

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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



SINO-i TECHNOLOGY LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 250)

JOINT ANNOUNCEMENT

DISCLOSEABLE TRANSACTION FOR NAN HAI CORPORATION LIMITED AND SINO-I TECHNOLOGY LIMITED

Reference is made to the joint announcement dated 15 November 2013 (the “Announcement”) issued by Nan Hai and Sino-i in relation to the discloseable transaction. All capitalized terms used in this announcement shall have the same meanings as those defined in the Announcement unless otherwise stated herein.

The board of directors (the “Board”) of Nan Hai and Sino-i hereby jointly provide further information in relation to the Structured Agreements and the implications thereof as follows:

1. Beijing Xinnet’s main business shall be regarded as a value-added telecommunication service which is a kind of restricted business in the PRC. By virtue of 外商投資電信企業管理規定 (Foreign Investment Telecommunication Enterprise Regulation), foreign investor shall not have more than 50% in the registered capital of a corporation providing value-added telecommunication services.
2. As Nan Hai Group (including Sino-i Group) does not possess valid license for internet content service, Structured Agreements shall be regarded as an investment strategy which is on one hand narrowly tailored to achieve the purpose of allowing Sino-i Group to fully and effectively participate to the business in the PRC by controlling Beijing Xinnet, and on the other hand, offers flexibility to Sino-i Group which may exercise its option to acquire Beijing Xinnet’s equity interest under the Option Agreement when the restriction in foreign investment in corporation providing value-added telecommunication services is released in the PRC in the future, i.e. minimizing the potential for conflict with relevant PRC laws and regulations.

* For identification purpose only

3. The PRC legal adviser engaged by Nan Hai Group has taken all possible actions or steps to reach the following opinion:
- (i) the Structured Agreements have complied with the PRC laws, rules and regulations, including those applicable to the businesses carried out by XWHT, ZQHT and Beijing Xinnet, and complied with the articles of association of each of the above mentioned PRC companies;
 - (ii) other than 外商投資電信企業管理規定 (Foreign Investment Telecommunication Enterprise Regulation) under which foreign investor shall not have more than 50% in the registered capital of a corporation providing value-added telecommunication services (Beijing Xinnet's main business shall be regarded as a value-added telecommunication service, a kind of restricted business in the PRC), no law and regulation specifically disallows foreign investors from using agreements or contractual arrangement to gain control of or operate the business of Beijing Xinnet; and
 - (iii) the Structured Agreements would not be deemed as concealing illegal intentions with a lawful form and void under the PRC contract law.

As a result, Nan Hai Group will gain the full control of Beijing Xinnet by means of the Structured Agreements.

4. As soon as the relevant PRC law allows the business of Beijing Xinnet to be 100% operated and controlled by a foreign investor, XWHT will exercise the option under the Option Agreement for subscribing the entire equity interest in Beijing Xinnet. XWHT undertakes that it will unwind the Structured Agreements upon it exercises the option. The total subscription price for 100% equity interest in Beijing Xinnet being RMB1,500,000 shall be deemed as the total consideration for acquisition of Beijing Xinnet. The aforesaid consideration for Beijing Xinnet will be fully settled by the loan amount under the Loan Agreement made to Mr. Jiang, the ultimate and beneficial shareholder of Beijing Xinnet. When Beijing Xinnet becomes a formal subsidiary of XWHT, the Loan Agreement, the Option Agreement and the Power of Attorney will no longer be in force or valid, and XWHT will release the first fixed charge/pledge under the Equity Pledge Agreement and the Management and Technology Services Agreement.
5. The Power of Attorney by which ZQHT has granted to XWHT (or any other persons as XWHT may appoint) the power to exercise all rights of Beijing Xinnet's shareholder, including the rights to vote in shareholder's meeting, sign minutes, file documents with the relevant companies registry. In addition, the Structured Agreements are governed by the PRC law because all parties thereto are PRC corporations (XWHT, ZQHT and Beijing Xinnet) and PRC citizen (Mr. Jiang), and the dispute amongst the parties to the Structured Agreements shall submit to the Beijing arbitration centre, and the arbitration award shall be final.

