NAN HAI CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 680)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006

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 2006, together with the comparative figures for the year ended 31 December 2005 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
Revenue/Turnover	*4(a)*	**2,099,237**	154,843
Cost of sales and services provided	*7*	**(1,269,539)**	(26,885)
Gross profit		**829,698**	127,958
Other operating income	*4(b)*	**7,187**	10,102
Excess of the Group's interest in the fair value of net assets acquired over cost arising from business combination		**–**	30,289
Gain on disposal and dissolution of subsidiaries		**–**	14,086
Selling and marketing expenses		**(204,338)**	(21,124)
Administrative expenses		**(203,801)**	(68,361)
Other operating expenses		**(71,605)**	(25,057)
Impairment loss on goodwill		**(289,800)**	–
Finance costs	*6*	**(41,822)**	(17,087)
Share of results of associates		**2,055**	1,050
Profit before income tax	*7*	**27,574**	51,856
Income tax (expense)/credit	*8*	**(62,276)**	4,150
(Loss)/Profit for the year		**(34,702)**	56,006
Attributable to:			
Equity holders of the Company		**21,881**	20,630
Minority interests		**(56,583)**	35,376
(Loss)/Profit for the year		**(34,702)**	56,006
		HK cents	*HK cents*
Earnings per share for profit attributable to the equity holders of the Company during the year	*9*		
– Basic		**0.0321**	0.0469
– Diluted		**0.0320**	N/A

CONSOLIDATED BALANCE SHEET
As at 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**56,358**	43,927
Prepaid land lease payments under operating leases		**13,675**	13,440
Interest in associates		**18,967**	55,531
Deposits		**274,617**	226,055
Available-for-sale financial assets		**324**	324
Intangible assets		**243,437**	494,864
		607,378	834,141
Current assets			
Inventories		**5,353,841**	5,494,665
Financial assets at fair value through profit or loss		**7,256**	6,491
Trade receivables	*10*	**155,212**	177,681
Deposits, prepayments and other receivables		**809,765**	626,210
Amount due from an associate		**–**	2,358
Pledged bank deposits		**22,282**	–
Cash and cash equivalents		**86,332**	98,112
		6,434,688	6,405,517
Current liabilities			
Trade payables	*11*	**18,994**	7,334
Other payables and accruals		**707,051**	499,154
Deferred revenue		**61,573**	53,568
Amount due to a director		**3,141**	39,994
Amount due to a minority shareholder		**12,000**	12,000
Amounts due to shareholders		**5,006**	5,006
Amounts due to associates		**6,528**	8,510
Land premium payables		**173,284**	166,593
Provision for tax		**66,088**	12,010
Bank and other borrowings		**459,091**	642,662
Finance lease liabilities		**99**	–
		1,512,855	1,446,831
Net current assets		**4,921,833**	4,958,686
Total assets less current liabilities		**5,529,211**	5,792,827
Non-current liabilities			
Bank and other borrowings		**14,788**	288,184
Finance lease liabilities		**181**	–
Deposit received		**–**	35,389
Amounts due to shareholders		**376,659**	346,247
Deferred tax liabilities		**252,790**	252,790
		644,418	922,610
Net assets		**4,884,793**	4,870,217

	Notes	2006 HK$'000	2005 HK$'000
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	12	**682,090**	681,633
Reserves		**3,295,378**	3,239,502
		3,977,468	3,921,135
Minority interests		**907,325**	949,082
Total equity		**4,884,793**	4,870,217

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 1, 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, operations of web sites and related services, provision of information technology services, provision of financial information and related services, and distance learning and application 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 ("HK-Ints") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the requirements of the Hong Kong Companies Ordinance. 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. BASIS OF PREPARATION

The 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 value.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statement. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates.

3. ADOPTION OF NEW OR AMENDED HKFRSs

From 1 January 2006, the Group has adopted all the new and amended HKFRSs which are first effective on 1 January 2006 and relevant to the Group. The adoption of these HKFRSs has resulted in changes in the Group's accounting policies on financial guarantee contracts. Other than this, the adoption of these new and amended HKFRSs did not result in significant changes in the Group's and Company's accounting policies.

