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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Nan Hai Corporation Limited, you should at once hand this circular to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

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南海控股有限公司*

NAN HAI CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 680)

CONNECTED TRANSACTION

Independent financial adviser to
the Independent Board Committee and the Independent Shareholders



First Shanghai Capital Limited

A notice of the SGM (as defined herein) to be held at Queensway & Victoria, JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 23 November 2009 at 10:00 a.m. is set out on pages 29 to 30 of this circular. A form of proxy for use in connection with the SGM is enclosed with the circular. Whether or not you intend to attend the SGM, please complete and return the enclosed form of proxy in accordance with the instructions printed hereon to the branch share registrar of the Company in Hong Kong, Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event by not less than 48 hours before the time appointed for holding the SGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM (or any adjourned meeting thereof) should you so wish.

* For identification purpose only

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DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context requires otherwise:

“Agreement”	a conditional agreement entered into between the Company and the Vendors on 21 October 2009 in respect of the Early Repayment
“Assignment”	has the meaning as defined under the section headed “Background” in this circular
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Bye-Laws”	The bye-laws of the Company as may be amended from time to time
“Cash Portion”	has the meaning as defined under the section headed “Background” in this circular
“Company”	Nan Hai Corporation Limited (which was known as “South Sea Holding Company Limited” as at the time of issue of the Previous Announcement”), a company incorporated in Bermuda with limited liability, the ordinary shares of which are listed on the Stock Exchange
“Consideration Shares”	has the meaning as defined in the Previous Announcement
“Directors”	the directors of the Company
“Discounted Amount”	has the meaning as defined under the section headed “Agreement – Early Repayment” in this circular
“Early Repayment”	the agreement between the Company and the Vendors under the Agreement for early repayment of the Cash Portion at the Discounted Amount
“Early Repayment Date”	has the meaning as defined under the section headed “Agreement – Early Repayment” in this circular

DEFINITIONS

“First Shanghai”	First Shanghai Capital Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser to the Independent Board Committee
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive directors of the Company, namely Mr. Huang Yaowen, Prof. Jiang Ping and Mr. Lau Yip Leung
“Independent Shareholders”	Shareholders (other than the Vendors and their respective associates)
“Latest Practicable Date”	3 November 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers
“Mr. Yu”	Mr. Yu Pun Hoi, the chairman, an executive director and controlling shareholder of the Company
“PRC”	the People’s Republic of China, excluding Hong Kong, the Macao Special Administrative Region and Taiwan for the purpose of this circular
“Previous Announcement”	the joint announcement of the Company and Sino-i dated 29 December 2003, in relation to, among other things, the Sale and Purchase Agreement

DEFINITIONS

“Sale and Purchase Agreement”	the agreement entered into on 29 December 2003 between the Company as purchaser and the Vendors and 中信信息科技投資有限公司 (CITIC Information Technology Investment Company Limited) as vendors relating to the acquisition by the Company of the Sale Shares, further details of which are set out in the Previous Announcement and the circular of the Company dated 23 March 2004
“Sale Shares”	has the meaning as defined in the Previous Announcement
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	a special general meeting of the Company to be convened and held on 23 November 2009 for the purpose of considering and, if thought fit, approving the Agreement
“Shareholders”	registered holders of the Shares
“Share(s)”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Sino-i”	Sino-i Technology Limited, a company incorporated in Hong Kong with limited liability, the ordinary shares of which are listed on the Stock Exchange and as at the date of this circular, a 62.85% owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendors”	(1) First Best Assets Limited, (2) Rosewood Assets Ltd., (3) Phippen Limited, (4) Staverley Assets Limited, (5) Macro Resources Ltd. and (6) Empire Gate Industrial Limited, who were (together with 中信信息科技投資有限公司 (CITIC Information Technology Investment Company Limited)) the vendors of the Sale Shares under the Sale and Purchase Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.



南海控股有限公司*

NAN HAI CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 680)

Executive Directors:

Mr. Yu Pun Hoi
Mr. Wang Gang
Ms. Chen Dan
Ms. Liu Rong

Principal place of business:

39th Floor
New World Tower I
16-18 Queen's Road Central
Hong Kong

Non-Executive Directors:

Mr. Qin Tian Xiang
Mr. Lam Bing Kwan

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Independent Non-Executive Directors:

Mr. Huang Yaowen
Prof. Jiang Ping
Mr. Lau Yip Leung

6 November 2009

To the Shareholders

Dear Sir and Madam,

CONNECTED TRANSACTION

INTRODUCTION

In the announcement dated 21 October 2009, it was announced that the Company and the Vendors entered into the Agreement, pursuant to which the Company agreed to make early repayment to the Vendors at the Discounted Amount as full settlement of the amount of the Cash Portion subject to and in accordance with the terms and conditions of the Agreement.

As Mr. Yu, the chairman, an executive director and controlling shareholder of the Company, indirectly wholly owns (1) First Best Assets Limited, (2) Rosewood Assets Ltd., and (3) Pippen Limited, and indirectly owns 60% of Macro Resources Ltd., and Mr. Lim

* For identification purpose only

LETTER FROM THE BOARD

Siew Choon, a substantial shareholder of the Company, wholly owns Empire Gate Industrial Limited, the Agreement constitutes a connected transaction of the Company under the Listing Rules, and it will be subject to the approval of the Independent Shareholders at the SGM with vote to be taken on a poll. The Vendors and their respective associates (as at the Latest Practicable Date, together, interested in approximately 45,353,911,174 Shares, representing approximately 66.07% of the issued share capital of the Company) will abstain from voting on the resolution to approve the transaction contemplated in the Agreement. The Independent Board Committee has been appointed by the Board to advise the Independent Shareholders on the terms of the Agreement. First Shanghai has been appointed as an independent financial advisor to advise the Independent Board Committee and the Independent Shareholders in this regard.

The purposes of this circular are:

1. to provide you with the details of the Agreement, the recommendation from the Independent Board Committee, the advice of First Shanghai; and
2. to give you notice of the SGM at which an ordinary resolution will be proposed for the Independent Shareholders to consider and if thought fit, to approve the Agreement.

