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

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

**South Sea Holding Company Limited****南海控股有限公司 ****(Incorporated in Bermuda with limited liability)***PROPOSALS FOR THE ADJUSTMENT OF THE
NOMINAL VALUE OF THE SHARES OF THE COMPANY
BY WAY OF CAPITAL REDUCTIONS****INCREASE IN THE AUTHORIZED SHARE CAPITAL****CHANGE IN BOARD LOT SIZE****AND****GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES**

A notice convening a special general meeting of the Company to be held at Chater Room IV, Function Room Level, The Ritz-Carlton, 3 Connaught Road Central, Hong Kong on Tuesday, 30 April 2002 at 10:00 a.m. is set out on pages 14 to 18 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 the enclosed form of proxy and return it to the share registrar of the Company in Hong Kong, Abacus Share Registrars Limited, 5th floor, Wing On Centre, 111 Connaught Road Central, 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.

28 March 2002

* for identification purpose only.

EXPECTED TIMETABLE

Latest time for lodging proxy form of the SGM	10:00a.m. 28 April 2002
Date of the SGM	10:00a.m. 30 April 2002
Effective Date of Adjustment Proposal	2 May 2002
Free exchange of share certificates commences	2 May 2002
Trading in New Shares in board lots of 50,000 shares commences	10 May 2002
Odd lot arrangement commences	10 May 2002
Free exchange of share certificates ends	4:00p.m. 3 June 2002
Odd lot arrangement ends	4:00p.m. 10 June 2002

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DEFINITIONS

In this circular, the following expressions have the meanings respectively set opposite them unless the context otherwise requires:

“Adjustment Proposal”	the Capital Reductions and the Subdivision
“Auditors”	Grant Thornton, the auditors of the Company
“Board”	the board of Directors
“Business Day”	A day (other than Saturday and days on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks are open in Hong Kong for general banking business
“Capital Reductions”	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 extent of HK\$0.09 on each of the issued Shares and the proposed reduction of authorized share capital of the Company from HK\$5,000,000,000 to HK\$2,306,137,623.53
“Companies Act”	the Companies Act 1981 of Bermuda (as amended)
“Company”	South Sea Holding Company Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Convertible Notes”	convertible loan notes in an aggregate principal amount of HK\$210,000,000 issued by the Company on 18 September 2001 to Power Ocean Investments Limited
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Directors”	the directors of the Company
“Existing Mandates”	general mandates to issue and repurchase securities of the Company granted to the Directors at the special general meeting of the Company held on 27 September 2001
“Group”	the Company and its subsidiaries

DEFINITIONS

“Hancheers Option”	an option granted by Sino-i to the Company to require Sino-i to sell to the Company the entire issued shares of Hancheers International Enterprise Limited as announced by Sino-i and the Company jointly on 22 March 2001
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Latest Practicable Date”	28 March 2002, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listar Option”	an option granted by Sino-i to the Company to require Sino-i to sell to the Company 51% of the issued shares of Listar Properties Limited as announced by Sino-i and the Company jointly on 22 March 2001
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“New Shares”	shares of HK\$0.01 each in the share capital of the Company upon the Adjustment Proposal becoming effective
“Registrar”	the share registrar of the Company in Hong Kong, Abacus Share Registrars Limited, whose office is situate at 5th floor, Wing On Centre, 111 Connaught Road Central, Hong Kong
“Repurchase Resolution”	the resolution to be proposed at the SGM for the granting to the Directors of a general mandate to repurchase shares of the Company
“Shareholders”	holders of Shares
“Shares”	shares of HK\$0.10 each in the existing share capital of the Company
“Share Option Scheme”	the share option scheme of the Company adopted on 8 January 2001 for the grant to the employees of the Company of options to subscribe for Shares

DEFINITIONS

“Sino-i”	Sino-i.com Limited, a company incorporated in Hong Kong with limited liability the shares of which are listed on the Stock Exchange and the controlling shareholder of the Company
“SGM”	the special general meeting of the Company to be held at Chater Room IV, Function Room Level, The Ritz-Carlton, 3 Connaught Road Central, Hong Kong on Tuesday, 30 April 2002 at 10:00 a.m., notice of which is set out on pages 14 to 18 of this circular, and any adjourned meeting
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Subdivision”	the proposed subdivision of the unissued share in the authorised share capital of the Company existing immediately after completion of the Capital Reduction from 20,068,195,817 shares of HK\$0.10 each into 200,681,958,170 shares of HK\$0.01 each
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers

LETTER FROM THE BOARD



South Sea Holding Company Limited 南海控股有限公司*

(Incorporated in Bermuda with limited liability)

Directors:

YU Pun Hoi (*Chairman*)

