南海控股有限公司*

NAN HAI CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 680)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

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 2010 together with the comparative figures for 2009 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED

For the six months ended 30 June 2010

		For the six months ended 30 June	
	Notes	**2010 HK$'000**	2009 HK$'000
Revenue/Turnover	4(a)	**1,069,919**	256,074
Cost of sales and services provided		**(451,996)**	(84,505)
Gross profit		**617,923**	171,569
Other operating income	4(b)	**25,007**	27,305
Selling and marketing expenses		**(183,158)**	(164,395)
Administrative expenses		**(188,833)**	(176,977)
Other operating expenses		**(246,536)**	(65,688)
Finance costs		**(139,264)**	(189,335)
Share of results of associates		**(17)**	(2)
Loss before income tax	5	**(114,878)**	(397,523)
Income tax expense	6	**(63,113)**	(9,078)
Loss for the period		**(177,991)**	(406,601)
Loss for the period attributable to:			
Owners of the Company		**(133,821)**	(369,713)
Non-controlling interests		**(44,170)**	(36,888)
Loss for the period		**(177,991)**	(406,601)
		HK cent	HK cent
Loss per share for loss attributable to the owners of the Company during the period	7		
– Basic		**(0.195)**	(0.539)
– Diluted		**N/A**	N/A

* *For identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED

For the six months ended 30 June 2010

	For the six months ended 30 June	
	2010	2009
	HK$'000	HK$'000
Loss for the period	**(177,991)**	(406,601)
Other comprehensive income, including reclassification adjustments:		
Exchange differences on translation of financial statements of foreign operations	**56,078**	(2,613)
Other comprehensive income for the period, including reclassification adjustments, and net of tax	**56,078**	(2,613)
Total comprehensive income for the period	**(121,913)**	(409,214)
Total comprehensive income attributable to:		
Owners of the Company	**(79,671)**	(371,904)
Non-controlling interests	**(42,242)**	(37,310)
Total comprehensive income for the period	**(121,913)**	(409,214)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	Notes	(Unaudited) 30 June 2010 HK$'000	(Audited) 31 December 2009 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**638,536**	529,361
Investment property		**–**	11,409
Prepaid land lease payments under operating leases		**56,998**	57,019
Interests in associates		**123,704**	117,374
Available-for-sale financial assets		**2,284**	324
Deposits and other receivables		**173,139**	275,561
Goodwill		**287,179**	240,530
Other intangible assets		**190,221**	67,096
Deferred tax assets		**33,750**	33,369
Pledged bank deposits		**–**	118,254
		1,505,811	1,450,297
Current assets			
Inventories		**6,881,134**	6,916,215
Financial assets at fair value through profit or loss		**338,459**	414,031
Trade receivables	8	**106,465**	138,055
Deposits, prepayments and other receivables		**878,168**	838,290
Amount due from an associate		**4,828**	4,828
Pledged bank deposits		**97,538**	2,280
Cash and cash equivalents		**355,780**	610,341
		8,662,372	8,924,040
Current liabilities			
Trade payables	9	**340,062**	375,716
Other payables and accruals		**649,829**	670,268
Deferred revenue		**75,009**	82,404
Provision for tax		**462,824**	497,231
Amount due to a director		**130,351**	147,184
Amounts due to shareholders		**5,006**	5,006
Amount due to a minority shareholder		**450**	406
Amounts due to associates		**19,303**	19,156
Bank borrowings, secured		**371,267**	473,364
Finance lease liabilities		**16**	16
Finance from third parties		**397,241**	–
		2,451,358	2,270,751
Net current assets		**6,211,014**	6,653,289
Total assets less current liabilities		**7,716,825**	8,103,586

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 30 June 2010

	Notes	**(Unaudited) 30 June 2010 HK$'000**	(Audited) 31 December 2009 HK$'000
Non-current liabilities			
Bank borrowings, secured		**469,192**	439,957
Finance lease liabilities		**43**	49
Finance from third parties		**2,360,590**	2,658,182
Deferred tax liabilities		**229,130**	226,542
		3,058,955	3,324,730
Net assets		**4,657,870**	4,778,856
EQUITY			
Share capital	10	**686,455**	686,450
Reserves		**3,190,108**	3,268,857
Equity attributable to the Company's owners		**3,876,563**	3,955,307
Non-controlling interests		**781,307**	823,549
Total equity		**4,657,870**	4,778,856

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2010

1. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable provisions of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. These condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2009.

