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南海控股有限公司*

NAN HAI CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 680)

CONNECTED TRANSACTION

The board of directors of the Company announce that on 21 October 2009 after trading hours, the Company and the Vendors entered into the Agreement, pursuant to which the Company agreed to make early repayment to the Vendors at the Discounted Amount as full settlement of the amount of the Cash Portion subject to and in accordance with the terms and conditions of the Agreement.

As Mr. Yu, the chairman, an executive director and controlling shareholder of the Company, indirectly wholly owns (1) First Best Assets Limited, (2) Rosewood Assets Ltd., and (3) Pippen Limited, and indirectly owns 60% of Macro Resources Limited, and Mr. Lim Siew Choon, a substantial shareholder of the Company, wholly owns Empire Gate Industrial Limited, the Agreement constitutes a connected transaction of the Company under the Listing Rules, and it will be subject to the approval of the Independent Shareholders at the SGM. The Vendors and their respective associates will abstain from voting on the resolution to approve the transaction contemplated in the Agreement.

The independent board committee, comprising the independent non-executive directors of the Company, will be established to advise the Independent Shareholders in respect of the transaction contemplated in the Agreement. An independent financial adviser will also be appointed to advise the independent board committee in relation to the Agreement. A circular of the Company containing, amongst other things, details of the terms and conditions of the Agreement, the recommendation of the independent board committee and the advice of the independent financial adviser, together with a notice convening the SGM will be despatched to its shareholders as soon as practicable.

* For identification purposes only

BACKGROUND

On or about 29 December 2003, the Company and Sino-i jointly announced in the Previous Announcement that, among other things, pursuant to the Sale and Purchase Agreement, the Company agreed to purchase from the Vendors and 中信信息科技投資有限公司 (CITIC Information Technology Investment Company Limited) the Sale Shares at the total consideration of HK\$976,334,238, which was to be satisfied (i) as to half of the consideration, by the allotment and issue of the Consideration Shares by the Company to the Vendors and 中信信息科技投資有限公司 (CITIC Information Technology Investment Company Limited); and (ii) as to the remaining half of the consideration (being HK\$488,167,119), in cash (the “**Cash Portion**”) payable to the Vendors and 中信信息科技投資有限公司 (CITIC Information Technology Investment Company Limited) on the date falling 60 months after the date of completion of the Sale and Purchase Agreement or any other date as mutually agreed by the parties to the Sale and Purchase Agreement. The transactions contemplated under the Sale and Purchase Agreement constituted major and connected transactions for the Company under the Listing Rules. The Sale and Purchase Agreement was completed on 30 August 2005, and the Cash Portion was originally due for payment on 29 August 2010 (“**Original Payment Date**”). The Cash Portion is unsecured and interest free. Under the generally accepted accounting principles, the Cash Portion has been disclosed in the Company’s annual reports for each of the four financial years ended 31 December 2005, 2006, 2007 and 2008 as the amounts due to shareholders under non-current liabilities, and it was recognized at fair value of HK\$336,110,000 as at 30 August 2005 and subsequently stated at amortized cost by using an effective interest rate of 9.05% per annum, i.e. by summation of the interest rate of 9.05% per annum on the Cash Portion and the fair value of HK\$336,110,000, the Company is required to pay the full amount of Cash Portion of HK\$488,167,119 on the Original Payment Date.

On 5 June 2006, 中信信息科技投資有限公司 (CITIC Information Technology Investment Company Limited), one of the vendors of the Sale Shares, assigned the whole of cash consideration in the amount of HK\$21,452,246 together with all interests, rights, benefits and entitlements of and in the foregoing sum that 中信信息科技投資有限公司 (CITIC Information Technology Investment Company Limited) was entitled under the Sale and Purchase Agreement, to Phippen Limited by means of a deed of assignment (“**Assignment**”).

On 21 October 2009 after trading hours, the Company and the Vendors entered into the Agreement, pursuant to which, the Company agreed to make early repayment to the Vendors (or any other party(ies) to be directed by any of the Vendors) at the Discounted Amount as full settlement of the amount of the Cash Portion subject to and in accordance with the terms and conditions of the Agreement.

AGREEMENT

Date

21 October 2009

Parties

(1) The Company

- (2) The Vendors:
- (i) First Best Assets Limited
 - (ii) Rosewood Assets Ltd.
 - (iii) Phippen Limited
 - (iv) Staverley Assets Limited
 - (v) Macro Resources Limited; and
 - (vi) Empire Gate Industrial Limited

First Best Assets Limited, Rosewood Assets Ltd. and Phippen Limited are companies ultimately wholly owned by Mr. Yu.

