

NAN HAI CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 680)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2005

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 2005, together with the comparative figures for the year ended 31 December 2004 as follows:

Consolidated income statement

For the year ended 31 December 2005

		2005	(Restated) 2004
	Notes	HK\$'000	HK\$'000
Revenue	3	154,843	1,215
Cost of sales and services provided		(26,885)	(1,569)
Gross profit/(loss)		127,958	(354)
Other operating income	3	10,102	17,523
Excess of the Group's interest in the net fair value of net assets acquired over cost arising from business combination		30,289	–
Gain/(Loss) on disposal and dissolution of subsidiaries		14,086	(177)
Engineering expenses		–	(65)
Administrative expenses		(89,485)	(10,345)
Other operating expenses		(25,057)	(219)
Profit from operations	5	67,893	6,363
Finance costs	6	(17,087)	(4,539)
Share of results of associates		1,050	1,244
Profit before income tax		51,856	3,068
Income tax credit/(expense)	7	4,150	(21)
Profit for the year		56,006	3,047
Profit attributable to:			
Equity holders of the Company		20,630	3,047
Minority interests		35,376	–
Profit for the year		56,006	3,047

		<i>HK cents</i>	<i>HK cents</i>
Earning per share			
– Basic	8	<u>0.0469</u>	<u>0.0102</u>
– Diluted		<u>N/A</u>	<u>N/A</u>
Consolidated balance sheet			
<i>As at 31 December 2005</i>			
			(Restated)
		2005	2004
	<i>Notes</i>	HK\$'000	HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		43,927	315
Prepaid land lease payments under operating leases		13,440	–
Properties held for and under development		4,127,651	3,482,809
Interest in associates		49,379	229,068
Deposit for acquisition of investment		–	330,000
Available-for-sale investments		324	–
Intangible assets		494,864	(212,025)
		<u>4,729,585</u>	<u>3,830,167</u>
Current assets			
Inventories		3,868	6
Properties held for and under development		1,363,145	–
Investments at fair value through profit or loss		6,491	–
Trade receivables, other receivables and deposits	9	1,029,947	10,997
Cash at banks and in hand		98,112	1,039
		<u>2,501,563</u>	<u>12,042</u>
Current liabilities			
Trade payables, other payables and accruals	10	560,056	224,469
Amount due to a director		39,994	–
Amount due to a minority shareholder		12,000	–
Amount due to ultimate holding company		–	164,826
Amounts due to fellow subsidiaries		–	285,448
Amounts due to shareholders		5,006	–
Land premium payables		166,593	163,606
Provision for tax		12,010	74
Bank and other borrowings		642,662	348,839
Convertible notes		–	196,989
		<u>1,438,321</u>	<u>1,384,251</u>
Net current assets/(liabilities)		<u>1,063,242</u>	<u>(1,372,209)</u>
Total assets less current liabilities		<u>5,792,827</u>	<u>2,457,958</u>

Non-current liabilities		
Bank and other borrowings	288,184	–
Deposit received	35,389	34,755
Amounts due to shareholders	346,247	–
Deferred taxation	252,790	790
	<u>922,610</u>	<u>35,545</u>
Net assets	<u>4,870,217</u>	<u>2,422,413</u>
EQUITY		
Equity attributable to Company's equity holders		
Share capital	11 681,633	299,318
Reserves	3,239,502	2,123,095
	<u>3,921,135</u>	<u>2,422,413</u>
Minority interests	949,082	–
Total equity	<u>4,870,217</u>	<u>2,422,413</u>

Notes:

1. GENERAL INFORMATION

Nan Hai Corporation Limited (formerly known as “South Sea Holding Company Limited”) (the “Company”) was incorporated and domiciled in Bermuda as an exempted company with limited liability under the Companies Act 1981 of 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 Company and its subsidiaries (the “Group”) are principally engaged in property development, provision of information technology application services, provision of financial information and related services, and distance learning and application services.

Group reorganisation

The Company and Sino-i Technology Limited (“Sino-i”), the former ultimate holding company of the Group and a company listed on the Hong Kong Stock Exchange, put forward a shareholding restructure plan as detailed in the Company’s circular dated 23 March 2004. Pursuant to the shareholding restructure plan, the following events took place during the year:

- Convertible notes in the aggregate principal amount of HK\$200,000,000 issued by the Company, bearing interest at 1% per annum, were fully converted by the noteholder, Robina Profits Limited, a wholly owned subsidiary of Sino-i, into 11,111,111,111 ordinary shares of HK\$0.01 each of the Company at a conversion price of HK\$0.018 per share on 26 July 2005.
- On 26 July 2005, the authorised share capital of Sino-i was by virtue of a special resolution passed at an Extraordinary General Meeting of Sino-i held on 16 April 2004 and with the sanction of an order of the High Court dated 21 June 2005, reduced from HK\$3,000,000,000 divided into 30,000,000,000 ordinary shares of HK\$0.10 each to HK\$300,000,000 divided into 30,000,000,000 ordinary shares of HK\$0.01 each and that such reduction be effected by cancelling paid-up capital to the extent of HK\$0.09 upon each of the 19,914,504,877 fully-paid ordinary shares in issue.

