

The directors submit their report together with the audited financial statements for the year ended 31 March 2002.

CHANGE OF NAME

Pursuant to the special resolution passed on 30 July 2001, the Company's name was changed to South Sea Holding Company Limited.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are the design, manufacturing and marketing of consumer electronic products, provision of sub-contracting services, and property investment and development.

An analysis of the Group's turnover and segment results for the year by principal activities and markets is set out in note 3 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 18.

The directors do not recommend the declaration of the payment of a final dividend for the year ended 31 March 2002 (2001: Nil).

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years/ periods is set out as follows:

	Year ended 31 March 2002 <i>HK\$'000</i>	Fifteen months ended 31 March 2001 <i>HK\$'000</i>		Year ended 31 December 1999 <i>HK\$'000</i>	Nine months ended 31 December 1998 <i>HK\$'000</i>
Turnover	215,338	675,396		571,539	462,601
Profit/(Loss) after taxation	52,152	(630,461)		(75,225)	(39,601)
Interest of minority shareholders	—	2,000		—	—
Profit/(Loss) attributable to the shareholders	52,152	(628,461)		(75,225)	(39,601)
Total assets	3,742,806	325,479		315,359	336,471
Total liabilities	(1,387,303)	(351,982)		(299,570)	(309,159)
	2,355,503	(26,503)		15,789	27,312

PROPERTY, PLANT & EQUIPMENT

Details of the movements in property, plant & equipment of the Group are set out in note 11 to the financial statements.

SUBSIDIARIES

The activities of the subsidiaries are set out in note 14 to the financial statements.

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

The Group's bank loans, overdrafts and other borrowings as at 31 March 2002 are set out in notes 25 and 36 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 29 to the financial statements.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 30 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 March 2002, the contributed surplus of the Company amounting to HK\$50,010,000 (at 31 March 2001:HK\$50,010,000), is a distributable reserve.

MAJOR CUSTOMERS AND SUPPLIERS

	1 April 2001 to 31 March 2002	1 January 2000 to 31 March 2001
Sales		
– the largest customer	13%	20%
– five largest customers combined	52%	56%
Purchases		
– the largest supplier	24%	7%
– five largest suppliers combined	52%	19%

None of the directors, their associates or any shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) were interested in the above customers at any time in the year.

DIRECTORS' EMOLUMENTS

Details of directors' emoluments in respect of the year are shown in note 10 to the financial statements.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the directors of the Company has an interest in a business which compete or may compete with the business of the Group.

PENSION COSTS

Details of pension costs in respect of the year are shown in note 9 to the financial statements.

DIRECTORS

The Directors during the year and up to the date of this report were:

Mr. YU Pun Hoi (*Chairman*)

Mr. ZHANG Hong Ren

Dr. ZHAO Liang

Mr. CHUA Thian Teck (resigned on 7 May 2001)

Mr. CHEOK Eu Gene Adrian (resigned on 21 August 2001)

Mr. YU Lin Hoi # (appointed on 14 January 2002)

Mr. LAM Bing Kwan # (re-designated as non-executive director on 2 April 2002)

Mr. NG Kwan Lik *

Mr. Francisco Paredes ACOSTA *

non-executive Directors

* *independent non-executive Directors*

In accordance with Bye-law 99 and 102 of the Company, all the existing directors retire and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

BIOGRAPHICAL DETAILS OF DIRECTORS

Executive Directors

Mr. Yu Pun Hoi, aged 44, is the Chairman of the Company. He has extensive experience in Media and Internet technology businesses, and in properties investment and development. Mr. Yu has been with the Group since September 2000. Mr. Yu is also the Chairman of Sino-i.com Limited, the controlling shareholder of the Company.

Mr. Zhang Hong Ren, aged 50, has been in senior and management positions in economic research, media and computer technology industries since 1991. He has been with the Group since September 2000. Mr. Zhang holds a Master's degree in Economics.

Dr. Zhao Liang, aged 44, has over 10 years of extensive management experience in banking sector. He holds a Doctorate degree in Economics and an MBA degree. Dr. Zhao has been with the Group since September 2000.

Non-executive Directors

Mr. Yu Lin Hoi, aged 59, the brother of Mr. Yu Pun Hoi, has extensive experience in marketing, management on manufacture and administration on transportation. He holds a marine master degree from Canada. He has been appointed as non-executive director of the Company since January 2002.

Mr. Lam Bing Kwan, aged 52, has been in management positions in the banking and financial industry for more than 10 years. Mr. Lam has been with the Group since September 2000 and has been re-designated as non-executive director in April 2002.

