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 2008

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 2008 together with the comparative figures for 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED

For the six months ended 30 June 2008

	Note	**For the six months ended 30 June** **2008** **HK$'000**	2007 HK$'000
Revenue/Turnover	3	**227,962**	342,548
Cost of sales and services provided		**(64,857)**	(42,821)
Gross profit		**163,105**	299,727
Other operating income	4	**5,021**	5,289
Gain on disposal of a subsidiary	5	**48,714**	–
Selling and marketing expenses		**(127,171)**	(109,248)
Administrative expenses		**(149,467)**	(117,641)
Other operating expenses		**(64,014)**	(45,751)
Finance costs		**(19,316)**	(23,092)
Share of results of associate(s)		**–**	–
(Loss)/Profit before income tax	6	**(143,128)**	9,284
Income tax credit/(expense)	7	**9,935**	(139)
(Loss)/Profit for the period		**(133,193)**	9,145
Attributable to:			
Equity holders of the Company		**(101,408)**	(26,099)
Minority interests		**(31,785)**	35,244
(Loss)/Profit for the period		**(133,193)**	9,145
		HK cents	HK cents
Loss per share for loss attributable to the equity holders of the Company during the period	8		
– Basic		**(0.148)**	(0.038)
– Diluted		**N/A**	N/A

* *For identification purpose only*

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2008

	Note	(Unaudited) 30 June 2008 HK$'000	(Audited) 31 December 2007 HK$'000
ASSETS AND LIABILITIES			
Non–current assets			
Property, plant and equipment		**150,975**	137,426
Prepaid land lease payments under operating leases		**58,845**	55,915
Interest in an associate		**–**	–
Deposits		**62,819**	58,989
Available-for-sale financial assets		**324**	324
Intangible assets		**303,733**	298,655
Deferred tax assets		**6,816**	6,400
		583,512	557,709
Current assets			
Inventories		**7,317,658**	6,769,600
Financial assets at fair value through profit or loss		**6,946**	5,048
Trade receivables	9	**46,080**	86,268
Deposits, prepayments and other receivables		**895,231**	585,318
Time deposits		**227,428**	213,561
Cash and cash equivalents		**116,340**	232,146
		8,609,683	7,891,941
Current liabilities			
Trade payables	10	**129,116**	136,737
Other payables and accruals		**887,155**	481,956
Deferred revenue		**53,209**	50,261
Amount due to a director		**165,473**	132,461
Amount due to a minority shareholder		**12,000**	12,000
Amounts due to shareholders		**5,006**	5,006
Amount due to an associate		**5,506**	5,507
Provision for tax		**69,167**	63,401
Bank and other borrowings		**1,269,466**	310,148
Finance lease liabilities		**335**	335
		2,596,433	1,197,812
Net current assets		**6,013,250**	6,694,129
Total assets less current liabilities		**6,596,762**	7,251,838

CONDENSED CONSOLIDATED BALANCE SHEET *(continued)*

As at 30 June 2008

	Note	**(Unaudited) 30 June 2008 HK$'000**	(Audited) 31 December 2007 HK$'000
Non–current liabilities			
Bank and other borrowings		**945,531**	1,587,400
Finance lease liabilities		**341**	509
Amounts due to shareholders		**422,276**	407,070
Deferred tax liabilities		**226,765**	212,977
		1,594,913	2,207,956
Net assets		**5,001,849**	5,043,882
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	11	**686,450**	686,450
Reserves		**3,399,033**	3,402,074
		4,085,483	4,088,524
Minority interests		**916,366**	955,358
Total equity		**5,001,849**	5,043,882

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2008

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 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 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 2007. As described in the annual financial statements for the year ended 31 December 2007, the following new standards and interpretations are mandatory for the financial year ending 31 December 2008:

HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

The Group has not early adopted the following standards, amendments to 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[3]
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[2]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[4]

Notes

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2008
3 Effective for annual periods beginning on or after 1 July 2009
4 Effective for annual periods beginning on or after 1 October 2008

As disclosed in the Group's annual audited financial statements for the year ended 31 December 2007, HKAS 1 (Revised) would affect the presentation of the Group's financial statements.

The directors of the Company are currently assessing the impact of the other 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.