At the same time, part of the share premium account of Sino-i was by virtue of a special resolution passed at an Extraordinary General Meeting of Sino-i held on 16 April 2004 and with the sanction of an order of the High Court dated 21 June 2005, reduced by HK\$433,541,063.

- (c) On 27 July 2005, the credit arising from the aforesaid reduction of nominal value of ordinary shares and share premium account (the “Sino-i’s Capital Reduction”) was then applied to effect a distribution of 31,377,831,111 ordinary shares of the Company held by Sino-i’s wholly-owned subsidiaries to Sino-i’s qualifying shareholders (the “Sino-i’s Distribution”) on the basis of 15,756 ordinary shares of HK\$0.01 each of the Company for every 10,000 ordinary shares of HK\$0.01 each of Sino-i. The remaining balance of 537,228 ordinary shares of the Company were disposed by Sino-i in the market. Upon the Sino-i’s Distribution, the Company ceased to be a subsidiary of Sino-i.
- (d) On 30 August 2005, a total number of 27,120,395,500 ordinary shares of HK\$0.01 each in the Company were allotted and issued as partial satisfaction of the consideration payable to the vendors following the completion of a sale and purchase agreement dated 29 December 2003 made between the Company as purchaser and (1) First Best Assets Limited, (2) Rosewood Assets Limited, (3) Pippen Limited, (4) Staverley Assets Limited, (5) 中信信息科技投資有限公司 (CITIC Information Technology Investment Company Limited), (6) Macro Resources Limited and (7) Empire Gate Industrial Limited as vendors in respect of the acquisition by the Company of 12,515,795,316 ordinary shares of HK\$0.01 each of Sino-i, representing approximately 62.85% of the total issued share capital of Sino-i. The market price of each of the Company’s share was HK\$0.038 as at 30 August 2005.

Upon the completion of the Group’s shareholding restructure plan, the Company became the ultimate holding company of Sino-i on 30 August 2005.

The assets, liabilities and results of Sino-i Group are consolidated into the financial statements of the Group under the purchase method.

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) as issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The financial statements include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

2. ADOPTION OF NEW OR REVISED HKFRS

From 1 January 2005, the Group has adopted for the first time the new or revised standards and interpretations of HKFRS, which are relevant to its operations. This includes the following new, revised and renamed standards:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets

HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transitional and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations

All the standards have been applied retrospectively except where specific transitional provisions require a different treatment and accordingly the 2004 financial statements and their presentation have been amended in accordance with HKAS 8. Due to the change in accounting policies, the 2004 comparatives contained in the financial statements differ from those published in the financial statements for the year ended 31 December 2004.

Significant effects on current, prior or future periods arising from the first-time application of the new or revised standards listed above in respect to presentation, recognition and measurement of accounts are described in the following notes:

2.1 Adoption of HKAS 1

The application of HKAS 1 has resulted in a change in the presentation of the financial statements. Minority interests are now included as a separate line item within equity. Profit and loss attributable to minority interests and that attributable to equity holders of the Company is now presented as an allocation of the net result of the year. In addition, in previous years, the Group's share of tax attributable to associates was included as a component of the Group's taxation charge/credit in the consolidated income statement. Upon the adoption of HKAS 1, the Group's share of the post-acquisition results of associates is presented net of the Group's share of tax attributable to associates.

2.2 Adoption of HKAS 17

Upon the adoption of HKAS 17, the land and buildings elements are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid land lease payments under operating leases, which are carried at cost and subsequently recognised in the income statement on a straight-line basis over the lease term. This change in accounting policy has been applied retrospectively. The retrospective adoption of HKAS 17 has no material effect to the financial statements for the prior years.

2.3 Adoption of HKAS 36, HKAS 38 and HKFRS 3

These standards stipulate a prospective change to the accounting policies:

Goodwill

In previous years, goodwill arising on acquisition prior to 1 January 2001 was eliminated against reserve in the year of acquisition and was not recognised in the income statement until disposal or impairment of the acquired business.

Goodwill arising on acquisition on or after 1 January 2001 was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment.

In accordance with the provisions of HKFRS 3, with respect to goodwill previously capitalised on the consolidated balance sheet, the amortisation of goodwill has ceased from 1 January 2005 and the accumulated amortisation at 31 December 2004 was eliminated against the original gross amount of goodwill. Goodwill is now subject only to annual testing for impairment as well as when there is an indication of impairment. The Group has allocated the carrying amount of its goodwill to its cash generating units.