BACKGROUND

On or about 29 December 2003, the Company and Sino-i jointly announced in the Previous Announcement that, among other things, pursuant to the Sale and Purchase Agreement, the Company agreed to purchase from the Vendors and 中信信息科技投資有限公司 (CITIC Information Technology Investment Company Limited) the Sale Shares at the total consideration of HK\$976,334,238, which was to be satisfied (i) as to half of the consideration, by the allotment and issue of the Consideration Shares by the Company to the Vendors and 中信信息科技投資有限公司 (CITIC Information Technology Investment Company Limited); and (ii) as to the remaining half of the consideration (being HK\$488,167,119), in cash (the “**Cash Portion**”) payable to the Vendors and 中信信息科技投資有限公司 (CITIC Information Technology Investment Company Limited) on the date falling 60 months after the date of completion of the Sale and Purchase Agreement or any other date as mutually agreed by the parties to the Sale and Purchase Agreement. The transactions contemplated under the Sale and Purchase Agreement constituted major and connected transactions for the Company under the Listing Rules. The Sale and Purchase Agreement was completed on 30 August 2005, and the Cash Portion was originally due for payment on 29 August 2010 (“**Original Payment Date**”). The Cash Portion is unsecured and interest free. Under the generally accepted accounting principles, the Cash Portion has been disclosed in the Company’s annual reports for each of the four financial years ended 31 December 2005, 2006, 2007 and 2008 as the amounts due to shareholders under non-current liabilities, and it was recognized at fair value of HK\$336,110,000 as at 30 August 2005 and subsequently stated at amortized cost by using an effective interest rate of 9.05% per annum, i.e. by summation of the interest rate of 9.05% per annum on the Cash Portion and the fair value of HK\$336,110,000, the Company is required to pay the full amount of Cash Portion of HK\$488,167,119 on the Original Payment Date.

LETTER FROM THE BOARD

On 5 June 2006, 中信信息科技投資有限公司 (CITIC Information Technology Investment Company Limited), one of the vendors of the Sale Shares, assigned the whole of cash consideration in the amount of HK\$21,452,246 together with all interests, rights, benefits and entitlements of and in the foregoing sum that 中信信息科技投資有限公司 (CITIC Information Technology Investment Company Limited) was entitled under the Sale and Purchase Agreement, to Pippen Limited by means of a deed of assignment (“Assignment”).

On 21 October 2009, the Company and the Vendors entered into the Agreement, pursuant to which, the Company agreed to make early repayment to the Vendors (or any other party(ies) to be directed by any of the Vendors) at the Discounted Amount as full settlement of the amount of the Cash Portion subject to and in accordance with the terms and conditions of the Agreement.

AGREEMENT

Date

21 October 2009

Parties

- (1) The Company
- (2) The Vendors:
 - (i) First Best Assets Limited;
 - (ii) Rosewood Assets Ltd.;
 - (iii) Pippen Limited;
 - (iv) Staverley Assets Limited;
 - (v) Macro Resources Ltd.; and
 - (vi) Empire Gate Industrial Limited

First Best Assets Limited, Rosewood Assets Ltd. and Pippen Limited are companies ultimately wholly owned by Mr. Yu.

Staverley Assets Limited is a wholly-owned subsidiary of CITIC Group, which itself is a state-owned enterprise in the PRC.

Macro Resources Ltd. is indirectly held as to 60% by Mr. Yu and 40% by CITIC Group.

Empire Gate Industrial Limited is a company wholly owned by Mr. Lim Siew Choon, a substantial shareholder of the Company.

LETTER FROM THE BOARD

For the purposes of the Listing Rules, each of First Best Assets Limited, Rosewood Assets Ltd., Phippen Limited, Macro Resources Ltd. and Empire Gate Industrial Limited is a connected person of the Company. According to the information provided by the Vendors, the principal business of the Vendors are investment holding.

Early Repayment

Subject to the terms and conditions of the Agreement, the Vendors and the Company, after arm's length negotiations with reference to the current financial position of the Group, agreed that subject to the satisfaction of the condition precedents set out below, the Company shall pay the Vendors (or any other party(ies) to be directed by any of the Vendors) the Discounted Amount in one-off payment as full settlement of the amount of the Cash Portion on or before 31 December 2009 (or such later date as the Vendors and the Company may agree) (the "Early Repayment Date"). The "Discounted Amount" is determined as follows:

$$\text{Discounted Amount} = \text{HK\$}488,167,119 - (\text{HK\$}488,167,119 \times \frac{D}{365} \times 20\%)$$

D = Number of days from the date immediately following the date of one-off full payment of the Discounted Amount to the Original Payment Date, being 29 August 2010.

Assuming the Discounted Amount shall be paid on 31 December 2009, the Company will pay a total amount of about HK\$423,702,000 to the Vendors as full settlement of the amount of the Cash Portion (representing a discount of about 13.2% to the Cash Portion of HK\$488,167,119).

Conditions

The Agreement is conditional upon:

- (a) the passing by the Independent Shareholders of the necessary resolution approving the transaction contemplated in or incidental to the Agreement and the implementation thereof in accordance with the provisions of the Listing Rules; and
- (b) all necessary consents, permits, approvals, authorizations and waivers having been obtained from all relevant governmental, regulatory and other authorities, agencies and departments in Hong Kong and in any other applicable jurisdiction in connection with the transaction contemplated under the Agreement, the implementation of and all other matters incidental to the Agreement.

LETTER FROM THE BOARD

REASONS FOR EARLY REPAYMENT

Pursuant to the Sale and Purchase Agreement and the Assignment, the Company is currently indebted to the Vendors for the total sum of HK\$488,167,119. The sales proceeds generated from the Phase 2 of the property project of "The Peninsula" are expected to be recognized upon the completion of the transfer of ownership title of the units to the purchasers in about December 2009. As set out in the interim report of the Company for the six months ended 30 June 2009, the sales proceeds up to 30 June 2009 received by the Group for the Phase 2 of "The Peninsula" were about HK\$1,733,387,000. Under the current property market sentiment in the PRC, the Company will not use the proceeds for any other property project investments. As a result, the Company does not have immediate funding need for its property business expansion.

As set out in the interim report of the Company for the six months ended 30 June 2009, the Group's cash and cash equivalents were about HK\$1,064,683,000. The monies required for the Early Repayment will be funded from the internal resources of the Group.