3. SEGMENT INFORMATION

(a) The following analysis presents the Group's revenue, which is also the Group's turnover, and results for the Group's business segments:

	For the six months ended 30 June 2008						
	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	**11,034**	**195,647**	**–**	**2,467**	**18,814**	**–**	**227,962**
– Inter-segment sales	**–**	**–**	**–**	**2,388**	**–**	**(2,388)**	**–**
	11,034	**195,647**	**–**	**4,855**	**18,814**	**(2,388)**	**227,962**
Segment results	**(17,944)**	**(89,361)**	**(30,164)**	**(2,175)**	**(6,581)**	**–**	**(146,225)**
Interest income							**1,303**
Gain on disposal of a subsidiary							**48,714**
Unallocated corporate expenses							**(27,604)**
Finance costs							**(19,316)**
Share of results of an associate							**–**
Loss before income tax							**(143,128)**
Income tax credit							**9,935**
Loss for the period							**(133,193)**

	For the six months ended 30 June 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	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)*

(b) The following analysis presents the Group's revenue, which is also the Group's turnover, and results for the Group's geographical segments:

	Revenue/Turnover For the six months ended 30 June		Segment Profit/(Loss) For the six months ended 30 June	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**424**	–	**(1,609)**	3,000
The People's Republic of China ("PRC")	**227,538**	342,548	**(144,616)**	64,430
	227,962	342,548	**(146,225)**	67,430

4. OTHER OPERATING INCOME

	For the six months ended 30 June	
	2008	2007
	HK$'000	HK$'000
Interest income	**1,303**	807
Net fair value gain on financial assets at fair value through profit or loss	**–**	2,974
Sundry income	**3,718**	1,508
	5,021	5,289

5. DISPOSAL OF A SUBSIDIARY

	For the six months ended 30 June	
	2008	2007
	HK$'000	HK$'000
Net assets disposed of:		
Property, plant and equipment	**501**	–
Inventories	**316,553**	–
Amounts due from fellow subsidiaries	**68,010**	–
Cash and cash equivalents	**40**	–
Other payables and accruals	**(8,636)**	–
Amount due to immediate holding company	**(112,061)**	–
Amount due to a director	**(68,670)**	–
	195,737	–
Exchange reserve realised on disposal	**(36,811)**	–
Net gain on disposal of a subsidiary	**48,714**	–
	207,640	–
Satisfied by:		
Cash	**53,390**	–
Consideration receivable included in deposits, prepayments and other receivables	**154,250**	–
	207,640	–

6. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/Profit before income tax is arrived at after charging:

	For the six months ended 30 June	
	2008	2007
	HK$'000	HK$'000
Amortisation of intangible assets	**17,183**	10,822
Gross depreciation of property, plant and equipment		
– Owned assets	**15,683**	8,532
Less: Amounts capitalised in intangible assets	**(159)**	–
Net depreciation of property, plant and equipment		
– Owned assets	**15,524**	8,532
Depreciation of property, plant and equipment		
– Leased assets	**208**	85
Loss on disposal and dissolution of subsidiaries	**–**	7,685
Operating lease charges on prepaid land lease	**640**	141

7. INCOME TAX (CREDIT)/EXPENSE

	For the six months ended 30 June	
	2008	2007
	HK$'000	HK$'000
PRC Enterprise Income Tax		
Current tax – tax for the period	**27**	139
Tax incentives on re-investment	**(9,962)**	–
	(9,935)	139

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 2007: Nil).

PRC Enterprise Income Tax ("EIT") is calculated at the applicable rates in accordance with the relevant laws and regulations in the PRC.

7. INCOME TAX (CREDIT)/EXPENSE *(continued)*

Prior to 1 January 2008, EIT has been provided on the estimated assessable profits of the subsidiaries operating in Mainland China at 33%, unless preferential rates are applicable in the cities where the subsidiaries are located. Certain subsidiaries of the Group enjoyed preferential rates because they are wholly-owned foreign enterprises in accordance with the Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises or are located in the Beijing Economic-Technological Development Area.

Pursuant to the tax law passed by the Tenth National People's Congress on 16 March 2007, the new EIT rates for domestic and foreign enterprises in Mainland China are unified at 25% with effective from 1 January 2008. There will be a transitional period for PRC subsidiaries that currently are entitled to preferential tax treatments granted by the relevant tax authorities. PRC subsidiaries currently subject to an enterprise income tax rate lower than 25% may continue to enjoy the lower tax rate and be gradually transitioned to the new unified rate of 25% within five years after 1 January 2008. PRC subsidiaries that were entitled to Tax Holidays for a fixed term may continue to enjoy such treatment until the fixed term expires.

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$101,408,000 (6 months ended 30 June 2007: HK$26,099,000) and on the weighted average number of 68,645,035,794 (6 months ended 30 June 2007: 68,255,698,639) ordinary shares in issue during the period.