In respect of goodwill previously eliminated against or credited to reserves, HKFRS 3 does not require entities to recognise that goodwill in profit or loss when it disposes of all or part of the business to which that goodwill relates or when a cash-generating unit to which the goodwill relates becomes impaired. Moreover, the Group is not required nor permitted to restate goodwill previously eliminated against reserves. Goodwill previously recognised in reserves as at 1 January 2005 continues to be held in reserves and will be transferred to retained profits at the time when the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

HKAS requires all disclosure and presentation rules regarding financial instruments to be applied retrospectively.

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss in the period in which the acquisition takes place.

In prior years, negative goodwill arising from acquisition prior to 1 January 2001 was credited to reserves, and those arising from acquisition after 1 January 2001 was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. In accordance with the relevant transitional provisions in HKFRS 3, the Group derecognised the carrying amounts of negative goodwill on 1 January 2005 against retained profits.

The effect of the above changes are summarised in note 2.7 and 2.8. In accordance with the transitional provision of HKFRS 3, comparative figures have not been restated.

Intangible assets

No adjustments to prior year financial statements were deemed to be necessary as a result of the reassessment of the useful lives of its intangible assets in accordance with the provision of HKAS 38.

2.4 Adoption of HKFRS 2

Prior to the adoption of HKFRS 2 on 1 January 2005, the Group did not recognise the financial effect of share options until they were exercised.

The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to directors and employees of the Company and/or its subsidiaries, determined at the date of grant of the share options, over the vesting period with a corresponding credit to equity, unless the transaction is cash settled share-based payment.

According to the transitional provisions of HKFRS 2, the Group applies HKFRS 2 retrospectively to share options that were granted after 7 November 2002 and had not vested on 1 January 2005.

As the Group did not have share options which were granted after 7 November 2002 and had not vested on 1 January 2005, the adoption of HKFRS 2 has no effect to the financial statements for the prior years.

2.5 Adoption of HKAS 32 and HKAS 39

On the adoption of HKAS 39, the Group classified its investments into the following categories: held-to-maturity, available-for-sale and fair value through profit or loss and measured its financial assets at either fair value or at amortised cost according to the classification. It also requires the recognition of derivative financial instruments at fair value.

In accordance with the transitional provisions of HKAS 39, it does not permit the recognition, derecognition and measurement of financial assets and liabilities in accordance with the standard on a retrospective basis. Accordingly, any adjustment to the previous carrying amount is recognised in the opening balance of retained earnings on 1 January 2005 and the comparative figures have not been restated.

In previous years, convertible notes were classified as liabilities on the balance sheet. HKAS 32 requires an issuer of a compound financial instrument that contains both financial liability and equity components to separate the compound financial instrument into liability and equity components on initial recognition and to account for these components separately. The liability component is subsequently measured at amortised cost using the effective interest method. The comparative figures have been restated.

HKAS 32 requires all disclosure and presentation rules regarding financial instruments to be applied retrospectively.

2.6 Other standards adopted

The adoption of other new or revised standards or interpretations did not result in significant changes to the Group's accounting policies. The specific transitional provisions contained in some of these standards were considered. The adoption of these other standards did not result in any changes to the amounts or disclosures in the financial statements.

2.7 The effect of changes in the accounting policies on consolidated income statement is summarised below:

	Effect of adopting				Total HK\$'000
	HKAS 1 [#] HK\$'000	HKAS 32 [#] and HKAS 39* HK\$'000	HKFRS 2 [#] HK\$'000	HKAS 36* and HKAS 38* and HKFRS 3* HK\$'000	
Year ended 31 December 2005					
Decrease in other operating income					
– Decrease in negative goodwill recognised as income	–	–	–	(14,089)	(14,089)
(Increase)/Decrease in administrative expenses					
– Decrease in amortisation	–	–	–	1,085	1,085
– Increase in staff cost and related expenses	–	–	(3,509)	–	(3,509)
Increase in finance costs					
– Increase in interest expenses of convertible notes	–	(3,011)	–	–	(3,011)
– Increase in interest expenses of amounts due to shareholders	–	(10,137)	–	–	(10,137)

Decrease in share of results of associates	(248)	-	-	-	(248)
Decrease in taxation	248	-	-	-	248
Total decrease in profit for the year	<u>-</u>	<u>(13,148)</u>	<u>(3,509)</u>	<u>(13,004)</u>	<u>(29,661)</u>
Decrease in basic earnings per share (in HK cents)	<u>N/A</u>	<u>(0.0299)</u>	<u>(0.0080)</u>	<u>(0.0296)</u>	<u>(0.0675)</u>
Decrease in diluted earnings per share	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Effect of adopting

	HKAS 32 [#] and HKAS 39*	HKFRS 2 [#]	HKAS 36* and HKAS 38*	HKFRS 3*	Total
	HKAS 1 [#] HK\$'000	HKAS 39* HK\$'000	HKFRS 2 [#] HK\$'000	HKAS 36* and HKAS 38* HKFRS 3* HK\$'000	Total HK\$'000
Year ended 31 December 2004					
Increase in finance costs					
– Increase in interest expenses of convertible notes	-	(2,170)	-	-	(2,170)
Total decrease in profit for the year	<u>-</u>	<u>(2,170)</u>	<u>-</u>	<u>-</u>	<u>(2,170)</u>
Decrease in basic earnings per share (in HK cents)	<u>-</u>	<u>(0.0050)</u>	<u>-</u>	<u>-</u>	<u>(0.0050)</u>
Decrease in diluted earnings per share	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

