

CHAIRMAN'S STATEMENT

During the year, the Company completed its shareholding restructuring with its holding company, Sino-i Technology Limited ("Sino-i", HKSE: 0250). Now as the holding company of Sino-i, the Company will continue to focus in the area of property investment and development, and through its interest in Sino-i, engaging to the sectors of corporate IT application services, financial information services and distance learning and application services. Through this reorganization, the Company assets have achieved healthy expansion, realized a more flexible and coherent operation structure, which are in the best interest of our shareholders. In the area of operation management, the Company will continue its active expansion on a steady growth basis. With the management team's buildup of professional experience, we have achieved all business targets in this reporting period with outstanding performance, strong revenue growth, increased cash flow and enhanced corporate image.

1. PROPERTY INVESTMENT BUSINESS DEVELOPMENT



Industry Overview

According to the Economic Forecast Department of the State Information Centre, during the first ten months of 2005, more than 130 million square meters of land developed in China, though it was declining by 1.3% by comparing with 2004, land acquisition and development margin continue to increase. State regulatory policy focus has changed from speculation control and ensuring price stability to encouraging domestic

consumption and commercial housing consumption. Under the structural adjustment policy, housing construction completion growth has increased by 50% in Beijing, Jiangsu and other eight provinces/municipalities. Demand for mid-level and luxury housing continues to grow, particularly in China's mid-east region, indicating a rise in China's property market competition.

During the next few years, China's highly integrated real estate market will concentrate on servicing China's white collars in the middle and upper income level, and providing premium quality residences of high price/performance ratio. Investment will concentrate in the medium and large cities, maintaining 10-15% annual price growth rate.

Project Overview

During the reporting period, our property development flagship project "The Peninsula" completed the first phase construction. This project involves total construction area of approximately 1 million square meters, and avowed as the top Shenzhen city residential/office building project. In February 2006, all 1,012 apartments in "The Peninsula" were sold within five days, generating RMB1.5 billion in revenue. The launch of "The Peninsula" not only transformed the property market scope in Shenzhen and successfully promoted the property brand name of the Company but also further strengthening the foundation for the Company. Meanwhile, the management, technology and market expansion experiences accumulated throughout the years were examined and highlighted, which would allow the Company a collective advantage of product quality advancement and comprehensive services.

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The Company's another investment is the 1 million square meter project located in Guangzhou New Baiyun Airport area, which is within the "South China Logistic Base" economic zone, listed among Guangdong province's key construction project and a concentrated area of Guangzhou's new economic growth. The project has been incorporated into Guangzhou's comprehensive city development plan, and will become northern Guangzhou's landmark, and an innovative and state-of-life international satellite city . In view of Guangzhou real estate market trend, this project will generate profitable return on investment for the Company. Currently, the project has entered overall planning and government approval phase. All the preparation works are in progress and expected to begin construction in the second half of 2006.



Future Development

In the coming five years, the Company will steadily enter into China's comprehensive and active property market, gradually achieve the Company's strategic expansion objective, to develop and expand market share. Meanwhile, create and promote the property brand name of Nan Hai nationwide. A Nan Hai property investment and business network will emerge throughout Shenzhen, Guangzhou, Beijing and other major cities, as well as second tier cities.

2. SHAREHOLDING BUSINESS OVERVIEW



Corporate IT Application Services

Through Sino-i's IT subsidiaries of CE Dongli, Xinnet and Easy-Trade, Sino-i began comprehensive business development, with stable revenue income and rapid growth. Sino-i established and strengthened its IT application service client base, established strategic partnership with Google and Lenovo to jointly develop the corporate e-commercial market in China. Also, CE Dongli and Xinnet, through its partnership with CNNIC, Google, Sina, Sohu, Netease, TOM.com and others, have generated growth and dominated

majority market share in the online marketing and online advertisement sectors; further strengthening the leadership position of Sino-i in the IT application service industry.

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Financial Settlement Services

In the past year, Easy-Trade continued to expand its settlement and collection professional services, and established strategic alliance with China Merchants Bank, one of the top commercial banks in China, to jointly develop nationwide collection services. In the coming year, Easy-Trade will continue to expand its foothold in this sector, establish its brand name in the settlement and collection service sector.



Financial Information Services

In 2005, Sino-i's subsidiary, Shihua, continue to dominate the FOREX information sector. Shihua also developed industry information services, with focus on key industries that have the most national economic impact, providing terminals and Internet-based products and services.

Distance Learning and Application Services

Beijing Chinese Dadi achieved advancement in product, service network, market expansion in 2005, registered users increased by 390,000, repeated users increased by 25% compared to 2004. Incorporating strong technology capability and large teaching resources, Beijing Chinese Dadi has designed education platforms for government, institutions, and large corporations, customized course studies, and responsible for many national levels educational technology service projects.



Sales and Technology Network

After seven years, through CE Dongli and Xinnet, Sino-i has established a sales office network in more than 60 key cities and a network of more than 8,000 distributors. The combined scope, quality, efficiency and operation experience has achieved record status in China's IT service sector. The technology team has greatly increased in size, more than 800 staff, as well as overall capability.

Management and Expansion Strategy

We will base on various business departments as operating units, developing a direct line of responsibility for the management structure of the Group. By using of integration of objective management, budget management and performance achievement management for continuing enhancing the development of management system as a whole for promoting the comprehensive growth of the Group. To better achieve structural growth, mergers and acquisitions have always been a key strategy of Sino-i. In the past years, Sino-i achieved immense success through the acquisition of CE Dongli and Xinnet. In 2006, if opportunities arise, Sino-i will accelerate its M&A activities, particularly in technology oriented companies, to fully integrate industry chain resources, increase market share, strengthen technology expertise. At the same time, Sino-i will continue to establish cooperation with domestic and international corporations, to solidify our market leadership position.

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Conclusion

The coming year will be filled with progress, success and opportunities. The accumulated experience and practicable spirit will be basis of the future success for Nan Hai. The Company will be pragmatic, focused and diligent to implement an integrated development strategy based on our property investment and development as our basis; to ensure maximum benefit for our shareholders. Thank you for your confidence in the Company, and we look forward to the continued support of our shareholders.

Yu Pun Hoi
Chairman

Hong Kong, 20 April 2006