



South Sea Holding Company Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 680)

ANNOUNCEMENT OF FINAL RESULTS FOR THE NINE MONTHS ENDED 31 DECEMBER 2003

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 nine months ended 31 December 2003, together with the comparative figures for the year ended 31 March 2003 as follows:

CONSOLIDATED INCOME STATEMENT

| | | Period from 1 April to 31 December 2003 <i>HK\$ '000</i> | Year ended 31 March 2003 <i>HK\$ '000</i> |
|--|--------------|--|---|
| | <i>Notes</i> | | |
| Turnover | | 11,708 | 100,576 |
| Cost of sales | | (21,207) | (76,008) |
| Gross (loss)/profit | | (9,499) | 24,568 |
| Other revenue | | 19,807 | 16,926 |
| Gain on disposal of subsidiaries | | 53,421 | 9,736 |
| Gain on disposal of a joint venture | | – | 3,403 |
| Gain on disposal of a property development project | | – | 20,000 |
| Engineering expenses | | (732) | (4,197) |
| Administrative expenses | | (9,837) | (35,407) |
| Other operating expenses | | (880) | (11,478) |
| Profit from operations | 3 | 52,280 | 23,551 |
| Interest waived by creditors | | 34,066 | – |
| Finance costs | | (22,251) | (22,947) |
| Share of loss of an associate | | (550) | (374) |
| Profit before taxation | | 63,545 | 230 |
| Taxation | 4 | – | (40) |
| Profit after taxation | | 63,545 | 190 |
| Minority interests | | – | – |
| Profit for the period/year attributable to shareholders | | 63,545 | 190 |
| | | HK cent | HK cent |
| Basic earnings per share | 5 | 0.2123 | 0.0006 |

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Notes:

(1) Basis of preparation

As at 31 December 2003, the Group had net current liabilities of HK\$670,839,000. Notwithstanding this, the financial statements have been prepared on a going concern basis on the assumption that the Group will continue to operate as a going concern. In the opinion of the directors, the Group will have sufficient working capital to continue its operations in the coming year, after taking into consideration that the Group is currently in the course of discussion with some of its bankers to apply for additional credit facilities and the directors anticipate that the Group will be able to maintain the existing credit facilities and also obtain additional credit facilities from its bankers. Accordingly, the financial statements have been prepared on a going concern basis.

Should the Group be unable to generate sufficient cash flows and/or secure the support of its bankers, the Group might not be able to continue in business as a going concern. Accordingly, 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 period from 1 April 2003 to December 2003.

| | Continuing operations | | | Discontinued operations | | Total |
|--|---|---|---|---|---|---|
| | Consumer packaged electronics | Property development | Others | Electronics manufacturing services | Telecommunication products | |
| | Period from 1 April to 31 December 2003 | Period from 1 April to 31 December 2003 | Period from 1 April to 31 December 2003 | Period from 1 April to 31 December 2003 | Period from 1 April to 31 December 2003 | Period from 1 April to 31 December 2003 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Segment revenue | | | | | | |
| Sales to external customers | <u>2,164</u> | <u>—</u> | <u>—</u> | <u>9,544</u> | <u>—</u> | <u>11,708</u> |
| Segment results | <u>(6,728)</u> | <u>7,311</u> | <u>(214)</u> | <u>(8,358)</u> | <u>—</u> | <u>(7,989)</u> |
| Interest income | | | | | | 6,848 |
| Finance costs | | | | | | (22,251) |
| Interest waived by creditors | | | | | | 34,066 |
| Gain on disposal of a property development project | | | | | | — |
| Gain on disposal of subsidiaries | | | 11 | 53,530 | | 53,541 |
| Gain on disposal of a joint venture | | | | | | — |
| Loss on disposal of a subsidiary | | | (120) | | | (120) |
| Share of loss of an associate | | (550) | | | | (550) |
| Profit before taxation | | | | | | 63,545 |
| Taxation | | | | | | — |
| Profit after taxation | | | | | | 63,545 |
| Minority interests | | | | | | — |
| Profit for the period/year attributable to shareholders | | | | | | <u>63,545</u> |