These condensed consolidated interim financial statements are unaudited, but have been reviewed by the audit committee of the Company and approved for issue by the board of directors (the "Board") of the Company on 27 August 2010.

2. SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated interim financial statements have been prepared on 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 values. The accounting policies used in the preparation of these condensed consolidated interim financial statements are consistent with those set out in the Group's annual financial statements for the year ended 31 December 2009, except that the Group has applied, for the first time, the following new standards, amendments and interpretations (the "new HKFRSs") issued by HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2010.

HKFRS 3 (Revised 2008)	Business Combinations
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements
Various	Annual Improvements to HKFRSs 2009

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

HKFRS 3 Business Combinations (Revised 2008)

The revised standard introduced major changes to the accounting requirements for business combinations. It retains the major features of the purchase method of accounting, now referred to as the acquisition method. The most significant changes in the revised standard are as follows:

– Acquisition-related costs of the combination are recorded as an expense in the consolidated income statement. Previously, these costs would have been accounted for as part of the cost of the acquisition.

– The assets acquired and liabilities assumed are generally measured at their acquisition-date fair values unless the revised standard provides an exception and provides specific measurement rules.

– Any contingent consideration is measured at fair value at the acquisition date. If the contingent consideration arrangement gives rise to a financial liability, any subsequent changes are generally recognised in profit or loss. Previously, contingent consideration was recognised at the acquisition date only if its payment was probable.

The revised standard has been applied prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The Group considers that this is unlikely to have material financial impact on the Group. Business combinations for which the acquisition date is before 1 January 2010 have not been restated.

HKAS 27 Consolidated and Separate Financial Statements (Revised 2008)

The adoption of HKFRS 3 (Revised 2008) required that the HKAS 27 (Revised 2008) is adopted at the same time. The revised standard introduced changes to the accounting requirements for transactions with non-controlling (formerly known as "minority") interests and the loss of control of a subsidiary. Similar to HKFRS 3 (Revised 2008), the adoption of the revised standard is applied prospectively. Previously, goodwill arising on the acquisition of non-controlling interests in a subsidiary has been recognised, and represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction. In addition, total comprehensive income must be attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. The adoption of the revised standard did not have material financial impact on the current interim results and financial position.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Annual Improvements to HKFRSs 2009 – Amendment to HKAS 17 Leases

The Improvements to HKFRSs 2009 made several minor amendments to HKFRSs. The only amendment relevant to the Group relates to HKAS 17 Leases. The amendment requires that leases of land are classified as finance or operating applying the general principles of HKAS 17. Prior to this amendment, HKAS 17 generally required a lease of land to be classified as an operating lease. The Group has reassessed the classification of unexpired prepaid land lease payments as at 1 January 2010 on the basis of information existing at the inception of those leases, and considered this amendment did not have material financial impact to the Group.

The adoption of other new HKFRSs has no material impact on the Group's results and financial position for the current and prior periods.

The HKICPA has also issued a number of new standards, amendments to standards and interpretations which are effective for the financial year beginning after 1 January 2010. The Group has not early adopted these standards. The directors are currently assessing the impact of these new and amended HKFRSs upon initial application but are not yet in a position to state whether they would have material financial impact on the Group's results and financial position.

