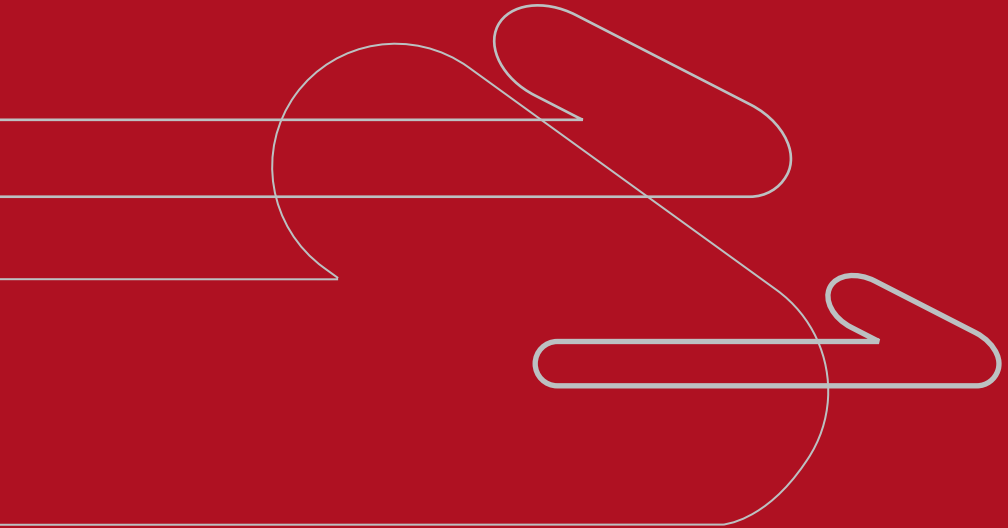


南海控股有限公司
Nan Hai Corporation Limited

中期報告
Interim Report 2007



南海控股

股份代號：680
Stock Code：680

CORPORATE INFORMATION

DIRECTORS

Executive

Mr. YU Pun Hoi (*Chairman*)
Mr. QIN Tian Xiang
Ms. CHEN Dan

Non-executive

Mr. YU Lin Hoi
Mr. LAM Bing Kwan

Independent Non-executive

Mr. HUANG Yaowen
Prof. JIANG Ping
Mr. LAU Yip Leung

COMPANY SECRETARY

Mr. WATT Ka Po James

QUALIFIED ACCOUNTANT

Mr. MAG Chiu Fai

AUDITORS

Grant Thornton
Certified Public Accountants
Hong Kong

LEGAL ADVISERS

Kirkpatrick & Lockhart Preston Gates Ellis

BERMUDA LEGAL ADVISERS

Appleby Hunter Bailhache

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

39th Floor
New World Tower I
16–18 Queen's Road Central
Hong Kong

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

PRINCIPAL REGISTRARS

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

HONG KONG SHARE REGISTRARS AND TRANSFER OFFICE

Tricor Abacus Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

680

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking
Corporation Limited

WEBSITE ADDRESS

<http://www.nanhaicorp.com>

INTERIM RESULTS

The directors of **Nan Hai Corporation Limited** (the "Company") hereby announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2007 together with the comparative figures for 2006 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED

For the six months ended 30 June 2007

	Notes	For the six months ended 30 June	
		2007 HK\$'000	2006 HK\$'000
Revenue/Turnover	3	342,548	302,873
Cost of sales and services provided		(42,821)	(42,982)
Gross profit		299,727	259,891
Other operating income	4	5,289	4,604
Selling and marketing expenses		(109,248)	(105,327)
Administrative expenses		(117,641)	(93,348)
Other operating expenses		(45,751)	(24,545)
Finance costs	5	(23,092)	(21,359)
Share of results of associates		–	1,371
Profit before income tax	6	9,284	21,287
Income tax expenses	7	(139)	(9,503)
Profit for the period		9,145	11,784
Attributable to:			
Equity holders of the Company		(26,099)	(15,421)
Minority interests		35,244	27,205
Profit for the period		9,145	11,784
		HK cents	HK cents
Loss per share for loss attributable to the equity holders of the Company during the period	8		
– Basic		(0.038)	(0.023)
– Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2007

	(Unaudited)	(Audited)
	30 June	31 December
	2007	2006
Notes	HK\$'000	HK\$'000
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	142,340	56,358
Prepaid land lease payments under operating leases	13,955	13,675
Interests in associates	–	18,967
Deposits	295,561	274,617
Available-for-sale financial assets	324	324
Intangible assets	230,856	243,437
	683,036	607,378
Current assets		
Inventories	5,867,467	5,353,841
Financial assets at fair value through profit or loss	7,113	7,256
Trade receivables	9 110,686	155,212
Deposits, prepayments and other receivables	853,764	809,765
Pledged bank deposits	–	22,282
Cash and cash equivalents	801,362	86,332
	7,640,392	6,434,688
Current liabilities		
Trade payables	10 35,078	18,994
Other payables and accruals	758,752	707,051
Deferred revenue	57,022	61,573
Amount due to a director	6,378	3,141
Amount due to a minority shareholder	12,000	12,000
Amounts due to shareholders	5,006	5,006
Amounts due to associates	5,509	6,528
Land premium payables	132,504	173,284
Provision for tax	62,698	66,088
Bank and other borrowings	11 530,295	459,091
Finance lease liabilities	169	99
	1,605,411	1,512,855
Net current assets	6,034,981	4,921,833
Total assets less current liabilities	6,718,017	5,529,211