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| | Continuing operations | | | Discontinued operations | | Total Year ended 31 March 2003 HK\$'000 |
|--|--|--|--|--|--|---|
| | Consumer packaged electronics | Property development | Others | Electronics manufacturing services | Telecommunication products | |
| | Year ended 31 March 2003 HK\$'000 | Year ended 31 March 2003 HK\$'000 | Year ended 31 March 2003 HK\$'000 | Year ended 31 March 2003 HK\$'000 | Year ended 31 March 2003 HK\$'000 | |
| Segment revenue | | | | | | |
| Sales to external customers | 64,032 | — | — | 36,544 | — | 100,576 |
| Segment results | (15,618) | 8,990 | (482) | (5,248) | — | (12,358) |
| Interest income | | | | | | 2,770 |
| Finance costs | | | | | | (22,947) |
| Interest waived by creditors | | | | | | — |
| Gain on disposal of a property development project | | 20,000 | | | | 20,000 |
| Gain on disposal of subsidiaries | 26,261 | | | | | 26,261 |
| Gain on disposal of a joint venture | 3,403 | | | | | 3,403 |
| Loss on disposal of a subsidiary | | (16,525) | | | | (16,525) |
| Share of loss of an associate | | (374) | | | | (374) |
| Profit before taxation | | | | | | 230 |
| Taxation | | | | | | (40) |
| Profit after taxation | | | | | | 190 |
| Minority interests | | | | | | — |
| Profit for the period/year attributable to shareholders | | | | | | <u>190</u> |

| | Continuing operations | | | Discontinued operations | | Total Period from 1 April to 31 December 2003 HK\$'000 |
|---|--|--|--|--|--|---|
| | Consumer packaged electronics | Property development | Others | Electronics manufacturing services | Telecommunication products | |
| | Period from 1 April to 31 December 2003 HK\$'000 | Period from 1 April to 31 December 2003 HK\$'000 | Period from 1 April to 31 December 2003 HK\$'000 | Period from 1 April to 31 December 2003 HK\$'000 | Period from 1 April to 31 December 2003 HK\$'000 | |
| Segment assets | 19,008 | 3,455,125 | 116,662 | — | 379 | 3,591,174 |
| Interest in associates | — | 224,711 | — | — | — | 224,711 |
| Total assets | <u>19,008</u> | <u>3,679,836</u> | <u>116,662</u> | <u>—</u> | <u>379</u> | <u>3,815,885</u> |
| Segment liabilities | 12,134 | 609,853 | 352,044 | — | 3,009 | 977,040 |
| Loan liabilities | — | — | — | — | — | 424,660 |
| Total liabilities | <u>12,134</u> | <u>609,853</u> | <u>352,044</u> | <u>—</u> | <u>3,009</u> | <u>1,401,700</u> |
| Other segment information | | | | | | |
| Capital expenditure | 97 | 77,585 | — | 161 | — | 77,843 |
| Depreciation | 522 | 27 | 47 | 3,474 | — | 4,070 |
| Amortisation and write-off of product development costs | 27 | — | — | — | — | 27 |
| Amortisation of goodwill | — | 181 | — | — | — | 181 |
| Negative goodwill recognised as income | — | 10,566 | — | — | — | 10,566 |

| | Continuing operations | | | Discontinued operations | | Total Year ended 31 March 2003 HK\$'000 |
|----------------------------|--|--|--|--|--|---|
| | Consumer packaged electronics | Property development | Others | Electronics manufacturing services | Telecommunication products | |
| | Year ended 31 March 2003 HK\$'000 | Year ended 31 March 2003 HK\$'000 | Year ended 31 March 2003 HK\$'000 | Year ended 31 March 2003 HK\$'000 | Year ended 31 March 2003 HK\$'000 | |
| Segment assets | 37,817 | 3,301,369 | 2,558 | 113,374 | 379 | 3,455,497 |
| Interest in an associate | — | 209,223 | — | — | — | 209,223 |
| Total assets | <u>37,817</u> | <u>3,510,592</u> | <u>2,558</u> | <u>113,374</u> | <u>379</u> | <u>3,664,720</u> |
| Segment liabilities | 12,484 | 646,247 | 108,904 | 8,693 | 2,357 | 778,685 |
| Loan liabilities | — | — | — | — | — | 521,844 |
| Total liabilities | <u>12,484</u> | <u>646,247</u> | <u>108,904</u> | <u>8,693</u> | <u>2,357</u> | <u>1,300,529</u> |