FINANCIAL EFFECTS ON THE GROUP

Assuming the Early Repayment Date to be 31 December 2009, the Company expects that such Early Repayment will have the following financial effects on the Group:

Earnings

The earnings of the Group resulting from the Early Repayment represents the difference between the part of the Cash Portion stated at amortized cost as at the Early Repayment Date (expected to be about HK\$467,893,000 as at 31 December 2009) and the Discounted Amount repaid to the Vendors on the Early Repayment Date (about HK\$423,702,000 as at 31 December 2009). It is expected that there will be an increase in earnings of the Group of about HK\$44,191,000.

Assets

Upon payment of the Discounted Amount in full, there will be a decrease in cash balance of the Group of about HK\$423,702,000.

Liabilities

Upon payment of the Discounted Amount in full, the total amount due to the Vendors stated at amortized cost of HK\$467,893,000 as at 31 December 2009 will become zero.

Cash Flow Impact

There will be a very positive impact on the cash flow position of the Group, as the actual cash outflow is expected to reduce by about HK\$64,465,000 (equivalent to about 13.2% of the Cash Portion of HK\$488,167,119).

LETTER FROM THE BOARD

The Directors (including the independent non-executive directors of the Company) consider that the Early Repayment, which enables the Company to enjoy a considerable discount in the payment of the Cash Portion, is beneficial and very favourable to the Group, and such discount will have a positive impact on the Group's profit and loss account, and cash flow as set out above. The Directors (including the independent non-executive directors of the Company) further consider that the terms of the Agreement are made on an arm's length basis, on normal commercial terms and are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Moreover, the Directors (including the independent non-executive directors of the Company) do not consider that the Early Repayment will constitute any material variation of the terms of Sale and Purchase Agreement.

INFORMATION ON THE COMPANY

The Company is an investment holding company listed on the Main Board of the Stock Exchange. The Group is principally engaged in property development, culture and media services and through its listed subsidiary, Sino-i, engaged in corporate IT application services, financial information services and distance learning education services. As at the date of this circular, the Company, through a number of wholly-owned subsidiaries, held approximately 62.85% of the issued share capital of Sino-i.

LISTING RULES IMPLICATION

As Mr. Yu, the chairman, an executive director and controlling shareholder of the Company, indirectly wholly owns (1) First Best Assets Limited, (2) Rosewood Assets Ltd., and (3) Phippen Limited, and indirectly owns 60% of Macro Resources Ltd., and Mr. Lim Siew Choon, a substantial shareholder of the Company, wholly owns Empire Gate Industrial Limited, the Agreement constitutes a connected transaction of the Company under the Listing Rules, and it will be subject to the approval of the Independent Shareholders at the SGM with vote to be taken on a poll. The Vendors and their respective associates (as at the Latest Practicable Date, together, interested in approximately 45,353,911,174 Shares, representing approximately 66.07% of the issued share capital of the Company) will abstain from voting on the resolution to approve the transaction contemplated in the Agreement. As at the Latest Practicable Date and to the best knowledge of the Company, having made all reasonable enquiries, there was (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any of the Vendors and their associates; and (ii) no obligation or entitlement of each of the Vendors and their associates, whereby it has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case by case basis.

The Independent Board Committee, comprising all the independent non-executive directors of the Company, has been established to advise the Independent Shareholders in respect of the transaction contemplated in the Agreement, and First Shanghai has been appointed to advise the Independent Board Committee in relation to the Agreement.

LETTER FROM THE BOARD

SGM

A notice of the SGM (as defined herein) to be held at Queensway & Victoria, JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 23 November 2009 at 10:00 a.m. is set out on pages 29 to 30 of this circular. At the SGM, an ordinary resolution will be proposed to consider and, if thought fit, to approve the Agreement and the terms and conditions as contemplated therein.

The ordinary resolution to be proposed at the SGM to approve the Agreement and the terms and conditions as contemplated therein will be determined by way of poll by the Independent Shareholders in accordance with the Listing Rules.

A form of proxy for use in connection with the SGM is enclosed with this circular. Whether or not you intend to attend the SGM, please complete and return the enclosed form of proxy in accordance with the instructions printed hereon to the branch share registrar of the Company in Hong Kong, Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event by not less than 48 hours before the time appointed for holding of SGM (or any adjourned meeting thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM (or any adjourned meeting thereof) should you so wish.

PROCEDURES BY WHICH A POLL MAY BE DEMANDED

Pursuant to bye-law 70 of the Bye-Laws, a resolution put to the vote of a general meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the results of the show of hands or on the withdrawal of any other demand for a poll) demanded by:

- (i) the chairman of the meeting; or
- (ii) at least three members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy for the time being entitled to vote at the meeting; or
- (iii) any member or members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iv) a member or members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

LETTER FROM THE BOARD

According to the amended rule 13.39(4) of the Listing Rules which became effective on 1 January 2009, any vote of shareholders at a general meeting must be taken by poll. Accordingly, the Company will procure that the chairman of the SGM shall demand voting on the resolution set out in the notice of SGM be taken by way of poll.

FURTHER INFORMATION

Your attention is also drawn to the “Letter from the Independent Board Committee” as set out on page 12 of this circular, the “Letter from First Shanghai” as set out on pages 13 to 19 of this circular and further information contained in the appendix to this circular.

On behalf of the Board
Nan Hai Corporation Limited
Wang Gang
Director



南海控股有限公司*
NAN HAI CORPORATION LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 680)

6 November 2009

To the Independent Shareholders

Dear Sir and Madam,

CONNECTED TRANSACTION

We have been appointed as the independent board committee members to advise the Independent Shareholders in respect of the terms of the Agreement, details of which are set out in the circular dated 6 November 2009 (the "Circular") to the Shareholders. First Shanghai has been appointed as the independent financial adviser to advise us in this respect. Unless the context otherwise requires, terms defined in the Circular have the same meanings when used in this letter.

Your attention is drawn to the letter from the Board containing, amongst others, details of the Agreement and the letter from First Shanghai containing its advice to us as set out in the Circular.