* adjustments which take effect prospectively from 1 January 2005

adjustments which take effect retrospectively

2.8 The effect of changes in the accounting policies on consolidated balance sheet is summarised below:

	Effect of adopting				
	HKAS 32 [#] and HKAS 39*	HKFRS 2 [#]	HKAS 36* and HKAS 38*	HKFRS 3*	Total
	HKAS 39* HK\$'000	HKFRS 2 [#] HK\$'000	HKAS 36* and HKAS 38* HKFRS 3* HK\$'000	HKFRS 3* HK\$'000	Total HK\$'000
At 31 December 2004					
Increase/(Decrease) in equity					
– Convertible notes equity reserve	5,181	-	-	-	5,181
– Retained earnings	(2,170)	-	-	-	(2,170)
At 1 January 2005					
Increase in assets					
– Intangible assets	-	-	232,458	-	232,458
Increase in equity					
– Convertible notes equity reserve	5,181	-	-	-	5,181
– Retained earnings	(2,170)	-	232,458	-	230,288

At 31 December 2005

Increase in assets				
– Intangible assets	–	–	232,458	232,458
Increase in liabilities				
– Increase in amounts due to shareholders	10,137	–	–	10,137
Increase/(Decrease) in equity				
– Convertible notes equity reserve	–	–	–	–
– Share options reserve	–	3,509	–	3,509
– Retained earnings	(13,148)	(3,509)	219,454	202,797

* adjustments which take effect prospectively from 1 January 2005

adjustments which take effect retrospectively

2.9 New standards or interpretations that have been issued but are not yet effective

The Group has not early adopted the following standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the adoption of such standards and interpretations will not result in substantial changes to the Group's accounting policies.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKAS 19 (Amendment)	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures ²
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation ²
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions ²
HKAS 39 (Amendment)	The Fair Value Option ²
HKAS 39 & HKFRS 4 (Amendment)	Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts ²
HKFRS 1 & HKFRS 6 (Amendments)	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources ²
HKFRS 6	Exploration for and Evaluation of Mineral Resources ²
HKFRS 7	Financial Instruments: Disclosures ¹
HKFRS – Int 4	Determining whether an Arrangement contains a Lease ²
HKFRS – Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds ²
HK(IFRIC) – Int 6	Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment ³
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 <i>Financial Reporting in Hyperinflationary Economies</i> ⁴

1 Effective for annual periods beginning on or after 1 January 2007

2 Effective for annual periods beginning on or after 1 January 2006

3 Effective for annual periods beginning on or after 1 December 2005

4 Effective for annual periods beginning on or after 1 March 2006

3. REVENUE AND OTHER OPERATING INCOME

	2005 <i>HKS'000</i>	2004 <i>HKS'000</i>
(a) Revenue, which is also the Group's turnover:		
Distance learning and application services	15,920	–
Information technology business	129,448	–
Property management	3,004	–
Provision of financial information and related services	5,517	–
Others	954	1,215
	154,843	1,215

(b) Other operation income:

Interest income	1,355	3,363
Dividend income	46	–
Gain on disposal of property, plant and equipment	–	6
Negative goodwill recognised as income	–	14,089
Write-back of provision for a doubtful debt	4,290	65
Sundry income	4,411	–
	<u>10,102</u>	<u>17,523</u>
Total revenue	<u>164,945</u>	<u>18,738</u>

4. SEGMENT INFORMATION

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

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

Summary of details of the business segments are as follows:

- Provision of financial information and related services
- Information technology business
- Property development
- Distance learning and application services
- Consumer packaged electronics
- The corporate and other segment comprises operations other than those as specified above

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.

There were no inter-segment sales and transfers between segments.

4(a). BUSINESS SEGMENTS

The following table presents revenue, results and certain assets, liabilities and capital expenditure information for the Group's business segments for the year ended 31 December 2005:

	Provision of financial information and related services <i>HKS'000</i>	Information technology business <i>HKS'000</i>	Property development <i>HKS'000</i>	Distance learning and application services <i>HKS'000</i>	Consumer packaged electronic <i>HKS'000</i>	Other segments <i>HKS'000</i>	Elimination <i>HKS'000</i>	Total <i>HKS'000</i>
Segment revenue								
Sales to external customers	<u>5,517</u>	<u>128,939</u>	<u>–</u>	<u>15,919</u>	<u>496</u>	<u>3,972</u>	<u>–</u>	<u>154,843</u>
Segment results	<u>(6,554)</u>	<u>55,849</u>	<u>(15,725)</u>	<u>10,402</u>	<u>3,839</u>	<u>(9,033)</u>	<u>–</u>	<u>38,778</u>
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 the business combination								30,289
Unallocated corporate expenses								<u>(16,615)</u>
Profit from operations								67,893
Finance costs								(17,087)
Share of results of associates	209		(335)			1,176		<u>1,050</u>
Profit before income tax								51,856
Income tax credit								<u>4,150</u>
Profit for the year								<u><u>56,006</u></u>

