
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult a stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in South Sea Holding Company Limited, you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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South Sea Holding Company Limited
(Incorporated in Bermuda with limited liability)

**PROPOSED AMENDMENT TO THE BYE-LAWS
AND
GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES**

A notice convening a special general meeting of the Company to be held at Chater Room II, Function Room Level (B1), The Ritz-Carlton, 3 Connaught Road Central, Hong Kong on 8 September 2003 at 10:15 a.m. (or so soon thereafter as the annual general meeting of the Company convened for the same place and date at 10:00 a.m. shall have been concluded or adjourned) is set out on pages 7 to 11 of this circular. A form of proxy is also enclosed. Whether or not you are able to attend and vote at the special general meeting, you are requested to complete and return the enclosed form of proxy to 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 as soon as possible and in any event not less than 48 hours before the time appointed for holding the special general meeting. Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the special general meeting or any adjourned meetings should you so wish.

8 August 2003

LETTER FROM THE BOARD



South Sea Holding Company Limited

(Incorporated in Bermuda with limited liability)

Directors:

YU Pun Hoi (*Chairman*)

ZHANG Hong Ren

ZHAO Liang

YU Lin Hoi #

LAM Bing Kwan #

Francisco P. ACOSTA *

CHAN Lap Stanley *

Non-executive Directors

* *Independent Non-executive Directors*

Principal place of business:

Room 607-9, 6/F

Bank of America Tower

12 Harcourt Road

Central

Hong Kong

Registered office:

Cedar House

41 Cedar Avenue

Hamilton HM12

Bermuda

8 August 2003

To the shareholders

Dear Sir or Madam,

AMENDMENT TO THE BYE-LAWS AND GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

INTRODUCTION

The purpose of this circular is to provide you with information in respect of the resolutions to be proposed at the special general meeting of South Sea Holding Company Limited (the “Company”) to be held at Chater Room II, Function Room Level (B1), The Ritz-Carlton, 3 Connaught Road Central, Hong Kong on 8 September 2003 at 10:15 a.m. (“SGM”) (or so soon thereafter as the annual general meeting of the Company convened for the same place and date at 10:00 a.m. shall have been concluded or adjourned) for the approval of the amendment of the Company’s bye-laws and the granting to the directors of the Company (the “Directors”) of the general mandates to issue and repurchase shares of the Company.

LETTER FROM THE BOARD

AMENDMENT TO THE BYE-LAWS OF THE COMPANY

With the coming into effect of the Securities and Futures Ordinance on 1 April 2003, a special resolution will be proposed at the SGM to amend the Company's bye-laws by (i) amending the definition of the Clearing House to reflect the repeal of the Securities (Clearing Houses) Ordinance (Chapter 420 of the Laws of Hong Kong) and the effect of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong); and (ii) accepting the machine imprinted signature of recognized clearing house and/or its nominees to be used on the transfer deed as a transferor or transferee.

GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

At the SGM, ordinary resolutions will also be proposed to grant to the Directors general mandates, in substitution for the general mandates to issue and repurchase shares of the Company granted to the Directors at the special general meeting held on 29 August 2002, to:

- (i) allot, issue or otherwise deal with shares or convertible securities up to a maximum of 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the resolution;
- (ii) repurchase on The Stock Exchange of Hong Kong Limited shares up to a maximum of 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the resolution; and
- (iii) add to the general mandate given to the Directors under sub-paragraph (i) above any shares repurchased pursuant to the general mandate under sub-paragraph (ii) above up to 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of the resolution.

The explanatory statement required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited to be sent to the shareholders in connection with the proposed general mandate to repurchase shares is set out in the Appendix to this circular. The explanatory statement contains all the information reasonably necessary to enable the shareholders to make an informed decision on whether to vote for or against the relevant resolutions at the SGM.

LETTER FROM THE BOARD

SPECIAL GENERAL MEETING

The Directors have resolved to convene the SGM to consider and, if thought fit, by the shareholders, to approve the proposed resolutions as set out in the notice of SGM on pages 7 to 11 of this circular. Whether or not you are able to attend and vote at the SGM, you are requested to complete and return the enclosed form of proxy to 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 as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM. Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the SGM or any adjourned meetings should you so wish.