CONDENSED CONSOLIDATED BALANCE SHEET (continued)

As at 30 June 2007

		(Unaudited)	(Audited)
		30 June	31 December
		2007	2006
	Notes	HK\$'000	HK\$'000
Non-current liabilities			
Bank and other borrowings	11	1,085,122	14,788
Finance lease liabilities		371	181
Amounts due to shareholders		391,864	376,659
Deferred tax liabilities		252,790	252,790
		1,730,147	644,418
Net assets		4,987,870	4,884,793
EQUITY			
Equity attributable to Company's equity holders			
Share capital	12	683,800	682,090
Reserves		3,345,035	3,295,378
		4,028,835	3,977,468
Minority interests		959,035	907,325
Total equity		4,987,870	4,884,793

CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED

For the six months ended 30 June 2007

	For the six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Net cash (used in)/generated from operating activities	(336,613)	709,148
Net cash used in investing activities	(98,090)	(12,532)
Net cash generated from/(used in) financing activities	1,137,216	(288,434)
Increase in cash and cash equivalents	702,513	408,182
Cash and cash equivalents at 1 January	86,062	97,796
Effect of foreign exchange rate changes, on cash held	12,517	3,808
Cash and cash equivalents at 30 June	801,092	509,786
Analysis of balances of cash and cash equivalents		
Cash at banks and in hand	801,362	510,056
Bank overdrafts	(270)	(270)
	801,092	509,786

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

For the six months ended 30 June 2007

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	General reserve HK\$'000	Share option reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings/ (Accumulated losses) HK\$'000	Total equity attributable to equity holders of the Company HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1 January 2006	681,633	949,510	1,921,878	-	3,509	19,184	345,421	3,921,135	949,082	4,870,217
Exchange difference recognised directly in equity	-	-	-	-	-	12,063	-	12,063	2,572	14,635
Transfer to general reserves	-	-	-	3,195	-	-	(3,195)	-	-	-
Net income/(expense) recognised directly in equity	-	-	-	3,195	-	12,063	(3,195)	12,063	2,572	14,635
Profit/(loss) recognised for the period	-	-	-	-	-	-	(15,421)	(15,421)	27,205	11,784
Total recognised income/(expense) for the period	-	-	-	3,195	-	12,063	(18,616)	(3,358)	29,777	26,419
Proceeds from shares issued	248	742	-	-	-	-	-	990	-	990
Exercise of share options	-	-	338	-	(338)	-	-	-	-	-
Share-based compensation	-	-	-	-	2,274	-	-	2,274	-	2,274
Released on forfeiture of share options	-	-	-	-	(115)	-	115	-	-	-
At 30 June 2006	681,881	950,252	1,922,216	3,195	5,330	31,247	326,920	3,921,041	978,859	4,899,900
At 1 January 2007	682,090	950,882	1,922,474	9,178	6,496	47,839	358,509	3,977,468	907,325	4,884,793
Exchange difference recognised directly in equity	-	-	-	-	-	66,927	-	66,927	16,466	83,393
Transfer to general reserves	-	-	-	3,308	-	-	(3,308)	-	-	-
Net income/(expense) recognised directly in equity	-	-	-	3,308	-	66,927	(3,308)	66,927	16,466	83,393
Profit/(loss) recognised for the period	-	-	-	-	-	-	(26,099)	(26,099)	35,244	9,145
Total recognised income/(expense) for the period	-	-	-	3,308	-	66,927	(29,407)	40,828	51,710	92,538
Proceeds from shares issued	1,710	5,128	-	-	-	-	-	6,838	-	6,838
Exercise of share options	-	-	2,626	-	(2,626)	-	-	-	-	-
Share-based compensation	-	-	-	-	2,403	-	-	2,403	-	2,403
Released on forfeiture of share options	-	-	-	-	(202)	-	202	-	-	-
Reserves released upon disposal and dissolution of subsidiaries and an associate	-	-	4,374	-	-	(3,076)	-	1,298	-	1,298
At 30 June 2007	683,800	956,010	1,929,474	12,486	6,071	111,690	329,304	4,028,835	959,035	4,987,870

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2007

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and comply with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The unaudited condensed consolidated interim financial statements have been reviewed by the audit committee of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared under the historical cost basis except for financial instruments classified as available-for-sale and at fair value through profit or loss which are stated at fair value.

The accounting policies adopted in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2006. As described in the annual financial statements for the year ended 31 December 2006, the following new standards, amendments to standards and interpretations are mandatory for financial year ending 31 December 2007:

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment

The Group has carried out an assessment of these standards, amendments and interpretations and considered that they have no significant impact on these interim financial statements.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

The following new standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted. The directors of the Company is currently assessing the impact of these standards and interpretations but are not yet in a position to state whether they would have material financial impact on the Group's financial statements.

HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 11	Group and Treasury Share Transactions ²
HK(IFRIC) – Int 12	Service Concession Arrangements ³

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 March 2007

³ Effective for annual periods beginning on or after 1 January 2008

3. SEGMENT INFORMATION

(a) The following analysis presents the Group's revenue, which is also the revenue and results for the Group's business segments for the six months ended 30 June 2007:

	For the six months ended 30 June 2007						
	Provision of financial information and related services	Information technology business	Property development	Distance learning and application services	Other segments	Elimination	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue							
– Sales to external customers	9,155	325,975	-	3,117	4,301	-	342,548
– Inter-segment sales	15,278	-	-	-	-	(15,278)	-
	24,433	325,975	-	3,117	4,301	(15,278)	342,548
Segment results	790	99,395	(10,834)	(4,138)	(2,505)	(15,278)	67,430
Interest income							807
Unallocated corporate expenses							(35,861)
Finance costs							(23,092)
Share of results of associates							-
Profit before income tax							9,284
Income tax expense							(139)
Profit for the period							9,145

3. SEGMENT INFORMATION (continued)

	For the six months ended 30 June 2006						
	Provision of financial information and related services	Information technology business	Property development	Distance learning and application services	Other segments	Elimination	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue							
- Sales to external customers	16,793	277,899	-	6,510	1,671	-	302,873
Segment results	(494)	85,162	(23,994)	(3,059)	809	-	58,424
Interest income							1,858
Unallocated corporate expenses							(19,007)
Finance costs							(21,359)
Share of results of associates							1,371
Profit before income tax							21,287
Income tax expense							(9,503)
Profit for the period							11,784

- (b) The following analysis presents the Group's revenue, which is also the revenue and results for the Group's geographical segments for the six months ended 30 June 2007:

	Revenue/Turnover		Segment Profit/(Loss)	
	For the six months ended 30 June		For the six months ended 30 June	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	-	-	3,000	(46)
The People's Republic of China ("PRC")	342,548	302,873	64,430	58,090
Other	-	-	-	380
	342,548	302,873	67,430	58,424

4. OTHER OPERATING INCOME

	For the six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Interest income	807	1,858
Net fair value gain on financial assets at fair value through profit or loss	2,974	–
Sundry income	1,508	2,746
	5,289	4,604

5. FINANCE COSTS

	For the six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Interest charges on:		
Bank loans and overdrafts wholly repayable within five years	26,151	27,412
Other loans wholly repayable within five years	241	2,982
Other payables	17,859	1,842
Finance charges on finance leases	16	10
Amounts due to shareholders	15,206	15,206
Total interest expenses	59,473	47,452
Less: Amounts directly attributable to properties held for and under development capitalised	(36,381)	(26,093)
	23,092	21,359

6. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	For the six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Amortisation of intangible assets	10,822	5,827
Depreciation on property, plant and equipment		
– Owned assets	8,532	6,266
– Leased assets	85	33
Loss on disposal and dissolution of subsidiaries and an associate	7,685	–
Operating lease charges on prepaid land lease	141	134

7. INCOME TAX EXPENSES

Income tax expenses in the condensed consolidated income statement represent:

	For the six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
PRC Enterprise Income Tax		
Current tax – tax for the period	139	9,503
	139	9,503

No Hong Kong profits tax has been provided in the financial statements as the companies within the Group did not derive any assessable profits in Hong Kong (6 months ended 30 June 2006: Nil).

PRC Enterprise Income Tax (“EIT”) has been provided on the estimated assessable profits of the subsidiaries operating in Mainland China at 33% (6 months ended 30 June 2006: 33%), unless preferential rates are applicable in the cities where the subsidiaries are located.

Certain subsidiaries of the Group are wholly-owned foreign enterprises in accordance with the Income Tax Law of the PRC for Enterprise with Foreign Investment and Foreign Enterprises and are entitled to full exemption from EIT for two years and a 50% reduction in the following three years thereafter starting from the first profit making year after offsetting prior years’ tax losses.

In addition, certain subsidiaries that are located in the Beijing Economic-Technological Development Area are entitled to preferential PRC EIT rate of 15%.

Pursuant to the PRC Enterprise Income Tax Law (the “New Law”) passed by the Tenth National People’s Congress on 16 March 2007, the PRC EIT rates for domestic and foreign enterprises will be unified at 25% effective from 1 January 2008. The impact of the New Law on the Group’s consolidated financial statements will depend on the detailed implementation rules and regulations which however have not been issued as of the date these condensed consolidated interim financial statements was approved. Therefore the Group cannot reasonably estimate the financial impact of the New Law on the Group at this stage. The Group will continue to evaluate the impact when more detailed regulations are announced.

8. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to equity holders of the Company for the period of HK\$26,099,000 (6 months ended 30 June 2006: HK\$15,421,000) and on the weighted average number of 68,255,698,639 (6 months ended 30 June 2006: 68,178,424,054) ordinary shares in issue during the period.

Diluted loss per share for the six months ended 30 June 2006 and 30 June 2007 were not presented because the impact of the exercise of the share options was anti-dilutive.