	Provision of financial information and related services	Information technology business	Property development	Distance learning and application services	Consumer packaged electronics	Other segments	Elimination	Total
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Segment assets	328,688	441,983	5,984,429	54,579	6,595	14,191	-	6,830,465
Unallocated assets								351,304
Interest in associates		36,506	21,431			(8,558)		<u>49,379</u>
Total assets								<u><u>7,231,148</u></u>
Segment liabilities	(17,368)	(77,439)	(601,574)	(2,094)	(11,434)	(365,170)	-	(1,075,079)
Loan liabilities								(930,846)
Unallocated liabilities								<u>(355,006)</u>
Total liabilities								<u><u>(2,360,931)</u></u>
Other information								
Capital expenditure	395	39,287	585,616	167	-	607	-	626,072
Depreciation	278	6,573	68	299	66	(1,043)	-	6,241
Amortisation	-	1,127	-	-	-	-	-	1,127
Other non-cash expenses	<u>108</u>	<u>1,630</u>	<u>-</u>	<u>-</u>	<u>52</u>	<u>62</u>	<u>-</u>	<u>1,852</u>

The following tables present revenue, results and certain assets, liabilities and capital expenditure information for the Group's business segments for the year ended 31 December 2004 (Restated):

	Provision of financial information and related services <i>HK\$ '000</i>	Information technology business <i>HK\$ '000</i>	Property development <i>HK\$ '000</i>	Distance learning and application services <i>HK\$ '000</i>	Consumer packaged electronics <i>HK\$ '000</i>	Other segments <i>HK\$ '000</i>	Elimination <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
Segment revenue								
Sales to external customers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,215</u>	<u>-</u>	<u>-</u>	<u>1,215</u>
Segment results	<u>-</u>	<u>-</u>	<u>8,296</u>	<u>-</u>	<u>(4,834)</u>	<u>(285)</u>	<u>-</u>	<u>3,177</u>
Interest income								3,363
Loss on disposal and dissolution of subsidiaries								(177)
Profit from operations								6,363
Finance costs								(4,539)
Share of results of associates			(417)			1,661		1,244
Profit before income tax								3,068
Income tax expense								(21)
Profit for the year								<u>3,047</u>
	Provision of financial information and related services <i>HK\$ '000</i>	Information technology business <i>HK\$ '000</i>	Property development <i>HK\$ '000</i>	Distance learning and application services <i>HK\$ '000</i>	Consumer packaged electronics <i>HK\$ '000</i>	Other segments <i>HK\$ '000</i>		Total <i>HK\$ '000</i>
Segment assets	-	-	3,610,295	-	2,474	372		3,613,141
Unallocated assets								
Interest in associates	-	-	208,256	-	-	20,812		229,068
Total assets								<u>3,842,209</u>
Segment liabilities	-	-	669,002	-	11,578	193,388		873,968
Loan liabilities	-	-	-	-	-	-		545,828
Total liabilities								<u>1,419,796</u>
Other information								
Capital expenditure	-	-	90,190	-	7	-		90,197
Depreciation and amortisation	-	-	66	-	880	-		946
Write-off of product development cost	-	-	-	-	149	-		149
Amortisation of goodwill	-	-	1,085	-	-	-		1,085
Negative goodwill recognised as income	-	-	(14,089)	-	-	-		(14,089)

4(b). GEOGRAPHICAL SEGMENTS

The following table presents revenue, results, certain assets and capital expenditure information for the Group's geographical segments for the year ended 31 December 2005:

	Europe, other than United Kingdom <i>HK\$'000</i>	Hong Kong <i>HK\$'000</i>	Mainland China <i>HK\$'000</i>	Philippines <i>HK\$'000</i>	Other <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue						
Sales to external customers	<u>–</u>	<u>–</u>	<u>153,379</u>	<u>–</u>	<u>1,464</u>	<u>154,843</u>
Other segment information						
Segment assets	632	1,002,210	6,228,306	–	–	7,231,148
Capital expenditure	<u>–</u>	<u>22</u>	<u>626,050</u>	<u>–</u>	<u>–</u>	<u>626,072</u>

The following table presents revenue, certain assets and capital expenditure information for the Group's geographical segments for the year ended 31 December 2004 (Restated):

	Europe, other than United Kingdom <i>HK\$'000</i>	Hong Kong <i>HK\$'000</i>	Mainland China <i>HK\$'000</i>	Philippines <i>HK\$'000</i>	Other <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue						
Sales to external customers	<u>59</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,156</u>	<u>1,215</u>
Other segment information						
Segment assets	1,201	1,645	3,839,363	–	–	3,842,209
Capital expenditure	<u>–</u>	<u>7</u>	<u>90,190</u>	<u>–</u>	<u>–</u>	<u>90,197</u>