Diluted loss per share for the six months ended 30 June 2007 and 30 June 2008 are not presented because the impact of the exercise of the share options is anti-dilutive.

9. TRADE RECEIVABLES

Trade receivables are due on presentation of invoices. The aging analysis of trade receivables was as follows:

	30 June 2008 HK$'000	31 December 2007 HK$'000
0–90 days	**8,171**	14,320
91–180 days	**11,152**	79,987
181–270 days	**21,875**	1,669
271–360 days	**925**	1,226
Over 360 days	**29,005**	27,626
Trade receivables, gross	**71,128**	124,828
Less: Provision for impairment of receivables	**(25,048)**	(38,560)
Trade receivables, net	**46,080**	86,268

10. TRADE PAYABLES

The aging analysis of trade payables was as follows:

	30 June 2008 HK$'000	31 December 2007 HK$'000
0–90 days	**61,462**	35,516
91–180 days	**8,571**	9,129
181–270 days	**3,955**	32,350
271–360 days	**40**	242
Over 360 days	**55,088**	59,500
	129,116	136,737

11. SHARE CAPITAL

	Number of ordinary shares of HK$0.01 each	HK$'000
Authorised:		
At 1 January 2007, 31 December 2007 and		
30 June 2008	**500,000,000,000**	**5,000,000**
Issued and fully paid:		
At 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 and **30 June 2008**	**68,645,035,794**	**686,450**

INTERIM DIVIDEND

The directors do not recommend the declaration of the payment of an interim dividend for the six months ended 30 June 2008 (30 June 2007: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period under review, the Group 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. Turnover for the period was HK$228.0 million (6 months ended 30 June 2007: HK$342.5 million) and a net loss attributable to equity holders of the Company of HK$101.4 million (6 months ended 30 June 2007: HK$26.1 million) was recorded. The net asset value of the Group attributable to equity holders amounted to approximately HK$4,085.5 million, representing a value of HK$0.06 per share.

Property Development

During the period under review, there was no turnover from this division (6 months ended 30 June 2007: Nil), and a net segment loss of HK$30.2 million (6 months ended 30 June 2007: HK$10.8 million) was recorded. The loss was mainly due to Phase 2 of The Peninsula has yet launched to the market and additional promotion and marketing costs in preparation for the pre-sale of Phase 2 of The Peninsula, scheduled in the second half of 2008.

There are a total of 5 phases for The Peninsula, a large scale property project in Shekou, Shenzhen, China. Subsequent to the extraordinary success in selling of Phase 1 in 2006, Phase 2 of The Peninsula will offer about 2,000 residential units with a total saleable area of approximately 200,000 m^2. The Peninsula is expected to 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 m^2. 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 by the end of 2008, and it is set for pre-sale in 2009.

Corporate IT Application Services

During the period under review, this division recorded a decrease in turnover of 40.0% to HK$195.6 million (6 months ended 30 June 2007: HK$326.0 million) and a segment loss of HK$89.4 million (6 months ended 30 June 2007: segment profit of HK$99.4 million).

CE Dongli Technology Group Company Limited ("CE Dongli")

The drop in revenue and segment profit was mainly due to the change in business strategy on the domain name registration and promotion business and also sharp increase in staff cost. The management anticipates the profit margin from this division will squeeze substantially in the near future, and will negatively affect its growth and customers' relationship in the long run. The management therefore decided to realign our business strategy by shifting away from these withering businesses, which used to constitute a significant portion of this division's turnover. Given the continuous increase in staff cost in China, and commitment to improve the gross margin, the management believes such change in business strategies will significantly benefit CE Dongli in the long run. The management has been closely monitoring the development of this change in business strategy, and already observed improvement in profit margin in the second half of 2008.

Corporate IT Application Services *(continued)*

As far as our R&D expenditure is concerned, CE Dongli continues to invest to further enhance product development and service capability in this rapidly changing business environment. This investment is regarded as an inevitable tools to equip CE Dongli to maintain its industry leading position. However, CE Dongli will continue to face cost problem before it could achieve better return on such technology investment.

Renminbi appreciation and the government austerity measures continue to take its toll on the financial health of many SMEs in China. The management anticipates this situation will continue in the near future and a market recovery will depend on improvement in inflation and relaxation of credit. However, the high exchange rate of Renminbi will continue to be a negative cloud above this sector.

北京新網數碼信息技術有限公司 (Beijing Xinnet Cyber Information Company Limited) ("Xinnet")

It provides basic Internet application services for corporations in China. During the period under review, Xinnet had 32 branches over the country, and had approximately 20,000 distributors. Xinnet was one of the leading providers in hosting services in China.