Having taken into account (i) the factors referred to in the sections headed "Reasons for Early Repayment" and "Financial effects on the Group" in the "Letter from the Board" of the Circular; and (ii) the factors referred to in the "Letter from First Shanghai" on pages 13 to 19, we consider the terms of the Agreement are made on an arm's length basis, on normal commercial terms and are fair and reasonable, so far as the interests of the Independent Shareholders are concerned and that the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote for the resolution approving the Agreement.

Yours faithfully,
Huang Yaowen
*Independent Non-Executive
Director*

Yours faithfully,
Jiang Ping
*Independent Non-Executive
Director*

Yours faithfully,
Lau Yip Leung
*Independent Non-Executive
Director*

* For identification purpose only

LETTER FROM FIRST SHANGHAI

The following is the text of a letter to the Independent Board Committee and the Independent Shareholders from First Shanghai in respect of the terms of the Early Repayment of the Cash Portion to the Vendors pursuant to the Agreement prepared for the purpose of incorporation in this circular.



First Shanghai Capital Limited
19th Floor, Wing On House
71 Des Voeux Road Central
Hong Kong

6 November 2009

*To the Independent Board Committee and
the Independent Shareholders*

Nan Hai Corporation Limited
39th Floor
New World Tower I
16-18 Queen's Road Central
Hong Kong

Dear Sir and Madam,

CONNECTED TRANSACTION

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Early Repayment of the Cash Portion in the aggregate principal amount of HK\$488,167,119 to be repaid to the Vendors pursuant to the Agreement, details of which are set out in the "Letter from the Board" contained in the circular dated 6 November 2009 (the "**Circular**") to the Shareholders, of which this letter forms a part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On or about 29 December 2003, the Company and Sino-i jointly announced in the Previous Announcement that, among other things, pursuant to the Sale and Purchase Agreement, the Company agreed to purchase from the Vendors the Sale Shares at the total consideration of HK\$976,334,238, which was to be satisfied (i) as to half of the consideration, by the allotment and issue of the Consideration Shares by the Company to the Vendors; and (ii) as to the remaining half of the consideration (being HK\$488,167,119), in cash (the "**Cash Portion**") payable to the Vendors on the date falling 60 months after the date of completion of the Sale and Purchase Agreement or any other date as mutually agreed by the parties to the Sale and Purchase Agreement. The transactions contemplated

LETTER FROM FIRST SHANGHAI

under the Sale and Purchase Agreement constituted major and connected transactions for the Company under the Listing Rules. The Sale and Purchase Agreement was completed on 30 August 2005, and the Cash Portion was originally due for payment on 29 August 2010 (the “**Original Payment Date**”). The Cash Portion is unsecured and interest free. Under the generally accepted accounting principles, the Cash Portion has been disclosed in the Company’s annual reports for each of the four financial years ended 31 December 2008 as the amounts due to Shareholders under non-current liabilities, and it was recognized at fair value of HK\$336,110,000 as at 30 August 2005 and subsequently stated at amortized cost by using an effective interest rate of 9.05% per annum, i.e. by summation of the interest rate of 9.05% per annum on the Cash Portion and the fair value of HK\$336,110,000, the Company is required to pay the full amount of Cash Portion of HK\$488,167,119 on the Original Payment Date.

On 5 June 2006, 中信信息科技投資有限公司 (CITIC Information Technology Investment Company Limited), one of the vendors of the Sale Shares, assigned the whole of cash consideration in the amount of HK\$21,452,246 together with all interests, rights, benefits and entitlements of and in the foregoing sum that 中信信息科技投資有限公司 (CITIC Information Technology Investment Company Limited) was entitled under the Sale and Purchase Agreement, to Phippen Limited by means of a deed of assignment (the “**Assignment**”).

On 21 October 2009, the Company and the Vendors entered into the Agreement, pursuant to which, the Company agreed to make early repayment to the Vendors (or any other party(ies) to be directed by any of the Vendors) at the Discounted Amount as full settlement of the amount of the Cash Portion subject to and in accordance with the terms and conditions of the Agreement.

As Mr. Yu, the chairman, an executive Director and controlling Shareholder, indirectly wholly owns (1) First Best Assets Limited, (2) Rosewood Assets Ltd., and (3) Phippen Limited, and indirectly owns 60% of Macro Resources Ltd., and Mr. Lim Siew Choon, a substantial Shareholder, wholly owns Empire Gate Industrial Limited, the Agreement constitutes a connected transaction of the Company under the Listing Rules, and it will be subject to the approval of the Independent Shareholders at the SGM. The Vendors and their respective associates will abstain from voting on the resolution to approve the transactions contemplated in the Agreement.

The Independent Board Committee, comprising Mr. Huang Yaowen, Professor Jiang Ping and Mr. Lau Yip Leung, being all the independent non-executive Directors, will be responsible for considering the transactions contemplated under the Agreement and advising the Independent Shareholders on whether (i) the entering into of the Agreement is in the ordinary and usual course of business of the Group; and (ii) the terms of the Agreement and transactions contemplated thereunder are on normal commercial terms, in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. As the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the entering into of the Agreement is in the ordinary and usual course of business of the Group; (ii) whether the entering into of the

LETTER FROM FIRST SHANGHAI

Agreement has been conducted on normal commercial terms and is in the interests of the Company and the Shareholders as a whole; (iii) the terms of the Agreement are fair and reasonable so far as the interests of the Independent Shareholders are concerned; and (iv) how the Independent Shareholders should vote in respect of the resolution to approve the Agreement and the transactions contemplated thereunder at the SGM.

BASIS OF OUR OPINION

In putting forth our opinion and recommendation, we have relied on the accuracy of the information and representations included in the Circular and provided, and opinion expressed to us, by the Company and the Directors. We have assumed that all such information and representations made or referred to in the Circular and provided, and opinion expressed, to us by the Company and the Directors were true, accurate and complete at the time they were made and continued to be true as at the date hereof. We have also assumed that all statements of belief, opinion and intention made by the Company and the Directors in the Circular were reasonably made after due enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company and the Directors and the information contained in the Circular. We have also been advised by the Company and the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Company and the Directors nor have we conducted any form of investigation into the business, operations, financial condition, affairs or future prospects of the Group. We confirm that we have taken all the reasonable steps, which are applicable to the Early Repayment pursuant to the Agreement, as referred to and required under Rule 13.80(2)(b) of the Listing Rules (including its annexed notes) in forming our opinion.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation on the Early Repayment pursuant to the Agreement, we have taken into account, among other things, the following principal factors and reasons:

1. Background of the Group

The Company is an investment holding company listed on the Main Board of the Stock Exchange. The Group is principally engaged in property development, culture and media services and through its listed subsidiary, Sino-i, engaged in corporate IT application services, financial information services and distance learning education services.

