NAN HAI CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 680)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2005

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 2005 together with the comparative figures for 2004 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED
For the six months ended 30 June 2005

		For the six months ended 30 June	
	Notes	**2005** *HK$'000*	2004 *HK$'000* (restated)
Turnover			
Continuing operations		**480**	883
Discontinued operation		–	–
		480	883
Continuing operations			
Turnover	*3*	**480**	883
Cost of sales		**(461)**	(600)
Gross profit		**19**	283
Other revenue		–	10,989
Engineering expenses		–	(55)
Administrative expenses		**(9,641)**	(5,751)
Depreciation and amortisation	*4*	**(81)**	(864)
Other operating expenses		**(48)**	(110)
(Loss)/Profit from operations	*4*	**(9,751)**	4,492
Finance costs		**(1,000)**	(310)
Share of results of associates		**520**	582
(Loss)/Profit before taxation		**(10,231)**	4,764
Taxation	*5*	–	–
(Loss)/Profit from continuing operations		**(10,231)**	4,764
Discontinued operation			
Loss from discontinued operation	*6*	**(129)**	(2)
(Loss)/Profit for the period		**(10,360)**	4,762
Attributable to:			
Equity holders of the Company		**(10,360)**	4,762
Minority interests		–	–
		(10,360)	4,762
		HK cents	*HK cents*
Basic (loss)/earnings per share			
From continuing and discontinued operations	*7*	**(0.035)**	0.016
From continuing operations		**(0.035)**	0.016

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 June 2005

	(Unaudited) 30 June 2005 HK$'000	(Audited) 31 December 2004 HK$'000 (restated)
ASSETS		
Non-current assets		
Property, plant and equipment	**243**	315
Properties held for and under development	**3,507,908**	3,482,809
Interests in associates	**228,833**	229,068
Deposit for acquisition of a prospective associate	**330,000**	330,000
Intangible assets	**20,433**	(212,025)
Total non-current assets	**4,087,417**	3,830,167
Current assets		
Inventories	**6**	6
Trade receivables	**480**	52
Other receivables and deposits	**27,963**	10,945
Cash at banks and in hand	**2,032**	1,039
Total current assets	**30,481**	12,042
Total assets	**4,117,898**	3,842,209
EQUITY AND LIABILITIES		
Share capital	**299,318**	299,318
Other reserves	**2,025,581**	2,025,581
Retained earnings	**316,601**	94,503
Equity attributable to equity holders of the Company	**2,641,500**	2,419,402
Minority interests	**–**	–
Total equity	**2,641,500**	2,419,402
Non-current liabilities		
Deposit received	**34,755**	34,755
Deferred taxation	**790**	790
Total non-current liabilities	**35,545**	35,545
Current liabilities		
Trade payables	**2,614**	2,153
Amount due to ultimate holding company	**175,495**	164,826
Amounts due to fellow subsidiaries	**282,028**	285,448
Land premium payables	**163,606**	163,606
Other payables and accruals	**268,197**	222,316
Provision for tax	**74**	74
Bank loans and overdrafts (secured)	**348,839**	348,839
Convertible notes	**200,000**	200,000
Total current liabilities	**1,440,853**	1,387,262
Total liabilities	**1,476,398**	1,422,807
Total equity and liabilities	**4,117,898**	3,842,209
Net current liabilities	**1,410,372**	1,375,220
Total assets less current liabilities	**2,677,045**	2,454,947

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six months ended 30 June 2005

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 of 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 "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared under the historical cost convention.

The accounting policies adopted in the condensed financial statements are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2004, except as described below.

In the current period, the Group has adopted, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRS(s)"), Hong Kong Accounting Standards ("HKAS(s)") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The adoption of the new HKFRSs has resulted in the following impacts on the Group's accounting policies and/or presentation of financial statements:

(i) Presentation of Financial Statement

The adoption of HKAS 1 "Presentation of Financial Statements" has resulted in a change in the presentation of minority interests, which are now shown within equity. On the face of the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period.

(ii) Financial Instruments

In the current interim period, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation". HKAS 32 requires retrospective application.