3. SEGMENT INFORMATION

The executive directors have identified the Group's five major services line as reportable segments: corporate IT application services, financial information services, distance learning education services, property development and culture and media services. Information about other business activities and operating segments that are not reportable are combined and disclosed in "All other segments". All other segments include trading of securities and property management. The operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

3. SEGMENT INFORMATION *(continued)*

The segment results for the six months ended 30 June 2010 and 30 June 2009 are as follows:

	For the six months ended 30 June 2010						
	Corporate IT application services HK$'000	Financial information services HK$'000	Distance learning education services HK$'000	Property development HK$'000	Culture and media services HK$'000	All other segments HK$'000	Total HK$'000
Revenue							
From external customers	**292,133**	**9,710**	**3,724**	**539,494**	**216,550**	**8,308**	**1,069,919**
From other segments	–	–	–	–	–	–	–
Reportable segment revenue	**292,133**	**9,710**	**3,724**	**539,494**	**216,550**	**8,308**	**1,069,919**
Reportable segment results	**(76,929)**	**(19,421)**	**(1,061)**	**85,788**	**5,421**	**(84,515)**	**(90,717)**

	For the six months ended 30 June 2009						
	Corporate IT application services HK$'000	Financial information services HK$'000	Distance learning education services HK$'000	Property development HK$'000	Culture and media services HK$'000	All other segments HK$'000	Total HK$'000
Revenue							
From external customers	183,327	9,814	2,071	–	55,891	4,971	256,074
From other segments	–	–	–	–	–	–	–
Reportable segment revenue	183,327	9,814	2,071	–	55,891	4,971	256,074
Reportable segment results	(113,562)	(21,006)	(2,818)	(33,293)	(12,815)	(3,623)	(187,117)

3. SEGMENT INFORMATION *(continued)*

The reportable segment assets as at 30 June 2010 and 31 December 2009 are as follows:

	Corporate IT application services HK$'000	Financial information services HK$'000	Distance learning education services HK$'000	Property development HK$'000	Culture and media services HK$'000	All other segments HK$'000	Total HK$'000
As at 30 June 2010	**951,373**	**8,580**	**1,745**	**8,241,692**	**590,238**	**144,829**	**9,938,457**
As at 31 December 2009	832,815	10,079	919	8,327,132	482,431	310,208	9,963,584

The total presented for the Group's operating segments results are reconciled to the Group's key financial figures as presented in these condensed consolidated interim financial statements as follows:

	For the six months ended 30 June	
	2010	2009
	HK$'000	HK$'000
Reportable segment revenues	**1,061,611**	251,103
All other segments revenues	**8,308**	4,971
Elimination of inter segment revenues	**–**	–
Group revenues	**1,069,919**	256,074
Reportable segment results	**(6,202)**	(183,494)
All other segments results	**(84,515)**	(3,623)
Bank interest income	**75**	41
Other interest income	**1,440**	10,015
Total interest income on financial assets not at fair value through profit or loss	**1,515**	10,056
Depreciation and amortisation	**(118)**	(259)
Finance costs	**(1)**	(186,340)
Gain on deemed disposal of partial interest in an associate	**4,969**	–
Share of results of associates	**(17)**	–
Loss on disposal of subsidiaries	**(58)**	–
Unallocated corporate expenses	**(30,451)**	(33,863)
Loss before income tax	**(114,878)**	(397,523)

4. REVENUE/TURNOVER AND OTHER OPERATING INCOME

(a) The Group's turnover represents revenue from its principal activities as set out below:

	For the six months ended 30 June	
	2010	2009
	HK$'000	HK$'000
Corporate IT application services	**292,133**	183,327
Financial information services	**9,710**	9,814
Distance learning education services	**3,724**	2,071
Sales of properties	**539,494**	–
Property management	**8,308**	4,971
Culture and media services	**10,466**	–
Ticketing income	**181,963**	48,008
Confectionery sales	**24,121**	7,883
	1,069,919	256,074

(b) Other operating income:

	For the six months ended 30 June	
	2010	2009
	HK$'000	HK$'000
Dividend income	**855**	12
Interest income on financial assets designated at fair value through profit or loss	**1,538**	7,192
Bank interest income	**1,052**	905
Other interest income	**3,475**	10,015
Total interest income on financial assets not at fair value through profit or loss	**4,527**	10,920
Net fair value gain on financial assets at fair value through profit or loss	**–**	303
Government grants	**7,449**	2,949
Gain on deemed disposal of partial interest in an associate	**4,969**	–
Rental income	**–**	1,787
Sundry income	**5,669**	4,142
	25,007	27,305

5. LOSS BEFORE INCOME TAX

	For the six months ended 30 June	
	2010	2009
	HK$'000	HK$'000
Loss before income tax is arrived at after charging/(crediting):		
Amortisation of intangible assets other than goodwill	**33,881**	16,491
Gross depreciation of property, plant and equipment		
– Owned assets	**40,861**	26,581
Less: Amounts capitalised in intangible assets	**(14)**	(220)
Net depreciation of property, plant and equipment		
– Owned assets	**40,847**	26,361
Depreciation of property, plant and equipment		
– Leased assets	**13**	125
Depreciation of investment property	**54**	144
Operating lease charges on prepaid land lease	**659**	654
Net fair value loss/(gain) on financial assets at fair value through profit or loss	**80,009**	(303)
Loss on disposal of subsidiaries	**58**	–

6. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2010	2009
	HK$'000	HK$'000
The tax expense comprises:		
Current tax charge for the period		
– Hong Kong Profits Tax	**4,317**	7,423
– PRC Enterprise Income Tax	**53,401**	1,655
– PRC land appreciation tax	**5,395**	–
	63,113	9,078

6. INCOME TAX EXPENSE *(continued)*

For the six months ended 30 June 2010, Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2009: 16.5%) on the estimated assessable profits for the period.

PRC Enterprise Income Tax ("EIT") has been provided on the estimated assessable profits of subsidiaries operating in the PRC at 25% (six months ended 30 June 2009: 25%), unless preferential rates are applicable in the cities where the subsidiaries are located.

Certain subsidiaries of the Group are wholly-owned foreign enterprise in accordance with the Income Tax Law of the PRC for Enterprises 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% (six months ended 30 June 2009: 15%).

No provision for US federal income tax and state income tax was made as the subsidiaries of the Group did not derive any assessable profit in US for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

7. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to the owners of the Company for the period of HK$133,821,000 (six months ended 30 June 2009: HK$369,713,000) and on the weighted average number of 68,645,527,507 (six months ended 30 June 2009: 68,645,035,794) ordinary shares in issue during the period.

Diluted loss per share for the six months ended 30 June 2010 was not presented because the impact of the exercise of the share options was anti-dilutive.

The share options had no dilutive effect on the loss per share for the six months ended 30 June 2009 as the exercise price of the options outstanding during the period exceeds the average market price of ordinary shares.

8. TRADE RECEIVABLES

Trade receivables are due on presentation of invoices. Based on the invoice dates, the aging analysis of trade receivables is as follows:

	30 June 2010 HK$'000	31 December 2009 HK$'000
0-90 days	**77,572**	118,121
91-180 days	**3,119**	2,381
181-270 days	**7,804**	1,339
271-360 days	**2,354**	1,194
Over 360 days	**26,748**	25,918
Trade receivables, gross	**117,597**	148,953
Less: Provision for impairment of receivables	**(11,132)**	(10,898)
Trade receivables, net	**106,465**	138,055

9. TRADE PAYABLES

Based on the invoice dates, the aging analysis of trade payables is as follows:

	30 June 2010 HK$'000	31 December 2009 HK$'000
0-90 days	**23,125**	307,104
91-180 days	**6,562**	4,695
181-270 days	**259,720**	35,337
271-360 days	**6,246**	239
Over 360 days	**44,409**	28,341
	340,062	375,716