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Other segment information

| | | | | | | |
|---|-------|--------|-------|-------|---|--------|
| Capital expenditure | 1,807 | 63,619 | – | 26 | – | 65,452 |
| Depreciation | 6,515 | 24 | 1,351 | 5,009 | – | 12,899 |
| Amortisation and write-off of product development costs | 3 | – | – | – | – | 3 |
| Amortisation of goodwill | – | 93 | – | – | – | 93 |
| Negative goodwill recognised as income | – | 14,088 | – | – | – | 14,088 |

2(b) Geographical segments

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

| | Europe | | United States of America/Canada | | Asia | | Total | |
|-----------------------------|---|--------------------------|---|--------------------------|---|--------------------------|---|--------------------------|
| | Period from 1 April to 31 December 2003 | Year ended 31 March 2003 | Period from 1 April to 31 December 2003 | Year ended 31 March 2003 | Period from 1 April to 31 December 2003 | Year ended 31 March 2003 | Period from 1 April to 31 December 2003 | Year ended 31 March 2003 |
| | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 |
| Segment revenue | | | | | | | | |
| Sales to external customers | 857 | 3,104 | – | 12,922 | 10,851 | 84,550 | 11,708 | 100,576 |
| Segment results | (2,652) | (430) | – | (14,454) | (5,337) | 2,526 | (7,989) | (12,358) |

| | United Kingdom/ North America/Europe | | Hong Kong | | People's Republic of China ("PRC"), other than Hong Kong | | Total | |
|---------------------------|---|--------------------------|---|--------------------------|--|--------------------------|---|--------------------------|
| | Period from 1 April to 31 December 2003 | Year ended 31 March 2003 | Period from 1 April to 31 December 2003 | Year ended 31 March 2003 | Period from 1 April to 31 December 2003 | Year ended 31 March 2003 | Period from 1 April to 31 December 2003 | Year ended 31 March 2003 |
| | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 |
| Segment assets | 1,621 | 5,011 | 134,428 | 35,743 | 3,679,837 | 3,623,966 | 3,815,886 | 3,664,720 |
| Other segment information | | | | | | | | |
| Capital expenditure | – | 70 | 16,135 | 1,737 | 61,708 | 63,645 | 77,843 | 65,452 |

(3) Profit from operations

| | Period from 1 April to 31 December 2003 | Year ended 31 March 2003 |
|---|---|--------------------------|
| | HKS'000 | HKS'000 |
| Profit from operations is arrived after charging the following: | | |
| Provision for bad and doubtful debts | 1,592 | 4,868 |
| Loss on disposal of property, plant and equipment | – | 12,916 |

(4) Taxation

| | Period from 1 April to 31 December 2003 | Year ended 31 March 2003 |
|---------------------------|---|--------------------------|
| | HKS'000 | HKS'000 |
| The tax charge comprises: | | |
| Overseas income tax | – | 40 |

No Hong Kong profits tax nor overseas income tax has been provided in the financial statements for the current period as the Group did not derive any assessable profit for the period.

(5) Earnings per share

The calculation of basic earnings per share is based on the Group's profit for the period/year attributable to shareholders of HK\$63,545,000 (Year ended 31 March 2003: HK\$190,000) and on the weighted average of 29,931,804,183 (Year ended 31 March 2003: 29,931,804,183) ordinary shares in issue during the period/year.

Diluted earnings per share for the period ended 31 December 2003 and the year ended 31 March 2003 has not been shown as there were no dilutive potential ordinary shares during the period/year.

