



南海控股有限公司*

NAN HAI CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 680)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

RESULTS

The directors of Nan Hai Corporation Limited (the "Company") hereby announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2007, together with the comparative figures for the year ended 31 December 2006 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	Note	2007 HK\$'000	(Restated) 2006 HK\$'000
Revenue/Turnover	3	673,031	2,099,237
Cost of sales and services provided		(131,996)	(1,253,363)
Gross profit		541,035	845,874
Other operating income	3	13,972	7,187
Gain arising on acquisition of additional interests in subsidiaries		30,292	–
Selling and marketing expenses		(221,962)	(204,338)
Administrative expenses		(250,045)	(203,801)
Other operating expenses		(106,478)	(71,605)
Impairment loss on goodwill		–	(289,800)
Loss on disposal and dissolution of subsidiaries		(7,685)	–
Finance costs	5	(46,194)	(41,822)
Share of results of associates		–	2,055
(Loss)/Profit before income tax	6	(47,065)	43,750
Income tax credit/(expense)	7	68,602	(78,452)
Profit/(Loss) for the year		21,537	(34,702)
Attributable to :			
Equity holders of the Company		(14,570)	21,881
Minority interests		36,107	(56,583)
Profit/(Loss) for the year		21,537	(34,702)
		HK cents	HK cents
(Loss)/Earnings per share for (loss)/profit attributable to the equity holders of the Company during the year	8		
– Basic		(0.0213)	0.0321
– Diluted		N/A	0.0320

* For identification purpose only

CONSOLIDATED BALANCE SHEET

As at 31 December 2007

	Note	2007 HK\$'000	(Restated) 2006 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		137,426	56,358
Prepaid land lease payments under operating leases		55,915	13,675
Interest in associates		–	18,967
Deposits		58,989	274,617
Available-for-sale financial assets		324	324
Intangible assets		298,655	243,437
Deferred tax assets		6,400	–
		557,709	607,378
Current assets			
Inventories		6,769,600	5,353,841
Financial assets at fair value through profit or loss		5,048	7,256
Trade receivables	9	86,268	155,212
Deposits, prepayments and other receivables		585,318	809,765
Pledged bank deposits		–	22,282
Time deposits		213,561	–
Cash and cash equivalents		232,146	86,332
		7,891,941	6,434,688
Current liabilities			
Trade payables	10	136,737	129,324
Other payables and accruals		481,956	581,349
Deferred revenue		50,261	61,573
Amount due to a director		132,461	3,141
Amount due to a minority shareholder		12,000	12,000
Amounts due to shareholders		5,006	5,006
Amounts due to associate(s)		5,507	6,528
Land premium payables		–	173,284
Provision for tax		63,401	81,460
Bank and other borrowings		310,148	459,091
Finance lease liabilities		335	99
		1,197,812	1,512,855
Net current assets		6,694,129	4,921,833
Total assets less current liabilities		7,251,838	5,529,211
Non-current liabilities			
Bank and other borrowings		1,587,400	14,788
Finance lease liabilities		509	181
Amounts due to shareholders		407,070	376,659
Deferred tax liabilities		212,977	252,790
		2,207,956	644,418
Net assets		5,043,882	4,884,793
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	11	686,450	682,090
Reserves		3,402,074	3,295,378
		4,088,524	3,977,468
Minority interests		955,358	907,325
Total equity		5,043,882	4,884,793

Notes:

1. GENERAL INFORMATION

The Company is a limited liability company incorporated and domiciled in Bermuda. The address of the Company's registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and, its principal place of business is 39th Floor, New World Tower I, 16-18 Queen's Road Central, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

The Group are principally engaged in property development, corporate IT application services, financial information services and distance learning education services.

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules").

2. CHANGE IN ACCOUNTING POLICIES

2.1 Impact of new and revised HKFRSs which are effective during the year

In the current year, the Group has applied, for the first time, the following new standards, amendment and interpretations issued by the HKICPA, which are relevant to and effective for the Group's financial statements beginning on 1 January 2007.

HKAS 1 (Amendment)	Presentation of Financial Statements – Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
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 adoption of these HKFRSs had no material effect on how the results and financial position for the current or prior periods have been prepared and presented but HKAS 1 (Amendment) and HKFRS 7 resulted in expanded disclosures on the Group's capital management policies and, significance of financial instruments and the nature and extent of risk arising from financial instruments used. Accordingly, no prior period adjustment is required.