5. PROFIT FROM OPERATIONS

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Profit from operations is arrived at after charging:		
Auditors' remuneration	2,600	1,307
Depreciation and amortisation on property, plant and equipment	6,241	946
Operating lease charges on:		
– land & building	12,898	207
– prepaid land lease	525	–
Cost of provision of information technology business	20,662	–
Cost of provision of financial information and related services	2,769	–
Cost of inventories sold – consumer electronic products	536	1,569
Cost of inventories sold – distance learning materials	1,467	–
Cost of provision of property management services	1,451	–
Cost of sales and services provided	26,885	1,569

Loss on disposal and written off of property, plant and equipment	254	–
Provision for impairment of receivables	747	17
Write-off of product development costs	–	149
Amortisation of intangible assets other than goodwill (included in other operating expenses)	1,127	–
Amortisation of goodwill	–	1,085
Fair value loss on investments at fair value through profit or loss	121	–
	<u>121</u>	<u>–</u>

6. FINANCE COSTS

	2005	(Restated) 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on convertible notes	4,150	3,003
Interest on bank loans and overdrafts	34,697	17,920
Interest on other loans (wholly repayable within five years)	1,487	–
Interest on other payables	31,538	32,136
Interest on amount due to ultimate holding company	–	1,226
Interest on amounts due to shareholders	10,137	–
Total interest expenses	82,009	54,285
Less : Amount directly attributable to properties held for and under development capitalised	(64,922)	(49,746)
	<u>17,087</u>	<u>4,539</u>

7. INCOME TAX (CREDIT)/EXPENSES

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
The tax (credit)/ charge comprises :		
Current tax		
– Hong Kong profits tax		
Under-provision in respect of prior years	–	21
– Overseas tax		
Tax charge in current year	24	–
Tax credit in current year	(4,174)	–
	<u>(4,150)</u>	<u>21</u>

No Hong Kong profits tax has been provided in the financial statements in respect of the current year and the prior year as the Group did not derive any assessable profit in Hong Kong during these years.

The tax charge for the year ended 31 December 2004 represents under-provision of Hong Kong profits tax calculated at the rate of 16% on the assessable profits in prior years.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit for the year attributable to shareholders of HK\$20,630,000 (2004 restated: HK\$3,047,000) and on the weighted average of 43,985,491,051 (2004: 29,931,804,183) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31 December 2004 and 31 December 2005 was not presented because impact of the exercise of the convertible notes and share options was anti-dilutive respectively.

9. TRADE RECEIVABLES, OTHER RECEIVABLES AND DEPOSITS

	Group	
	2005	2004
	<i>HKS'000</i>	<i>HKS'000</i>
Trade receivables analysed according to ageing:		
0-90 days	23,814	52
91-180 days	81,514	-
181-270 days	29,416	-
271-360 days	2,319	-
Over 360 days	58,625	15,625
Less: Provision for impairment of receivables	<u>(18,007)</u>	<u>(15,625)</u>
Other receivables and deposits	177,681	52
	<u>852,266</u>	<u>10,945</u>
	<u><u>1,029,947</u></u>	<u><u>10,997</u></u>

The Group's sales are entered into on credit terms ranging from 30 to 60 days. During the years ended 31 December 2005 and 31 December 2004, the Group encountered difficulties in collection of certain trade debts and appropriate provision for impairment has been made against certain trade receivables.

10. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	Group	
	2005	2004
	<i>HKS'000</i>	<i>HKS'000</i>
Trade payables analysed according to ageing:		
0 - 90 days	3,890	-
91 - 180 days	324	-
181 - 270 days	354	-
271 - 360 days	38	-
Over 360 days	2,728	2,153
	<u>7,334</u>	<u>2,153</u>
Other payables and accruals	552,722	222,316
	<u>560,056</u>	<u>224,469</u>

11. SHARE CAPITAL

	Number of ordinary shares of HK\$0.01 each	<i>HKS'000</i>
Authorised:		
At 1 January 2004, 31 December 2004 and 31 December 2005	<u>500,000,000,000</u>	<u>5,000,000</u>
Issued and fully paid:		
At 1 January 2004, 31 December 2004 and 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	<u><u>68,163,310,794</u></u>	<u><u>681,633</u></u>

Pursuant to the Group reorganisation disclosed in note 1, 27,120,395,500 ordinary shares of HK\$0.01 each were allotted and issued on 30 August 2005 to the shareholders of Sino-i as partial satisfaction of the consideration payable for the acquisition of 62.85% of the total issued share capital of Sino-i. The ordinary shares issued have the same rights as the other shares in issue. The market price of each of the company share at 30 August 2005 was HK\$0.038.