Amendments to HKAS 39 Financial Instruments: Recognition and Measurement - Financial Guarantee Contracts

The amendments to HKAS 39 require an entity to account for certain financial guarantee contracts in accordance with that standard. To comply with the requirements of the amended HKAS 39, the Group has adopted a new accounting policy to recognise financial guarantee contracts. On initial recognition, these contracts are measured at fair value and they are subsequently stated at the higher of:

– the amount initially recognised less where appropriate, cumulative amortisation recognised in accordance with the Group's revenue recognition policies; and

– the amount of the obligation under the contract, as determined in accordance with HKAS 37 "Provision, Contingent Liabilities and Contingent Assets" ("HKAS 37")

Prior to this new accounting policy, the Group disclosed the financial guarantees issued as contingent liabilities in accordance with HKFRS 4 "Insurance Contracts" and HKAS 37. Provisions for the Group's liabilities under the financial guarantee contracts were made when it was more likely than not that the guaranteed party would default and the Group would incur outflow of resources embodying economic benefits.

This new accounting policy has been applied retrospectively to the extent that the financial guarantee contracts were in existence at 1 January 2005 (i.e. the date when HKAS 39 was initially adopted by the Group). The adoption of the amendments to HKAS 39 has no material effect to the financial statements for the current and prior years, thus, no adjustment to prior periods has been made.

New or amended HKFRSs that have been issued but are not yet effective

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

HKAS 1 (Amendment)	Capital Disclosures [1]
HKFRS 7	Financial Instruments: Disclosures [1]
HKFRS 8	Operating Segments [2]
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies [3]
HK(IFRIC)-Int 8	Scope of HKFRS 2 [4]
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives [5]
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment [6]
HK(IFRIC)-Int 11	Group and Treasury Share Transactions [7]
HK(IFRIC)-Int 12	Service Concession Arrangements [8]

Note:

1 Effective for annual periods beginning on or after 1 January 2007
2 Effective for annual periods beginning on or after 1 January 2009
3 Effective for annual periods beginning on or after 1 March 2006
4 Effective for annual periods beginning on or after 1 May 2006
5 Effective for annual periods beginning on or after 1 June 2006
6 Effective for annual periods beginning on or after 1 November 2006
7 Effective for annual periods beginning on or after 1 March 2007
8 Effective for annual periods beginning on or after 1 January 2008

4. REVENUE/TURNOVER AND OTHER OPERATING INCOME

		2006	2005
		HK$'000	*HK$'000*
(a)	**The Group's turnover represents revenue from:**		
	Distance learning and application services	**8,267**	15,920
	Information technology business	**585,214**	129,448
	Property management	**2,140**	3,004
	Provision of financial information and related services	**24,917**	5,517
	Sale of properties	**1,477,824**	–
	Others	**875**	954
		2,099,237	154,843
(b)	**Other operating income:**		
	Interest income	**2,545**	1,355
	Dividend income	**119**	46
	Write-back of provision for a doubtful debt	**–**	4,290
	Net fair value gain on financial assets at fair value through profit or loss	**411**	–
	Sundry income	**4,112**	4,411
		7,187	10,102

5. 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) Provision of financial information and related services

(b) Information technology business

(c) Property development

(d) Distance learning and application services

(e) Other segment include the corporate, trading of securities, property management and culture and media.

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 and related services, information technology business and distance learning and application services. Inter-segment revenue is determined by directors and is based on pricing policies similar to those contracted with independent third parties, where applicable.

There were no inter-segment transactions between segments for the year ended 31 December 2005.

5(a). BUSINESS SEGMENTS

	2006						
	Provision of financial information and related services *HK$'000*	**Information technology business** *HK$'000*	**Property development** *HK$'000*	**Distance learning and application services** *HK$'000*	**Other segments** *HK$'000*	**Elimination** *HK$'000*	**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	269,778	5,149	(6,245)	–	112,334
Interest income							2,545
Unallocated corporate expenses							(47,538)
Finance costs							(41,822)
Share of results of associates							2,055
Profit before income tax							27,574
Income tax expense							(62,276)
Loss for the year							(34,702)
Segment assets	27,226	687,739	6,174,374	33,171	41,089	–	6,963,599
Unallocated assets							59,500
Interest in associates							18,967
Total assets							7,042,066
Segment liabilities	(18,666)	(113,483)	(648,326)	(2,401)	(50,729)	–	(833,605)
Loan liabilities							(474,159)
Unallocated liabilities							(849,509)
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