6. The liquidator's right, acting on the Structured Agreements, to seize Beijing Xinnet's assets in a winding up situation for the benefit of XWHT's shareholders or creditors is conferred by the applicable laws. The interest of XWHT in Beijing Xinnet will not be affected since equity interest of Beijing Xinnet has been pledged as a first fixed charge to XWHT.
7. Such potential risks as (i) the Structured Agreements might not comply with those future applicable laws, rules or regulations; (ii) technological advancement which might lessen or replace the requirement of virtual server hosting; and (iii) the Structured Agreements might be subject to scrutiny of the tax authorities in the PRC, and additional tax might be imposed, have not been covered by any insurance as Nan Hai Group does not expect that the aforesaid potential risks are high and will lead to any substantial economic loss.
8. Consolidation of Beijing Xinnet's financial position and operating results in the financial statements of XWHT from the date on which XWHT gains control over Beijing Xinnet by virtue of the Structured Agreements has been confirmed with the auditors of both Nan Hai and Sino-i.
9. The loan amount of RMB1,500,000 made available to the borrower, Mr. Jiang, under the Loan Agreement shall be referred to the value of Beijing Xinnet being RMB1,500,000 as per the valuation report dated 15 November 2013 prepared by an independent valuer, Vigers Appraisal and Consulting Limited. The valuation (the "Valuation") was prepared on the basis of discounted cash flows of Beijing Xinnet. Set out below are the principal assumptions used in the Valuation:
 - It is assumed that the project will be implemented in accordance to the plan presented to the valuer. It is also assumed that projection prepared by Beijing Xinnet (the "Projection") provided to the valuer is correctly budgeted and free from misrepresentation. The valuer cannot verify the assumptions in relation to the business plan as inferred by the Projection.
 - There will be no material adverse change in the political, legal, fiscal or economic condition in the PRC and other regions in which Beijing Xinnet carries on its business.
 - Beijing Xinnet will retain its key management, competent personnel and technical staff to support its ongoing operation.
 - It is assumed that the Internet services business can be run into indefinite future.
 - Market trend and conditions for Beijing Xinnet in related areas will not deviate significantly from the economic forecasts in general. Competitors in the neighborhood will not change their marketing strategies substantially in future.
 - Revenues of Beijing Xinnet have taken into account of its regular service income only. The valuer has not made any estimates on imponderables such as other non-routine operating income.

- The Projection only considered a collection of operating incomes and related expenses such as direct costs, management costs, taxes, capital spending, etc. The valuer has not made provision for non-operating cash flow items such as exchange rate gain/loss, compensations on accidents, etc. in the valuation model.
- In the course of the valuer's valuation, the valuer has been provided unaudited financial statements of Beijing Xinnet. The valuer has not, however, verified the correctness and reasonableness of such figures.
- It is assumed a marketability discount of 40%.

The valuer also assumed the reasonableness of information provided and relied to a considerable extent on such information in arriving at its opinion of value.

As the Valuation is based on discounted cash flows approach, it will constitute a profit forecast under Rule 14.61 of the Listing Rules. Pursuant to Rule 14.62 of the Listing Rules, the Board of Nan Hai and Sino-i have reviewed the principal assumptions upon which the Valuation is based and is of the view that the profit forecast has been made after due and careful enquiry.

BDO Limited ("BDO"), the auditor of Nan Hai and Sino-i, has reviewed the accuracy of the arithmetical calculations of the estimated future cash flows underlying the Valuation. BDO reported that the calculation of the discounted future estimated cash flows underlying the Valuation has been properly compiled in all material respects in accordance with the bases and assumptions approved by the directors.

To the best of the directors' knowledge, information and belief having made all reasonable enquiries, BDO is a third party independent of Nan Hai Group and Sino-i Group and their respective connected persons.

As at the date of this announcement, BDO does not have any shareholding, directly or indirectly, in any member of Nan Hai Group and Sino-i Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of Nan Hai Group and Sino-i Group.