FINAL DIVIDEND

The directors of the Company have resolved not to recommend the declaration of any final dividend for the year ended 31 December 2005 (2004: Nil).

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on 29 May 2006. 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 28 April 2006.

CLOSURE OF REGISTER

The register of members will be closed from 23 May 2006 to 29 May 2006, 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 registrars 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 2006.

CHANGE OF COMPANY NAME

By a special resolution duly passed on 10 June 2005, the Company changed its name from "South Sea Holding Company Limited" to "Nan Hai Corporation Limited" and the Chinese translation of "南海控股有限公司" adopted for identification purpose remains unchanged.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

During the year, the Group was principally engaged in property development and, through Sino-i Technology Limited ("Sino-i"), engaged in corporate IT application services, financial information provision, distance learning and application services. As of 31 December 2005, the turnover of the Group was HK\$154.8 million (2004: HK\$1.2 million) and net profit was HK\$56.0 million (2004 restated: HK\$3.0 million). The net assets value of the Group amounted to HK\$4,870.2 million (2004 restated: HK\$2,422.4 million), representing a value of HK\$0.071 per share.

On 30 August 2005, the Group completed its corporate restructuring with its original controlling shareholder Sino-i. Upon completion of the restructuring, the Company has become the holding company, and Sino-i has become a subsidiary of the Company. As a result, the Group reflects a 4-month revenue and profit contribution from Sino-i.

Property Development

During the period under review, there was no revenue or profit contribution from this business division.

In 2005, the main structure work for the Company's Shenzhen property project "The Peninsula" Phase I was completed. The project was launched for sale in February 2006 with its 1,012 units sold out in five days at an average price of about RMB11,500 per sq.m. The total sales proceed was about RMB1.5 billion. The gain on "The Peninsula" Phase I will be reflected in the 2006 financial result.

There are 5 phases of The Peninsula project. The Group is now conducting the final stage planning for “The Peninsula” Phase II. A total floor area of 220,000 square meters will be developed, and its construction will roll out in full scale in mid-2006. “The Peninsula” project is expected to continue generate stable and strong cashflow for the Group in the coming years.

In addition to The Peninsula, the Guangzhou project will be a mega sized international contemporary commercial and residential community integrating cultural recreations and commercial amenities and having a total floor area of approximately 1,000,000 square meters. The Company is reviewing its overall plan and first phase design. It is expected that the construction for the first phase will be carried out in full scale in the second half of 2006.

Corporate IT Application Services

During the year, this business segment continues to post strong performance. Turnover was HK\$128.9 million (2004: N/A), and a segment profit of approximately HK\$55.8 million (2004: N/A).

In 2005, the Company implemented group integration with this business area and obtained positive results. During the year, the Company consolidated its 3 subsidiaries in this business area with CE Dongli Technology Group Company Limited (“CE Dongli”) as the flagship and, among others, 北京新網數碼信息技術有限公司 (Beijing Xinnet Cyber Information Company Limited) (“Xinnet”) and 廣州漢鑫商務科技有限公司 (Easy-Trade Technology Services Limited) (“Easy-Trade”) as its group members. The group of companies underwent a deep integration in various aspects including strategy, marketing, product R&D and operation, thus substantially increased efficiency in resources sharing, save in operating cost, strengthened collaboration and cooperation among group companies, and enhanced operating efficiency.

Financial Information Provision

During the year, this division of business recorded a turnover of HK\$5.5 million (2004: N/A), and a segment loss of approximately HK\$6.6 million (2004: N/A).

In 2005, the Company, through 北京世華國際金融信息有限公司 (Beijing Shihua International Financial Information Company Limited) (“Shihua”), continued to focus on provision of professional financial information service. Through standardized information exchange, professional contents and analysis, real-time information delivery, Shihua has contributed significantly to the standardization of Chinese information market and advancement of information industry standards.

Shihua continued to develop products with more thorough professional information and analysis contents, advanced technology and a new platform. It entered into the area of securities and different industries and launched a series of industry specific information products designated for raw material suppliers, manufacturers and spot traders. In order to make the products more suitable for various industry professionals, Shihua has designed various industry-specific end products, network products and services that focused on several industries which have a great influence on national economy based on international industry system classification. Meanwhile, Shihua has also provided training to non-professional investors, such as mock trading system and teaching materials to colleges and universities students with an aim to train up future professional investors.

Distance Learning and Application Services

During the year, this division of business recorded a turnover of HK\$15.9 million (2004: N/A), and a segment profit of approximately HK\$10.4 million (2004: N/A).

Despite the decline in business performance, in 2005, 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) (“Beijing Chinese Dadi”) has achieved periodic development results. Beijing Chinese Dadi has established broad cooperative relationship with more than 20 authoritative provincial and municipal educational institutions in the areas of recruitment and examination across China, and has established cooperation relationship with various portal in the PRC like Sina.com, Sohu.com, netEase.com and Tencent. It has also set up offices in six major cities in China to support sales and services more efficiently.

