  
**Zhang Hong Ren**  
Director

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## Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of South Sea Holding Company Limited (the “Company”) will be held at Chater Room 1, Function Room Level (B1), The Ritz-Carlton, 3 Connaught Road Central, Hong Kong on 10 June 2005 at 10:00 a.m. for the following purposes:

1. To receive and adopt the audited financial statements and the Reports of the Directors and Auditors for the year ended 31 December 2004.
2. To re-elect the retiring Directors and to authorize the Board of Directors to fix the remuneration of the Directors.
3. To re-appoint the retiring Auditors and to authorize the Board of Directors to fix their remuneration.

### ORDINARY RESOLUTIONS

4. As Special Business, to consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution of the Company:

“**THAT:**

- (a) subject to paragraph (c) of this Resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to allot, issue or grant securities convertible into such shares, or options, warrants or similar rights to subscribe for any such shares or such convertible securities and to make or grant offers, agreements and options which might require the exercise of such power whether during or after the end of the Relevant Period be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this Resolution shall be in addition to any other authorizations given to the directors of the Company and shall authorize such directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the approval given in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue (as defined below); (ii) an issue of shares as scrip dividends pursuant to the bye-laws of the Company from time to time; (iii) an issue of shares under any option scheme or similar arrangement for the time being adopted for the grant or issue to employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company; or (iv) an issue of shares pursuant to the exercise of rights of subscription or conversion under the terms of any warrants issued by the Company or any securities which are convertible into shares in the Company, shall not exceed 20% of the nominal amount of the issued share capital of the Company at the date of passing of this Resolution and the said approval shall be limited accordingly;
- (d) subject to the passing of each of paragraphs (a), (b) and (c) of this Resolution, any prior approvals of the kind referred to in paragraphs (a), (b) and (c) of this Resolution which had been granted to the directors of the Company and which are still in effect be and are hereby revoked; and
- (e) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by law or the bye-laws of the Company to be held; and
- (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue” means an offer of shares open for a period fixed by the directors of the Company to the holders of shares of the Company on the register on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company).”

5. As Special Business, to consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution of the Company:

“**THAT:**

- (a) subject to paragraph (b) of this Resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares in the capital of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time be and is hereby generally and unconditionally approved;

- (b) the aggregate nominal amount of shares in the Company which may be repurchased by the Company pursuant to the approval in paragraph (a) of this Resolution shall not exceed 10% of the nominal amount of the share capital of the Company in issue at the date of passing of this Resolution and the said approval shall be limited accordingly;
  - (c) subject to the passing of each of paragraphs (a) and (b) of this Resolution, any prior approvals of the kind referred to in paragraphs (a) and (b) of this Resolution which had been granted to the directors of the Company and which are still in effect be and are hereby revoked; and
  - (d) for the purposes of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:
    - (i) the conclusion of the next annual general meeting of the Company;
    - (ii) the expiration of the period within which the next annual general meeting of the Company is required by law or the bye-laws of the Company to be held; and
    - (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting."
6. As Special Business, to consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution of the Company:
- "**THAT** subject to the passing of Resolutions numbered 4 and 5 set out in the notice convening this Meeting, the general mandate granted to the directors of the Company to issue and dispose of additional shares pursuant to Resolution numbered 4 set out in the notice convening this Meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to Resolution numbered 5 set out in the notice convening this Meeting, provided that such amount of shares so repurchased shall not exceed 10% of the nominal amount of the share capital of the Company in issue at the date of passing of this Resolution."

#### **SPECIAL RESOLUTIONS**

7. As Special Business, to consider and, if thought fit, pass the following resolution as a Special Resolution of the Company:
- "**THAT** subject to the approval of the Registrar of Companies in Bermuda, the name of the Company be changed to "Nan Hai Corporation Limited"."
8. As Special Business, to consider and, if thought fit, pass the following resolution as a Special Resolution of the Company:
- "**THAT** the Bye-Laws of the Company adopted on 15 January 1991 and amended up to 11 June 2004 be amended as follows:
- (a) By deleting the existing Bye-Law 90 and its side-note in their entirety and replacing therefor with the following:  
"Intentionally deleted."
  - (b) By deleting Bye-Law 99 in its entirety and substituting therefor the following new Bye-Law 99:  
"99. Every Director, including those appointed for a specific term, shall (save for any executive Chairman or Managing Director) be subject to retirement by rotation at the annual general meeting at least once every three years and the Directors to retire at every annual general meeting shall be decided by the Board. A retiring Director shall be eligible for re-election."
  - (c) By deleting in Bye-law 102(A) the sentence "Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting," and substituting therefor "Any Director appointed to fill a casual vacancy shall hold office only until the next general meeting of the Company and any Director appointed as an addition to the Board shall hold office only until the next annual general meeting of the Company, and in each case shall then be eligible for re-election."
  - (d) By deleting in Bye-law 102(B) the sentence "Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting," and substituting therefor "Any Director appointed to fill a casual vacancy shall hold office only until the next general meeting of the Company and any Director appointed as an addition to the Board shall hold office only until the next annual general meeting of the Company, and in each case shall then be eligible for re-election."
  - (e) By deleting in Bye-law 104 the words "and may elected another person in his stead" and the sentence "Any person so elected shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election, but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting."
  - (f) By deleting the existing Bye-Law 182(vi) and its side-note in their entirety and replacing therefor with the following:  
"(vi) Intentionally deleted.""

By order of the Board  
**Watt Ka Po James**  
*Company Secretary*



*Notes:*

1. A member who is the holder of two or more shares and who is entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his stead. A proxy need not be a member of the Company.
2. To be valid, the form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the branch share registrars of the Company in Hong Kong, Abacus Share Registrars Limited at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
3. The register of members will be closed from 6 June 2005 to 10 June 2005, both days inclusive, during which period no transfer of shares will be effected for the purpose of determining the identity of members who are entitled to attend and vote at the meeting. In order to register the transfers, all transfers accompanied by the relevant share certificates must be lodged with the branch share registrars of the Company in Hong Kong, Abacus Share Registrars Limited at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on 3 June 2005.
4. At the date of this notice, the directors of the Company are Messrs. Yu Pun Hoi, Zhang Hong Ren, Zhao Liang, Yu Lin Hoi, Lam Bing Kwan, Wei Jingyun, Qin Tian Xiang and Wu Chen.

Please also refer to the published version of this announcement in China Daily.