

NAN HAI CORPORATION LIMITED

南海控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 680)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

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 2007 together with the comparative figures for 2006 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED

For the six months ended 30 June 2007

| | | For the six months ended 30 June | |
|--|-------|-------------------------------------|------------------|
| | Notes | 2007 HK\$'000 | 2006 HK\$'000 |
| Revenue/Turnover | 3 | 342,548 | 302,873 |
| Cost of sales and services provided | | (42,821) | (42,982) |
| Gross profit | | 299,727 | 259,891 |
| Other operating income | 4 | 5,289 | 4,604 |
| Selling and marketing expenses | | (109,248) | (105,327) |
| Administrative expenses | | (117,641) | (93,348) |
| Other operating expenses | | (45,751) | (24,545) |
| Finance costs | | (23,092) | (21,359) |
| Share of results of associates | | – | 1,371 |
| Profit before income tax | 5 | 9,284 | 21,287 |
| Income tax expenses | 6 | (139) | (9,503) |
| Profit for the period | | 9,145 | 11,784 |
| Attributable to: | | | |
| Equity holders of the Company | | (26,099) | (15,421) |
| Minority interests | | 35,244 | 27,205 |
| Profit for the period | | 9,145 | 11,784 |
| | | HK cents | HK cents |
| Loss per share for loss attributable to the equity holders of the Company during the period | 7 | | |
| – Basic | | (0.038) | (0.023) |
| – Diluted | | N/A | N/A |

* For identification purpose only

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2007

| | (Unaudited) 30 June 2007 | (Audited) 31 December 2006 |
|---|--------------------------------|----------------------------------|
| | Notes | HK\$'000 |
| ASSETS AND LIABILITIES | | |
| Non-current assets | | |
| Property, plant and equipment | 142,340 | 56,358 |
| Prepaid land lease payments under operating leases | 13,955 | 13,675 |
| Interests in associates | – | 18,967 |
| Deposits | 295,561 | 274,617 |
| Available-for-sale financial assets | 324 | 324 |
| Intangible assets | 230,856 | 243,437 |
| | 683,036 | 607,378 |
| Current assets | | |
| Inventories | 5,867,467 | 5,353,841 |
| Financial assets at fair value through profit or loss | 7,113 | 7,256 |
| Trade receivables | 8 110,686 | 155,212 |
| Deposits, prepayments and other receivables | 853,764 | 809,765 |
| Pledged bank deposits | – | 22,282 |
| Cash and cash equivalents | 801,362 | 86,332 |
| | 7,640,392 | 6,434,688 |
| Current liabilities | | |
| Trade payables | 9 35,078 | 18,994 |
| Other payables and accruals | 758,752 | 707,051 |
| Deferred revenue | 57,022 | 61,573 |
| Amount due to a director | 6,378 | 3,141 |
| Amount due to a minority shareholder | 12,000 | 12,000 |
| Amounts due to shareholders | 5,006 | 5,006 |
| Amounts due to associates | 5,509 | 6,528 |
| Land premium payables | 132,504 | 173,284 |
| Provision for tax | 62,698 | 66,088 |
| Bank and other borrowings | 530,295 | 459,091 |
| Finance lease liabilities | 169 | 99 |
| | 1,605,411 | 1,512,855 |
| Net current assets | 6,034,981 | 4,921,833 |
| Total assets less current liabilities | 6,718,017 | 5,529,211 |

| | (Unaudited) 30 June 2007 | (Audited) 31 December 2006 |
|--|--------------------------------|----------------------------------|
| <i>Notes</i> | HK\$'000 | HK\$'000 |
| Non-current liabilities | | |
| Bank and other borrowings | 1,085,122 | 14,788 |
| Finance lease liabilities | 371 | 181 |
| Amounts due to shareholders | 391,864 | 376,659 |
| Deferred tax liabilities | 252,790 | 252,790 |
| | 1,730,147 | 644,418 |
| Net assets | 4,987,870 | 4,884,793 |
| EQUITY | | |
| Equity attributable to Company's equity holders | | |
| Share capital | 683,800 | 682,090 |
| Reserves | 3,345,035 | 3,295,378 |
| | 4,028,835 | 3,977,468 |
| Minority interests | 959,035 | 907,325 |
| Total equity | 4,987,870 | 4,884,793 |

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2007

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 under 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.