	2005						
	Provision of financial information and related services *HK$'000*	Information technology business *HK$'000*	Property development *HK$'000*	Distance learning and application services *HK$'000*	Other segments *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Segment revenue							
Sales to external customers	5,517	128,939	–	15,919	4,468	–	154,843
Segment results	(6,554)	55,849	(15,725)	10,402	(5,194)	–	38,778
Interest income							1,355
Net gain on disposal and dissolution of subsidiaries							14,086
Excess of the Group's interest in the net fair value of net assets acquired over cost arising from business combination							30,289
Unallocated corporate expenses							(16,615)
Finance costs							(17,087)
Share of results of associates							1,050
Profit before income tax							51,856
Income tax credit							4,150
Profit for the year							56,006
Segment assets	328,688	441,983	5,984,429	54,579	20,786	–	6,830,465
Unallocated assets							353,662
Interest in associates							55,531
Total assets							7,239,658
Segment liabilities	(17,368)	(77,439)	(601,574)	(2,094)	(376,604)	–	(1,075,079)
Loan liabilities							(930,846)
Unallocated liabilities							(363,516)
Total liabilities							(2,369,441)
Other information							
Capital expenditure	395	39,287	74,178	167	607	–	114,634
Depreciation	278	5,530	68	299	66	–	6,241
Amortisation	–	1,127	–	–	–	–	1,127
Other non-cash expenses	108	1,630	–	–	114	–	1,852

5(b). GEOGRAPHICAL SEGMENTS

	2006				
	Europe, other than United Kingdom ***HK$'000***	**Hong Kong** ***HK$'000***	**Mainland China** ***HK$'000***	**Other** ***HK$'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**

	2005				
	Europe, other than United Kingdom *HK$'000*	Hong Kong *HK$'000*	Mainland China *HK$'000*	Other *HK$'000*	Total *HK$'000*
Segment revenue					
Sales to external customers	–	–	153,379	1,464	154,843
Other segment information					
Segment assets	632	1,008,607	6,230,419	–	7,239,658
Capital expenditure	–	22	114,612	–	114,634

6. FINANCE COSTS

	2006 HK$'000	2005 HK$'000
Interest on convertible notes	**–**	4,150
Interest on bank loans and overdrafts	**44,968**	34,697
Interest on other loans (wholly repayable within five years)	**5,069**	1,487
Interest on other payables	**8,238**	31,538
Interest on finance leases	**17**	–
Interest on amounts due to shareholders	**30,411**	10,137
Total interest expenses	**88,703**	82,009
Less: Amount directly attributable to properties held for and under development capitalised	**(46,881)**	(64,922)
	41,822	17,087

7. PROFIT BEFORE INCOME TAX

	2006 HK$'000	2005 HK$'000
Profit before income tax is arrived at after charging:		
Amortisation of intangible assets other than goodwill (included in other operating expenses)	**13,532**	1,127
Auditors' remuneration	**3,957**	2,600
Cost of provision of information technology business	**77,743**	20,662
Cost of provision of financial information and related services	**6,741**	2,769
Cost of provision of proprietary software	**1,923**	–
Cost of sale of properties	**1,178,453**	–
Cost of inventories sold – consumer electronic products	**–**	536
Cost of inventories sold – distance learning materials	**3,515**	1,467
Cost of provision of property management services	**1,164**	1,451
Cost of sales and services provided	**1,269,539**	26,885
Depreciation on property, plant and equipment	**19,369**	6,241
Fair value (gain)/loss on financial assets at fair value through profit or loss	**(411)**	121
Gain on partial disposal of an associate	**(1,358)**	–
Loss on disposal and write off of property, plant and equipment	**4,086**	254
Loss on partial disposal of a subsidiary	**1,017**	–
Net foreign exchange (gain)/loss	**(3,692)**	4
Operating lease charges on:		
– land and buildings	**36,575**	12,898
– prepaid land lease	**270**	525
Provision for impairment of receivables	**16,663**	747

8. INCOME TAX EXPENSE/(CREDIT)

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

For the year ended 31 December 2005, the Group did not derive any assessable profit subject to Hong Kong profits tax.

PRC Enterprise Income Tax ("EIT") has been provided on the estimated assessable profits of subsidiaries operating in Mainland China at 33% (2005: 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 Mainland China with Foreign Investment and Foreign Enterprises and are entitled to full exemption from EIT for the 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 not in their tax holiday period and located in the Beijing Economic-Technological Development Area are entitled to preferential PRC EIT rate of 15%.