10. SHARE CAPITAL

	Number of ordinary shares of HK$0.01 each	HK$'000
Authorised:		
At 1 January 2009, 31 December 2009 and **30 June 2010**	**500,000,000,000**	**5,000,000**
Issued and fully paid:		
At 1 January 2009, 31 December 2009 and 1 January 2010	68,645,035,794	686,450
Issue of ordinary shares upon exercise of share options	500,000	5
At 30 June 2010	**68,645,535,794**	**686,455**

INTERIM DIVIDEND

The directors do not recommend the declaration of the payment of an interim dividend for the six months ended 30 June 2010 (30 June 2009: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period under review, property development remained the Company's principal business, while culture and media services through Dadi Media (HK) Limited ("Dadi Media"), a subsidiary of the Company, and corporate IT application services, financial information services and distance learning education services through Sino-i Technology Limited ("Sino-i"), a listed subsidiary of the Company, were also provided.

During the period, turnover was approximately HK$1,069.9 million (6 months ended 30 June 2009: HK$256.1 million) and net loss attributable to the owners of the Company was approximately HK$133.8 million (6 months ended 30 June 2009: HK$369.7 million). The net assets attributable to the owners of the Company were approximately HK$3,876.6 million (31 December 2009: HK$3,955.3 million), representing a value of approximately HK$0.056 per share.

BUSINESS REVIEW *(continued)*

Property Development Sector

During the period, turnover of this division was approximately HK$539.5 million (6 months ended 30 June 2009: Nil) and net profit before income tax was approximately HK$85.8 million (6 months ended 30 June 2009: net loss before income tax of HK$33.3 million).

Positive sales were recorded for Phase 2 of the Group's flagship project of "The Peninsula" in Shenzhen despite the weakening property market under the austerity policies adopted by the central government. As a result, this division recorded a net profit before income tax in the first half of the year.

In the first half of 2010, Phase 2 of "The Peninsula" in Shenzhen realized about RMB470 million in sales. The development in Phases 1 and 3 of "Free City" (自由城) (formerly known as "Dongjing Xincheng (東鏡新城)") in Guangzhou, having gross floor area of approximately 330,000 sq.m. and above ground gross floor area of approximately 250,000 sq.m., of which approximately 210,000 sq.m. for residential and approximately 40,000 sq.m. for ancillary facilities, e.g. commercial, clubhouse and kindergarten etc., have been in construction since March this year, which all the substructures are planned to complete before the kick-off of the Asian Games in Guangzhou.

IT Sector

Corporate IT Application Services

During the period, turnover of this division was approximately HK$292.1 million (6 months ended 30 June 2009: HK$183.3 million), having an increase of approximately 59.4% by comparing with the same period last year. Net loss before income tax was reduced to approximately HK$76.9 million (6 months ended 30 June 2009: HK$113.6 million).

The Group through 中企動力科技股份有限公司 (CE Dongli Technology Company Limited), a subsidiary of Sino-i, continued to focus on market development for website construction, mailbox and network sales platform. Both turnover and sales proportion of its self-developed products increased to a certain extent. However, given the on-going investments in R&D and expansion in operation, which are consistent with the persistent and significant investment strategy, so the overall business result has yet reached a prominent improvement.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

IT Sector *(continued)*

Financial Information Services

During the period, turnover of this division was approximately HK$9.7 million (6 months ended 30 June 2009: HK$9.8 million) and net loss before income tax was approximately HK$19.4 million (6 months ended 30 June 2009: HK$21.0 million).

In light of the increasingly keen competition in the domestic financial information service industry, the business of 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, progressed insignificantly. Given this macro-environmental situation, Shihua has reallocated its substantial resources to actively adjust product mix and optimize product development procedures in a timely manner so as to further strengthen the product competitiveness.

Distance Learning Education Services

During the period, turnover of this division was approximately HK$3.7 million (6 months ended 30 June 2009: HK$2.1 million) and net loss before income tax was approximately HK$1.1 million (6 months ended 30 June 2009: HK$2.8 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, provided integrated academic assessment services for a wide range of learners by means of extensive cooperation with local education institutions. Meanwhile, Chinese Dadi continuously expanded its product lines and variety of services as well as professional aspects, which culminated a two-fold increase in the number of B2C learners over the previous year, which in turn marked an improvement in loss-making situation in this division.