ADOPTION OF REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE ("SSAP")

In the current period, the Group has adopted SSAP 12 (Revised) "Income taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In the previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where timing differences were not expected to reverse in the foreseeable future. Deferred tax assets were not recognised unless their realisation was assured beyond reasonable doubt. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions.

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In the absence of any specific transitional arrangements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. The adoption of SSAP 12 (Revised) has not resulted in any significant changes to the current and prior period's net assets and results and accordingly, no prior year adjustment is required.

SUMMARY OF AUDITORS' REPORT

The auditors of the Company have modified their report on the Group's accounts for the period ended 31 December 2003 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 continuing financial support from the Group's bankers. 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 period from 1 April 2003 to 31 December 2003 (Year ended 31 March 2003: Nil).

CLOSURE OF REGISTER

The register of members will be closed from 7 June 2004 to 11 June 2004, 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 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 4 June 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

Operation Review

The Group's financial year-end has been changed from 31 March to 31 December, therefore, the period under review becomes nine months from 1 April 2003 to 31 December 2003 accordingly. During the nine-month period, the Group was principally engaged in property development; design, manufacturing and marketing of consumer packaged electronics; and provision of electronic manufacturing services. Turnover for the period was approximately HK\$11.7 million (Year ended 31 March 2003: HK\$100.6 million) and a net profit of HK\$63.5 million (Year ended 31 March 2003: HK\$0.19 million) was recorded. The net assets value of the Group amounted to HK\$2,414.2 million (Year ended 31 March 2003: HK\$2,364.2 million), representing a value of HK\$0.081 per share.

The decline in turnover was mainly due to the decreasing order from the Group's manufacturing business as a result of severe competition within the industry. In view of the ongoing difficult environment within the manufacturing business, after careful consideration, the management has disposed of its manufacturing facilities in December 2003 and focuses on its property development projects in China.

The Group's net profit of HK\$63.5 million was attributable to the disposal of the manufacturing facilities, which recorded a gain on disposal of HK\$53.5 million.

Property Development

During the period under review, the Group recorded no turnover (Year ended 31 March 2003: nil) and a segment profit of approximately HK\$7.3 million (Year ended 31 March 2003: HK\$9.0 million) for this business division. The profit was attributable to negative goodwill released for the period under review.

The governing authority in China has approved the detailed urban planning design and construction project conceptual design of the Shenzhen project, and the development of such project will be in five phases. A renowned French design company, selected by means of public tender, has completed the first phase of construction design involving gross floor area of approximately 170,000 sq.m. involving 8 blocks of residential buildings. Comprehensive construction work is expected to commence by the third quarter of 2004, and this project is expected to generate strong cash flow for the Group in 2005.

In addition, the Guangzhou project involves a total gross floor area of approximately 1.08 million sq.m., and detailed urban planning design has been approved, and construction work for the first phase is expected to commence in fourth quarter 2004.

Consumer Packaged Electronics

During the period, turnover from this division was approximately HK\$2.2 million (Year ended 31 March 2003: 64.0 million) and a reduced segmental loss of approximately HK\$6.7 million (Year ended 31 March 2003: HK\$15.6 million) was recorded.

In view of the ongoing difficult business environment, the management has disposed of the manufacturing facilities after careful consideration, but both the design and trading of consumer packaged electronic products will remain.

Electronic Manufacturing Services

Turnover from this division was approximately HK\$9.5 million (Year ended 31 March 2003: HK\$36.5 million) and a segmental loss of approximately HK\$8.4 million (Year ended 31 March 2003: HK\$5.2 million) was recorded during the period.

Again, the ongoing difficult business environment, the management decided it is for the best interest of the Group to dispose of its manufacturing facilities and will focus on its research and development.