ZHANG Hong Ren

ZHAO Liang

LAM Bing Kwan

YU Lin Hoi

* NG Kwan Lik

* Francisco P. ACOSTA

Non-executive Director

* *Independent Non-executive Directors*

Principal place of business:

Room 601-4, 6/F

Bank of America Tower

12 Harcourt Road, Central

Hong Kong

Registered Office:

Cedar House

41 Cedar Avenue

Hamilton HM12

Bermuda

28 March 2002

*To the Shareholders and, for information only,
holder of the Convertible Notes*

Dear Sir or Madam

**PROPOSALS FOR THE ADJUSTMENT OF THE
NOMINAL VALUE OF THE SHARES OF THE COMPANY
BY WAY OF CAPITAL REDUCTIONS,
INCREASE IN THE AUTHORIZED SHARE CAPITAL,
CHANGE IN BOARD LOT SIZE
AND
GENERAL MANADATES TO ISSUE AND REPURCHASE SHARES**

INTRODUCTION

The Company announced on 18 March 2002 that it intended to submit the Adjustment Proposal to the Shareholders for approval in a general meeting. The purpose of this circular is to provide Shareholders with further information in respect of the Adjustment Proposal and to

* *for identification purpose only*

LETTER FROM THE BOARD

convene the SGM to consider, and, if thought fit, to approve, amongst other things, the Adjustment Proposal by special resolutions.

ADJUSTMENT PROPOSAL

Capital Reductions and Subdivision

The Board proposes to put forward to the Shareholders the Adjustment Proposal (which comprises of the Capital Reductions 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 (“Capital Cancellation”) and the surplus amount of HK\$2,693,862,376.47 arising from the Capital Cancellation will be credited to the contributed surplus account of the Company; and
2. conditional on and immediately following completion of the Capital Cancellation, 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 and the authorized share capital of the Company will be reduced from HK\$5,000,000,000.00 to HK\$2,306,137,623.53.

Reasons

For the period ended 31 March 2001, the Group’s audited net loss attributable to the Shareholders was approximately HK\$628 million. The unaudited net profit of the Group for the six months period ended 30 September 2001 was approximately HK\$52 million.

Since April 2001, the Shares have been trading at prices ranging between HK\$0.095 and HK\$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 as at the Latest Practicable Date was HK\$0.019. 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.

LETTER FROM THE BOARD

EFFECT OF THE ADJUSTMENT PROPOSAL

The existing authorized 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 Cancellation which will be credited to the contributed surplus account of the Company which may be used for setting off the accumulated losses of the Company or other purposes as the Board may think fit, subject to the shareholders' approval. As at 30 September 2001, the unaudited accumulated losses of the Company were about HK\$723 million. Conditional on and immediately following completion of the reduction of issued share capital, 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 and the authorized share capital of the Company will be reduced from HK\$5,000,000,000 to HK\$2,306,137,623.53.

Upon the Adjustment Proposal becoming effective and on the basis of 29,931,804,183 Shares currently in issue, the authorized 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 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 OF THE ADJUSTMENT PROPOSAL

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 Reductions in an appointed newspaper in Bermuda; and
3. the Stock Exchange granting listing of, and permission to deal in, the New Shares.

LETTER FROM THE BOARD

Section 46(2)(b) of the Companies Act also provides that the Company shall not reduce the amount of its share capital if, on the date on which the reduction is to be effected, there are reasonable grounds for believing that the Company is, or after the reduction would be, unable to pay its liabilities as they become due.

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

CONVERTIBLE NOTES AND SHARE OPTION SCHEME

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 that the implementation of the Adjustment Proposal will not result in any adjustments to the conversion price under the Convertible Notes.

Share Option Scheme

As at the Latest Practicable Date, there were no share options granted under the Share Option Scheme.

INCREASE IN THE AUTHORIZED SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date, the authorized share capital of the Company was HK\$5,000,000,000 divided into 50,000,000,000 Shares, of which 29,931,804,183 Shares are in issue. Following implementation of the Adjustment Proposal, the authorized share capital of the Company will be HK\$2,306,137,623.53 divided into 230,613,762,353 New Shares. 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 New Shares. 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 has resolved that with effect from 10 May 2002, the board lot size for trading of the New Shares on the Stock Exchange be changed from 10,000 Shares to 50,000 New Shares for the purpose of reducing the transaction and registration costs incurred by the Shareholders. The Board considers that such change in board lot size is in the best interest of the Company and its Shareholders.