BUSINESS REVIEW *(continued)*

Culture and Media Sector

During the period, turnover of this division was approximately HK$216.6 million (6 months ended 30 June 2009: HK$55.9 million) and net profit before income tax was approximately HK$5.4 million (6 months ended 30 June 2009: net loss before income tax of HK$12.8 million).

Dadi Media continued to focus on and enhance the commitment to and development of the culture and media sector in 2010. As at 30 June 2010, there were 56 digital cinemas completed and in operation, having 202 screens and providing 38,487 seats. Additional 23 digital cinemas with 119 screens and 18,950 seats were still in the development stage. For the first half of 2010, Dadi digital cinemas recorded box office was approximately RMB159 million, representing a 279% growth as compared with the same period last year.

Benefiting from the rapid expansion of the number of cinemas and the rising operating results of cinemas in operation, the cinema construction and operation business starts to record profit. However, such other businesses as film production and distribution as well as "www.hipiao.com", a specialized website featuring online and mobile seating selection and ticketing services, are still in the capital investment stage which requires considerable consumption of capital.

"www.hipiao.com" has officially commenced commercial operation, being the first real time online ticketing website in the PRC and receiving positive response from the markets. As at 30 June 2010, about 220,000 paid members signed up, and the members' accumulated recharging value amounted to approximately RMB51.9 million for the first half of 2010, showing promising development potential.

Chinese Media Net, Inc., a company incorporated in the USA, provides overseas Chinese with a versatile platform of multimedia news services through various channels, namely the "DW Times", "DW Life" Weekly and "www.duowei.com" website, etc.

TECHNOLOGICAL DEVELOPMENT

The Group through 北京中企開源信息技術有限公司 (Beijing CE Open Source Software Co., Ltd.), a subsidiary of Sino-i, strengthened its core capabilities in basic and application technologies, and achieved a certain extent of progress in such servicing sectors as domestic basic software, cloud computing and operation support.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL

The Group continues to adopt prudent funding and treasury policies. As at 30 June 2010, the net assets attributable to the owners of the Company amounted to approximately HK$3,876.6 million (31 December 2009: HK$3,955.3 million), including cash and bank balances of approximately HK$453.3 million (31 December 2009: HK$730.9 million) which were denominated mainly in US dollars, Renminbi and Hong Kong dollars. As at 30 June 2010, the Group's aggregate borrowings were approximately HK$3,598.3 million (31 December 2009: HK$3,571.6 million), of which approximately HK$3,103.8 million (31 December 2009: HK$2,658.3 million) were bearing interest at fixed rates while approximately HK$494.5 million (31 December 2009: HK$913.3 million) at floating rates.

The gearing ratio of the Group, which is calculated as the net debt divided by the adjusted capital plus net debt, increased from 37.28% as at 31 December 2009 to 40.31% as at 30 June 2010.

Capital commitment of the Group as at 30 June 2010 was approximately HK$231.9 million, of which approximately HK$179.1 million will use as the construction expenses of the headquarter of our corporate IT application services, and approximately HK$52.7 million will use as capital expenses for expanding cinema business.

The Group's contingent liabilities as at 30 June 2010 were approximately HK$79.2 million due to the guarantees given in connection with credit facilities.

