

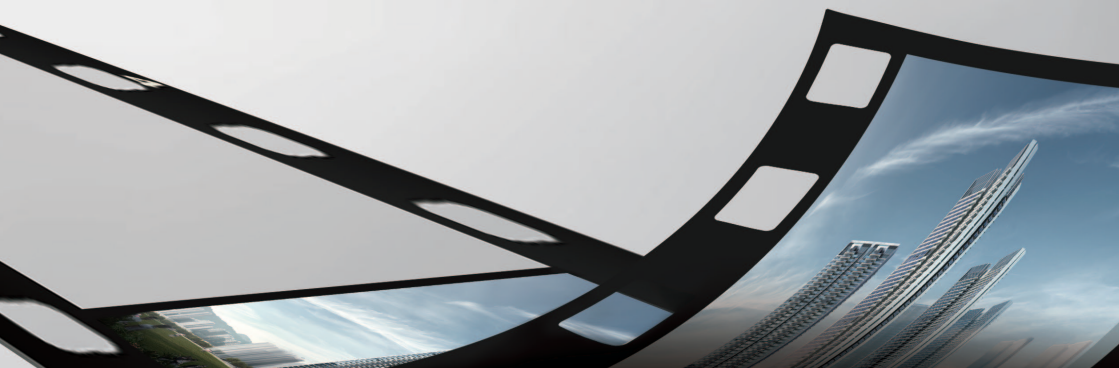
南海控股有限公司

NAN HAI CORPORATION LIMITED

(於百慕達註冊成立之有限公司) (股份代碼：0680)

(Incorporated in Bermuda with limited liability) (Stock Code: 0680)

二零一五年度 中期報告 Interim Report 2015



CORPORATE INFORMATION

Directors

Executive Directors

Mr. YU Pun Hoi (*Chairman*)
Ms. CHEN Dan
Ms. LIU Rong

Non-executive Directors

Mr. WANG Gang
Mr. LAM Bing Kwan

Independent Non-executive Directors

Prof. JIANG Ping
Mr. HU Bin
Mr. LAU Yip Leung

Company Secretary

Mr. CHIU Ming King

Auditor

BDO Limited
Certified Public Accountants
Hong Kong

Bermuda Legal Advisers

Appleby

Principal Place of Business in Hong Kong

26/F., Siu On Centre
188 Lockhart Road
Wanchai
Hong Kong

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Principal Registrar

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

Hong Kong Share Registrar and Transfer Office

Tricor Abacus Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Stock Code

680

Principal Bankers

DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking
Corporation Limited

Website Address

<http://www.nanhaicorp.com>

INTERIM RESULTS

The board of directors (the “Board”) of Nan Hai Corporation Limited (the “Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2015 together with the comparative figures for 2014 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT — UNAUDITED

For the six months ended 30 June 2015

	Notes	For the six months ended 30 June	
		2015 HK\$'000	2014 HK\$'000
Revenue	6(a)	1,942,602	1,447,374
Cost of sales and services provided		(721,416)	(497,264)
Gross profit		1,221,186	950,110
Other operating income	6(b)	121,366	83,755
Loss on disposal and dissolution of subsidiaries	18	—	(3,618)
Gain on disposal of an associate classified as non-current assets held for sale		165,554	—
Gain on disposal of an associate		1,446	—
Selling and marketing expenses		(745,845)	(563,710)
Administrative expenses		(204,457)	(267,593)
Other operating expenses		(274,521)	(202,648)
Finance costs	7	(211,832)	(134,973)
Fair value change on financial liability at fair value through profit or loss		(2,292)	52,596
Share of results of associates		(58,619)	(16,311)
Share of result of a joint venture		(179)	—
Profit/(Loss) before income tax	8	11,807	(102,392)
Income tax expense	9	(5,457)	(11,906)
Profit/(Loss) for the period		6,350	(114,298)
Profit/(Loss) for the period attributable to:			
Owners of the Company		4,060	(102,190)
Non-controlling interests		2,290	(12,108)
Profit/(Loss) for the period		6,350	(114,298)
		HK cent	HK cent
Earnings/(Loss) per share for profit/(loss) attributable to the owners of the Company during the period			
— Basic	10(a)	0.006	(0.149)
— Diluted	10(b)	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME — UNAUDITED