2. Reasons for and benefits of the Early Repayment

As stated in the “Letter from the Board” of the Circular, pursuant to the Sale and Purchase Agreement and the Assignment, the Company is currently indebted to the Vendors for the total sum of HK\$488,167,119. The Group has anticipated that the sales proceeds generated from the Phase 2 of the property project of “The Peninsula” can be recognized upon the completion of the transfer of ownership title of the units to the purchasers in or around December 2009. As set out in the interim report of the Group for the six months ended 30 June 2009 (the “**Interim Report 2009**”), the sales proceeds received by the Group for the Phase 2 of “The Peninsula” amounted to approximately HK\$1,733.4 million. Under the current property market sentiment in China, the Company will not use the proceeds for any other property project investments. As a consequence, the Group does not have immediate funding need for its property business expansion.

As set out in the Interim Report 2009, the Group had cash and cash equivalents of approximately HK\$1,064.7 million as at 30 June 2009, so there will be sufficient internal cash resources for funding the Early Repayment.

The Directors consider that the terms and conditions of the Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Given that (i) the Group has no immediate funding needs for business expansion in the near future; (ii) a substantial concession of 20% per annum will be offered by the Vendors for full settlement of the amount of the Cash Portion; and (iii) the extremely low interest rate of not more than 0.5% per annum for time deposits being offered by banks to the general public which is not attractive for the Group to place its excessive cash resources at banks for a very poor return instead of enjoying the said 20% concession per annum, we are of the view that the Early Repayment, though not being conducted in the ordinary and usual course of business of the Group, is in the interests of the Company and the Shareholders as a whole, and is fair and reasonable so far as the Independent Shareholders are concerned.

3. Principal terms of the Agreement

On 21 October 2009, the Company and the Vendors entered into the Agreement, pursuant to which the Company agreed to make early repayment to the Vendors at the Discounted Amount as full settlement of the amount of the Cash Portion subject to and in accordance with the terms and conditions of the Agreement.

Subject to the terms and conditions of the Agreement, the Vendors and the Purchaser, after arm’s length negotiations with reference to the current financial position of the Group, agreed that the Company shall pay the Vendors (or any other party(ies) to be directed by any of the Vendors) the Discounted Amount in one-off payment as full settlement of the amount of the Cash Portion on or before 31

LETTER FROM FIRST SHANGHAI

December 2009 (or such later date as the Vendors and the Company may agree) (the “**Early Repayment Date**”). The “Discounted Amount” is determined as follows:

$$\text{Discounted Amount} = \text{HK\$488,167,119} - (\text{HK\$488,167,119} \times \frac{D}{365} \times 20\%)$$

D = Number of days from the date immediately following the date of one-off full payment of the Discounted Amount to the Original Payment Date, being 29 August 2010.

Assuming the Discounted Amount shall be paid on 31 December 2009, the Company will pay a total amount of approximately HK\$423,702,000 to the Vendors as full settlement of the amount of the Cash Portion (representing a discount of approximately 13.2% to the Cash Portion of HK\$488,167,119).

The conditions and other terms of the Agreement are set out in the “Letter from the Board” of the Circular.

Given that a substantial concession of 20% per annum will be offered by the Vendors for the Early Repayment, which is higher than (i) the weighted average cost of capital of the Group of approximately 9.50%; and (ii) the effective interest rate of 16% per annum of the finance from a third party in approximately HK\$2,196.0 million which is the highest cost of financing of the Group as at 30 June 2009, it would be advantageous for the Group to make the Early Repayment. We are therefore of the view that the terms of the Agreement are on normal commercial terms, fair and reasonable, in the interest of the Company and the Shareholders as a whole and insofar as the Independent Shareholders are concerned.

4. Possible financial effects of the Early Repayment on the Group

Earnings

According to the Sale and Purchase Agreement, the Cash Portion of HK\$488,167,119 shall be repaid in cash to the Vendors by the Company on or before 29 August 2010. Assuming that the Cash Portion will be repaid on 31 December 2009, an increase in earnings of the Group of approximately HK\$44.2 million will be recognised in the consolidated income statement of the Group for the second half of 2009.

Net asset value

According to the Interim Report 2009, the unaudited consolidated net asset value (excluding minority interests) of the Group was approximately HK\$3,392.6 million as at 30 June 2009, which would be slightly enhanced by recognition of the aforesaid increase in earnings immediately following the Early Repayment is made.

LETTER FROM FIRST SHANGHAI

Working capital

Based on the Interim Report 2009, the Group had current assets and current liabilities of approximately HK\$10,685.5 million (comprising cash and cash equivalents of approximately HK\$1,064.7 million) and HK\$3,965.9 million respectively as at 30 June 2009. This represents a current ratio of approximately 2.7 times (which is calculated as total current assets divided by total current liabilities of the Group). Should the Early Repayment be made on 31 December 2009, and hence the Group's cash balances of approximately HK\$423.7 million (i.e. after the concession of 20% per annum for full settlement of the Cash Portion) would be deducted from the total current assets, its current ratio would slightly go down to approximately 2.6 times (Note: the amounts due to Shareholders have used to be classified under non-current liabilities over the years), but still remains at a healthy level. In addition, the Early Repayment would have a cash-saving effect for the Group of approximately HK\$64.5 million, regardless of the time value of the Discounted Amount between the period from 1 January 2010 to 29 August 2010.