Under HKAS 32, convertible notes issued are split into their liability and equity components at initial recognition by recognizing the liability component at its fair value which is determined using a market interest rate for equivalent non-convertible bonds and attributing to the equity component the difference between the proceeds from the issue and the fair value of the liability component. The liability component is subsequently carried at amortised cost. The equity component is recognized in the convertible notes reserve until the notes are either converted (in which case it is transferred to share premium) or the notes are redeemed (in which case it is released directly to retained earnings). In prior years, convertible notes were stated at face value. The adoption of HKAS 32 has no material impact to the financial statements for the prior and current period.

(iii) Goodwill and negative goodwill

The adoption of HKFRS 3 "Business Combination", results in a change in the accounting policy for positive goodwill and negative goodwill and prospective application is required. Until 31 December 2004:

– positive goodwill was amortised on a straight line basis over its useful life and was subject to impairment testing when there were indications of impairment; and
– negative goodwill was recognised as income over a period of twenty years.

In accordance with the provisions of HKFRS 3:

– the Group ceased amortisation of positive goodwill from 1 January 2005;
– accumulated amortisation as at 31 December 2004 has been deducted from the cost of positive goodwill;
– from the year ending 31 December 2005 onwards, positive goodwill will be tested annually for impairment, as well as when there is indication of impairment; and
– in accordance with the transitional provisions in HKFRS 3, all negative goodwill was derecognised at 1 January 2005 with a corresponding increase in retained earnings.

Summary of the Effects of the Changes in Accounting Policies

The effects of the changes in the accounting policies described above are as follows:

(i) On consolidated results:

	Unaudited Six months ended 30 June 2005 *HK$'000*	2004 *HK$'000*
Effect on HKFRS3:		
Goodwill no longer amortised	**542**	–
No negative goodwill released to income	**(7,044)**	–
Net decrease in profit	**(6,502)**	–
On consolidated income statement line items affected:		
Continuing operations		
Decrease in depreciation and amortisation	**542**	–
Decrease in other revenue	**(7,044)**	–
	(6,502)	–

(ii) On consolidated balance sheet items affected:

	As at 31 December 2004 *HK$'000* (originally stated)	Effect on adjustment on 1 January 2005 on HKFRS 3 *HK$'000*	As at 1 January 2005 *HK$'000* (restated)
Intangible assets	(212,025)	232,458	20,433
Retained earnings	94,503	232,458	326,961

Apart from the restatement of prior year figures arising from the change in accounting policies, certain comparative figures have been reclassified to conform with the current period's presentation.

3. SEGMENT INFORMATION – CONTINUING OPERATIONS

(a) The following analysis presents turnover and (loss)/profit for the Group's business segments for continuing operations for the period ended 30 June 2005:

	Turnover Six months ended 30 June		**(Loss)/Profit Six months ended 30 June**	
	2005 *HK$'000*	2004 *HK$'000*	**2005** *HK$'000*	2004 *HK$'000*
Business segments:				
Consumer packaged electronics	**480**	883	**(196)**	(326)
Property development	**–**	–	**(9,555)**	873
	480	883	**(9,751)**	547
Other income			**–**	3,945
(Loss)/Profit from operations			**(9,751)**	4,492
Finance costs			**(1,000)**	(310)
Share of results of associates			**520**	582
(Loss)/Profit before taxation			**(10,231)**	4,764
Taxation			**–**	–
(Loss)/Profit from continuing operations			**(10,231)**	4,764

(b) The following analysis presents the Group's turnover and segment (loss)/profit from continuing operations by geographical segments:

	Turnover Six months ended 30 June		**Segment (loss)/profit Six months ended 30 June**	
	2005 *HK$'000*	2004 *HK$'000*	**2005** *HK$'000*	2004 *HK$'000*
Geographical segments:				
Europe	–	59	–	3
Asia	**480**	824	**(9,751)**	544
	480	883	**(9,751)**	547

4. (LOSS)/PROFIT FROM OPERATIONS

The Group's (loss)/profit from operations is arrived at after charging/(crediting):

	For the six months ended 30 June 2005 *HK$'000*	2004 *HK$'000*
Depreciation for property, plant and equipment	**81**	322
Amortisation of goodwill	–	542
Negative goodwill released	–	(7,044)

5. TAXATION

No Hong Kong profits tax has been provided in the financial statements in respect of the current and the prior period as the Group did not derive any assessable profit in Hong Kong for the six months ended 30 June 2004 and 30 June 2005.