	2006 HK$'000	2005 HK$'000
The tax charge/(credit) comprises:		
Current tax		
– Hong Kong profits tax		
Under-provision in respect of prior years	**18**	–
– Overseas tax		
Overprovision in respect of prior years	**(1,490)**	–
Tax charge for the year	**63,748**	24
Tax credit for the year	**–**	(4,174)
	62,276	(4,150)

9. **EARNINGS PER SHARE**

The calculation of basic earnings per share is based on the profit attributable to the equity holders of the Company of HK$21,881,000 (2005: HK$20,630,000) and on the weighted average of 68,185,615,383 (2005: 43,985,491,051) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the Group's 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 the year, 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 is calculated based on the weighted average of 68,185,615,383 ordinary shares in issue during the year 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.

Diluted earnings per share for the year ended 31 December 2005 was not presented because the impact of the exercise of the convertible notes and share options was anti-dilutive.

10. **TRADE RECEIVABLES**

	Group	
	2006	2005
	HK$'000	*HK$'000*
Trade receivables analysed according to aging:		
0-90 days	**52,060**	23,814
91-180 days	**3,631**	81,514
181-270 days	**58,646**	29,416
271-360 days	**1,468**	2,319
Over 360 days	**69,061**	58,625
Trade receivables, gross	**184,866**	195,688
Less: Provision for impairment of receivables	**(29,654)**	(18,007)
Trade receivables, net	**155,212**	177,681

The Group's sales are entered into on credit terms ranging from 30 to 60 days. The Group encountered difficulties in collection of certain trade debts and appropriate provision for impairment of receivables has been made.

11. **TRADE PAYABLES**

	Group	
	2006	2005
	HK$'000	*HK$'000*
Trade payables analysed according to aging:		
0-90 days	**11,585**	3,890
91-180 days	**1,862**	324
181-270 days	**383**	354
271-360 days	**333**	38
Over 360 days	**4,831**	2,728
	18,994	7,334

12. **SHARE CAPITAL**

	Number of ordinary shares of HK$0.01 each	*HK$'000*
Authorised:		
At 1 January 2005, 31 December 2005 and **31 December 2006**	**500,000,000,000**	**5,000,000**
Issued and fully paid:		
At 1 January 2005	29,931,804,183	299,318
Conversion of convertible notes	11,111,111,111	111,111
Issue of shares	27,120,395,500	271,204
At 31 December 2005 and 1 January 2006	68,163,310,794	681,633
Issue of shares	45,725,000	457
At 31 December 2006	68,209,035,794	682,090

During the year, the issued share capital of the Company was increased from HK$681,633,000 to HK$682,090,000 due to the exercise of share options by the directors and senior management.

13. **COMPARATIVE FIGURE**

Certain comparative figures have been reclassified to conform with the 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 2006 (2005: Nil).

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on 31 May 2007. 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 2007.

CLOSURE OF REGISTER

The register of members will be closed from 23 May 2007 to 31 May 2007, 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, Abacus Share Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 22 May 2007.

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 and distance learning services. As of 31 December 2006, turnover for the year was HK$2,099.2 million (2005: HK$154.8 million) and a net loss of HK$34.7 million (2005: a net profit of HK$56 million) was recorded. The net assets value of the Group amounted to approximately HK$4,884.8 million (2005: HK$4,870.2 million), representing a value of HK$0.058 per share.

The net loss recorded in 2006 was mainly due to the one-off write off of accumulated goodwill amounted to approximately 290 million which is generated from the business of provision of financial information services. The main reason for writing off the goodwill was due to the change of business strategic plans. Without taking into account of the write off of goodwill, the Group should have a net profit of HK$255.1 million in 2006. In consideration of the improving business performance and foreseeable financial strength, the Company believes that the write off of goodwill will be beneficial for its growth in long-term.

Property Development

During the year, turnover was HK$1,477.8 million (2005: Nil), and a net profit was HK$269.8 million (2005: Nil). The entire turnover and profit were from the sale of the first phase of The Peninsula in Shekou, Shenzhen.

The first phase of The Peninsula was launched for sale in February 2006. All 1,012 units having total gross floor area of approximately 140,000 sq.m were sold out in five days at an average price of approximately RMB11,500 per sq.m., having the total sales proceeds of RMB1.5 billion.

The Peninsula consists of five phases. The second phase of The Peninsula will provide residential units having the total gross floor area of approximately 220,000 sq.m.. The construction works of the second phase will roll out in full scale in 2007, and it is expected to be launched for sale to the market in early 2008. The Peninsula will continue to generate stable and strong cashflow for the Company in the coming years.