BDO has given and has not withdrawn its written consent to the publication of this announcement with the inclusion of its report and all references to its name in the form and context in which it is included.

Please find the attached Appendix I to this announcement the text of the report from BDO and the attached Appendix II to this announcement the text letter from the Board of Nan Hai and Sino-i respectively for your attention.

10. When XWHT exercises the option under the Option Agreement, Nan Hai and Sino-i will comply with Rule 14.75 of the Listing Rules using the exercise price, value of the underlying assets and profits and revenue attributable to such assets for calculation of percentage ratios for determining a notifiable transaction or not.

By Order of the Board of
Nan Hai Corporation Limited
Yu Pun Hoi
Director

By Order of the Board of
Sino-i Technology Limited
Chen Dan
Director

Hong Kong, 6 December 2013

As at the date of this announcement, the directors of Nan Hai are:

<i>Executive directors:</i>	<i>Non-executive directors:</i>	<i>Independent non-executive directors:</i>
Mr. Yu Pun Hoi	Mr. Wang Gang	Prof. Jiang Ping
Ms. Chen Dan	Mr. Lam Bing Kwan	Mr. Hu Bin
Ms. Liu Rong		Mr. Lau Yip Leung

As at the date of this announcement, the directors of Sino-i are:

<i>Executive directors:</i>	<i>Non-executive directors:</i>	<i>Independent non-executive directors:</i>
Mr. Yu Pun Hoi	Mr. Wang Gang	Prof. Jiang Ping
Ms. Chen Dan	Mr. Lam Bing Kwan	Mr. Hu Bin
Ms. Liu Rong		Mr. Fung Wing Lap

APPENDIX I — REPORT FROM BDO LIMITED

The following is the text of the report received from BDO Limited, Certified Public Accountants, the auditor of Nan Hai and Sino-i relating to the discounted future estimated cash flows in respect of the valuation of 北京新網數碼信息技術有限公司, for the purpose of inclusion in this announcement.



Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話 : +852 2218 8288
傳真 : +852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

6 December 2013

The Board of Directors
Nan Hai Corporation Limited
Sino-i Technology Limited
26/F., Siu On Centre
188 Lockhart Road
Wanchai
Hong Kong

Dear Sirs

**NAN HAI CORPORATION LIMITED (“NAN HAI”)
SINO-i TECHNOLOGY LIMITED (“SINO-i”) AND ITS SUBSIDIARIES
DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION
WITH THE BUSINESS VALUATION ON 北京新網數碼信息技術有限公司
(THE “TARGET COMPANY”)**

Independent assurance report

In accordance with our agreed terms of engagement, we have examined the arithmetical accuracy of the calculations of the discounted future estimated cash flows (the “Underlying Forecast”) on which the business valuation (the “Valuation”) dated 15 November 2013 prepared by Vigers Appraisal and Consulting Limited in respect of the appraisal of the fair value of the entire equity interests in the Target Company as at 31 August 2013 is based. The Valuation has been referred to in a joint announcement of Nan Hai and Sino-i dated 6 December 2013 (the “Joint Announcement”). The Valuation based on the Underlying Forecast is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

BDO Limited
香港立信德豪會計師事務所有限公司

BDO Limited, a Hong Kong limited company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Directors' Responsibility for the Underlying Forecast

The directors of Nan Hai and Sino-i (the "Directors") are responsible for the preparation of the Underlying Forecast in accordance with the bases and assumptions approved by the Directors, a summary of which is set out on pages 3 and 4 of the Joint Announcement. This responsibility includes carrying out appropriate procedures relevant to the preparation of the Underlying Forecast for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Reporting Accountant's Responsibility

It is our responsibility to form a conclusion, based on our work on the arithmetical accuracy of the calculations of the Underlying Forecast on which the Valuation is based, and to report our conclusion to you solely for the purpose of reporting under Rule 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of, or in connection with our work. Because the Underlying Forecast relates to cash flows, no accounting policies of Nan Hai or Sino-i have been adopted in its presentation.