LETTER FROM THE BOARD

ODD LOT ARRANGEMENT

In order to alleviate the difficulties in trading odd lots of New Shares arising as a result of the consolidation of board lots, the Company has appointed Luen Fat Securities Company, Limited (an independent third party not connected with any of the directors, chief executive, or substantial shareholders of the Company or any of its subsidiaries or associates) as an agent to provide matching services on a best effort basis to those Shareholders who wish to top up or sell their holding of odd lots of New Shares during the period from Friday, 10 May 2002 to Monday, 10 June 2002 (both days inclusive). Holders of New Shares in odd lots who wish to take advantage of this facility either to dispose of their odd lots or to round them up to a full board lot may contact Luen Fat Securities Company, Limited during the aforesaid period whose contact details are as follows:

Contact Person	Address	Tel No.
Mr. Fok Chi Bun	23/F, Euro Trade Centre, 21-23 Des Voeux Road, Central, Hong Kong	2525-8415

Holders of New Shares in odd lots should note that the matching of odd lots is not guaranteed. The Shareholders are advised to consult their professional advisers if they are in doubt about the facility described above. Existing share certificate in board lot of 10,000 Shares will continue to be evidence of entitlement to New Shares and will be valid for delivery and settlement.

FREE EXCHANGE OF SHARE CERTIFICATES FOR NEW SHARES AND TRADING ARRANGEMENTS

Subject to the Adjustment Proposal becoming effective, the Shareholders may, at the expense of the Company, exchange their certificates for the Shares (in red colour) for the certificates for the New Shares (in lavender colour) provided that their certificates for the Shares are received by the Registrar during the period from Thursday, 2 May 2002 to Monday, 3 June 2002 (both days inclusive). Certificates for the Shares which are received by the Registrar at any time thereafter will only be accepted for exchange upon payment to the Registrar of a fee of HK\$2.50 (subject to change) for each share certificate submitted or each certificate issued whichever is the higher amount.

Subject to the implementation of the above arrangement, all existing certificates for the Shares will continue to be effective as documents of title for the New Shares and valid for trading, settlement and registration purposes on the basis of one Share for one New Share. There will not be any arrangement for parallel trading.

LETTER FROM THE BOARD

Subject to the granting of listing of, and permission to deal in, the New Shares on the Stock Exchange, the New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the New Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The Company will make a further announcement on the day on which the Adjustment Proposal becomes effective.

GENERAL MANDATES TO ISSUE AND REPURCHASE NEW SHARES

At the special general meeting of the Company held on 27 September 2001, general mandates to issue and repurchase securities of the Company were granted to the Directors.

At the SGM, ordinary resolutions will be proposed to grant to the Directors the general mandates, in substitution for the Existing Mandates, to:

- (i) allot, issue or otherwise deal with new shares of the Company of 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 new shares of the Company of 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 new shares of the Company 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 Listing Rules to be sent to the Shareholders in connection with the proposed general mandate to repurchase securities is set out in the Appendix to this circular. It 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.

The Directors believe that the granting of general mandates for Directors to issue and repurchase new shares of the Company are in the best interest of the Company. Accordingly, the Directors recommend all Shareholders to vote in favour of the resolutions granting the general mandates to issue and repurchase new shares.

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 Adjustment Proposal, an increase in the authorized share capital of the Company and the general mandates to issue and repurchase new shares of the Company. Notice of the SGM is set out on pages 14 to 18 of this circular. Whether or not you are able to attend and vote at the SGM, you are requested to complete the enclosed proxy and return it to the Registrar as soon as possible and in any event not less than 48 hours before the time appointed for the holding the SGM. Completion and return of the proxy form will not preclude you from subsequently attending and voting in person at the SGM or any adjourned meetings should you so wish.

RECOMMENDATION

The Board believes that the Adjustment Proposal will be beneficial to the Company and the Shareholders as a whole and, accordingly, recommends the Shareholders to vote in favour of the special resolutions set out in the notice convening the SGM.

Yours faithfully,
By order of the Board
Lam Bing Kwan
Director

This is an explanatory statement, as required by the Listing Rules, 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. 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 Listing Rules provide that all securities repurchases on 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 the Latest Practicable Date, there were in issue an aggregate of 29,931,804,183 Shares. Subject to the passing of 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 the bye-laws of the Company 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 of the Company and/or earnings per share of the Company. As compared with the financial position of the Company as at 31 March 2001 (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 its memorandum of association, bye-laws and the applicable laws of Bermuda.

The Companies Act 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, all applicable laws of Bermuda and the memorandum of association and bye-laws of the Company.

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 Rules 26 of the Takeovers Code.