RECOMMENDATION

The Directors consider that the proposed special resolution for the amendment of the by-laws and the ordinary resolutions for the granting of general mandates for Directors to issue and repurchase shares are in the best interests of the Company as well as the shareholders. The Directors therefore recommend all shareholders to vote in favour of all proposed resolutions.

GENERAL INFORMATION

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

Yours faithfully,
By order of the Board of
South Sea Holding Company Limited
Zhang Hong Ren
Director

This is an explanatory statement, as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, to provide requisite information to you for your consideration of the proposal to permit the repurchase of shares of up to a maximum of 10 per cent. of the issued share capital of the Company as at the date of passing of the Repurchase Resolution (as hereinafter defined). For the purpose of this explanatory statement, “shares” is defined in the Hong Kong Code on Share Repurchases to mean shares of all classes and securities which carry a right to subscribe or purchase shares.

SHAREHOLDERS’ APPROVAL

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) provide that all securities repurchases on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, which may be by way of a general mandate, or by a specific approval in relation to a specific transaction. All the shares proposed to be repurchased by the issuer are fully paid up.

The Company has previously sent to the shareholders an Explanatory Statement complying with the provisions of rule 10.06(1)(b) of the Listing Rules.

SHARE CAPITAL

As at 4 August 2003, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular (the “Latest Practicable Date”), there were in issue an aggregate of 29,931,804,183 shares. Subject to the passing of the resolution to be proposed at the SGM for the granting to the Directors of a general mandate to repurchase shares of the Company (the “Repurchase Resolution”) and on the basis that no further shares will be issued and repurchased prior to the date of the SGM, exercise in full of the mandate will allow the Company to repurchase a maximum of 2,993,180,418 shares during the period ending on the earliest of the date of the next annual general meeting, the date by which the next annual general meeting of the Company is required to be held by law or its by-laws and the date upon which such authority is revoked or varied by an ordinary resolution of the shareholders in a general meeting of the Company.

REASONS FOR REPURCHASE

As at the Latest Practicable Date, the Directors have no intention to repurchase any shares but consider that the mandate will provide the Company the flexibility to make such repurchase when appropriate and beneficial to the Company. Such repurchases may enhance the net value and/or earnings per share of the Company. As compared with the financial position of the Company as at 31 March 2003 (being the date to which its latest audited accounts were made up), the Directors consider that there would be a material adverse impact on the working capital

and on the gearing position of the Company in the event that the mandate granted pursuant to the passing of the Repurchase Resolution was to be exercised in full during the proposed repurchase period. No repurchase would be made in circumstances that would have a material adverse impact on the working capital or gearing ratio of the Company.

FUNDING OF REPURCHASE

In repurchasing any shares, the Company may only apply funds from its available cash flow or working capital facilities, which are legally available for such purpose in accordance with the applicable laws of Bermuda and its memorandum of association and bye-laws.

The Companies Act 1981 of Bermuda (as amended) further provides that no repurchase by a Company of its own shares may be effected if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the Company is, or after the purchase would be, unable to pay its liabilities as they become due.

DIRECTORS, THEIR ASSOCIATES AND CONNECTED PERSONS

To the best of the knowledge of the Directors having made all reasonable enquiries, none of the Directors nor any associates of the Directors has a present intention, in the event that the Repurchase Resolution is passed by shareholders, to sell shares to the Company.

As at the Latest Practicable Date, no connected person of the Company (as defined in the Listing Rules) has notified the Company that he/she has an intention to sell shares to the Company nor has any connected person of the Company undertaken not to sell any of the shares held by him/her to the Company, in the event that the Repurchase Resolution is passed.

UNDERTAKING OF THE DIRECTORS

The Directors have undertaken to the Stock Exchange to exercise the powers of the Company to make repurchases pursuant to the Repurchase Resolution in accordance with the Listing Rules, the applicable laws of Bermuda and its memorandum of association and bye-laws.