We also noted from the Interim Report 2009 that the Group had net cash generated from operating activities of approximately HK\$1,299.6 million during the six months ended 30 June 2009, showing a great improvement when compared to the net cash used in (i.e. cash outflow) operating activities of approximately HK\$343.6 million for the corresponding period in 2008. It was attributable to the commencement of pre-sale activities of its flagship property development project of Phase 2 of "The Peninsula" in Shekou, Shenzhen, the PRC since January 2009, sales results of which have been satisfactory with over RMB2.5 billions in contracted sales of approximately 130,000 square metres out of the total of 199,050 square metres in saleable floor area having already been achieved. Such sales results will be reflected in the Group's consolidated income statement upon the transfer of ownership titles of the residential units to the purchasers, which is expected to be taken place at the end of 2009. In view of the sales trend in the first eight months of 2009, the Group is optimistic in the sale of the remaining units thereof and is expecting a strong operating cash inflow to the Group in the coming few months, even though it had outstanding capital commitments of approximately HK\$226.9 million as at 30 June 2009. As mentioned in the "Letter from the Board" of the Circular, the Group has no immediate funding needs for its business expansion in the near future in view of the current property market sentiment in China. On this basis, we are of the view that the Early Repayment would have no material adverse impact on the working capital position of the Group.

LETTER FROM FIRST SHANGHAI

Gearing position

Based on the Interim Report 2009, the Group had aggregate interest-bearing borrowings (i.e. without taking into account of the notional interest expenses under the generally accepted accounting principles) of approximately HK\$4,112.0 million as at 30 June 2009, representing a gearing ratio (being calculated as the interest-bearing borrowings divided by the net asset value (excluding minority interests) of the Group) of approximately 121.2% thereof, which will be slightly improved immediately following the Early Repayment is made because the Group's net asset value will increase as a result of the recognition of the aforesaid increase in earnings of approximately HK\$44.2 million. Since the amounts due to Shareholders are interest free (i.e. not interest bearing), which have not been regarded as interest-bearing borrowings and included in the calculation of gearing ratio above.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the entering into of the Agreement, though is not in the ordinary and usual course of business of the Group, is in the interests of the Company and the Shareholders as a whole, and that the terms of the Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Early Repayment pursuant to the Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of

First Shanghai Capital Limited

Helen Zee

Managing Director

Eric Lee

Deputy Managing Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors and Chief Executive

As at the Latest Practicable Date, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the directors or chief executive of the Company were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules were as follows:

The Company

(i) Long position in Shares in issue

Name of Directors	Number of shares of HK\$0.01 each				Approximate percentage holding
	Personal interest	Corporate interest	Family interest	Total interest	
Mr. Yu	-	33,745,726,203 (Note 1)	69,326,400 (Note 2)	33,815,052,603	49.26%
Chen Dan	32,000,000	-	-	32,000,000	0.05%
Wang Gang	8,500,000	-	-	8,500,000	0.01%
Qin Tian Xiang	7,000,000	-	-	7,000,000	0.01%

Notes:

- Out of these 33,745,726,203 shares, 30,003,232,705 shares were collectively held by Mr. Yu through Rosewood Assets Ltd., Phippen Limited and First Best Assets Limited, companies wholly owned by him; and 3,742,493,498 shares were held by Macro Resources Ltd., a company indirectly held as to 60% by Mr. Yu.
- These 69,326,400 shares were held by Redmap Resources Limited, a company wholly owned by Ms. Kung Ai Ming, the spouse of Mr. Yu.

(ii) Long position in underlying shares

Name of Directors	Number of underlying shares of HK\$0.01 each*	Nature of interest	Approximate percentage holding
Chen Dan	7,000,000	Personal	0.01%
Liu Rong	7,000,000	Personal	0.01%
Lam Bing Kwan	3,000,000	Personal	0.004%

* Represents underlying shares subject to share options granted to the Directors, details of which are as follows:

Grantees	Date of grant	Exercise price per share HK\$	Number of share options granted	Exercisable period
Chen Dan	20-04-2009	0.0702	3,500,000	01-01-2010 to 31-12-2011
			3,500,000	01-01-2011 to 31-12-2011
Liu Rong	20-04-2009	0.0702	3,500,000	01-01-2010 to 31-12-2011
			3,500,000	01-01-2011 to 31-12-2011
Lam Bing Kwan	20-04-2009	0.0702	1,500,000	01-01-2010 to 31-12-2011
			1,500,000	01-01-2011 to 31-12-2011

Associated Corporations

As disclosed above, Mr. Yu, together with his family and corporate interests, are entitled to control the exercise of more than one-third of the voting power at general meetings of the Company. As such, Mr. Yu is taken to be interested in the shares that the Company or its controlled corporations hold in the associated corporations of the Company within the meaning of Part XV of the SFO, including interests held by the Company in the shares of Sino-i, a subsidiary of the Company. Sino-i is a company the shares of which are listed on the Stock Exchange and is also an associated corporation of the Company within the meaning of Part XV of the SFO. As at the Latest

Practicable Date, the interests of the directors of the Company in shares and underlying shares of Sino-i were as follows:

Sino-i

Long position in shares in issue

Name of Director	Personal interest	Number of Shares of HK\$0.01 each			Approximate percentage holding
		Corporate interest	Family interest	Total interest	
Mr. Yu	-	12,515,795,316 (Note 1)	44,000,000 (Note 2)	12,559,795,316	63.07%

Notes:

1. These 12,515,795,316 shares were collectively held by Goalrise Investments Limited, View Power Investments Limited and Wise Advance Investments Limited, all of which are wholly-owned subsidiaries of the Company. Mr. Yu was taken to be interested in these shares by virtue of his controlling interests in shares of the Company.
2. These 44,000,000 shares were held by Redmap Resources Limited, a company wholly owned by Ms. Kung Ai Ming, the spouse of Mr. Yu.

Save as disclosed above, as at the Latest Practicable Date, to the knowledge of the Company, none of the directors nor chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the directors and chief executive were taken or deemed to have under the provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules.