2.2 Impact of new and revised HKFRSs which are issued but not yet effective

The Group has not early adopted the following standards or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ⁵
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ⁵
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions ²
HK(IFRIC) – Int 12	Service Concession Arrangements ³
HK(IFRIC) – Int 13	Customer Loyalty Programmes ⁴
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ³

Notes

- 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
- ⁴ Effective for annual periods beginning on or after 1 July 2008
- ⁵ Effective for annual periods beginning on or after 1 July 2009

Among these new standards and interpretations, HKAS 1 (Revised) is expected to be relevant to the Group's financial statements.

The directors of the Company are currently assessing the impact of the new or revised HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group's financial statements.

2.3 Presentation of PRC land appreciation tax

In light of the conclusion of the Financial Reporting Standards Committee of HKICPA on the scope of HKAS 12 "Income Taxes" and the nature of PRC land appreciation tax, the directors decided that it is more appropriate to account for and present PRC land appreciation tax as income tax. As a result of this change, PRC land appreciation tax in prior year amounting to HK\$16,176,000 has been reclassified from cost of sales to income tax in the consolidated income statement for the year ended 31 December 2006. The above changes have no net impact on result for the year ended 31 December 2006.

3. REVENUE /TURNOVER AND OTHER OPERATING INCOME

	2007 HK\$'000	2006 HK\$'000
(a) The Group's turnover represents revenue from:		
Distance learning education services	7,095	8,267
Corporate IT application services	628,064	585,214
Property management	6,922	2,140
Financial information services	21,647	24,917
Sale of properties	–	1,477,824
Culture and media services	9,166	–
Others	137	875
	673,031	2,099,237
(b) Other operating income:		
Interest income	2,845	2,545
Dividend income	134	119
Net fair value gain on financial assets at fair value through profit or loss	3,262	411
Write back of sundry creditors	3,829	–
Sundry income	3,902	4,112
	13,972	7,187

4. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments.

In accordance with the Group's internal financial reporting policy, its segment information is presented by way of two segments format: (a) on a primary segment reporting basis, by business segment; and (b) on a secondary segment reporting basis, by geographical segment.

Summary of details of the business segments are as follows:

- (a) Financial information services
- (b) Corporate IT application services
- (c) Property development
- (d) Distance learning education services
- (e) Other segment include trading of securities, property management and culture and media services

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the locations of the customers, and assets are attributed to the segments based on the locations of the assets.

The Group's inter-segment sales during the year were related to the provision of financial information services and distance learning education services. Inter-segment revenue is determined by directors and is based on pricing policies similar to those contracted with independent third parties, where applicable.

4(a). Business segments

2007

	Financial information services HK\$'000	Corporate IT application services HK\$'000	Property development HK\$'000	Distance learning education services HK\$'000	Other segments HK\$'000	Elimination HK\$'000	Total HK\$'000
Segment revenue							
Sales to external							
customers	21,647	628,064	–	7,095	16,225	–	673,031
Inter-segment sales	15,485	–	–	9,859	–	(25,344)	–
	37,132	628,064	–	16,954	16,225	(25,344)	673,031
Segment results	(17,290)	111,930	(34,685)	(1,659)	(8,606)	(15,485)	34,205
Interest income							2,845
Gain arising on acquisition of additional interests in subsidiaries							30,292
Loss on disposal and dissolution of subsidiaries							(7,685)
Unallocated corporate expenses							(60,528)
Finance costs							(46,194)
Loss before income tax							(47,065)
Income tax credit							68,602
Profit for the year							21,537
Segment assets	8,311	602,466	7,758,331	11,974	29,156	–	8,410,238
Unallocated assets							39,412
Total assets							8,449,650
Segment liabilities	(17,336)	(90,306)	(436,149)	(2,323)	(45,122)	–	(591,236)
Loan liabilities							(1,898,392)
Unallocated liabilities							(916,140)
Total liabilities							(3,405,768)
Other information							
Capital expenditure	1,525	194,145	2,548	281	2,596	–	201,095
Depreciation	747	19,622	272	401	858	–	21,900
Amortisation	–	23,199	–	–	–	–	23,199
Other non-cash expenses	1,259	15,550	–	852	7,572	–	25,233