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 2006. As described in the annual financial statements for the year ended 31 December 2006, the following new standards, amendments to standards and interpretations are mandatory for financial year ending 31 December 2007:

| | |
|--------------------|---|
| HKAS 1 (Amendment) | Capital Disclosures |
| HKFRS 7 | Financial Instruments: Disclosures |
| HK(IFRIC) – Int 7 | Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies |
| 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 Group has carried out an assessment of these standards, amendments and interpretations and considered that they have no significant impact on these interim financial statements.

The following new standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted. The directors of the Company is currently assessing the impact of these 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.

| | |
|--------------------|--|
| HKAS 23 (Revised) | Borrowing Costs ¹ |
| HKFRS 8 | Operating Segments ¹ |
| HK(IFRIC) – Int 11 | Group and Treasury Share Transactions ² |
| HK(IFRIC) – Int 12 | Service Concession Arrangements ³ |

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

3. SEGMENT INFORMATION

- (a) The following analysis presents the Group's revenue, which is also the revenue and results for the Group's business segments for the six months ended 30 June 2007:

| | For the six months ended 30 June 2007 | | | | | | |
|---------------------------------|---|---|-------------------------------------|---|-------------------------------|-------------------------|-------------------|
| | 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 | 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 |

For the six months ended 30 June 2006

| | Provision of financial information and related services HK\$'000 | Information technology business development 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 | 16,793 | 277,899 | - | 6,510 | 1,671 | - | 302,873 |
| Segment results | (494) | 85,162 | (23,994) | (3,059) | 809 | - | 58,424 |
| Interest income | | | | | | | 1,858 |
| Unallocated corporate expenses | | | | | | | (19,007) |
| Finance costs | | | | | | | (21,359) |
| Share of results of associates | | | | | | | 1,371 |
| Profit before income tax | | | | | | | 21,287 |
| Income tax expense | | | | | | | (9,503) |
| Profit for the period | | | | | | | 11,784 |

- (b) The following analysis presents the Group's revenue, which is also the revenue and results for the Group's geographical segments for the six months ended 30 June 2007:

| | Revenue/Turnover For the six months ended 30 June | | Segment Profit/(Loss) For the six months ended 30 June | |
|--|---|------------------|---|------------------|
| | 2007 HK\$'000 | 2006 HK\$'000 | 2007 HK\$'000 | 2006 HK\$'000 |
| Hong Kong | - | - | 3,000 | (46) |
| The People's Republic of China ("PRC") | 342,548 | 302,873 | 64,430 | 58,090 |
| Other | - | - | - | 380 |
| | 342,548 | 302,873 | 67,430 | 58,424 |

4. OTHER OPERATING INCOME

| | For the six months ended 30 June | |
|---|-------------------------------------|--------------|
| | 2007 | 2006 |
| | HK\$'000 | HK\$'000 |
| Interest income | 807 | 1,858 |
| Net fair value gain on financial assets at fair value through profit or loss | 2,974 | – |
| Sundry income | 1,508 | 2,746 |
| | 5,289 | 4,604 |

5. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

| | For the six months ended 30 June | |
|--|-------------------------------------|----------|
| | 2007 | 2006 |
| | HK\$'000 | HK\$'000 |
| Amortisation of intangible assets | 10,822 | 5,827 |
| Depreciation on property, plant and equipment | | |
| – Owned assets | 8,532 | 6,266 |
| – Leased assets | 85 | 33 |
| Loss on disposal and dissolution of subsidiaries and an associate | 7,685 | – |
| Operating lease charges on prepaid land lease | 141 | 134 |

6. INCOME TAX EXPENSES

Income tax expenses in the condensed consolidated income statement represent:

| | For the six months ended 30 June | |
|----------------------------------|-------------------------------------|--------------|
| | 2007 | 2006 |
| | HK\$'000 | HK\$'000 |
| PRC Enterprise Income Tax | | |
| Current tax – tax for the period | 139 | 9,503 |
| | 139 | 9,503 |

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 2006: Nil).

PRC Enterprise Income Tax ("EIT") has been provided on the estimated assessable profits of the subsidiaries operating in Mainland China at 33% (6 months ended 30 June 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 Enterprise 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%.

Pursuant to the PRC Enterprise Income Tax Law (the "New Law") passed by the Tenth National People's Congress on 16 March 2007, the PRC EIT rates for domestic and foreign enterprises will be unified at 25% effective from 1 January 2008. The impact of the New Law on the Group's consolidated financial statements will depend on the detailed implementation rules and regulations which however have not been issued as of the date these condensed consolidated interim financial statements was approved. Therefore the Group cannot reasonably estimate the financial impact of the New Law on the Group at this stage. The Group will continue to evaluate the impact when more detailed regulations are announced.