No income tax for other jurisdictions has been provided in the financial statements as the Group did not derive any taxable income in those jurisdictions for the period (6 months ended 30 June 2004: Nil).

6. LOSS FROM DISCONTINUED OPERATION

Loss from discontinued operation represents administrative expenses incurred for the discontinued telecommunication products business.

7. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the net loss attributable to equity holders of the Company for the period of HK$10,360,000 (6 months ended 30 June 2004: a profit of HK$4,762,000) and on the weighted average number of 29,931,804,183 (6 months ended 30 June 2004: 29,931,804,183) ordinary shares in issue during the period.

Diluted loss per share for the period ended 30 June 2005 was not presented because the impact on the conversion of the convertible notes was anti-dilutive.

Diluted earnings per share for the period ended 30 June 2004 has not been presented as there was no dilutive potential ordinary shares.

8. SUBSEQUENT EVENTS

(a) Subsequent to the balance sheet date of 30 June 2005, the Company and Sino-i Technology Limited ("Sino-i") has completed the shareholding restructure plan (as detailed in the Company's circular dated 23 March 2004) which included among others the following:

(i) On 26 July 2005, convertible notes of HK$200 million, which bore interest at 1% per annum were converted by the noteholder, Robina Profits Limited into 11,111,111,111 shares of HK$0.01 each in the capital of the Company at a conversion price of HK$0.018 per share.

(ii) On 27 July 2005, 31,377,831,111 ordinary shares of HK$0.01 each in the capital of the Company, which were held by the wholly owned subsidiaries of Sino-i, were distributed to the shareholders of Sino-i, other than the shareholders whose names appeared on the register of members of Sino-i but were in places outside Hong Kong on 26 July 2005 (being date fixed by Sino-i for the purpose of ascertaining the entitlements of the distribution of the aforesaid shares), on the basis of 15,756 ordinary shares of HK$0.01 each in the capital of the Company for every 10,000 ordinary shares of HK$0.01 each in the capital of the Sino-i held on 26 July 2005. Following the completion of distribution, Sino-i was no longer the holding company of the Company.

(iii) 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 in 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 from the vendors a total of 12,515,795,316 shares in Sino-i, representing about 62.85% of the total issued share capital of Sino-i. Following the acquisition on 30 August 2005, the Company became the holding company of Sino-i and interested in about 62.85% of its total issued share capital. The details of assets and liabilities recognised at the date of acquisition are not yet available at the date of approving this interim financial statements and such information will be included in the annual report of the Company for the year ending 31 December 2005.

(b) Subsequent to 30 June 2005, the Company has obtained new credit facilities and repaid bank loans of approximately HK$348,568,000.

INTERIM DIVIDEND

The directors of the Company have resolved not to declare an interim dividend for the six months ended 30 June 2005 (6 months ended 30 June 2004: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period, the Group was principally engaged in property development; and design and marketing of consumer packaged electronics. Turnover for the period was approximately HK$0.5 million (6 months ended 30 June 2004: HK$0.9 million) and loss attributable to equity holders of the Company of HK$10.4 million (6 months ended 30 June 2004: a profit of HK$4.8 million) was recorded. Equity attributable to equity holders of the Company amounted to approximately HK$2,641.5 million, representing a value of HK$0.088 per share.

Property Development

During the period under review, the Group's property development project was still under construction and thus recorded no turnover (6 months ended 30 June 2004: Nil). Segment loss of approximately HK$9.6 million (6 months ended 30 June 2004: a profit of HK$0.9 million) was mainly arising from the increase in promotion cost and the adoption of new accounting policies of which negative goodwill was no longer amortized and included in other revenue.

The Company's Shenzhen property project namely "The Peninsula" will commence marketing promotion in the second half of this year as scheduled. Based on the current market price and the trend of supply and demand, the Company is very optimistic about the sales of this project and anticipates that it will generate strong cash inflow to the Group.

In addition, our Guangzhou Huadu project is undergoing comprehensive planning review, and all approval procedures are progressing smoothly. Upon obtaining such approvals, the construction will commence accordingly.