As at the Latest Practicable Date, the substantial shareholder of the Company, Sino-i, through its wholly owned subsidiaries, namely Victorious Limited, Robina Profits Limited and Ko Tact Limited, was interested in approximately 67.73% 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 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 hands 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 <i>HK\$</i>	Lowest <i>HK\$</i>
2001		
March	0.103	0.047
April	0.090	0.065
May	0.077	0.053
June	0.070	0.052
July	0.065	0.050
August	0.069	0.050
September	0.074	0.044
October	0.072	0.053
November	0.062	0.046
December	0.060	0.041
2002		
January	0.046	0.021
February	0.021	0.012

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

南海控股有限公司 *

(Incorporated in Bermuda with limited liability)

NOTICE IS HEREBY GIVEN that a Special General Meeting of South Sea Holding Company Limited (the “Company”) will be held at Chater Room IV, Function Room Level, The Ritz-Carlton, 3 Connaught Road Central, Hong Kong on Tuesday, 30 April 2002 at 10:00a.m. for the purpose of considering and, if thought fit, passing the following resolutions:

SPECIAL RESOLUTION

1. **“THAT** conditional upon: (i) the Stock Exchange of Hong Kong Limited granting listing of, and permission to deal in the New Shares (as defined below), and (ii) compliance with section 46 of the Companies Act 1981 of Bermuda (as amended), including the publication of a legal notice in relation to the reduction of issued and authorized share capital in an appointed newspaper in Bermuda:
 - a) the paid up capital and the nominal value of existing issued shares in the capital of the Company (“Shares”) be reduced from HK\$2,993,180,418.30 to HK\$299,318,041.83 on the basis of 29,931,804,183 shares of par value HK\$0.10 each being in issue as at the date of passing of this Resolution, by the cancellation of HK\$0.09 paid up capital on each issued Share (“Capital Cancellation”) and the shares of HK\$0.01 each in the capital of the Company (“New Shares”) which are created pursuant to the Capital Cancellation shall rank *pari passu* with each other in all respects with effect from the following business day of passing this Resolution;
 - b) conditional on and immediately following completion of the Capital Cancellation, each unissued share in the authorized share capital of the Company following such reduction be subdivided into 10 shares of HK\$0.01 each and the authorized share capital of the Company be reduced from HK\$5,000,000,000.00 to HK\$2,306,137,623.53 with effect from the following business day of passing this Resolution;

* *for identification purpose only*

NOTICE OF SPECIAL GENERAL MEETING

- c) the directors of the Company are hereby authorized to transfer the credit arising from the Capital Cancellation in the amount of HK\$2,693,862,376.47 to the contributed surplus account of the Company and thereafter to apply such amount to set off against the accumulated loss of the Company as at 30 April 2002; and
- d) any one or more of the directors of the Company is hereby authorized generally to do all things appropriate to effect and implement any of the matters set out in this Resolution.”

ORDINARY RESOLUTIONS

- 2. “**THAT** conditional upon the passing of and coming into effect of the matters referred to in paragraph (a) and (b) of Resolution number 1 set out in the notice convening this Meeting (the “Adjustment Proposal”), the authorized share capital of the Company be increased from an amount of HK\$2,306,137,623.53 to HK\$5,000,000,000 by the creation of an additional 269,386,237,647 new shares of HK\$0.01 each, ranking pari passu with the shares of the Company existing immediately after implementation of the Adjustment Proposal.”
- 3. “**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

NOTICE OF SPECIAL GENERAL MEETING

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, shall not exceed 20% of the nominal amount of the issued share capital of the Company at the date of passing of this Resolution and the said approval shall be limited accordingly;

- (d) subject to the passing of each of paragraphs (a), (b) and (c) of this Resolution, any prior approvals of the kind referred to in paragraphs (a), (b) and (c) of this Resolution which had been granted to the directors of the Company and which are still in effect be and are hereby revoked; and
- (e) for the purpose of this Resolution:

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

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

4. **“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;

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- (b) the aggregate nominal amount of shares in the Company which may be repurchased by the Company pursuant to the approval in paragraph (a) of this Resolution shall not exceed 10% of the nominal amount of the share capital of the Company in issue at the date of passing of this Resolution and the said approval shall be limited accordingly;
 - (c) subject to the passing of each of paragraphs (a) and (b) of this Resolution, any prior approvals of the kind referred to in paragraphs (a) and (b) of this Resolution which had been granted to the directors of the Company and which are still in effect be and are hereby revoked; and
 - (d) for the purposes of this Resolution, “Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by law or the bye-laws of the Company to be held; and
 - (iii) the date on which the authority set out in this Resolutions is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.”
5. “**THAT** subject to the passing of Resolutions number 3 and 4 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 Number 3 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 number 4 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, 28 March 2002

NOTICE OF SPECIAL GENERAL MEETING

Principal place of business:

Room 601-604, 6th Floor,
Bank of America Tower,
12 Harcourt Road,
Central,
Hong Kong

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 instrument appointing a 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 Company's Registrar, Abacus Share Registrars Limited of 5/F, Wing On Centre, 111 Connaught Road Central, Hong Kong not less than forty-eight hours before the time appointed for holding the meeting or any adjournment thereof.