9. TRADE RECEIVABLES

The Group's sales are entered into on credit terms ranging from 30 to 60 days. The aging analysis of trade receivables was as follows:

	30 June 2007	31 December 2006
	HK\$'000	HK\$'000
0-90 days	94,351	52,060
91-180 days	2,604	3,631
181-270 days	4,175	58,646
271-360 days	1,577	1,468
Over 360 days	44,591	69,061
Trade receivables, gross	147,298	184,866
Less: Provision for impairment of receivables	(36,612)	(29,654)
Trade receivables, net	110,686	155,212

10. TRADE PAYABLES

The aging analysis of trade payables was as follows:

	30 June 2007	31 December 2006
	HK\$'000	HK\$'000
0-90 days	20,545	11,585
91-180 days	5,010	1,862
181-270 days	4,867	383
271-360 days	189	333
Over 360 days	4,467	4,831
	35,078	18,994

11. BANK AND OTHER BORROWINGS

	30 June 2007 HK\$'000	31 December 2006 HK\$'000
Bank overdrafts (unsecured)	270	270
Short-term bank loans	443,665	433,353
Long-term bank loans	1,171,482	14,788
Other borrowings	–	25,468
	1,615,417	473,879
Secured	1,615,147	473,609
Unsecured	270	270
	1,615,417	473,879

At 30 June 2007, the bank and other borrowings of the Group were repayable as follows:

	30 June 2007 HK\$'000	31 December 2006 HK\$'000
Within one year	530,295	459,091
In the second year	835,947	199
In the third to fifth years	249,175	14,589
Wholly repayable within 5 years	1,615,417	473,879
Less: Portion due within one year under current liabilities	(530,295)	(459,091)
Portion due over one year under non-current liabilities	1,085,122	14,788

12. SHARE CAPITAL

	Number of ordinary shares of HK\$0.01 each	HK\$'000
Authorised:		
At 31 December 2006 and 30 June 2007	500,000,000,000	5,000,000
Issued and fully paid:		
At 1 January 2006	68,163,310,794	681,633
Issue of shares	45,725,000	457
At 31 December 2006 and 1 January 2007	68,209,035,794	682,090
Issue of shares	170,925,000	1,710
At 30 June 2007	68,379,960,794	683,800

13. CONTINGENT LIABILITIES

Guarantees given in connection with credit facilities granted to:

	30 June 2007	31 December 2006
	HK\$'000	HK\$'000
Associates (<i>note</i>)	11,228	12,090
Third parties (<i>note</i>)	65,754	92,732
	76,982	104,822

Note: There have been no material developments in respect of pending litigation with Genius Reward Loan since the disclosures in the Group's annual audited financial statements for the year ended 31 December 2006. Therefore the Company cannot ascertain the fair value of the outstanding indebtedness under the Genius Reward Loan because of pending litigation.

According to the facts disclosed in the Group's annual audited financial statements for the year ended 31 December 2006, the Company also does not have updated information of the outstanding balance of the indebtedness of the ICBC Loan. Thus, the Company cannot ascertain the fair value of the outstanding indebtedness under the ICBC Loan.

14. CAPITAL COMMITMENTS

At 30 June 2007, the Group had the following outstanding capital commitments:

	30 June 2007	31 December 2006
	HK\$'000	HK\$'000
Contracted, but not provided for in respect of:		
– construction in progress	84,974	82,291
– property, plant and equipment	18,518	34,293
– intangible assets	4,037	4,037
	107,529	120,621

15. CREDIT FACILITIES

At 30 June 2007, the Group's credit facilities were secured by the following:

- (a) charge over land use right with a net carrying value of HK\$13,955,000 (31 December 2006: HK\$13,675,000);
- (b) charge over leasehold properties with a net carrying value of approximately HK\$74,958,000 (31 December 2006: Nil);
- (c) charge over certain properties held for development with carrying value of HK\$4,448,618,000 (31 December 2006: HK\$3,701,235,000);
- (d) personal guarantee given by Mr. Yu Pun Hoi;
- (e) guarantee given by third parties of RMB353,500,000 (31 December 2006: RMB263,500,000);
- (f) pledge of certain interests in the Company by some shareholders; and
- (g) pledge of 2,454,992,316 (31 December 2006: 2,454,992,316) shares of a subsidiary, Sino-i Technology Limited ("Sino-i"), as securities to certain securities brokers, the total of which represents about 19.6% (31 December 2006: 19.6%) of total interest in Sino-i. The market value of such listed shares at 30 June 2007 was about HK\$456,629,000 (31 December 2006: HK\$233,224,000).

In addition, at 31 December 2006, the Group's credit facilities were secured by pledge of bank deposits of HK\$22,282,000.

16. RELATED PARTY TRANSACTIONS

Directors' fees and remuneration are as follows:

	For the six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000
Directors' fees	300	280
Basic salaries, housing, other allowances and benefits in kind	1,807	1,222
Pension scheme contributions	18	20
Share-based compensations	485	432
	2,610	1,954

Except as disclosed elsewhere in these condensed consolidated interim financial statements, there was no material related party transaction carried out during the period.

17. LITIGATIONS

There have been no material changes and developments in respect of pending litigation cases of the Group since the disclosures in the Group's annual audited financial statements for the year ended 31 December 2006.

18. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current period's presentation.

INTERIM DIVIDEND

The directors do not recommend the declaration of the payment of an interim dividend for the six months ended 30 June 2007 (30 June 2006: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period, the Group was principally engaged in property development, and through its listed subsidiary, Sino-i Technology Limited ("Sino-i"), engaged in information technology business, provision of financial information and related services; and distance learning and application services. Turnover for the period was HK\$342.5 million (6 months ended 30 June 2006: HK\$302.9 million) and a net loss attributable to equity holders of the Company of HK\$26.1 million (6 months ended 30 June 2006: HK\$15.4 million) was recorded. The net asset value of the Group attributable to equity holders amounted to approximately HK\$4,028.8 million, representing a value of HK\$0.06 per share.