2006

	Financial information services HK\$'000	Corporate IT application services HK\$'000	(Restated) Property development HK\$'000	Distance learning education services HK\$'000	Other segments HK\$'000	Elimination HK\$'000	(Restated) Total HK\$'000
Segment revenue							
Sales to external customers	24,917	585,214	1,477,824	8,267	3,015	-	2,099,237
Inter-segment sales	14,644	-	-	9,372	-	(24,016)	-
	39,561	585,214	1,477,824	17,639	3,015	(24,016)	2,099,237
Segment results	(283,125)	126,777	285,954	5,149	(6,245)	-	128,510
Interest income							2,545
Unallocated corporate expenses							(47,538)
Finance costs							(41,822)
Share of results of associates							2,055
Profit before income tax							43,750
Income tax expense							(78,452)
Loss for the year							(34,702)
Segment assets							
Unallocated assets	27,226	687,739	6,174,374	33,171	41,089	-	6,963,599
Interest in associates							18,967
Total assets							7,042,066
Segment liabilities							
Loan liabilities	(18,666)	(113,483)	(592,817)	(2,401)	(50,729)	-	(778,096)
Unallocated liabilities							(905,018)
Total liabilities							(2,157,273)
Other information							
Capital expenditure	2,245	56,882	482	608	1,837	-	62,054
Depreciation	569	17,780	151	428	711	-	19,639
Amortisation	-	13,532	-	-	-	-	13,532
Impairment loss on goodwill	289,800	-	-	-	-	-	289,800
Other non-cash expenses/(income)	626	20,072	-	129	(70)	-	20,757

4(b). Geographical segments

2007

	Europe, other than United Kingdom HK\$'000	Hong Kong HK\$'000	Mainland China HK\$'000	Total HK\$'000
Segment revenue				
Sales to external customers	–	53,390	619,641	673,031
Other segment information				
Segment assets	612	139,696	8,309,342	8,449,650
Capital expenditure	–	932	200,163	201,095

2006

	Europe, other than United Kingdom HK\$'000	Hong Kong HK\$'000	Mainland China HK\$'000	Total HK\$'000
Segment revenue				
Sales to external customers	–	57,000	2,042,237	2,099,237
Other segment information				
Segment assets	816	76,583	6,964,667	7,042,066
Capital expenditure	–	620	61,434	62,054

5. FINANCE COSTS

	2007 HK\$'000	2006 HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	99,845	44,968
Interest on other loans wholly repayable within five years	241	5,069
Interest on other payables	20,641	8,238
Interest on finance leases	39	17
Interest on amounts due to shareholders	30,411	30,411
Total interest expenses	151,177	88,703
Less: Amount directly attributable to properties held for and under development capitalised *	(104,983)	(46,881)
	46,194	41,822

* The borrowing costs have been capitalised at a rate of 5.580% to 8.217% (2006: 3.82% to 18.25%) per annum.

6. (LOSS)/PROFIT BEFORE INCOME TAX

	2007 HK\$'000	(Restated) 2006 HK\$'000
(Loss)/Profit before income tax is arrived at after charging/(crediting):		
Amortisation of intangible assets other than goodwill (included in other operating expenses)	23,199	13,532
Auditors' remuneration	4,269	3,957
Bad debt written off	11,226	28
Cost of provision of corporate IT application services	105,078	77,743
Cost of provision of financial information services	7,431	6,741
Cost of provision of proprietary software	1,732	1,923
Cost of sale of properties	–	1,162,277
Cost of provision of culture and media services	8,846	–
Cost of inventories sold – distance learning materials	3,220	3,515
Cost of provision of property management services	5,689	1,164
Cost of sales and services provided	131,996	1,253,363
Gross depreciation of property, plant and equipment-owned assets	21,635	19,270
Less: Amounts included in cost of provision of corporate IT application services	(105)	–
Amounts capitalised in intangible assets	(145)	–
Net depreciation of owned assets	21,385	19,270
Depreciation of leased assets	265	99
Gain on partial disposal of an associate	–	(1,358)
Loss on disposal and dissolution of subsidiaries	7,685	–
Write-off of property, plant and equipment	452	872
(Gain)/Loss on disposal of property, plant and equipment	(54)	3,214
Loss on partial disposal of a subsidiary	–	1,017
Net fair value gain on financial assets at fair value through profit or loss	(3,262)	(411)
Net foreign exchange loss/(gain)	725	(3,692)
Gross operating lease charges on land and buildings	44,562	36,575
Less: Amounts included in cost of provision of corporate IT application services	(1,251)	–
Amounts capitalised in intangible assets	(1,403)	–
Net operating lease charges on land and buildings	41,908	36,575
Operating lease charges on prepaid land lease	738	270
Provision for impairment of receivables	12,539	16,663
Write-off of intangible assets (included in other operating expenses)	1,070	–