Independent Non-executive Directors

Mr. Ng Kwan Lik, aged 42, has extensive experience in real estate development and other investments and businesses in the People's Republic of China. He has been appointed as an independent non-executive director of the Company since September 2000.

Mr. Francisco P. Acosta, aged 55, is a partner of Acosta & Corvera Law Office in the Philippines, and has pursued his legal profession in the Philippines for nineteen years. He has been appointed as an independent non-executive director of the Company since September 2000.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

(a) Particulars of shares held by directors

As at 31st March 2002, the interests of the directors and their associates in the equity or debt securities of the Company or any of its associated corporation (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as required to be recorded in the register maintained pursuant to Section 29 of the SDI Ordinance were as follows:—

Name of Director	Number of shares of HK\$0.10 each Corporate interests
Yu Pun Hoi *	20,266,720,000

* Mr. Yu Pun Hoi is beneficially interested in these Shares through his 48.21 per cent. interests in Victorious Limited, Robina Profits Limited and Ko Tact Limited, wholly-owned subsidiaries of Sino-i.com Limited and Sino-i.com Limited is 48.21 per cent. beneficially owned by Mr. Yu Pun Hoi and his associates.

Save as disclosed above, as at 31 March 2002, none of the Directors or their associates had or were deemed to have interests in any equity or debt securities of the Company or any of its associated corporation as defined in the SDI Ordinance.

(b) Directors' rights to acquire shares or debentures

The employee share option scheme (the "Scheme") was adopted at a special general meeting of the Company held on 8 January 2001, under which the directors may, at their discretion, grant to directors and employees of the Group options to subscribe for the shares in the capital of the Company from time to time within 10 years after adoption of the Scheme. The maximum number of shares may be granted under the Scheme will not exceed such number of shares as shall represent 10% of the issued share capital of the Company from time to time excluding any shares issued pursuant to the Scheme. During the year, no share option has been granted under the Scheme.

Apart from the foregoing, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors or chief executives of the Company or their respective spouse or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance in relation to the Group's business to which the Company, its subsidiaries, its holding companies or its fellow subsidiaries was a party, and in which any Directors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' SERVICE AND MANAGEMENT CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than the statutory compensation.

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

SUBSTANTIAL SHAREHOLDERS

At 31 March 2002, the register maintained by the Company under Section 16(1) of the SDI Ordinance shows that the Company has been notified of the following interests, being 10% or more of the Company's issued share capital:

Name	Number of shares
Sino-i.com Limited	20,266,720,000
Victorious Limited	11,976,270,000
Ko Tact Limited	7,890,450,000
Robina Profits Limited	400,000,000

Note: Victorious Limited, Ko Tact Limited and Robina Profits Limited are wholly-owned subsidiaries of Sino-i.com Limited and Sino-i.com Limited is 48.21 per cent. beneficially owned by Mr. Yu Pun Hoi and his associates.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of related party transactions and connected transactions of the Company and the Group are set out in note 35 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws or the law in Bermuda.

CODE OF BEST PRACTICE

All of the recommendations and guidelines under the Code of Best Practice as set out in the Listing Rules ("the Code") have been complied with the Company for the year 31 March 2002 except that Non-executive Directors are not appointed for a specific term as recommended under the Code. All Directors, including the non-executive Directors, are subject to the retirement and rotation requirements in accordance with the Company's Bye-Laws.

AUDIT COMMITTEE

The Company has set up an Audit Committee, of which the members comprise the following:

Mr. NG Kwan Lik
Mr. Francisco P. ACOSTA

The objectives of the Audit Committee are to:

- i) maintain an open line of communication between the Board, management and external auditors,
- ii) oversee and appraise the quality of the audits conducted by the external auditors,
- iii) provide assistance to the Board in fulfilling its fiduciary responsibilities relating to the Company's administration, operating and accounting controls.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Company and the Group are set out in note 40 to the financial statements.

AUDITORS

During the year, Messrs. PricewaterhouseCoopers retired and Messrs. Grant Thornton appointed auditors of the Company at the annual general meeting held on 27 September 2001. There have been no other changes of auditors in the past three years.

The financial statements have been audited by Messrs. Grant Thornton who retire and, being eligible, offer themselves for reappointment. A resolution will be proposed at the forthcoming annual general meeting for the reappointment of auditors of the Company.

On behalf of the Board

Zhang Hong Ren

Director

Hong Kong, 26 July 2002