As at 30 June 2010, prepaid lease payments for leasehold land, buildings and certain properties held for and under development with a total net carrying value of approximately HK$1,021.2 million and bank deposits of approximately HK$97.5 million were pledged to secure credit facilities granted to the Group. In addition, certain debt securities and equity securities with a carrying amount of approximately HK$2.8 million were pledged for a standby letter of credit up to US$25.0 million issued by a financial institution and other credit facilities respectively.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATE

The majority of the Group's borrowings and transactions were denominated in US dollars, Renminbi and Hong Kong dollars. Both the operating expenses and revenues were primarily in Renminbi. The ever-growing economy of the PRC is expected to warrant a continued appreciation of Renminbi. The Group's reported assets, liabilities and profits may be affected by Renminbi exchange rate. Although the Renminbi exchange risk exposure is not significant to the Group during the period under review, the Group will keep on reviewing and monitoring the exchange fluctuation between Renminbi and Hong Kong dollars. For the funding in US dollars, despite Hong Kong dollars are adopted as the reporting currency of the Group, the management of the Group considers the exposure to exchange risk insignificant owing to the linked exchange rate system that pegs Hong Kong dollars to US dollars. The Group may consider foreign exchange hedging arrangements as and when appropriate and necessary.

EMPLOYEE

The Company 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 etc. Employees are eligible to be granted share options under the Company's share option scheme at the discretion of the Board. In general, salary review is conducted annually. As at 30 June 2010, the Group had approximately 10,021 employees (30 June 2009: 8,333 employees). The salaries of and allowances for employees for the six months ended 30 June 2010 were approximately HK$309.9 million (6 months ended 30 June 2009: HK$225.6 million).

PROSPECT

In 2010, the PRC government has obviously shifted the focus of its austerity measures to "structural adjustment". Under such background, the Group will unswerving in adhering to its stated strategies and in line with the national economic development and structural adjustment, grasping the market opportunities to promote a healthy, orderly and highly effective growth in its all business sectors.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

PROSPECT *(continued)*

For the property development sector, the PRC government launched a series of austerity measures in April this year to cool off the overheat property market in the PRC and as a result the whole property market has been in a restructuring period. Under such market environment, the Group stays cautious towards the property market in the PRC for the second half of the year. Meanwhile, the Group will further enhance the return on investment in this sector by means of the on-going development of "The Peninsula" in Shenzhen as well as "Free City" in Guangzhou, replenishing its land bank as opportunities arise; and committing more resources to the property service sector.

For the culture and media sector, the Group will continue to strive for outstanding performance in the cinema construction and film distribution segments, increasing the number of digital cinemas and screens in operation so as to become one of the most promising growth new forces in the PRC film industry.

For the IT sector, the uncertainties over the rebound of the global economy will certainly hinder recovery progress of the economy in the PRC. Coupled with the changes in financial policies in the PRC, the overall market environment in 2010 will be more complicated and uncertain as compared to 2009. By adhering to the stated development direction, the Group will endeavor to expand its core businesses; continue to launch leading products and services by leveraging on its strong technical capabilities; step up marketing efforts to enhance corporate recognition; expand the market share through the expansion and optimization of its distribution channels; enhance the integration of internal resources for improvement of management efficiency and lower operation costs, with a view to consolidating and strengthening its leading position in the relevant business sectors.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2010.

CORPORATE GOVERNANCE

In the opinion of 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 2010, except for the deviations mentioned below:

Code Provision A.2.1 stipulated that the roles of chairman and chief executive officer ("CEO") should be separated 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.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (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 2010.

AUDIT COMMITTEE

The Audit Committee comprises all the independent non-executive directors of the Company, 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, the unaudited interim results for the six months ended 30 June 2010, and discussed the financial control, internal control and risk management systems.

PUBLICATION OF THE INTERIM RESULTS AND REPORT

This results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkex.com.hk) and the Company (www.nanhaicorp.com). The interim report containing all the information required by the Listing Rules will be dispatched to the shareholders and available on the same websites in due course.

By order of the Board
Yu Pun Hoi
Chairman

Hong Kong, 27 August 2010

As at the date of this announcement, the directors of the Company are as follows:

Executive directors:	*Non-executive directors:*	*Independent non-executive directors:*
Mr. Yu Pun Hoi	Mr. Qin Tian Xiang	Mr. Huang Yaowen
Ms. Chen Dan	Mr. Lam Bing Kwan	Prof. Jiang Ping
Ms. Liu Rong		Mr. Lau Yip Leung
Mr. Wang Gang		