

# South Sea Holding Company Limited

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## **South Sea Holding Company Limited**

**南海控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

### **Proposed adjustment of the nominal value**

**of the shares of the company**

**by way of capital reduction**

**and**

**increase in authorized share capital**

**and**

**change in board lot size**

The Board proposes:

1. to reduce the nominal value of each issued Share from HK\$0.10 to HK\$0.01 by cancelling paid up capital of the Company to the extent of HK\$0.09 on each of the issued Shares and to credit the amount of HK\$2,693,862,376.47 arising from the Capital Reduction to the contributed surplus account of the Company;

2. conditional on and immediately following completion of the Capital Reduction, to subdivide each unissued share in the authorised share capital of the Company into 200,681,958,170 shares of HK\$0.01 each;
3. conditional on and immediately following completion of the Adjustment Proposal, to increase the authorized share capital of the Company from HK\$2,306,137,623.53 to HK\$5,000,000,000 by the creation of an additional 269,386,237,647 shares of HK\$0.01 each; and
4. to change the board lot size for trading on the Stock Exchange from 10,000 Shares to 50,000 New Shares after the implementation of the Adjustment Proposal.

A circular containing, amongst other things, details of the Adjustment Proposal, arrangements for free exchange of certificates for the New Shares, increase in authorized share capital, odd lot arrangement and a notice convening a special general meeting of the Company to approve the Adjustment Proposal and the increase in authorized share capital of the Company will be despatched to the Shareholders and, for information only, to holder of the Convertible Notes as soon as practicable.

## **ADJUSTMENT PROPOSAL**

### **Capital Reduction and Subdivision**

The Board proposes to put forward to the Shareholders the Adjustment Proposal (which comprises of the Capital Reduction and Subdivision) to be effected in the following manner:

1. the nominal value of each issued Share will be reduced from HK\$0.10 to HK\$0.01 by cancelling paid up capital of the Company to the extent of HK\$0.09 on each of the issued Shares and the surplus amount of HK\$2,693,862,376.47 arising from the Capital Reduction will be credited to the contributed surplus account of the Company; and
2. conditional on and immediately following completion of the Capital Reduction, each unissued share in the authorised share capital of the Company will be subdivided from 20,068,195,817 shares of HK\$0.10 each into 200,681,958,170 shares of HK\$ 0.01 each.

### **Reasons**

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Since April 2001, the Shares have been trading at prices ranging between 0.095 and 0.012 per Share. During this period, the trading prices of the Shares fell below their nominal value of HK\$0.10. The closing price of the Shares on the date of this announcement was HK\$0.015. Under Bermuda law, a company may not issue shares at a discount to their nominal value.

In view of this, the Board proposes to implement the Adjustment Proposal such that the nominal value of each issued and unissued Share will be reduced from HK\$0.10 to HK\$0.01. The Adjustment Proposal, once effective, would facilitate future capital raising by the Company whenever suitable opportunities arise and increase the flexibility in determining the price for issuances of New Shares. The Board therefore considers the Adjustment Proposal to be in the best interest of the Company and the Shareholders. At present, no arrangement for the issue of any New Shares has been entered into by the Company with any party, save and except for any issue of New Shares pursuant to a conversion of the Convertible Notes and in the satisfaction of the consideration payable by the Company in the event that either or both of the Hancheers Option and Listar Option is exercised by the Company.

### **Effects**

The existing authorised share capital of the Company is HK\$5,000,000,000 divided into 50,000,000,000 Shares of HK\$0.10 each, of which 29,931,804,183 Shares have been issued and are credited as fully paid up. On the basis of 29,931,804,183 Shares currently in issue, a credit of HK\$2,693,862,376.47 will arise as a result of the Capital Reduction which will be credited to the contributed surplus account of the Company which may be used for setting off the accumulated losses of about HK\$767 million (as at 30 September 2001) of the Company or other purposes as the Board may think fit, subject to the shareholders' approval. Conditional on and immediately following completion of the Capital Reduction, the unissued share capital of the Company will be subdivided from 20,068,195,817 shares of HK\$0.10 each into 200,681,958,170 shares of HK\$0.01 each.

Upon the Adjustment Proposal becoming effective and on the basis of 29,931,804,183 Shares currently in issue, the authorised share capital of the Company will be HK\$2,306,137,623.53 divided into 230,613,762,353 shares of HK\$0.01 each, of which 29,931,804,183 New Shares will be in issue and credited as fully paid up.

Other than the expenses of approximately HK\$150,000 incurred in relation to the Adjustment Proposal, the implementation of the Adjustment Proposal will not, in itself, alter the underlying assets, business operations, management or financial position of the Group or affect the proportionate interests of the Shareholders. The Board believes that the Adjustment Proposal will not have any adverse effect on the financial position of the Group. No capital will be lost as a

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result of the Adjustment Proposal and, except for the expenses involved in relation to the Adjustment Proposal which are expected to be insignificant in the context of the net asset value of the Group, the net asset value of the Group will remain unchanged before and after the Adjustment Proposal becoming effective. The Adjustment Proposal does not involve any diminution of any liability in respect of any unpaid capital of the Company or the repayment to the Shareholders of any paid up capital of the Company.

