



SOUTH SEA HOLDING COMPANY LIMITED

南海控股有限公司*

(Incorporated in Bermuda with limited liability)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR

ENDED 31 MARCH 2002

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 March 2002, together with the comparative figures for the period from 1 January 2000 to 31 March 2001 as follows:

CONSOLIDATED INCOME STATEMENT

	1 April 2001	1 January 2000
	to	to
	31 March 2002	31 March 2001
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	215,338	675,396
Cost of sales	(199,951)	(747,553)
Gross profit/(loss)	15,387	(72,157)
Other revenue	16,997	1,079
Gain on deemed partial disposal of a subsidiary	20,000	-
Engineering expenses	(10,607)	(45,944)

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Administrative expenses		(37,197)	(91,298)
Other operating expenses		(24,352)	(396,864)
Operating loss		(19,772)	(605,184)
Finance costs		(17,304)	(22,617)
Liabilities waived by unsecured creditors		89,779	-
Share of losses of			
- a joint venture		-	(1,635)
- an associate		(403)	(572)
Profit/(Loss) before taxation		52,300	(630,008)
Taxation	3	(148)	(453)
Profit/(Loss) after taxation		52,152	(630,461)
Minority interests		-	2,000
Profit/(Loss) attributable to shareholders		52,152	(628,461)
Basic earnings/(loss) per share	4	0.23 cents	(18.41) cents

Notes:

1. Basis of preparation

For the year ended 31 March 2002, the Group attained a net profit attributable to shareholders of HK\$52,152,000 mainly due to liabilities waived by unsecured creditors of HK\$89,779,000 and gain on deemed partial disposal of a subsidiary of HK\$20,000,000. The Group's operations of design, marketing, manufacture and trading of consumer electronic and telecommunication products and provision of sub-contracting services were, however, loss-making.

The financial statements have been prepared on a going concern basis which assumes the realisation of assets and satisfaction of liabilities in the ordinary course of business notwithstanding that the Group had net current liabilities of HK\$507,593,000 as at 31 March 2002. In the opinion of the directors, the Group will have sufficient working capital to continue its operations in the coming year as the Group is currently negotiating with its bankers to extend and re-schedule the repayment terms of certain bank loans and is also in

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the course of discussion with one of its bankers to apply for additional credit facilities. 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 positive cash flows, 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

(a) *Business segments*

The following tables present revenue, profit/(loss) and certain expenditure information for the Group's business segments.

	Consumer packaged electronics	Telecommunication products	Electronic manufacturing services	Online distance learning education services	Property development	Others	Total
	1 April 2001 to 31 March 2002	1 April 2001 to 31 March 2002	1 April 2001 to 31 March 2002	1 April 2001 to 31 March 2002	1 April 2001 to 31 March 2002	1 April 2001 to 31 March 2002	1 April 2001 to 31 March 2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:							
Sales to external customers	147,104	3,586	64,648	-	-	-	215,338
Segment results	(40,497)	(7,004)	(2,271)	-	4,580	-	(45,192)
Interest Income							316
Gain on waiver of amount due to creditors						4,989	4,989
Gain on disposal of an associate							115
Gain on deemed partial disposal of a subsidiary	13,663	333	6,004				20,000

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Liabilities waived by							
unsecured creditors	81,350	8,429					89,779
Financial costs							(17,304)
Share of losses of a joint venture							-
Share of losses of an associate					(403)		(403)
Profit/(Loss) before taxation							52,300
Taxation							(148)
Profit/(Loss) after taxation							52,152
Minority interest							-
Profit/(Loss) attributable							
to shareholders							52,152

Other segment information:

Capital expenditure	13,269	-	928	-	353,304	-	367,501
Depreciation	8,112	175	6,705	-	6	1,623	16,621
Amortization of product							
development cost	5,127	-	-	-	-	-	5,127
Amortization of goodwill	-	-	-	-	78	-	78
Negative goodwill							
recognised as income	-	-	-	-	(10,566)	-	(10,566)

	Consumer packaged electronics	Telecommunication products	Electronic manufacturing services	Online distance learning education services	Property development	Others	Total
	1 January 2000 to 31 March 2001	1 January 2000 to 31 March 2001	1 January 2000 to 31 March 2001	1 January 2000 to 31 March 2001	1 January 2000 to 31 March 2001	1 January 2000 to 31 March 2001	1 January 2000 to 31 March 2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000

Segment revenue:

Sales to external customers	280,547	155,422	239,427	-	-	-	675,396
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Segment results	(179,684)	(86,013)	8,267	(348,207)	-	-	(605,637)
Interest Income							453
Gain on waiver of amount							
due to creditors							-
Gain on disposal of an associate							-
Gain on deemed partial disposal							
of a subsidiary							-
Liabilities waived by							
unsecured creditors							-
Financial costs							(22,617)
Share of losses of a joint venture	(1,635)						(1,635)
Share of losses of an associate	(572)						(572)
Profit/(Loss) before taxation							(630,008)
Taxation							(453)
Profit/(Loss) after taxation							(630,461)
Minority interest							2,000
Profit/(Loss) attributable							
to shareholders							(628,461)
Other segment information:							
Capital expenditure	27,401	6,861	12,505	3,774	-	5,880	56,421
Depreciation	8,305	4,183	7,105	1,036	-	2,518	23,147
Amortization of product							
development cost	11,659	4,132	-	-	-	-	15,791
Amortization of goodwill	-	-	-	21,642	-	-	21,642
Negative goodwill							
recognised as income	-	-	-	-	-	-	-

(b) Geographical segments

The following table presents revenue and loss information for the Group's geographical segments.

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	Europe		America/Canada		Asia		Total	
	1 April 2001 to 31 March 2002 HK\$'000	1 January 2000 to 31 March 2001 HK\$'000	1 April 2001 to 31 March 2002 HK\$'000	1 January 2000 to 31 March 2001 HK\$'000	1 April 2001 to 31 March 2002 HK\$'000	1 January 2000 to 31 March 2001 HK\$'000	1 April 2001 to 31 March 2002 HK\$'000	1 January 2000 to 31 March 2001 HK\$'000
Segment revenue:								
Sales to external customers	31,261	306,305	77,954	99,850	106,123	269,241	215,338	675,396
Segment results	(14,471)	(183,985)	(21,240)	(62,728)	(9,481)	(358,924)	(45,192)	(605,637)

3. Taxation

	1 April 2001 to 31 March 2002 HK\$'000	1 January 2000 to 31 March 2001 HK\$'000
Overseas tax	148	453

No Hong Kong profits tax has been provided in the financial statements as the Group did not derive any assessable profit for the year/period.

Overseas tax is provided in accordance with the legislation and tax rates prevailing in the respective overseas countries.

4. Earnings/(Loss) per Share

The calculation of basic earnings/(loss) per share is based on the Group's profit attributable to shareholders for the year of HK\$52,152,000 (period from 1 January 2000 to 31 March 2001: loss of HK\$628,461,000) and on the weighted average of 23,107,221,372 (period from 1 January 2000 to 31 March 2001: 3,414,493,507) ordinary shares in issue during the year/period.

As the impact of exercise of the convertible notes is anti-dilutive, the dilutive earnings per share for the year ended 31 March 2002 is not presented. Fully dilutive loss per share for the period ended 31 March 2001 has not been shown as there were no outstanding convertible notes as at 31 March 2001.

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ADOPTION OF NEW/REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE (“SSAPS”)

In the current year, the Group has adopted, for the first time, the following SSAPs issued by the Hong Kong Society of Accountants.

- *SSAP 14 (Revised) - Leases*
- *SSAP 26 - Segment reporting*
- *SSAP 29 - Intangible assets*
- *SSAP 30 - Business combinations*
- *SSAP 31 - Impairment of assets*
- *SSAP 32 - Consolidated financial statements and accounting for investments in subsidiaries*

SUMMARY OF AUDITORS’ REPORT

The auditors of the Company have modified their report on the Group’s financial statements for the year ended 31 March 2002 and their report has included the following paragraph regarding the adoption of the going concern basis for the preparation of the financial statements:

“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 use, 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 future liabilities which might arise, and to reclassify non-current assets and liabilities as current assets and 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 March 2002 (2001: nil).

CLOSURE OF REGISTER

The Register of Members in Hong Kong will be closed from Thursday, 22 August 2002 to Wednesday, 28 August 2002, 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 coming Annual General Meeting of the Company. In order to register the transfers, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars in Hong Kong, Abacus Share Registrars Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not later than 4:00p.m. on Wednesday, 21 August 2002.

CHANGE OF COMPANY'S NAME

By a special resolution duly passed on 30 July 2001, the Company changed its name from Learning Concepts Holdings Limited to South Sea Holding Company Limited. The Registrar of Companies in Bermuda has approved and registered such change on 31 July 2001.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

During the period under review, the principal activities of the Group are property investment and development, and the manufacture of electronic learning aids and consumer electronic products. No turnover was recorded for the Group's property division during the year.