Property Development

During the period, there was no turnover (6 months ended 30 June 2006: Nil), and a net loss of HK\$10.8 million (6 months ended 30 June 2006: HK\$24.0 million) were recorded.

There are a total of 5 phases for The Peninsula, a large scale property project in Shekou, China. Subsequent to the extraordinary success in selling of the first phase in 2006, the second phase of The Peninsula is set for pre-sale in mid-2008. The saleable floor area of the second phase is approximately 200,000 m². The construction works of the second phase have been rolled out in full scale. In view of the continuing boom property market in China, The Peninsula will generate strong cash flow for the Group with the remaining phases in the coming years.

In addition to The Peninsula, the Guangzhou project will be developed into a mega-sized international contemporary commercial and residential community integrating cultural recreations and commercial amenities. Its total gross floor area is approximately 1 million m². The overall planning is undergoing application procedures, and the designing stage for the first phase is in progress. The first phase construction works are expected to commence in the fourth quarter of 2007 and is set for pre-sale in the second half of 2008.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

Information Technology Business

During the period, this division recorded an increase in turnover of 17.3% to HK\$326.0 million (6 months ended 30 June 2006: HK\$277.9 million) and a segment profit of HK\$99.4 million (6 months ended 30 June 2006: HK\$85.2 million).

Both the number of SMEs and their increasing IT investment have become the focus of the IT solution providers. Resulting from the long-term business relationships with SMEs, and continuing introduction of innovative products and provision of comprehensive services by the Group, the Group continued to post strong performance in this highly competitive market.

The Group will continue to improve its business strategies, marketing and sales, technological research and development and service operation etc.; to increase innovation; to reallocate internal resources to create synergies; and to enhance operating efficiency.

Provision of Financial Information and Related Services

During the period, this division recorded a turnover of HK\$9.2 million (excluding inter-segment sales) (6 months ended 30 June 2006: HK\$16.8 million) and a segment profit of HK\$0.8 million (6 months ended 30 June 2006: segment loss of HK\$0.5 million).

北京世華國際金融信息有限公司 (Beijing Shihua International Financial Information Company Limited) (“Shihua”), a subsidiary of Sino-i, provides real-time and archived financial information, data, pricing, professional research and objective analysis to financial institutions and investors in China. Shihua’s terminal and information subscription service is a comprehensive financial information platform in China; distributing information and data on domestic and global economy, futures, bonds, stock, FOREX markets, as well as key domestic industries. Shihua commands strong market shares in the financial information market in China. Its terminal and information subscription services provide information solutions specifically designed for banks, other financial institutions, educational institutions, enterprises as well as individual investors and the media.

Distance Learning and Application Services

During the period, this division recorded a turnover of HK\$3.1 million (6 months ended 30 June 2006: HK\$6.5 million) and a segment loss of HK\$4.1 million (6 months ended 30 June 2006: HK\$3.1 million).

北京華夏大地遠程教育網絡服務有限公司 (Beijing Chinese Dadi Distance Education Company Limited) (“Chinese Dadi”), a subsidiary of Sino-i, had developed more than 300 education software for clients. It also established comprehensive and in-depth collaborations with 29 provincial and municipal examination authoritative organizations, and established its branch offices in 8 major cities in China. Chinese Dadi has more than 940,000 registered on-line education users. The average daily page view of its website reached 5.8 million times, and reached 7.2 million times at peak hours.

The management is closely monitoring the development of this division of business and is determined to improve its performance in the near future.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL

The Group continues to adopt prudent funding and treasury policies. As at 30 June 2007, the net asset value of the Group attributable to the equity holders amounted to approximately HK\$4,028.8 million (2006: HK\$3,977.5 million), including cash and bank balances of approximately HK\$801.4 million (2006: HK\$108.6 million) which were denominated mainly in Renminbi and Hong Kong dollars. As at 30 June 2007, the Group's bank and other borrowings were HK\$1,616.0 million (HK\$2,007.8 million including shareholders' loan) (2006: HK\$474.2 million; (HK\$850.8 million including shareholders' loans)). For the Group's bank and other borrowings, approximately HK\$171.0 million were bearing interest at fixed rates while approximately HK\$1,445.0 million were bearing interest at floating rates. The gearing ratio of the Group, measured on the basis of total bank and other borrowings (excluding shareholders' loan) as a percentage of equity attributable to equity holders of the Company substantially increased to 40.1% (49.8% including shareholders' loan) as at 30 June 2007 from 11.9% (21.4% including shareholders' loan) as at 31 December 2006.

As at 30 June 2007, the Group's contingent liabilities were HK\$77.0 million due to the guarantees given in connection with credit facilities.