### **Conditions**

The Adjustment Proposal is conditional on the fulfilment of the following:

1. the passing of special resolutions by the Shareholders to approve the Adjustment Proposal at a special general meeting to be convened by the Company;
2. the compliance with section 46 of the Companies Act including, inter alia, the publication of a legal notice in relation to the Capital Reduction in an appointed newspaper in Bermuda; and
3. the Stock Exchange granting listing of, and permission to deal in, the New Shares.

The Adjustment Proposal is expected to take effect immediately following the fulfilment of the above conditions. An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the New Shares.

### **Convertible Notes**

The Company issued the Convertible Notes on 18 September 2001 in an aggregate principal amount of HK\$210,000,000 to Power Ocean Investments Limited. The Board has been advised by the auditors of the Company that the implementation of the Adjustment Proposal will not result in any adjustments to the conversion price under the Convertible Notes.

As at the date of this announcement, there were no share options granted under the share option scheme adopted by the Company on 8 January 2001.

## **INCREASE IN THE AUTHORIZED SHARE CAPITAL**

As at the date of this announcement, the authorised share capital of the Company was HK\$5,000,000,000 divided into 50,000,000,000 shares of HK\$0.10 each, of which 29,931,804,183 Shares are in issue. Following implementation of the Adjustment Proposal, the

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authorised share capital of the Company will be HK\$2,306,137,623.53 divided into 230,613,762,353 shares of HK\$0.01 each. Conditional on and immediately following completion of the Adjustment Proposal, the Board proposes to increase the authorized share capital of the Company from HK\$2,306,137,623.53 to HK\$5,000,000,000 by the creation of an additional 269,386,237,647 shares of HK\$0.01 each. The Board has no present intention to issue any New Shares save pursuant to a conversion of the Convertible Notes or an exercise of the Hancheers Option or the Listar Option.

### **CHANGE IN BOARD LOT SIZE**

The Board proposes to change the board lot size for trading on the Stock Exchange from 10,000 Shares to 50,000 New Shares after the implementation of the Adjustment Proposal for the purpose of reducing the transaction and registration costs incurred by the shareholders of the Company. The Board considers that such change in board lot size is in the best interest of the Company and its shareholders.

Arrangement will be made for any fractions or odd lots arising upon the Adjustment Proposal becoming effective, details of which will be included in a circular of the Company containing also, inter alia, details of the Adjustment Proposal, trading arrangements, exchange of share certificates and odd lots arrangement to be despatched to the Shareholders.

### **GENERAL**

The Company will make a further announcement on the day on which the Adjustment Proposal becomes effective which will contain, amongst other things, details of trading arrangements, exchange of share certificates and odd lots arrangement.

A circular containing, amongst other things, details of the Adjustment Proposal, arrangements for free exchange of certificates for the New Shares, increase in authorized share capital, odd lot arrangement and a notice convening a special general meeting of the Company to approve the Adjustment Proposal and the increase in its authorized share capital will be despatched to the Shareholders and, for information only, to holder of the Convertible Notes, as soon as practicable.

### **DEFINITIONS**

|                       |   |
|-----------------------|---|
| "Adjustment Proposal" | the Capital Reduction and the Subdivision   |
| "Board"               | board of directors of the Company   |
| "Capital Reduction"   | the proposed reduction of the nominal value of each issued Share from HK\$0.10 to HK\$0.01 by cancelling paid up capital to the |

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|                     |   |
|---------------------|---|
| "Companies Act"     | extent of HK\$0.09 on each of the issued Shares<br>the Companies Act 1981 of Bermuda (as amended)   |
| "Company"           | South Sea Holding Company Limited, an exempted company<br>incorporated in Bermuda with limited liability, the shares of which<br>are listed on the Stock Exchange   |
| "Convertible Notes" | convertible loan notes in an aggregate principal amount of<br>HK\$210,000,000 issued by the Company on 18 September 2001 to<br>Power Ocean Investments Limited  |
| "Group"             | the Company and its subsidiaries  |
| "Hancheers Option"  | an option granted by Sino-i to the Company to require Sino-i to sell<br>to the Company the entire issued shares of Hancheers International<br>Enterprise Limited as announced by Sino-i and the Company jointly<br>on 22 March 2001 |
| "Hong Kong"         | the Hong Kong Special Administrative Region of the People's<br>Republic of China  |
| "Listar Option"     | an option granted by Sino-i to the Company to require Sino-i to sell<br>to the Company 51% of the issued shares of Listar Properties<br>Limited as announced by Sino-i and the Company jointly on 22<br>March 2001                  |
| "New Shares"        | shares of HK\$0.01 each in the issued share capital of the Company<br>upon the Adjustment Proposal becoming effective   |
| "Shareholders"      | holders of Shares   |
| "Shares"            | shares of HK\$0.10 each in the existing share capital of the<br>Company   |
| "Sino-i"            | Sino-i.com Limited, a company incorporated in Hong Kong with<br>limited liability the shares of which are listed on the Stock<br>Exchange and the controlling shareholder of the Company  |
| "Stock Exchange"    | the Stock Exchange of Hong Kong Limited   |
| "Subdivision"       | the proposed subdivision of each unissued share in the authorised<br>share capital of the Company existing immediately after completion<br>of the Capital Reduction into 200,681,958,170 shares of HK\$0.01<br>each                 |

By Order of the Board

**Lam Bing Kwan**

*Director*

Hong Kong, 18 March 2002

*\* for identification purpose only*

Please also refer to the published version of this announcement in the Hong Kong iMail Post dated 19/3/2002