7. INCOME TAX (CREDIT)/EXPENSE

	2007 HK\$'000	(Restated) 2006 HK\$'000
The tax (credit)/charge comprises:		
Current tax		
– Hong Kong profits tax		
Underprovision in respect of prior years	–	18
– Overseas tax		
Under/(Over) provision of PRC enterprise income tax in respect of prior years	439	(1,490)
PRC enterprise income tax charge for the year	5,309	63,748
PRC land appreciation tax	–	16,176
	5,748	78,452
Deferred tax		
– Credited for the year	(6,400)	–
– Attributable to decrease in tax rates	(67,950)	–
	(74,350)	–
	(68,602)	78,452

For the years ended 31 December 2006 and 2007, no Hong Kong profits tax has been provided in the financial statements as the companies within the Group either did not derive any assessable profit in Hong Kong or had unused tax losses brought forward to offset against the current year's assessable profits in Hong Kong.

PRC Enterprise Income Tax ("EIT") has been provided on the estimated assessable profits of subsidiaries operating in Mainland China at 33% (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 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% (2006:15%).

Pursuant to the tax law passed by the Tenth National People's Congress on 16 March 2007, the new enterprise income tax rates for domestic and foreign enterprises in Mainland China are unified at 25% with effective from 1 January 2008. As a result, the provision for deferred tax reduced accordingly.

8. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss attributable to the equity holders of the Company of HK\$14,570,000 (2006: a profit of HK\$21,881,000) and on the weighted average of 68,365,627,780 (2006: 68,185,615,383) ordinary shares in issue during the year.

Diluted earnings per share for the year ended 31 December 2007 is not presented because the impact of the exercise of the share options is anti-dilutive.

The calculation of diluted earnings per share for the year ended 31 December 2006 was based on the profit attributable to equity holders of the Company for the year of HK\$21,881,000 and the weighted average of 68,299,752,751 ordinary shares outstanding during 2006, adjusted for the effects of all dilutive potential shares.

The weighted average number of ordinary shares used in the calculation of diluted earnings per share was calculated based on weighted average of 68,185,615,383 ordinary shares in issue during 2006 plus the weighted average of 114,137,368 ordinary shares deemed to be issued at no consideration as if all the Company's share options have been exercised.

9. TRADE RECEIVABLES

	2007 HK\$'000	2006 HK\$'000
Trade receivables analysed according to aging:		
0-90 days	14,320	52,060
91-180 days	79,987	3,631
181-270 days	1,669	58,646
271-360 days	1,226	1,468
Over 360 days	27,626	69,061
Trade receivables, gross	124,828	184,866
Less: Provision for impairment of receivables	(38,560)	(29,654)
Trade receivables, net	86,268	155,212

Trade receivables are due on presentation of invoices.

10. TRADE PAYABLES

	2007 HK\$'000	2006 HK\$'000
Trade payables analysed according to aging:		
0-90 days	35,516	121,915
91-180 days	9,129	1,862
181-270 days	32,350	383
271-360 days	242	333
Over 360 days	59,500	4,831
	136,737	129,324

11. SHARE CAPITAL

	Number of ordinary shares of HK\$0.01 each	HK\$'000
Authorised:		
At 1 January 2006, 31 December 2006 and 31 December 2007	500,000,000,000	5,000,000
Issued and fully paid:		
At 1 January 2006	68,163,310,794	681,633
Issue of ordinary shares upon exercise of share options	45,725,000	457
At 31 December 2006 and 1 January 2007	68,209,035,794	682,090
Issue of ordinary shares upon exercise of share options	436,000,000	4,360
At 31 December 2007	68,645,035,794	686,450

12. POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, a subsidiary of the Company entered into an agreement with an independent third party to dispose of its 100% equity interest in a subsidiary, 北京金世紀大酒店有限公司 (Beijing Golden Century Hotel Limited) (“Beijing Golden Century”), and inter-company loans that Beijing Golden Century owned to the Group for a total consideration of HK\$320,340,000.

13. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year’s presentation.

FINAL DIVIDEND

The directors of the Company have resolved not to recommend the declaration of any final dividend for the year ended 31 December 2007 (2006: Nil).

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on 26 May 2008. For details of the Annual General Meeting, please refer to the Notice of Annual General Meeting which is expected to be published on or about 30 April 2008.