Liquidity, Financial Resources and Capital

The Group continues to adopt prudent funding and treasury policies. As at 31 December 2003, net assets value of the Group amounted to approximately HK\$2,414.2 million, including cash and bank balances of approximately HK\$21 million which was denominated mainly in Renminbi and Hong Kong dollars. As at 31 December 2003, the Group's bank and other borrowings decreased to HK\$425 million (As at 31 March 2003: HK\$522 million). The decrease in bank and other borrowings is mainly due to loan repayment of HK\$73 million during the period. For the Group's borrowings at 31 December 2003, approximately HK\$235 million were bearing interest at fixed rates while approximately HK\$190 million were at floating rates. The gearing ratio of the Group, measured on the basis of total bank and other borrowings as a percentage of total shareholders' equity decreased to 18% as of 31 December 2003 from 31% as at 31 March 2003. The Group's contingent liabilities at 31 December 2003 were HK\$96 million due to the guarantees given in connection with credit facilities.

As at 31 December 2003, fixed assets with the net book value of HK\$0.9 million (As at 31 March 2003: HK\$55 million); floating charge over other assets of certain subsidiaries within the Group; charge over shares in certain subsidiaries within the Group; and land with lot no. K-708-5 at Liu Wan, Shekou, China together with all its sales proceeds 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 period 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 2003, the Group had approximately 32 employees (At 31 March 2003: 387 employees). The salaries and allowance of employees for the period ended 31 December 2003 was approximately HK\$9 million (Year ended 31 March 2003: HK\$21.7 million).

Prospect

On 29 December 2003, the Company and its controlling shareholder, Sino-i Technology Limited ("Sino-i") jointly announced a restructuring plan that involves:

- (a) Robina Profits Limited (a wholly owned subsidiary of Sino-i) and the Company have entered into the subscription agreement relating to the subscription of the convertible loan notes in an aggregate principal amount of HK\$200,000,000 to be issued at an initial conversion price of HK\$0.018 each by the Company to Robina Profits Limited; and
- (b) certain substantial shareholders of Sino-i and the Company have entered into the Sale and Purchase Agreement relating to the acquisition by the Company of a total of 12,515,795,316 shares in Sino-i from such substantial shareholders of Sino-i at a consideration of HK\$976,334,238, representing a price of approximately HK\$0.078 each. Half of the consideration will be satisfied by an issue of a total of 27,120,395,500 shares in the Company at a price of HK\$0.018 each and the remaining half of the consideration will be satisfied by cash payments.

The consideration payable by Robina Profits Limited for the convertible loan notes in an aggregate principal amount of HK\$200,000,000 will be satisfied by way of set off against the same amount due to the ultimate holding company. Subsequent to the balance sheet date, the above transactions (as detailed in our circular dated 23 March 2004) were approved by the independent shareholders of the Company on 16 April 2004. The completion of the Sale and Purchase Agreement is subject to, amongst others, the completion of the capital reduction and the distribution of Sino-i as announced on 29 December 2003, the timetable for implementation of which has not determined as yet. The Company has been advised by Sino-i that the preparation of documents for summons for direction and for petition in respect of the said capital reduction and the distribution, under advice by its legal retainers, is now in progress, and that the same will be submitted to the Court once available.

Upon the completion of the restructuring plan, the Company will continue to focus on its property development business, and through its subsidiary, Sino-i, will also engage in information technology business, provision of financial information and other IT related services. Given the enlarged business portfolio of the Company, the management believes that the financial and trading prospects of the enlarged Group would be enhanced since it could enjoy the benefits of the rapidly growing information technology sector in China which Sino-i has been actively participated and shown outstanding performance.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

PROPOSED AMENDMENTS TO THE COMPANY'S BYE-LAWS

In view of the changes to the Listing Rules which took effect on 31 March 2004, the directors of the Company propose to make certain amendments to the Company's Bye-Laws in compliance with amended provision of Appendix 3 of the revised Listing Rules and at the same time bring the Company's Bye-Laws up to the date with the Listing Rules. The full text of the special resolution proposing the amendments to the Company's Bye-Laws (Resolution 7) is set out in the notice of the annual general meeting.