40% of the sales revenue generated from the sale of the first phase of The Peninsula was attributed to a project cooperation partner, but the Company will solely develop the second phase. By the taking the increasing property price in Shenzhen into account, it is expected that both the sales revenue and profit attributable to the Company will increase substantially.

In addition to The Peninsula, the Guangzhou project will be developed a mega sized international contemporary commercial and residential community integrating cultural recreations and commercial amenities. The total gross floor area is approximately 1 million sq.m.. The overall planning is undergoing application procedures, and the designing stage for the first phase is in progress. The first phase construction works will start in the third quarter of 2007.

Corporate IT Application Services

During the year, the Company through the corporate IT application services sector of Sino-i to maintain steady and rapid growth. This division was recorded a turnover of HK$585.2 million (2005: HK$128.9 million (4 months) and a net profit of HK$126.8 million (2005: HK$55.8 million (4 months)). The increase of turnover and the net profit of the Company was mainly due to the increment demand of IT services and products by the SMEs and our successful operating strategy.

The continuing increment of IT investment have become the focusing areas in the IT market. Resulting from the long-term cooperation with those SMEs, and continuing introduction of innovative products and provision of comprehensive services by the Company, the performance of the Company remained extraordinary in the highly competitive market.

The Company will continue to improve its marketing and sales, technological R&D and service operation etc., to increase innovation, to reallocate internal resources for synergies, and to enhance operating efficiency.

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

CE Dongli has been following the concept of "Customer Oriented", providing clients with high quality products and services through its nationwide business network. With its outstanding performance, CE Dongli has been awarded and has drawn the attention of the competitors:

- No.1 Brand for China Enterprises IT Application Services;
- Top 10 Growing Enterprises by Fortune China;
- Integrity Enterprise in Information Industry of China for two consecutive years;
- China Best Growing Enterprises in IT;
- China Best Service Provider in e-Commerce;
- China IT Innovation Enterprise in China for two consecutive years;
- China IT Annual Innovation Enterprise Reward;
- Informationalize Influence China IT 2006 Annual Contribution Award;
- Users Most Satisfied IT Application Service Provider;
- Excellent IT Outsourcing Service Provider in China;
- Best Brand of Internet Application Service Provider in 2005;

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

As an operator of basic application service for corporate information, Xinnet strengthened its distributor channels. At present, Xinnet has established 27 branches over the country, and has more than 10,000 distributors.

In view of Xinnet's main businesses, it is ranked the first in both ownership and registration of domain names in China. In addition, Xinnet was awarded 2006 "Golden Registration" service provider of CN domain names, and 2006 "Golden Registration" service provider of Chinese domain name by CNNIC. "Free post" of Xinnet was accredited a special prize by China Internet Meeting.

Financial Information Services

北京世華國際金融信息有限公司 (Beijing Shihua International Financial Information Company Limited) ("Shihua") was engaged in financial information services sector. During the year, this division was recorded a turnover of HK$39.6 million (2005: HK$5.5 million (4 months)) and a net loss of HK$283.1 million (2005: HK$6.6 million (4 months)).

Shihua continued to focus on financial information service business. By means of streamlining information exchange, professional contents and analysis, and real-time information delivery, Shihua could provide accurate and detailed financial information for the information market in China.

Distance learning services

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") was engaged in distance learning services sector. During the year, this division was recorded a turnover of HK$17.6 million (2005: HK$15.9 million (4 months)) and a net profit of HK$5.1 million (2005: HK$10.4 million (4 months)).

In 2006, Chinese Dadi had developed more than 300 education software for clients. It also established comprehensive and in-depth collaborations with more than 20 provincial and municipal examination authoritative organizations, and established its branch offices in 8 major cities in China. Chinese Dadi has more than 800,000 registered on-line education users. The average daily page view of its website reached 3.46 million times, and reached 4.75 million times at peak hours.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL

The Group continues to adopt prudent funding and treasury policies. As at 31 December 2006, the net assets value of the Group attributable to the equity shareholders amounted to approximately HK$3,977.5 million (2005: HK$3,921.1 million), including cash and bank balances of approximately HK$108.6 million (2005: HK$98.1 million) which was denominated mainly in Renminbi and Hong Kong dollars. As at 31 December 2006, the Group's bank borrowings and other borrowings (including shareholders' loan) respectively were HK$474.2 million and HK$850.8 million (2005: HK$930.8 million and HK$1,277.1 million respectively). For the Group's bank and other borrowings, approximately HK$225.4 million were bearing interest at fixed rates while approximately HK$248.8 million were bearing interest at floating rates. The gearing ratio of the Group, measured on the basis of total bank and other borrowings (excluding shareholders' loan) as a percentage of equity attributable to equity holders of the Group substantially decreased to 11.9% (21.4% including shareholders' loan) as of 31 December 2006 from 23.7% (32.6% including shareholders' loan) as at 31 December 2005.