CLOSURE OF REGISTER

The register of members will be closed from 20 May 2008 to 26 May 2008, both days inclusive, during which period no transfer of shares will be effected for the purpose of determining the identity of members who are entitled to attend and vote at the forthcoming annual general meeting. In order to register the transfers, all transfers accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 19 May 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year, the Company was principally engaged in property development, and through its listed subsidiary, Sino-i Technology Limited (“Sino-i”), engaged in corporate IT application services, financial information services, distance learning education services, and culture and media services. During the year, the turnover was HK\$673.0 million (2006: HK\$2,099.2 million), and the net profit was HK\$21.5 million which was mainly attributable to the gain arising on acquisition of additional interests in subsidiaries amounted about HK\$30.3 million consolidated from Sino-i; and a release of a provision for deferred taxation made for Guangzhou property project in the sum of about HK\$68.0 million resulting from the deduction of PRC EIT rate from 33% to 25% effective 1 January 2008 (2006: a net loss of HK\$34.7 million). The net asset value of the Group including minority interest was HK\$5,043.9 million (2006: HK\$4,884.8 million), representing a value of HK\$0.073 per share.

Property Development

During the year, no turnover was recorded in this division (2006: HK\$1,477.8 million), and the net loss was HK\$34.7 million (2006 restated: a net profit of HK\$286.0 million). The sole reason for no turnover was recorded during the year is that no property was sold. Subsequent to the sales of first phase of “The Peninsula” in 2006, the Company’s flagship project in Shekou, the construction works in second phase have started in February 2007, and are still in progress as scheduled. Second phase will be launched to the market in the second half of 2008. The construction works of another large-scale property project in Guangzhou are expected to take place by the end of 2008.

Corporate IT Application Services

Resulting from Sino-i's long-term business cooperation with SMEs; continuing introduction of innovative products and provision of comprehensive services; and continuing modifications and enhancements in the very competitive market. During the year, the turnover of this division was HK\$628.1 million (2006: HK\$585.2 million), and the net profit of HK\$111.9 million (2006: HK\$126.8 million).

Sino-i has gained recognition in the corporate IT application service sector, and has earned different awards, including:

- Excellent IT Outsourcing Service Provider in China 2006
- IT Impact on China 2006 Annual Contribution Award
- China Best Growing Enterprises in IT 2007
- Top Ten Growing Enterprises awarded by Fortune China 2007
- "Vital Contribution" awarded by IDC China 2007
- Users Most Satisfied IT Application Service Provider for three consecutive years in 2005, 2006 and 2007
- China IT Innovation Enterprise in China for two consecutive years in 2005 and 2006
- Advanced Technological Product with Highest Market Value 2007
- E-mail Business Development Innovation Award 2007
- Open Source Business Outstanding Contribution Award 2007
- The Top Rated Domestic Office Software Purchased by the Government Award 2007

Financial Information Services

During the year, 北京世華國際金融信息有限公司 (Beijing Shihua International Financial Information Company Limited) ("Shihua") continued to focus on the provision of financial information services, investing and developing a new professional financial information website namely "caixun.com", and enhancing its I-cube dual screen product series. Leverage on its experience in forex and futures market, Shihua launched well-versed professional information products for providing integrated financial services. During the year, the turnover of this division was HK\$37.1 million (2006: HK\$39.6 million), and the net loss was HK\$17.3 million (2006: a net loss of HK\$283.1 million which was due to the one-off write off of an accumulated goodwill amounted to about HK\$289.8 million i.e. this division had a segment profit of about HK\$6.7 million without taking the net effect of the write-off of the accumulated goodwill).

The loss for the year was mainly attributable to increasing marketing cost allocated to the roll out of new products and increasing labour cost of IT professionals and financial analysts incurred in developing the new financial website.

Distance Learning Education Services

With respect to distance learning education services, the page view rate of education website of 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") has been increasing since October 2007, and it was ranked number one in the field of education website at the end of 2007 according to iResearch.

During the year, the turnover of this division was HK\$17.0 million (2006: HK\$17.6 million), and the net loss was HK\$1.7 million (2006: a net profit of HK\$5.1 million). The small loss was attributable to increasing marketing cost for promoting its online programmes.

This division will continue its close collaborations with the provincial and municipal examination authoritative organizations so as to increase its exposure to online students which may lead to better revenue and profit.

Culture and Media Services

Under the Group's overall strategic development in the culture and media business, Sino-i has initiated investment in film distribution business in China. In view of the high potential of digital cinema business in China, the Company intends to further invest in this business segment in China in 2008.