As at 30 June 2007, the Group's credit facilities were secured by the following:

- (a) charge over certain properties held for development at Liu Wan, Shekou, and at Huadu, Guangzhou;
- (b) charge over leasehold properties at Beijing;
- (c) charge over land use right with a net carrying value of HK\$14.0 million;
- (d) personal guarantee given by Mr. Yu Pun Hoi;
- (e) guarantee given by a third party of RMB353.5 million;
- (f) pledge of certain interests in the Company by some shareholders; and
- (g) pledge of Sino-i shares to certain securities brokers, the total of which represents about 19.6% (2006: 19.6%) of total interest in Sino-i.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATE

The majority of the Group's borrowings and transactions were primarily denominated in Renminbi and Hong Kong dollars. Both the operating expenses and revenues were primarily in Renminbi. It is expected that the exchange rate of Renminbi will continue to appreciate resulting from the continuous strong economic growth in China. The Group's reporting assets, liabilities and profits may be affected by the Renminbi exchange rate. Although the Renminbi exchange risk exposure is not significant during the reviewed period, the Group will keep on reviewing and monitoring the exchange risks between Renminbi and Hong Kong dollars, and may proceed to have some kind of foreign exchange hedging arrangements when appropriate and necessary.

EMPLOYEE

The Group employs and remunerates its employees based on their qualifications, experience and performance. In addition to basic salary payments, other benefits include housing, contributions to mandatory provident fund, group medical insurance, group personal accident insurance and examination leave. Employees are eligible to be granted share options under the Company's share option scheme at the discretion of the board of directors. In general, salary review is conducted annually. At 30 June 2007, the Group had approximately 8,727 employees (as at 30 June 2006: 6,620 employees). The salaries of and allowances for employees for the period ended 30 June 2007 were approximately HK\$157.8 million (6 months ended 30 June 2006: HK\$129.6 million).

PROSPECT

The sale of the first phase of The Peninsula has marked the great success of the Group in property business in China. The remaining four phases of The Peninsula together with mega-sized Guangzhou project are expected to provide strong cash flow in the years to come.

Huge demand in the China property market had driven property price to new high in the first half of 2007, especially in southern China. The Group envisages that the property market in China will remain healthy, and that strong demand for residential properties will continuously be backed by strong economic growth in China. The foregoing two property projects are expected to bring the Group substantial profit in the next five years.

Meanwhile, the Group will keep on expanding its land reserve in a prudent manner for continuing its property development in the future, for maintaining a long term and stable return.

Through its listed subsidiary, Sino-i, the Group will continue to focus on the IT application service in China.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

PROSPECT *(continued)*

CE Dongli Technology Group Company Limited, a subsidiary of Sino-i, being the flagship of the IT division of the Group, will continue to develop new products and to increase its market share. Application products and services based on its own software solutions will further strengthen its leading position in the e-commerce sector.

The China financial market has been growing rapidly. Increasing varieties of financial instruments are expected to introduce into the market in order to cope with the more mature and sophisticated investors. Naturally, Shihua see increasing demand for contents with more sophisticated and industry specific analysis or reports to meet the investors needs. In view of this, Shihua is well positioned to capture this expanding market and place itself as a core financial information provider in this industry.

In view of the distance learning sector, Chinese Dadi's service models, abilities and qualities have been highly recognized by the Chinese government, and Chinese Dadi is highly supported by the government policies and collaboration commitments. The Group believes that distance learning will become one of its key business sectors.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2007, the interests and short positions of the directors and chief executive of the Company in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

The Company

(i) Long position in shares in issue

Name of Director	Number of shares of HK\$0.01 each				Approximate percentage holding
	Personal interest	Corporate interest	Family interest	Total interest	
Yu Pun Hoi ("Mr. Yu")	-	32,595,726,203 (Note 1)	69,326,400 (Note 2)	32,665,052,603	47.77%

Notes:

1. Out of these 32,595,726,203 shares, 28,853,232,705 shares were collectively held by Mr. Yu through Rosewood Assets Limited, Pippen Limited and First Best Assets Limited, companies wholly-owned by him; and 3,742,493,498 shares were held by Macro Resources Limited, a company indirectly held as to 60% by Mr. Yu.
2. These 69,326,400 shares were held by Redmap Resources Limited, a company wholly-owned by Ms. Kung Ai Ming, the spouse of Mr. Yu.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(continued)*

(ii) Long position in underlying shares

Name of Director	Number of underlying shares of HK\$0.01 each*	Nature of interest	Approximate percentage holding
Chen Dan	39,000,000	Personal	0.06%
Qin Tian Xiang	14,000,000	Personal	0.02%

* Represents underlying shares subject to share options granted to the directors, details of which are as follows:

Grantee	Date of grant	Exercise price per share HK\$	Number of share options granted	Exercisable period
Chen Dan	15-12-2005	0.04	12,500,000	01-01-2006 to 31-12-2007
		0.04	12,500,000	01-01-2007 to 31-12-2007
	18-01-2007	0.0714	7,000,000	19-01-2007 to 18-01-2009
		0.0714	7,000,000	19-01-2008 to 18-01-2009
Qin Tian Xiang	18-01-2007	0.0714	7,000,000	19-01-2007 to 18-01-2009
		0.0714	7,000,000	19-01-2008 to 18-01-2009

Associated Corporations

As disclosed above, Mr. Yu, together with his family and corporate interests, are entitled to control the exercise of more than one-third of the voting power at general meetings of the Company. As such, Mr. Yu is taken to be interested in the shares that the Company or its controlled corporations hold in the associated corporations of the Company within the meaning of Part XV of the SFO, including interests held by the Company in the shares of Sino-i Technology Limited ("Sino-i"), a subsidiary of the Company. Sino-i is a company the shares of which are listed on the Stock Exchange which is also an associated corporation of the Company within the meaning of Part XV of the SFO. As at 30 June 2007, the interests of the directors of the Company in shares and underlying shares of Sino-i were as follows:

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

Sino-i

(i) Long position in shares in issue

Name of Director	Number of shares of HK\$0.01 each				Approximate percentage holding
	Personal interest	Corporate interest	Family interest	Total interest	
Yu Pun Hoi	-	12,515,795,316 (Note 1)	44,000,000 (Note 2)	12,559,795,316	63.07%

Notes:

- These 12,515,795,316 shares were collectively held by Goalrise Investments Limited, View Power Investments Limited and Wise Advance Investments Limited, all of which are wholly-owned subsidiaries of the Company. Mr. Yu was taken to be interested in these shares by virtue of his controlling interests in shares of the Company.
- These 44,000,000 shares were held by Redmap Resources Limited, a company wholly-owned by Ms. Kung Ai Ming, the spouse of Mr. Yu.

(ii) Long position in underlying shares

Name of Director	Number of underlying shares of HK\$0.01 each*	Nature of interest	Approximate percentage holding
Lam Bing Kwan	18,000,000	Personal	0.09%
Chen Dan	7,500,000	Personal	0.04%

- * Represents underlying shares subject to share options granted to the directors, details of which are as follows:

Grantee	Date of grant	Exercise price per share HK\$	Number of share options granted	Exercisable period
Lam Bing Kwan	12-11-2004	0.16	9,000,000	01-07-2005 to 30-06-2008
		0.16	9,000,000	01-07-2006 to 30-06-2008
Chen Dan	12-11-2004	0.16	3,750,000	01-07-2005 to 30-06-2008
		0.16	3,750,000	01-07-2006 to 30-06-2008

Save as disclosed above, as at 30 June 2007, none of the directors and chief executive of the Company had any interest or short position in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

On 29 August 2002, the Company adopted a share option scheme (the "Scheme"). Under the Scheme, share options may be granted to directors, employees of the Group and those who have contributed or will contribute to the Group at any time within ten years after its adoption at the discretion of the Board.

On 15 December 2005, share options to subscribe for a total of 468,625,000 shares, representing approximately 1.57% of the issued share capital of the Company as at the date of the adoption of the Scheme, were granted to the directors and employees of the Company and subsidiaries at an exercise price of HK\$0.04 per share. The closing price of share of the Company immediately before the date of grant was HK\$0.039.

On 18 January 2007, another share options to subscribe for a total of 157,000,000 shares, representing approximately 0.52% of the issued share capital of the Company as at the date of the adoption of the Scheme, were granted to the directors and employees of the Company and subsidiaries at an exercise price of HK\$0.0714 per share. The closing price of share of the Company immediately before the date of grant was HK\$0.072.

SHARE OPTION SCHEME (continued)

Movements on the share options during the period are as follows:

Grantee	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share option				Outstanding as at 30 June 2007
				Outstanding as at 1 January 2007	Granted during the period	Exercised during the period	Lapsed during the period	
Directors								
Lam Bing Kwan	15-12-2005	01-01-2006 to 31-12-2007	0.04	12,500,000	-	(12,500,000) (Note 1)	-	-
		01-01-2007 to 31-12-2007	0.04	12,500,000	-	(12,500,000) (Note 1)	-	-
Chen Dan	15-12-2005	01-01-2006 to 31-12-2007	0.04	12,500,000	-	-	-	12,500,000
		01-01-2007 to 31-12-2007	0.04	12,500,000	-	-	-	12,500,000
	18-01-2007	19-01-2007 to 18-01-2009	0.0714	-	7,000,000	-	-	7,000,000
		19-01-2008 to 18-01-2009	0.0714	-	7,000,000	-	-	7,000,000
Qin Tian Xiang	18-01-2007	19-01-2007 to 18-01-2009	0.0714	-	7,000,000	-	-	7,000,000
		19-01-2008 to 18-01-2009	0.0714	-	7,000,000	-	-	7,000,000
Employees								
In aggregate	15-12-2005	01-01-2006 to 31-12-2007	0.04	153,425,000	-	(59,775,000) (Note 2)	(5,000,000)	88,650,000
		01-01-2007 to 31-12-2007	0.04	189,725,000	-	(86,150,000) (Note 2)	(5,000,000)	98,575,000
	18-01-2007	19-01-2007 to 18-01-2009	0.0714	-	64,350,000	-	-	64,350,000
		19-01-2008 to 18-01-2009	0.0714	-	64,650,000	-	-	64,650,000
Total				393,150,000	157,000,000	(170,925,000)	(10,000,000)	369,225,000

Notes:

1. The weighted average closing price of the shares immediately before the date on which the options were exercised was HK\$0.365.
2. The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK\$0.194.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 30 June 2007, those persons (other than directors and chief executive of the Company) who had interests and short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of person holding an interest in shares which has been disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO	Nature of interest	Number of shares in issue subject to long position	Approximate percentage of issued share capital of the Company	Notes
Kung Ai Ming	Family and Corporate interest	32,665,052,603	47.77%	1
Rosewood Assets Limited	Beneficial interest	6,518,000,210	9.53%	4
Pippen Limited	Beneficial interest	14,830,245,497	21.69%	4
Righteous International Limited	Corporate interest	3,742,493,498	5.47%	4
Macro Resources Limited	Beneficial interest	3,742,493,498	5.47%	3 & 4
First Best Assets Limited	Beneficial interest	7,504,986,998	10.98%	4
CITIC Group	Corporate interest Security interest	14,932,499,015 31,512,000	21.84% 0.05%	2 & 3
CITIC Capital Holdings Limited	Corporate interest Security interest	6,296,807,543 31,512,000	9.21% 0.05%	2
CITIC International Financial Holdings Limited	Corporate interest Security interest	6,296,807,543 31,512,000	9.21% 0.05%	2
CITIC Pacific Limited	Corporate interest Security interest	6,296,807,543 31,512,000	9.21% 0.05%	2
Golden Gateway Enterprises Inc.	Corporate interest Security interest	6,296,807,543 31,512,000	9.21% 0.05%	2
Forever Glory Holdings Ltd.	Corporate interest Security interest	6,296,807,543 31,512,000	9.21% 0.05%	2
CITIC Capital Investment Holdings Limited	Beneficial interest Security interest	1,574,201,886 4,722,605,657	2.30% 6.91%	2
Lim Siew Choon	Corporate interest	6,719,673,777	9.83%	5
Empire Gate Industrial Limited	Beneficial interest	6,714,986,997	9.82%	5
Lee Tat Man	Security interest	7,700,000,000	11.26%	

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS *(continued)*

Notes:

1. Ms. Kung Ai Ming is the spouse of Mr. Yu and was taken to be interested in those shares in which Mr. Yu and herself (together with their respective corporate interests) held an interest.
2. CITIC Capital Investment Holdings Limited is a wholly-owned subsidiary of CITIC Capital Holdings Limited. CITIC Capital Holdings Limited was indirectly interested in 6,328,319,543 shares. CITIC Capital Holdings Limited is indirectly held as to 50% by CITIC Pacific Limited and as to 50% by CITIC International Financial Holdings Limited. Both CITIC International Financial Holdings Limited and CITIC Pacific Limited are companies the shares of which are listed on the Stock Exchange and in which CITIC Group controls an approximately 55% and 29% interests respectively. Both Forever Glory Holdings Ltd. and Golden Gateway Enterprises Inc. are wholly-owned subsidiaries of CITIC Pacific Limited and are companies through which CITIC Pacific Limited holds its 50% interest in CITIC Capital Holdings Limited. The interests held by CITIC Capital Holdings Limited was included as part of the interests of Forever Glory Holdings Ltd., Golden Gateway Enterprises Inc., CITIC Pacific Limited, CITIC International Financial Holdings Limited and CITIC Group.
3. CITIC Group was indirectly interested in 14,964,011,015 shares, of which interests in 6,328,319,543 shares were held through its interest in CITIC Capital Holdings Limited and interests in the remaining 8,635,691,472 shares were held by its wholly-owned subsidiaries, Staverley Assets Ltd., and its 40% owned company, Marco Resources Limited.
4. Rosewood Assets Limited, Pippen Limited, Righteous International Limited and First Best Assets Limited are companies wholly owned by Mr. Yu and Macro Resources Limited is held as to 60% by Righteous International Limited. Their interests in shares are disclosed as the corporate interests of Mr. Yu above. Interest held by Macro Resources Limited was included as the interest of Righteous International Limited.
5. Empire Gate Industrial Limited is wholly-owned by Mr. Lim Siew Choon. Its interest in shares was included as interest held by Mr. Lim Siew Choon.

Save as disclosed above, as at 30 June 2007, no person (other than directors and chief executive of the Company) had notified to the Company any interest or short position in the shares or underlying shares of the Company which was required to be recorded in the register kept by the Company under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the six months ended 30 June 2007.

CORPORATE GOVERNANCE

In the opinion of the directors of the board (the "Board"), the Company has complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2007, except for the deviations mentioned below:

Code Provision A.2.1 stipulated that the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual.

The Company has not appointed a CEO. The role of the CEO is also performed by Mr. Yu Pun Hoi who is the chairman of the Company. The Board believes that vesting the roles of both chairman and CEO in the same person provides the Company with strong and consistent leadership, and allows for effective and efficient planning and implementation of business decisions and strategies.

Code Provision A.4.1 stipulated that non-executive directors should be appointed for a specific term subject to re-election.

The non-executive directors of the Company are not appointed for a specific term. However, all non-executive directors are subject to the retirement and rotation requirements in accordance with the Company's Bye-Laws. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

Code Provision A.4.2 stipulated that every director including those appointed for a specific term should be subject to retirement by rotation at least once every three years.

According to Bye-Law 99, every Director, including those appointed for a specific term, shall (save for any executive Chairman or Managing director) be subject to retirement by rotation at the annual general meeting at least once every three years. In the opinion of the Board, stability and continuation are key factors to the successful implementation of business plans. The Board believes that it is beneficial to the Group that there is continuity in the role of the chairman and, therefore, the Board is of the view that the chairman should be exempt from this arrangement at the present time.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all the directors and the directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2007.

AUDIT COMMITTEE

The Audit Committee comprises all the independent non-executive directors, namely Mr. Huang Yaowen, Prof. Jiang Ping and Mr. Lau Yip Leung. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed the financial control, internal control and risk management systems including the review of the unaudited interim results for the six months ended 30 June 2007.

By order of the Board
Yu Pun Hoi
Chairman

Hong Kong, 19 September 2007

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