7. 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\$26,099,000 (6 months ended 30 June 2006: HK\$15,421,000) and on the weighted average number of 68,255,698,639 (6 months ended 30 June 2006: 68,178,424,054) ordinary shares in issue during the period.

Diluted loss per share for the six months ended 30 June 2006 and 30 June 2007 were not presented because the impact of the exercise of the share options was anti-dilutive.

8. TRADE RECEIVABLES

The Group's sales are entered into on credit terms ranging from 30 to 60 days. The aging analysis of trade receivables was as follows:

| | 30 June 2007 HK\$'000 | 31 December 2006 HK\$'000 |
|--|--|---------------------------------|
| 0-90 days | 94,351 | 52,060 |
| 91-180 days | 2,604 | 3,631 |
| 181-270 days | 4,175 | 58,646 |
| 271-360 days | 1,577 | 1,468 |
| Over 360 days | 44,591 | 69,061 |
| Trade receivables, gross | 147,298 | 184,866 |
| <i>Less: Provision for impairment of receivables</i> | (36,612) | (29,654) |
| Trade receivables, net | 110,686 | 155,212 |

9. TRADE PAYABLES

The aging analysis of trade payables was as follows:

| | 30 June 2007 HK\$'000 | 31 December 2006 HK\$'000 |
|---------------|--|---------------------------------|
| 0-90 days | 20,545 | 11,585 |
| 91-180 days | 5,010 | 1,862 |
| 181-270 days | 4,867 | 383 |
| 271-360 days | 189 | 333 |
| Over 360 days | 4,467 | 4,831 |
| | 35,078 | 18,994 |

10. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current period's presentation.

INTERIM DIVIDEND

The directors do not recommend the declaration of the payment of an interim dividend for the six months ended 30 June 2007 (30 June 2006: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period, the Group was principally engaged in property development, and through its listed subsidiary, Sino-i Technology Limited ("Sino-i"), engaged in information technology business, provision of financial information and related services; and distance learning and application services. Turnover for the period was HK\$342.5 million (6 months ended 30 June 2006: HK\$302.9 million) and a net loss attributable to equity holders of the Company of HK\$26.1 million (6 months ended 30 June 2006: HK\$15.4 million) was recorded. The net asset value of the Group attributable to equity holders amounted to approximately HK\$4,028.8 million, representing a value of HK\$0.06 per share.

Property Development

During the period, there was no turnover (6 months ended 30 June 2006: Nil), and a net loss of HK\$10.8 million (6 months ended 30 June 2006: HK\$24.0 million) were recorded.

There are a total of 5 phases for The Peninsula, a large scale property project in Shekou, China. Subsequent to the extraordinary success in selling of the first phase in 2006, the second phase of The Peninsula is set for pre-sale in mid-2008. The saleable floor area of the second phase is approximately 200,000 m². The construction works of the second phase have been rolled out in full scale. In view of the continuing boom property market in China, The Peninsula will 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 m². 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 in the fourth quarter of 2007 and is set for pre-sale in the second half of 2008.

Information Technology Business

During the period, this division recorded an increase in turnover of 17.3% to HK\$326.0 million (6 months ended 30 June 2006: HK\$277.9 million) and a segment profit of HK\$99.4 million (6 months ended 30 June 2006: HK\$85.2 million).

Both the number of SMEs and their increasing IT investment have become the focus of the IT solution providers. Resulting from the long-term business relationships with SMEs, and continuing introduction of innovative products and provision of comprehensive services by the Group, the Group continued to post strong performance in this highly competitive market.

The Group will continue to improve its business strategies, marketing and sales, technological research and development and service operation etc.; to increase innovation; to reallocate internal resources to create synergies; and to enhance operating efficiency.

Provision of Financial Information and Related Services

During the period, this division recorded a turnover of HK\$9.2 million (excluding inter-segment sales) (6 months ended 30 June 2006: HK\$16.8 million) and a segment profit of HK\$0.8 million (6 months ended 30 June 2006: segment loss of HK\$0.5 million).

北京世華國際金融信息有限公司 (Beijing Shihua International Financial Information Company Limited) (“Shihua”), a subsidiary of Sino-i, provides real-time and archived financial information, data, pricing, professional research and objective analysis to financial institutions and investors in China. Shihua’s terminal and information subscription service is a comprehensive financial information platform in China; distributing information and data on domestic and global economy, futures, bonds, stock, FOREX markets, as well as key domestic industries. Shihua commands strong market shares in the financial information market in China. Its terminal and information subscription services provide information solutions specifically designed for banks, other financial institutions, educational institutions, enterprises as well as individual investors and the media.