During the year, the turnover of this division was HK\$9.2 million (2006: Nil), and the net loss was HK\$8.7 million (2006: Nil). The loss reflected the initial investment costs in setting up distribution channels and payment of royalties to the owners of the films. The Company believes investment in this rapidly growing market will generate handsome return in the near future.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL

The Group continues to adopt prudent funding and treasury policies. As at 31 December 2007, the net asset value of the Group attributable to the equity holders amounted to approximately HK\$4,088.5 million (2006: HK\$3,977.5 million), including cash and bank balances of approximately HK\$445.7 million (2006: HK\$108.6 million) (which were denominated mainly in Renminbi and Hong Kong dollars). As at 31 December 2007, the Group's aggregate borrowings including shareholders' loan were HK\$2,305.5 million (2006: HK\$850.8 million), including approximately HK\$408.2 million (2006: HK\$586.8 million) were bearing interest at fixed rates while approximately HK\$1,897.3 million (2006: HK\$264.0 million) were bearing interest at floating rates. The gearing ratio of the Group, which is net debt divided by the adjusted capital plus net debt, increased from 13.19% as at 31 December 2006 to 26.94% as at 31 December 2007. The increase in gearing ratio was mainly due to increase in bank loans obtained by 深圳南海益田置業有限公司 (Shenzhen Nanhai Yitian Realty Company Limited) for financing construction costs and expenditures of second phase of "The Peninsula".

The Group's contingent liabilities at 31 December 2007 were HK\$77.4 million due to the guarantees given in connection with credit facilities.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATE

As the majority of the Group's borrowings and transactions were denominated in Renminbi and Hong Kong dollars, the Group's exposure to exchange rate fluctuations was relatively insignificant. In general, the Group mainly utilised its Renminbi income receipt for operating expenditures in China, and did not use any financial instruments for hedging Renminbi bank borrowings during the year, and such borrowings were mainly used for Renminbi capital requirements in China.

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. 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. As at 31 December 2007, the Group had approximately 8,489 employees (2006: 7,457 employees). The salaries of and allowances for employees for the year ended 31 December 2007 were about HK\$375.7 million (2006: HK\$272.0 million).

PROSPECT

The optimistic sales in first phase of "The Peninsula" has become a major back-up to the sales of the residential units in second phase, having a total area of 199,050 sq.m., in 2008, and the development of a large-scale international modern, ecology and residential community in the vicinity of new Guangzhou Baiyun Airport, have indicated that the property business of the Company has been well established, and that it will bring the Company in much stronger revenue and profit. Meanwhile, the Company will progressively expand its land reserve and efficiently use additional resources, for ensuring the continuity of property business, and the long-term, stable and high return.

The success of first phase of "The Peninsula" is valuable to the Company as it has made the Company to expand rapidly. This business operation will be improved continuously, which will lead the Company to having much more revenue in the years to come. The Company expects that it will continue to focus on IT application services and culture and media services through its listed subsidiary, Sino-i, and that it will further integrate the businesses of its subsidiaries, improve overall operation efficiencies, and enhance the leading positions and advantages in the markets in various business sectors, for having competitive advantages in these markets. The Company will continue to integrate its internal resources by mergers and acquisitions, expand its market shares, enhance R&D forces continuously, speed up the development progress of products, speedily extend and continuously improve the product lines, and use advanced digital network technology to develop a multi-media broadcasting system in which editing, production, dissemination, operation and management are integrated, for making crucial contribution to drive the Chinese culture to be developed in scientific and modern way.

The Company will continue to focus on its core businesses, and continue to reinforce and expand its competitive advantage by means of continuing modifications and enhancements, for achieving greater returns for its shareholders.

CODE ON CORPORATE GOVERNANCE PRACTICES

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 year ended 31 December 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 separated and should not be performed by the same individual.

The Company has not appointed a CEO. The role of 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.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company has reviewed the annual results of the Company for the year. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2007 have been agreed by the Company's auditors, Grant Thornton, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Grant Thornton in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Grant Thornton on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

By order of the Board
Yu Pun Hoi
Chairman

Hong Kong, 18 April 2008

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

<i>Executive directors:</i>	<i>Mr. Yu Pun Hoi, Mr. Qin Tian Xiang and Ms. Chen Dan</i>
<i>Non-executive directors:</i>	<i>Mr. Yu Lin Hoi and Mr. Lam Bing Kwan</i>
<i>Independent non-executive directors:</i>	<i>Mr. Huang Yaowen, Prof. Jiang Ping and Mr. Lau Yip Leung</i>