Consumer Packaged Electronics

During the period under review, turnover from this division was approximately HK$0.5 million (6 months ended 30 June 2004: HK$0.9 million) and segmental loss has reduced to approximately HK$0.2 million (6 months ended 30 June 2004: HK$0.3 million).

The market of this industry remained very competitive and turnover for this division further decreased. Nevertheless, our management would continue to pay attention to the market condition and its trend, and aimed to reduce the cost as well as the negative impact derived from the competitive environment.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL

The Group continues to adopt prudent funding and treasury policies. As at 30 June 2005, equity attributable to equity holders of the Company amounted to approximately HK$2,641.5 million, including cash and bank balances of approximately HK$2 million which was denominated mainly in Renminbi and Hong Kong dollars. As at 30 June 2005, the Group's bank and other borrowings amounted to HK$548.8 million (at 31 December 2004: HK$548.8 million), including convertible notes amounted to HK$200 million (which bore an interest rate of 1% per annum and would mature on 30 July 2005). Subsequent to the period under review, convertible notes of HK$200 million were converted into 11,111,111,111 shares of HK$0.01 each in the capital of the Company on 26 July 2005. For the Group's bank and other borrowings, approximately HK$388.6 million were bearing interest at fixed rates while approximately HK$160.2 million were bearing interest at floating rates. The gearing ratio of the Group, measured on the basis of total bank and other borrowings as a percentage of equity attributable to equity holders of the Company decreased to 21% as of 30 June 2005 from 23% as at 31 December 2004. Subsequent to 30 June 2005, the Group has obtained new credit facilities and repaid bank loans of approximately HK$348.6 million.

The Group's contingent liabilities at 30 June 2005 were HK$33.8 million due to the guarantees given in connection with credit facilities.

As at 30 June 2005, properties held for and under development with land lot no. K708-5 at Liu Wan, Shekou, China together with all its sales proceeds; and shares in certain subsidiaries within the Group 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 capital requirements expenditures in China and has not used any financial instruments for hedging Renminbi bank borrowings during the period 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 provident fund schemes, group medical insurance, group personal accident insurance and external training sponsorship. 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 2005, the Group had approximately 36 employees (at 30 June 2004: 43 employees). The salaries and allowance of employees for the six months ended 30 June 2005 was approximately HK$4.65 million (6 months ended 30 June 2004: HK$2.65 million).

PROSPECT

Following the completion of the shareholding restructure between Sino-i Technology Limited ("Sino-i") and the Company in August 2005, the Company has become the holding company of Sino-i, and currently interested in about 62.85% of the total issued share capital of Sino-i. The Company's principal activities would therefore be expanded. Apart from our property development business, the Company through Sino-i participates in IT business to share the substantial profit from the rapid growth in IT business in China. Through the aforesaid restructuring, the Company's business development has entered into a more steady and well balanced period, and in turn brings to our shareholders more stabilized returns.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2005, with following deviations:

Code provisions A.4.1

Under code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election.

The non-executive directors 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 Code.

Code provisions A.4.2

Under code provision A.4.2 of the Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

To comply with the code provision, relevant amendments, to the extent permitted under the laws of Bermuda, to the Company's Bye-Laws were proposed and approved by the shareholders at the Company's annual general meeting held on 10 June 2005. Under the Company's existing Bye-Laws, all director (save for any executive Chairman or Managing Director), should be subject to retirement by rotation at least once every three years. As such, the Board considers that the Company's existing Bye-Laws which have been amended, to the extent permitted under the laws of Bermuda, complied with the requirements of the Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in the Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all directors, they all confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2005.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors, namely Mr. QIN Tian Xiang, Ms. WEI Jingyun and Mr. WU Chen. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim results for the six months ended 30 June 2005.

LIST OF DIRECTORS

As at the date of this announcement, the board of directors of the Company comprises three executive directors, namely Mr. Yu Pun Hoi, Mr. Zhang Hong Ren and Dr. Zhao Liang; two non-executive directors, namely Mr. Yu Lin Hoi and Mr. Lam Bing Kwan and three independent non-executive directors, namely Mr. Qin Tian Xiang, Ms. Wei Jingyun and Mr. Wu Chen.

By order of the Board
Zhang Hong Ren
Director

Hong Kong, 16 September 2005

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