EFFECT OF TAKEOVERS CODE

If on the exercise of the power to repurchase shares pursuant to the mandate granted by the passing of the Repurchase Resolution, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of Rule 32 of the Takeovers Code. As a result, a shareholder or group of shareholders acting in concert could obtain or consolidate control of the Company and, depending on the level of increase of the shareholder's interest, may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, the substantial shareholder of the Company, Sino-i Technology Limited, through its wholly owned subsidiaries, namely Victorious Limited, Robina Profits Limited and Ko Tact Limited, is interested in approximately 67.71% of the issued share capital of the Company. In the event that the Directors exercise in full the power to repurchase shares which is proposed to be granted pursuant to the Repurchase Resolution, the indirect shareholding of Sino-i Technology Limited would be increased to approximately 75.23% of the then issued share capital of the Company. The Directors believe that such an increase would not give rise to an obligation to make a mandatory offer under Rule 26 of the Takeovers Code. The Directors have undertaken not to make any repurchase in the circumstances that shares in the hand of the public would fall below the relevant prescribed minimum percentage (i.e. 25%).

SHARE PRICES

The highest and lowest traded prices for shares on the Stock Exchange during each of the twelve months preceding the Latest Practicable Date were as follows:

| Month | PER SHARE | |
|-------------|-----------------|----------------|
| | Highest HK\$ | Lowest HK\$ |
| 2002 | | |
| July | 0.01 | 0.01 |
| August | 0.01 | 0.01 |
| September | – | – |
| October | 0.01 | 0.01 |
| November | 0.01 | 0.01 |
| December | 0.01 | 0.01 |
| 2003 | | |
| January | 0.01 | 0.01 |
| February | 0.01 | 0.01 |
| March | 0.01 | 0.01 |
| April | 0.01 | 0.01 |
| May | 0.01 | 0.01 |
| June | 0.01 | 0.01 |

Note: There was no turnover during September 2002.

SHARE REPURCHASE MADE BY THE COMPANY

The Company has not repurchased any shares on the Stock Exchange in the six months preceding the Latest Practicable Date.

NOTICE OF SPECIAL GENERAL MEETING



South Sea Holding Company Limited

(Incorporated in Bermuda with limited liability)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of South Sea Holding Company Limited (the “**Company**”) will be held at Chater Room II, Function Room Level (B1), The Ritz-Carlton, 3 Connaught Road Central, Hong Kong on 8 September 2003 at 10:15 a.m. (or so soon thereafter as the annual general meeting of the Company convened for the same place and date at 10:00 a.m. shall have been concluded or adjourned), for the purpose of considering and, if thought fit, passing, with or without modification, the following resolutions:

AS A SPECIAL RESOLUTION

1. “**THAT** the bye-laws of the Company be and are hereby amended in the following manner:

- (a) Bye-law 1

by deleting the words “Section 2 of the Securities (Clearing Houses) Ordinance (Chapter 420 of the Laws of Hong Kong)” in second and third lines of the definition “Clearing House” and substituting therefor the words “the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)”.

- (b) Bye-law 36

by deleting the existing bye-law 36 and replacing it with the following new bye-law 36:

36. Subject to the Companies Act, all transfers of shares may be effected by an instrument of transfer in writing in the usual or common form or in such other form as the Board may accept and may be under hand or, if the transferor or the transferee is a Clearing House or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.”

NOTICE OF SPECIAL GENERAL MEETING

AS AN ORDINARY RESOLUTION

2. “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 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 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

NOTICE OF SPECIAL GENERAL MEETING

(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 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).”

AS AN ORDINARY RESOLUTION

3. **“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;

NOTICE OF SPECIAL GENERAL MEETING

- (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.”

AS AN ORDINARY RESOLUTION

- 4. “**THAT** subject to the passing of resolutions numbered 2 and 3 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 2 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 3 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.”

By order of the Board
Watt Ka Po James
Company Secretary

Hong Kong, 4 August 2003

NOTICE OF SPECIAL GENERAL MEETING

Principal place of business:

Room 607-9, 6/F
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

Registered office:

Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

Notes:

1. Any 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 the 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.