Staverley Assets Limited is a wholly owned subsidiary of CITIC Group, which itself is a state-owned enterprise in China.

Macro Resources Limited is indirectly held as to 60% by Mr. Yu and 40% by CITIC Group.

Empire Gate Industrial Limited is a company wholly owned by Mr. Lim Siew Choon, a substantial shareholder of the Company.

For the purposes of the Listing Rules, each of First Best Assets Limited, Rosewood Assets Ltd., Phippen Limited, Macro Resources Limited and Empire Gate Industrial Limited is a connected person of the Company. According to the information provided by the Vendors, the principal business of the Vendors are investment holding.

Early Repayment

Subject to the terms and conditions of the Agreement, the Vendors and the Company, after arm's length negotiations with reference to the current financial position of the Group, agreed that subject to the satisfaction of the condition precedents set out below, the Company shall pay the Vendors (or any other party(ies) to be directed by any of the Vendors) the Discounted Amount in one-off payment as full settlement of the amount of the Cash Portion on or before 31 December 2009 (or such later date as the Vendors and the Company may agree) (the "**Early Repayment Date**"). The "**Discounted Amount**" is determined as follows:

$$\text{Discounted Amount} = 488,167,119 - (488,167,119 \times \frac{D}{365} \times 20\%)$$

D = Number of days from the date immediately following the date of one-off full payment of the Discounted Amount to the Original Payment Date, being 29 August 2010.

Assuming the Discounted Amount shall be paid on 31 December 2009, the Company will pay a total amount of about HK\$423,702,000 to the Vendors as full settlement of the amount of the Cash Portion (representing a discount of about 13.2% to the Cash Portion of HK\$488,167,119).

Conditions

The Agreement is conditional upon:

- (a) the passing by the Independent Shareholders of the necessary resolution approving the transactions contemplated in or incidental to the Agreement and the implementation thereof in accordance with the provisions of the Listing Rules; and
- (b) all necessary consents, permits, approvals, authorizations and waivers having been obtained from all relevant governmental, regulatory and other authorities, agencies and departments in Hong Kong and in any other applicable jurisdiction in connection with the transactions contemplated under the Agreement, the implementation of and all other matters incidental to the Agreement.

REASONS FOR EARLY REPAYMENT

Pursuant to the Sale and Purchase Agreement and the Assignment, the Company is currently indebted to the Vendors for the total sum of HK\$488,167,119. The sales proceeds generated from the Phase 2 of the property project of “The Peninsula” are expected to be recognized upon the completion of the transfer of ownership title of the units to the purchasers in about December 2009. As set out in the interim report of the Company for the six months ended 30 June 2009, the sales proceeds up to 30 June 2009 received by the Group for the Phase 2 of “The Peninsula” were about HK\$1,733,387,000. Under the current property market sentiment in China, the Company will not use the proceeds for any other property project investments. As a result, the Company does not have immediate funding need for its property business expansion.

As set out in the interim report of the Company for the six months ended 30 June 2009, the Group’s cash and cash equivalents were about HK\$1,064,683,000. The monies required for the Early Repayment will be funded from the internal resources of the Group.

FINANCIAL EFFECTS ON THE GROUP

Assuming the Early Repayment Date to be 31 December 2009, the Company expects that such Early Repayment will have the following financial effects on the Group:

Earnings

The earnings of the Group resulting from the Early Repayment represents the difference between the part of the Cash Portion stated at amortized cost as at the Early Repayment Date (expected to be about HK\$467,893,000 as at 31 December 2009) and the Discounted Amount repaid to the Vendors on the Early Repayment Date (about HK\$423,702,000 as at 31 December 2009). It is expected that there will be an increase in earnings of the Group of about HK\$44,191,000.

Assets

Upon payment of the Discounted Amount in full, there will be a decrease in cash balance of the Group of about HK\$423,702,000.

Liabilities

Upon payment of the Discounted Amount in full, the total amount due to the Vendors stated at amortized cost of HK\$467,893,000 as at 31 December 2009 will become zero.

Cash Flow Impact

There will be a very positive impact on the cash flow position of the Group, as the actual cash outflow is expected to reduce by about HK\$64,465,000 (equivalent to about 13.2% of the Cash Portion of HK\$488,167,119).

The executive directors and the non-executive directors of the Company consider that the Early Repayment, which enables the Company to enjoy a considerable discount in the payment of the Cash Portion, is beneficial and very favourable to the Group, and such discount will have a positive impact on the Group's profit and loss account, and cash flow as set out above. The executive directors and the non-executive directors of the Company further consider that the terms of the Agreement are made on an arm's length basis, on normal commercial terms and are fair and reasonable and in the interest of the Company and its shareholders as a whole. Moreover, the executive directors and the non-executive directors of the Company do not consider that the Early Repayment will constitute any material variation of the terms of Sale and Purchase Agreement. The independent non-executive directors of the Company will form their view on the Early Repayment after receiving the letter of advice from the independent financial advisor appointed by the Company.