As at 31 December 2006, the Group's contingent liabilities at 31 December 2006 were HK$104.8 million due to the guarantees given in connection with credit facilities.

As at 31 December 2006, the Group's credit facilities were supported by the following:

(a) charge over properties held for and under development with land lot no. K708-0005 at Liu Wan, Shekou, and shares in certain subsidiaries of the Company;

(b) pledge of bank deposits of HK$22.3 million;

(c) charge over prepaid lease payment for leasehold land with a net carrying value of HK$13.7 million;

(d) personal guarantee given by Mr. Yu Pun Hoi;

(e) guarantee given by a third party of RMB263.5 million;

(f) pledge of certain interests in the Company by some shareholders; and

(g) pledge of Sino-i shares to certain securities brokers, the total of which represents about 19.6% (2005: 13.8%) of total interest in Sino-i.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATE

As the majority of the Group's borrowings and transactions are denominated in Hong Kong dollars, US dollars and Renminbi, the Group's exposure to exchange rate fluctuations is relatively insignificant. In general, the Group mainly utilizes its Renminbi income receipt for operating expenditures in China and has not used 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. At 31 December 2006, the Group had approximately 7,457 employees (2005: 6,603 employees). The salaries and allowance of employees for the year ended 31 December 2006 was approximately HK$272 million (2005: HK$58 million).

PROSPECT

The sale of the first phase of The Peninsula has marked the success of the Company in property business. Furthermore, the progressive progress of the Guangzhou project also indicates that it will bring the Company in strong cash flow in the years to come.

The Company will maintain its successful business model in the first phase of The Peninsula for its property business, and also spend more energy to cope with the new regulations derived from the government's macroeconomic policies. The Company optimistically believes that development potentiality in the property market in China remains healthy and stable. The foregoing two property projects are expected to bring the Company in substantial profit in the next five years.

Meanwhile, the Company has been focusing on expanding its land reserve for continuing its property development business in the future, and maintaining a long term, stable and remarkable returns. The Company will prudently expand its land reserve, and will develop it in an efficient manner.

Through its listed subsidiary, Sino-i, the Company will continue to focus on the IT application and culture and media 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 our own software solutions will further strengthen our leading position in the e-commerce sector.

It is expected that the financial information market will keep on growing steadily in the future. Being one of the main participants in this market, Shihua has expanded rapidly by providing FOREX information for the banking sector, and currently has secured a major market share in this sector. Base on its experience in foreign exchange and futures information market, Shihua will launch such comprehensive solutions as interim or advanced terminal securities products, treasury e-products and etc. Having the advantage of more detailed professional information and analysis contents, and advanced technologies and service platform, Shihua is confident of becoming a leader in developing the financial information market in China. Moreover, financial governing authorities in China have placed financial reform as the top priority. The Company believe the market environment will improve significantly in the coming years, and have high confidence on better performance in our financial information business.

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

In 2006, the Company through Sino-i involved in the business of digital cinema development and operation in China. The initial ten cinemas established in the first quarter in 2007 have posted encouraging results. By running those ten cinemas, the Company have attained solid experiences in the industry, and developed a successful business model. The Company strongly believe that the huge market potential of digital cinema operation in China will offer excellent business opportunities to the Group in the next few years.

CORPORATE GOVERNANCE

In the opinion of the directors of the board (the "Board"), the Company has complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2006, except for the deviations mentioned below:

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

The Company has not appointed a chief executive officer. The role of the chief executive officer 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 chief executive officer 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 have been agreed by the Company's auditors, Grant Thornton, to the amounts set out in the Group's consolidated financial statement 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 Engagement 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 SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold or redeemed any of the Company's shares during the year.

By order of the Board
Yu Pun Hoi
Chairman

Hong Kong, 19 April 2007

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 directors:	*Mr. Yu Lin Hoi and Mr. Lam Bing Kwan*
Independent non-executive directors:	*Mr. Huang Yaowen, Prof. Jiang Ping and Mr. Lau Yip Leung*

"Please also refer to the published version of this announcement in The Standard."