The bases and assumptions adopted by the Directors as set out on pages 3 and 4 of the Joint Announcement include hypothetical assumptions about future events and management actions that cannot be confirmed or verified in the same way as past results, and these bases and assumptions may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Underlying Forecast and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the bases and assumptions and do not express opinion whatsoever thereon; and our work does not constitute any valuation on the Target Company.

Basis of Conclusion

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. We have examined the arithmetical accuracy of the calculations of the Underlying Forecast. Our work has been undertaken solely to assist the Directors in evaluating whether the Underlying Forecast, so far as the arithmetical accuracy of the calculations is concerned, has been properly compiled in accordance with the bases and assumptions approved by the Directors, a summary of which is set out on pages 3 and 4 of the Joint Announcement.

Conclusion

In our opinion, the Underlying Forecast, so far as the arithmetical accuracy of the calculations is concerned, has been properly compiled in all material respects in accordance with the bases and assumptions approved by the Directors as set out on pages 3 and 4 of the Joint Announcement.

Yours faithfully
BDO Limited

APPENDIX II — TEXT LETTER FROM THE BOARD OF NAN HAI

6 December 2013

The Listing Division
The Stock Exchange of Hong Kong Limited
11/F., One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Dear Sirs

RE: DISCLOSEABLE TRANSACTION

We refer to the joint announcement dated 15 November 2013 issued by Nan Hai Corporation Limited (“Nan Hai”) and Sino-i Technology Limited, and to the valuation report dated 15 November 2013 (the “Valuation Report”) on the value of 北京新網數碼信息技術有限公司 (Beijing Xinnet Cyber Information Company Limited) issued by an independent valuer, Vigers Appraisal and Consulting Limited. The valuation of which constitutes a profit forecast under Rule 14.60A of the Listing Rules.

We have discussed with the independent valuer on the basis and assumptions adopted in the discounted future estimated cash flows upon which the Valuation Report was based. We have also considered the report dated 6 December 2013 issued by BDO Limited addressed to the board of directors of Nan Hai that the discounted future estimated cash flows, so far as the arithmetical accuracy of the calculations is concerned, has been properly compiled in all material respects in accordance with the bases and assumptions approved by the board of directors of Nan Hai.

On the basis of the foregoing, we confirm that the Valuation Report, including the discounted future estimated cash flows, has been made after due and careful enquiry. We have also considered the impact of the Structured Agreements on the Nan Hai Group as a whole.

Yours faithfully
For and on behalf of the board of directors of
Nan Hai Corporation Limited

APPENDIX II — TEXT LETTER FROM THE BOARD OF SINO-i

6 December 2013

The Listing Division
The Stock Exchange of Hong Kong Limited
11/F., One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Dear Sirs

RE: DISCLOSEABLE TRANSACTION

We refer to the joint announcement dated 15 November 2013 issued by Nan Hai Corporation Limited and Sino-i Technology Limited (“Sino-i”), and to the valuation report dated 15 November 2013 (the “Valuation Report”) on the value of 北京新網數碼信息技術有限公司 (Beijing Xinnet Cyber Information Company Limited) issued by an independent valuer, Vigers Appraisal and Consulting Limited. The valuation of which constitutes a profit forecast under Rule 14.60A of the Listing Rules.

We have discussed with the independent valuer on the basis and assumptions adopted in the discounted future estimated cash flows upon which the Valuation Report was based. We have also considered the report dated 6 December 2013 issued by BDO Limited addressed to the board of directors of Sino-i that the discounted future estimated cash flows, so far as the arithmetical accuracy of the calculations is concerned, has been properly compiled in all material respects in accordance with the bases and assumptions approved by the board of directors of Sino-i.

On the basis of the foregoing, we confirm that the Valuation Report, including the discounted future estimated cash flows, has been made after due and careful enquiry. We have also considered the impact of the Structured Agreements on the Sino-i Group as a whole.

Yours faithfully
For and on behalf of the board of directors of
Sino-i Technology Limited