US remains our core market which accounted for 36.2% of the Group's turnover. Although the retail sentiment in US has been weakened, especially after the 911 terrorist attacks, the Group was able to explore new markets in Asia, especially Japan and Malaysia. During the period, Asia became the largest source of revenue for the Group, which accounted for 49.3% of the Group's total turnover.

Electronic Learning Aids ("ELA")

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During the year under review, turnover from the ELA division was HK\$147.1 million (15 months ended 31 March 2001: HK\$280.5 million) and a segment loss of HK\$40.5 million (15 months ended 31 March 2001: segment loss of HK\$179.7 million) was recorded. The reduction in segment loss is due to the improvement in operating efficiency. Looking ahead, the management will continue to further strengthen our product capability in order to secure the existing clients as well as new customers opportunities.

Original Equipment Manufacturing (“OEM”)

Turnover was HK\$64.6 million (15 months ended 31 March 2001: HK\$239.4 million) and a segment loss of HK\$2.3 million (15 months ended 31 March 2001: a segment profit of HK\$8.3 million) was recorded during the year. The decline in turnover was mainly due to a general slow down in demand from our existing customers. Despite the sluggish worldwide economic condition, the management sees no sign of material adverse impact on its performance, but will continue to expand this division once the market conditions improve.

Property development and investment in the PRC

Although turnover is yet to be reflected during the year under review. Town planning approval in respect of the Liu Wan Project has been obtained from the governing authority, and construction will commence in the fourth quarter of 2002 and cash inflow is expected in the coming years. Since the Nanjing project has already commenced its development, profit contribution is expected in the next financial year.

FINANCIAL REVIEW

Turnover for the period under review was HK\$215.3 million (15 months ended 31 March 2001: HK\$675.4 million) and a net profit of HK\$52.2 million (15 months ended 31 March 2001: net loss of HK\$628.5 million) was recorded. The net assets value of the Group as at 31 March 2002 was HK\$2,355.5 million, representing a value of HK\$0.08 per share. The decline in turnover was mainly due to the discontinued telecommunication division which had been making loss for the past years. In addition, the turnaround from loss making into profit making signifies the strength and determination of the new management to rebuilt and re-engine the organization.

Liquidity and Financial Resources

As at 31 March 2002, the Group’s aggregate bank borrowings increased to HK\$709.3 million (2001: HK\$157.6 million) and HK\$210 million convertible loan notes remained outstanding (2001: Nil). The increase in bank borrowings is due to the the bank loan attached to a newly

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acquired subsidiary during the year. Subsequent to the financial year end, a bank loan of HK\$187.8 million was repaid.

As at 31 March 2002, the Group's gearing ratio was 39%.

As at 31 March 2002, fixed assets with the net book value of HK\$93.5 million and charge over land held for development and all its sale proceeds of land lot no. K708-5 at Liu Wan, Shekou, the PRC were pledged as securities for banking facilities.

The Group has no contingent liabilities at 31 March 2002.

As majority of the Group's transactions are quoted in the US or Hong Kong currencies, the Group's exposure to exchange fluctuation is relative low.

Employees

As at 31 March 2002, the Group had approximately 1,162 employees (2001: 1,030 employees), of which 42 were based in Hong Kong, 1,105 were based in the PRC and 15 were based in overseas. The salaries and allowances of employees for the year ended 31 March 2002 were about HK\$42.4 million (2001: HK\$104 million).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2002.

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, 26 July 2002

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Chater Room III, Function Room Level, The Ritz-Carlton, 3 Connaught Road Central, Hong Kong on Thursday, 29 August 2002 at 10:00a.m. for the following purposes:-

1. To receive and consider the audited financial statements and the Reports of the Directors and Auditors for the year ended 31 March 2002;
2. To re-elect the retiring Directors and to authorize the Board of Directors to fix the remuneration of the Directors; and
3. To re-appoint the retiring Auditors, and to authorize the Board of Directors to fix their remuneration.

By order of the Board
Watt Ka Po James
Company Secretary

Hong Kong, 26 July 2002

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 Company's share registrars in Hong Kong, Abacus Share Registrars Limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, 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 Thursday, 22 August 2002 to Wednesday, 28 August 2002, 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 Company's share registrars in Hong Kong,

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Abacus Share Registrars Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not later than 4:00p.m. on Wednesday, 21 August 2002.

Please also refer to the published version of this announcement in The Standard dated 29 July 2002.