Distance Learning and Application Services

During the period, this division recorded a turnover of HK\$3.1 million (6 months ended 30 June 2006: HK\$6.5 million) and a segment loss of HK\$4.1 million (6 months ended 30 June 2006: HK\$3.1 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”), a subsidiary of Sino-i, had developed more than 300 education software for clients. It also established comprehensive and in-depth collaborations with 29 provincial and municipal examination authoritative organizations, and established its branch offices in 8 major cities in China. Chinese Dadi has more than 940,000 registered on-line education users. The average daily page view of its website reached 5.8 million times, and reached 7.2 million times at peak hours.

The management is closely monitoring the development of this division of business and is determined to 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 2007, the net asset value of the Group attributable to the equity holders amounted to approximately HK\$4,028.8 million (2006: HK\$3,977.5 million), including cash and bank balances of approximately HK\$801.4 million (2006: HK\$108.6 million) which were denominated mainly in Renminbi and Hong Kong dollars. As at 30 June 2007, the Group's bank and other borrowings were HK\$1,616.0 million (HK\$2,007.8 million including shareholders' loan) (2006: HK\$474.2 million; (HK\$850.8 million including shareholders' loans)). For the Group's bank and other borrowings, approximately HK\$171.0 million were bearing interest at fixed rates while approximately HK\$1,445.0 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 Company substantially increased to 40.1% (49.8% including shareholders' loan) as at 30 June 2007 from 11.9% (21.4% including shareholders' loan) as at 31 December 2006.

As at 30 June 2007, the Group's contingent liabilities were HK\$77.0 million due to the guarantees given in connection with credit facilities.

As at 30 June 2007, the Group's credit facilities were secured by the following:

- (a) charge over certain properties held for development at Liu Wan, Shekou, and at Huadu, Guangzhou;
- (b) charge over leasehold properties at Beijing;
- (c) charge over land use right with a net carrying value of HK\$14.0 million;
- (d) personal guarantee given by Mr. Yu Pun Hoi;
- (e) guarantee given by a third party of RMB353.5 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% (2006: 19.6%) of total interest in Sino-i.

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. In general, salary review is conducted annually. At 30 June 2007, the Group had approximately 8,727 employees (as at 30 June 2006: 6,620 employees). The salaries of and allowances for employees for the period ended 30 June 2007 were approximately HK\$157.8 million (6 months ended 30 June 2006: HK\$129.6 million).

PROSPECT

The sale of the first phase of The Peninsula has marked the great success of the Group in property business in China. The remaining four phases of The Peninsula together with mega-sized Guangzhou project are expected to provide strong cash flow in the years to come.

Huge demand in the China property market had driven property price to new high in the first half of 2007, especially in southern China. The Group envisages that the property market in China will remain healthy, and that strong demand for residential properties will continuously be backed by strong economic growth in China. 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 service in China.

CE Dongli Technology Group Company Limited, a subsidiary of Sino-i, 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 leading position in the e-commerce sector.

The China financial market has been growing rapidly. Increasing varieties of financial instruments are expected to introduce into the market in order to cope with the more mature and sophisticated investors. Naturally, Shihua see increasing demand for contents with more sophisticated and industry specific analysis or reports to meet the investors needs. 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 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 Group believes that distance learning will become one of its key business sectors.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the six months ended 30 June 2007.

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 six months ended 30 June 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 separate and should not be performed by the same individual.

The Company has not appointed a CEO. The role of the CEO is also performed by Mr. Yu Pun Hoi who is the chairman of the Company. The Board believes that vesting the roles of both chairman and CEO in the same person provides the Company with strong and consistent leadership, and allows for effective and efficient planning and implementation of business decisions and strategies.

Code Provision A.4.1 stipulated that non-executive directors should be appointed for a specific term subject to re-election.

The non-executive directors of the Company are not appointed for a specific term. However, all non-executive directors are subject to the retirement and rotation requirements in accordance with the Company's Bye-Laws. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

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.

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 2007.

AUDIT COMMITTEE

The Audit Committee comprises all the independent non-executive directors, 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 and discussed the financial control, internal control and risk management systems including the review of the unaudited interim results for the six months ended 30 June 2007.

By order of the Board
Yu Pun Hoi
Chairman

Hong Kong, 19 September 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