INFORMATION ON THE COMPANY

The Company is an investment holding company listed on the Main Board of the Stock Exchange. The Group is principally engaged in property development, culture and media services and through its listed subsidiary, Sino-i, engaged in corporate IT application services, financial information services and distance learning education services. As at the date of this announcement, the Company, through a number of wholly-owned subsidiaries, held approximately 62.85% of the issued share capital of Sino-i.

GENERAL

As Mr. Yu, the chairman, an executive director and controlling shareholder of the Company, indirectly wholly owns (1) First Best Assets Limited, (2) Rosewood Assets Ltd., and (3) Phippen Limited, and indirectly owns 60% of Macro Resources Limited, and Mr. Lim Siew Choon, a substantial shareholder of the Company, wholly owns Empire Gate Industrial Limited, the Agreement constitutes a connected transaction of the Company under the Listing Rules, and it will be subject to the approval of the Independent Shareholders at the SGM. The Vendors and their respective associates will abstain from voting on the resolution to approve the transaction contemplated in the Agreement.

The independent board committee, comprising the independent non-executive directors of the Company, will be established to advise the Independent Shareholders in respect of the transaction contemplated in the Agreement. An independent financial adviser will also be appointed to advise the independent board committee in relation to the Agreement. A circular of the Company containing, amongst other things, details of the terms and conditions of the Agreement, the recommendation of the independent board committee and the advice of the independent financial adviser, together with a notice convening the SGM, will be despatched to its shareholders as soon as practicable.

DEFINITIONS

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| “Agreement” | a conditional agreement entered into between the Company and the Vendors on 21 October 2009 in respect of the Early Repayment |
| “Assignment” | has the meaning as defined under the section headed “Background” in this announcement |
| “associate(s)” | has the meaning ascribed thereto under the Listing Rules |
| “Cash Portion” | has the meaning as defined under the section headed “Background” in this announcement |
| “Company” | Nan Hai Corporation Limited (which was known as “South Sea Holding Company Limited” as at the time of issue of the Previous Announcement”), a company incorporated in Bermuda with limited liability, the ordinary shares of which are listed on the Stock Exchange |
| “Consideration Shares” | has the meaning as defined in the Previous Announcement |
| “Discounted Amount” | has the meaning as defined under the section headed “Agreement – Early Repayment” in this announcement |
| “Early Repayment” | the agreement between the Company and the Vendors under the Agreement for early repayment of the Cash Portion at the Discounted Amount |
| “Early Repayment Date” | has the meaning as defined under the section headed “Agreement – Early Repayment” in this announcement |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Independent Shareholders” | shareholders of the Company (other than the Vendors and their respective associates) |
| “Listing Rules” | Rules Governing the Listing of Securities on the Stock Exchange |
| “Mr. Yu” | Mr. Yu Pun Hoi, the chairman, an executive director and controlling shareholder of the Company |
| “Previous Announcement” | the joint announcement of the Company and Sino-i dated 29 December 2003, in relation to, among other things, the Sale and Purchase Agreement |

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| “Sale and Purchase Agreement” | the agreement entered into on 29 December 2003 between the Company as purchaser and the Vendors and 中信信息科技投資有限公司 (CITIC Information Technology Investment Company Limited) as vendors relating to the acquisition by the Company of the Sale Shares. Further details of which are set out in the Previous Announcement and the circular of the Company dated 23 March 2004 |
| “Sale Shares” | has the meaning as defined in the Previous Announcement |
| “SGM” | a special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Agreement |
| “Sino-i” | Sino-i Technology Limited, a company incorporated in Hong Kong with limited liability, the ordinary shares of which are listed on the Stock Exchange and as at the date of this announcement, a 62.85% owned subsidiary of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Vendors” | (1) First Best Assets Limited, (2) Rosewood Assets Ltd., (3) Phippen Limited, (4) Staverley Assets Limited, (5) Macro Resources Limited and (6) Empire Gate Industrial Limited, who were (together with 中信信息科技投資有限公司 (CITIC Information Technology Investment Company Limited)) the vendors of the Sale Shares under the Sale and Purchase Agreement |

By order of the Board
Watt Ka Po James
Company Secretary

Hong Kong, 21 October 2009

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

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| <i>Executive directors:</i> | <i>Non-executive directors:</i> | <i>Independent non-executive directors:</i> |
| 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 | | |