(b) Substantial Shareholders

As at the Latest Practicable Date, so far as was known to any director or chief executive of the Company, other than a director or chief executive of the Company, the following persons had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of

share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

The Company

Name of person holding an interest in shares which has been disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO	Nature of interest	Number of shares in issue subject to long position	Approximate percentage of issued share capital of the Company	Notes
Kung Ai Ming	Family and Corporate interest	33,815,052,603	49.26%	1
Rosewood Assets Ltd.	Beneficial interest	7,668,000,210	11.17%	3
Pippen Limited	Beneficial interest	14,830,245,497	21.60%	3
Righteous International Limited	Corporate interest	3,742,493,498	5.45%	3
Macro Resources Ltd.	Beneficial interest	3,742,493,498	5.45%	2 & 3
First Best Assets Limited	Beneficial interest	7,504,986,998	10.93%	3
CITIC Group	Corporate interest	8,635,691,472	12.58%	2
Lim Siew Choon	Corporate interest	10,019,673,777	14.60%	4
Empire Gate Industrial Limited	Beneficial interest	6,714,986,997	9.78%	4
Lee Tat Man	Beneficial interest	60,900,000	0.09%	
	Security interest	7,700,000,000	11.22%	

Notes:

1. Ms. Kung Ai Ming is the spouse of Mr. Yu and was taken to be interested in those shares in which Mr. Yu and herself (together with their respective corporate interests) held an interest.
2. CITIC Group was indirectly interested in 8,635,691,472 shares, of which interests are held by its wholly-owned subsidiary, Staverley Assets Limited, and its 40% owned company, Macro Resources Ltd..
3. Rosewood Assets Ltd., Pippen Limited, Righteous International Limited and First Best Assets Limited are companies wholly owned by Mr. Yu and Macro Resources Ltd. is held as to 60% by Righteous International Limited. Their interests in shares are disclosed as the corporate interests of Mr. Yu above. Interest held by Macro Resources Ltd. was included as the interest of Righteous International Limited.
4. Empire Gate Industrial Limited is wholly owned by Mr. Lim Siew Choon. Its interest in shares was included as interest held by Mr. Lim Siew Choon.

Subsidiaries

Name of shareholder (other than a member of the Group) who is interested in 10% or more of the subsidiary of the Company	Name of subsidiary of the Company	Number of shares or extent of interest directly held in the subsidiary of the Company	Approximate percentage of issued registered share capital or registered capital of the subsidiary of the Company
Pacific Gloria Limited	Team Industrial Company Limited	20,000,000 shares	35%
中信國安集團公司 (CITIC Guoan Group)*	北京世華國際金融信息 有限公司 (Beijing Shihua International Financial Information Company Limited)	RMB26,000,000	20%
北京中科紅旗軟件技術 有限公司 (Red Flag Software Co., Ltd.)*	北京紅旗中文貳仟軟件 技術有限公司 (Beijing Redflag Chinese 2000 Software Technology Company Limited)*	Nil	35%

* *English transliteration of the Chinese company's name*

Save as disclosed above, as at the Latest Practicable Date, so far as was known to any director or chief executive of the Company, other than a director or chief executive of the Company, no persons had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or any options in respect of such capital.

3. MATERIAL CONTRACTS

Save for the Agreement, no contracts, not being contracts in the ordinary course of business of the Company or any of its subsidiaries, has been entered into by the members of the Group within the two years immediately preceding the Latest Practicable Date.

4. SERVICE CONTRACTS

None of the Directors had entered into any service and proposed service contracts with the Company or any other member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) as at the Latest Practicable Date.

5. COMPETING INTEREST

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or their respective associates had any interest in a business which competes or may compete with the business of the Group, or have or may have any other conflicts of interest with the Group pursuant to rule 8.10 of the Listing Rules.

6. EXPERT QUALIFICATIONS AND CONSENT

The following is the qualifications of the expert who has given opinion or advice contained in this circular:

Name	Qualifications
First Shanghai	a licensed corporation registered under the SFO to carry out type 6 (advising on corporate finance) regulated activity

First Shanghai has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appear.

As at the Latest Practicable Date, First Shanghai (a) was not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2008, being the date to which the latest published

audited accounts of the Company were made up; and (b) did not have any shareholding interest in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

7. LITIGATION

As at the Latest Practicable Date, apart from the following matters, no litigation or claim of material importance is known to be pending or threatened by or against the companies in the Group:

- (a) In respect of the purported sale of certain shares (“Philippines Shares”) in Acesite (Philippines) Hotel Corporation Inc. (“Acesite Phils.”), which were mortgaged by Acesite Limited (“Acesite”), by Banco de Oro-EPCI Inc. (formerly known as Equitable PCI Bank Inc.) (“EPCIB”), a Filipino bank, to Waterfront Philippines Inc. (“Waterfront”), a Filipino company, in February 2003, Acesite, a former subsidiary of Sino-i; Evallon Investment Limited, a wholly-owned subsidiary of Sino-i; Mr. Yu; and South Port Development Limited, a former wholly-owned subsidiary of Sino-i as first, second, third and fourth plaintiff respectively issued a claim against EPCIB and Waterfront, on the grounds that the purported sale of the Philippines Shares was unlawful as such sale was in breach of the terms of the mortgage; in breach of a compromise agreement subsequently reached in January 2003; and in other breaches, for damages; further or other relief; interest and costs and etc. in February 2006 under High Court Number of HCCL 5 of 2006. In May 2007, Acesite Phils. filed a claim against Mr. Yu; Mr. Lam Bing Kwan, a non-executive director of both the Company and Sino-i; Sino-i; and Acesite for damages; further or other relief; interest and costs and etc. under High Court Number of HCA498 of 2007. The defendants in both cases have filed their defences respectively to the court. These two cases are still in progress and no date has been fixed for trial.
- (b) Dadi Media Limited (“Dadi Media”), a wholly-owned subsidiary of Sino-i, as plaintiff, issued a claim against two minority shareholders of CE Dongli Technology Group Company Limited (“CE Dongli”), a company incorporated in the PRC and a subsidiary of Sino-i, for the sum of HK\$27,750,498.41 together with interest thereon and costs in May 2004 under High Court Number of HCA1130 of 2004. The two defendants filed a defence and counterclaim in June 2004 and then an amended defence and counterclaim in September 2004. The counterclaim was further amended and re-amended. In December 2004, the two minority shareholders of CE Dongli issued a claim against China Enterprise ASP Limited (“CE ASP”), a wholly-owned subsidiary of Dadi Media, for (1) the sum of HK\$806,250; (2) an award of compensation pursuant to section 32P of the Employment Ordinance; (3) the sum of HK\$13,000; and (4) interest and costs under High Court Number HCA2892 of 2004. CE ASP filed a defence in March 2005. These two cases are still in progress and no trial date has been fixed.
- (c) In May 2007, a company incorporated in the PRC, namely 深圳市益田房地產集團股份有限公司 (Shenzhen Yitian Real Estate Group Company Limited)