As a pioneer for local distance learning, the registered users of Beijing Chinese Dadi increased by significantly during the year, and through enhancement and innovation on technology and contents, students’ repeated subscription ratio increased by about 25% compared with last year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL

The Group continues to adopt prudent funding and treasury policies. As at 31 December 2005, net assets value of the Group amounted to approximately HK\$3,921.1 million (2004: HK\$2,422.4 million), including cash and bank balances of approximately HK\$98.1 million (2004: HK\$1.0 million), which was denominated mainly in Renminbi and Hong Kong dollars. As at 31 December 2005, the Group’s aggregate borrowings amounted to HK\$930.8 million (2004: HK\$548.8 million), including approximately HK\$608.6 million were bearing interest at fixed rates while approximately HK\$322.2 million were bearing interest at floating rates. The gearing ratio of the Group, measured on the basis of total borrowings as a percentage of total shareholders’ equity, increased to 23.7% as of 31 December 2005 from 22.7% as at 31 December 2004. The Group’s contingent liabilities at 31 December 2005 were HK\$145.5 million due to the guarantees given in connection with credit facilities.

As at 31 December 2005, property under development and construction in progress with a net book value of approximately HK\$16 million; and land held for development with land lot no. K708-5 at Liu Wan, Shekou, China were pledged as securities for credit facilities.

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 Group employs and remunerates its staff based on their qualifications, experience and performance. In addition to basic salary payments, other benefits include contributions to mandatory provident fund, group medical insurance, group personal accident insurance, external training sponsorship 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 2005, the Group had approximately 6,603 employees (2004: 38 employees). The salaries and allowance of employees for the year ended 31 December 2005 was about HK\$58 million (2004: HK\$6 million).

PROSPECT

Property Business

The Company considered that the State regulatory policies has changed from speculation control and ensuring price stability to encouraging domestic consumption and housing consumption, and that demand for mid-level and luxury housing will continue to grow. A steady economic growth, continuous increase in people's income level, upswing expectations of urban residences to improve housing condition, as well as continual accelerating of the rural urbanization process, overall property market in China is expected to maintain a rapid growth rate in the near future.

In addition, as the land and property policies in China becomes more mature, it will also provide a healthy and stable growth for real estate companies. As "The Peninsula" Phase I project in Shenzhen was developed successfully with all units of 1,012 sold out within five days, the Company has great confidence in its property business for the next few years, and the Company will continue to increase investment in this business area.

Corporate IT Application Service

As to corporate IT application service, the Company will continue to leverage on the advantages of the integrated CE Dongli Group to explore room for more synergies between CE Dongli, Xinnet and Easy-Trade. Through mutual support in the areas of technology and management, the Company will develop more strategic alliances, extend product lines, expand business network, develop series of industry specific solutions, introduce more value-added services, jointly explore IT service market of enterprises in commercial trading field, and launch a B2B e-commerce portal, so as to strengthen the Company's market leading position.

Financial Information Provision

Shihua will continue to develop a comprehensive financial information platform, enhance the level of interactivity, and leverage on existing resources to extend and develop multi-media contents. Meanwhile, the technical capacities of Shihua will also follow the trend of updated international R&D direction and adopt CORBA development technology with cross-platform, cross-language, program efficiency, high reliability and strong expansibility, so as to provide a multi-media technology platform based on LINUX. This system not only can help to facilitate implementation of a fast expansion in product series of Shihua, it also guarantees low cost, high reliability, high security and high performance of products, and this provides first class customer service. In the coming year, Shihua will continue to strategically cooperate with well-known international financial information providers and research institutions on specific fields, and will continue to develop financial information service under the backdrop that the government strived to enhance efficiency of the financial market, aiming to provide important impetus to a healthy and orderly development of the information market in China.

Distance Learning and Application Services

Beijing Chinese Dadi shall continue to invest and utilize latest available technology to establish the most advanced distance learning service platform with an aim to develop more high quality educational products and services to cope with the increasing market demand. Further expansion of its operation network is also on the agenda in a move to further strengthen its market leading position in the industry.

The Group will continue to focus on the China property market and through Sino-i, to further expand its IT application service, financial information service and online education business. The Group will leverage on its well established market position of its subsidiaries in different industries to continue to strengthening and expanding our leadership position with an aim to maximize investment return for our shareholders.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company's code on corporate governance practices is built on the provisions of the Code on Corporate Governance Practices (the "CG Code") issued by the The Stock Exchange of Hong Kong Limited, and the Company conducts regular reviews of its corporate governance practices to ensure compliance with the CG Code. In the opinion of the directors, the Company has complied with the code provisions under the CG Code for the year ended 31 December 2005, 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 of directors 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 of directors 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.

REVIEW OF THE ANNUAL RESULTS

The Group's annual results for the year ended 31 December 2005 has been reviewed by the Audit Committee of the Company.

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, 20 April 2006

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

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

Please also refer to the published version of this announcement in China Daily.