The operation is healthy but similar to CE Dongli, Xinnet is facing a difficult SME market in China.

Financial Information Services

During the period under review, this division recorded a turnover of HK$11.0 million (6 months ended 30 June 2007: HK$24.4 million) and a segment loss of HK$17.9 million (6 months ended 30 June 2007: segment profit of HK$0.8 million). The loss was mainly attributable to the drop in turnover, however, stripping the impact of inter-company sales during the last period, this division posted similar result and operating cost.

北京世華國際金融信息有限公司(Beijing Shihua International Financial Information Company Limited) ("Shihua") provides real-time and archived financial information, data, pricing, professional research and objective analysis for financial institutions and investors in China. Shihua's information subscription services and terminals provide a comprehensive financial information platform in China, including distributing information and data on domestic and global economy, futures, bonds, stock, FOREX markets as well as key domestic industries.

Shihua will continue to invest in a prudent manner to promote its new product line, and the Group is confident that the business performance of this division will be improved in the near future, which in turn generate satisfactory return for the Group.

Distance Learning Education Services

During the period under review, this division recorded a turnover of HK$4.9 million (6 months ended 30 June 2007: HK$3.1 million) and the segment loss decreased to HK$2.2 million (6 months ended 30 June 2007: HK$4.1 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") had developed more than 300 e-learning courses for clients. It also established comprehensive and in-depth collaborations with 29 provincial and municipal examination authoritative organizations. Chinese Dadi has more than 940,000 registered on-line education users. The average daily page view of its website reached about 6.0 million times.

This division of business has strived to reduce operating cost mainly through reducing headcounts during the period under review and this cost cutting measure will continue in the second half of 2008. The management targets the cash flow to breakeven in the coming year.

In terms of business strategies, Chinese Dadi will continue to strengthen its market share through cooperation with educational institutes, and has begun to expand its product range from merely sales of online course materials to online interactive learning programs. The management also decided to cut down all technical outsource services since profit from this business is sporadic.

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL

The Group continues to adopt prudent funding and treasury policies. As at 30 June 2008, the net asset value of the Group attributable to the equity holders amounted to approximately HK$4,085.5 million (31 December 2007: HK$4,088.5 million), including cash and bank balances of approximately HK$343.8 million (31 December 2007: HK$445.7 million) (which were denominated mainly in Renminbi and Hong Kong dollars). As at 30 June 2008, the Group's aggregate borrowings including shareholders' loan were HK$2,637.9 million (31 December 2007: HK$2,305.5 million), including approximately HK$423.2 million (31 December 2007: HK$408.2 million) were bearing interest at fixed rates while approximately HK$2,214.7 million (31 December 2007: HK$1,897.3 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 26.9% as at 31 December 2007 to 31.4% as at 30 June 2008. 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 the Phase 2 of The Peninsula.

The Group's contingent liabilities at 30 June 2008 were HK$77.8 million due to the guarantees given in connection with credit facilities.

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 (the "Board"). In general, salary review is conducted annually. As at 30 June 2008, the Group had approximately 7,760 employees (as at 30 June 2007: 8,727 employees). The salaries of and allowances for employees for the six months ended 30 June 2008 were approximately HK$184.4 million (6 months ended 30 June 2007: HK$157.8 million).

PROSPECT

The sale of Phase 1 of The Peninsula has marked the great success of the Group in property business in China. The Group is confident that the remaining four phases of The Peninsula together with mega-sized Guangzhou project will provide strong cash flow in the years to come.

The property market in China is adversely affected by the credit crunch and slower economic growth. This impact therefore reduces the demand for residential units in general. Property prices were also seen to have a major correction since it surged rapidly in first half of 2007.

Despite this market correction in China, the Group envisages that the property market will remain healthy, and that strong demand for residential properties will continuously be backed by the overall solid economic growth. 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 services in China.

CE Dongli, 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 market position in the e-commerce sector.

The China financial market has been growing rapidly. Increasing varieties of financial instruments are expected to be introduced to the market in order to cope with the more mature and sophisticated investors. Shihua sees that demands for contents with more sophisticated and industry specific analysis or reports from the investors are in an increasing rate. 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 education services sector, the service models of Chinese Dadi, and its 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 education services division will breakeven soon.

PURCHASE, SALE OR REDEMPTION OF 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 2008.

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 2008, 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 exempted 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 2008.

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 2008, and discussed the financial control, internal control and risk management systems.

By order of the Board
Yu Pun Hoi
Chairman

Hong Kong, 23 September 2008

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

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