LIST OF DIRECTORS

As at the date of this announcement, the board of directors of the Company comprises of:

| | |
|--------------------------------------|---|
| Executive Directors: | Mr. Yu Pun Hoi, Mr. Zhang Hong Ren and Dr. Zhao Liang |
| Non-Executive Directors: | Mr. Yu Lin Hoi and Mr. Lam Bing Wan |
| Independent Non-Executive Directors: | Mr. Chan Lap Stanley and Mr. Francisco P. Acosta |

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PUBLICATION OF FURTHER INFORMATION

A detailed result announcement containing all the information required by paragraphs 45(1) to 45(3) inclusive of Appendix 16 to the Listing Rules will be published on the Stock Exchange's website in due course.

By order of the Board
Zhang Hong Ren
Director

Hong Kong, 29 April 2004

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 I, Function Room Level (B1), The Ritz-Carlton, 3 Connaught Road Central, Hong Kong on 11 June 2004 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 period from 1 April 2003 to 31 December 2003.
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; (ii) an issue of shares as scrip dividends pursuant to the by-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 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 by-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 the 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:

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- (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 RESOLUTION

7. 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 8 September 2003 be amended as follows:

- (a) by deleting the existing definition of "associates" in Bye-Law 1 and substituting therefor the following new definition:
"associates" shall mean in relation to any Director, chief executive or substantial shareholder, such meaning as assigned to it by the Listing Rules."
- (b) by deleting the existing definition of "Clearing House" in Bye-Law 1 and substituting therefor the following new definition:
"Clearing House" shall mean a recognised clearing house within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) or a clearing house or authorised shares depository recognised by the laws of the jurisdiction in which the shares of the Company are listed or quoted on a stock exchange in such jurisdiction."
- (c) by adding the following new definition of "Director" in Bye-Law 1 in appropriate alphabetical order:
"Director" shall mean a director of the Company for the time being."
- (d) by adding the following new definition of "Hong Kong" in Bye-Law 1 in appropriate alphabetical order:
"Hong Kong" shall mean the Hong Kong Special Administrative Region of the People's Republic of China."
- (e) by adding the following new definition of "Listing Rules" in Bye-Law 1 in appropriate alphabetical order:
"Listing Rules" shall mean the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)."
- (f) by generally reordering in alphabetical order the definitions as they appear in Bye-law 1 of the Bye-laws of the Company;
- (g) by adding the words "and Bye-Law 76A" immediately following the words "attached to any class or classes of shares" as they appear in Bye-Law 76 and by deleting the words "(the holder of such proxy being himself a member)" from Bye-Law 76;
- (h) by adding the following paragraph as a new Bye-Law 76A immediately after Bye-Law 76:
"Where any member is, under the Listing Rules, required at any general meeting to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted."
- (i) by deleting the existing paragraph (H) of Bye-Law 98 in its entirety and substituting therefor the following new paragraph:
"(H) Save as otherwise provided by these Bye-Laws, a Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or proposal in which he or any of his associates has/have a material interest, and if he shall do so his vote shall not be counted (nor shall he be counted in the quorum for that resolution), but this prohibition shall not apply to any of the following matters:—
 - (i) the giving of any security or indemnity either:
 - (a) to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or
 - (b) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/himself assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
 - (ii) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
 - (iii) any proposal concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which the Director or his associate(s) is/are beneficially interested in shares of that company, provided that the Director and any of his associates are not in aggregate beneficially interested in 5% or more of the issued shares of any class of such company (or of any third company through which his interest or that of his associate(s) is derived) or of the voting rights;
 - (iv) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:
 - (a) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme involving the issue or grant of options over shares or other securities by the Company under which the Director or his associate(s) may benefit; or

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- (b) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors, his associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.”
- (j) by adding the words “The period for lodgment of the notices above referred to will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.” immediately following the last sentence of Bye-Law 103;
- (k) by adding the words “or by facsimile” immediately following the words “or by telephone or by telex” in Bye-Law 121; and
- (l) by adding the words “or number” immediately following the words “or telegram at the address” in Bye-Law 121.”

By order of the Board
Watt Ka Po James
Company Secretary

Hong Kong, 29 April 2004

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 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 7 June 2004 to 11 June 2004, 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 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 4 June 2004.

Please also refer to the published version of this announcement in China Daily dated 30 April 2004.