(“Yitian”) issued a pleading to 深圳市金益田實業發展有限公司 (Shenzhen City Jingyitian Industrial Development Company Limited) (“Jingyitian”), a wholly-owned subsidiary of the Company, requesting for the court’s judgment including (i) nullity of a letter of undertaking entered into between Yitian and Jingyitian, dated 2 September 1999; and (ii) refund of HK\$41 million together with interest to Jingyitian, which was the total consideration fully paid by Jingyitian to Yitian under the letter of undertaking for assigning all rights and interests Yitian had in two pieces of land sites bearing numbers of K708-2 and K708-3 which subsequently became part of the total area for the development of the Company’s property project namely “The Peninsula” in Shekou, Shenzhen, and for surrendering its rights in property development in the above mentioned land sites and in sharing of any profits to be derived therefrom. Jingyitian has subsequently filed its defence to the court in the PRC. The case is still in progress and no judgment has been made by the court.

- (d) Liu Wan Development (BVI) Company Limited (“LWD”), Liu Wan Investment Company Limited (“LWI”) and 深圳南海益田置業有限公司 (Shenzhen Nanhai Yitian Realty Company Limited) (“Nanhai Yitian”) received a pleading from Yitian in January 2008. Yitian alleged that it was rejected to participate to the development of the Phase 2 of “The Peninsula” subsequent to the completion of cooperation in development of the Phase 1, and claimed for damages of RMB396,356,182 resulting from the alleged breach of a cooperation agreement. LWD and LWI directly and indirectly hold 100% of Nanhai Yitian, and LWD and LWI are the wholly-owned subsidiaries of the Company. LWD, LWI and Nanhai Yitian have subsequently filed their defences to the court in the PRC. The case is still in progress and no trial date has been fixed.

8. MATERIAL CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse changes in the financial or trading position or prospects of the Group since 31 December 2008, being the date to which the latest published audited consolidated financial statements of the Company were made up.

9. GENERAL

- (a) As at the Latest Practicable Date, none of the Directors or proposed director was interested, directly or indirectly, in any assets which have been acquired or disposed of by or proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2008, being the date to which the latest published audited accounts of the Company were made up.
- (b) The company secretary of the Company is Mr. Watt Ka Po James, who is a fellow member of Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators.
- (c) The principal place of business of the Company is 39th Floor, New World Tower I, 16-18 Queen’s Road Central, Hong Kong.

- (d) The branch share registrar of the Company in Hong Kong is Tricor Abacus Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (e) The English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese text for the purpose of interpretation.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company, at 39th Floor, New World Tower I, 16-18 Queen's Road Central, Hong Kong, during normal business hours from the date of this circular up to and including the date of the SGM:

- (a) The Assignment, the Agreement, the circular of the Company dated 23 March 2004, the Previous Announcement, and the Sale and Purchase Agreement;
- (b) the memorandum of association and bye-laws of the Company;
- (c) the annual reports of the Company for each of the four years ended 31 December 2005, 2006, 2007 and 2008;
- (d) the interim report of the Company for the six months ended 30 June 2009;
- (e) the letter of from First Shanghai to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 13 to 19 of this circular and the written consent from First Shanghai referred to in the section headed "Expert Qualifications and Consent" in this appendix; and
- (f) this circular.

NOTICE OF THE SGM



南海控股有限公司*

NAN HAI CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 680)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the special general meeting (the “**SGM**”) of Nan Hai Corporation Limited (the “**Company**”) will be held at Queensway & Victoria, JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 23 November 2009 at 10:00 a.m. for the purpose of considering and, if thought fit, passing (with or without amendments) the following as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) the agreement dated 21 October 2009 (the “**Agreement**”) made between the Company and the Vendors (as defined in the circular of the Company dated 6 November 2009 (the “**Circular**”), pursuant to which the Company agreed to make an early repayment to the Vendors at the Discounted Amount (as defined in the Circular) as full settlement of the amount of the Cash Portion (as defined in the Circular) (a copy of the Agreement has been produced to the meeting marked “A” and initialed by the chairman of the meeting for the purpose of identification), and the transaction contemplated under the Agreement be and are hereby approved, ratified and confirmed; and
- (b) one or more directors of the Company be and is and are hereby authorized on behalf of the Company to do all such deeds, acts, matters and things, and execute further documents as they may in their opinion consider necessary, desirable or expedient for the purpose of or in connection with effecting and implementing the terms of the Agreement and the transactions contemplated under the Agreement.”

By Order of the Board
Watt Ka Po James
Company Secretary

Hong Kong, 6 November 2009

* *For identification purpose only*

NOTICE OF THE SGM

Notes:

1. Any shareholder entitled to attend and vote at the SGM is entitled to appoint another person as his/her proxy to attend and vote on his/her behalf in accordance with the bye-laws of the Company. A shareholder who is the holder of two or more shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a shareholder of the Company.
2. In order to be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event by not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof.
3. Where there are joint registered holders of any share(s), any one of such joint holders may attend and vote at the SGM, either in person or by proxy, in respect of such share(s) as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the SGM or any adjourned meeting thereof (as the case may be), the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
4. Completion and return of the form of proxy will not preclude a shareholder from attending and voting in person at the SGM or any adjournment thereof if he/she so desires. If a shareholder attends the SGM after having deposited the form of proxy, his/her form of proxy will be deemed to have been revoked.
5. Voting of the ordinary resolution as set out in this notice will be by poll.
6. As at the date of this notice, the directors of the Company are:

Executive directors:

Mr. Yu Pun Hoi
Mr. Wang Gang
Ms. Chen Dan
Ms. Liu Rong

Non-executive directors:

Mr. Qin Tian Xiang
Mr. Lam Bing Kwan

Independent non-executive directors:

Mr. Huang Yaowen
Prof. Jiang Ping
Mr. Lau Yip Leung