For the six months ended 30 June 2015

	For the six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Profit/(Loss) for the period	6,350	(114,298)
Other comprehensive income, including reclassification adjustments		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of foreign operations	(8,621)	(101,227)
Exchange differences reclassified on disposal and dissolution of subsidiaries	–	7,775
Exchange differences reclassified on disposal of an associate classified as non-current assets held for sale	(10,299)	–
Total comprehensive income for the period	(12,570)	(207,750)
Total comprehensive income attributable to:		
Owners of the Company	(12,688)	(195,102)
Non-controlling interests	118	(12,648)
Total comprehensive income for the period	(12,570)	(207,750)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

		(Unaudited) 30 June 2015 HK\$'000	(Audited) 31 December 2014 HK\$'000
	Notes		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	2,975,984	2,568,549
Prepaid land lease payments under operating leases		26,929	27,235
Interests in associates		449,940	505,682
Interest in a joint venture		2,320	2,499
Loan receivable from an associate		327,766	311,972
Long term trade receivables	12	7,311	–
Available-for-sale financial assets		324	324
Deposits and other receivables		276,567	404,636
Intangible assets		222,313	146,998
Deferred tax assets		120,948	120,441
Pledged and restricted bank deposits		45,562	45,614
		4,455,964	4,133,950
Current assets			
Inventories		6,202,401	5,931,704
Financial assets at fair value through profit or loss		1,728	1,587
Trade receivables	12	334,797	137,923
Deposits, prepayments and other receivables		1,276,189	1,000,165
Amounts due from associates		530	2,915
Pledged and restricted bank deposits		1,390,900	1,074,694
Time deposits maturing over three months		–	625
Cash and cash equivalents		242,513	279,877
		9,449,058	8,429,490
Non-current assets classified as held for sale	13	–	97,655
		9,449,058	8,527,145

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

As at 30 June 2015

		(Unaudited) 30 June 2015 HK\$'000	(Audited) 31 December 2014 HK\$'000
	Notes		
Current liabilities			
Trade payables	14	488,673	272,019
Other payables and accruals		1,634,618	1,679,052
Deferred revenue		23,717	17,839
Provision for tax		638,684	1,014,552
Amount due to a director		5,257	6,240
Amount due to a shareholder		1	1
Amounts due to associates		295,105	6,981
Bank and other borrowings, secured	15	2,780,995	3,049,047
Finance lease liabilities		536	585
Finance from a third party		–	291,992
		5,867,586	6,338,308
Net current assets		3,581,472	2,188,837
Total assets less current liabilities		8,037,436	6,322,787
Non-current liabilities			
Bank and other borrowings, secured	15	4,056,031	2,409,042
Finance lease liabilities		923	1,168
Deferred tax liabilities		40,631	30,811
Provision for warranty		5,353	–
Long term trade payables	14	63,010	–
Financial liability at fair value through profit or loss		61,715	59,423
		4,227,663	2,500,444
Net assets		3,809,773	3,822,343

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 30 June 2015

		(Unaudited)	(Audited)
		30 June	31 December
		2015	2014
	Notes	HK\$'000	HK\$'000
EQUITY			
Share capital	16	686,455	686,455
Reserves		2,457,969	2,470,657
Equity attributable to the Company's owners		3,144,424	3,157,112
Non-controlling interests		665,349	665,231
Total equity		3,809,773	3,822,343

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS — UNAUDITED

For the six months ended 30 June 2015

	For the six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Net cash (used in)/generated from operating activities	(611,572)	447,371
Net cash used in investing activities	(482,607)	(533,476)
Net cash generated from/(used in) financing activities	1,065,699	(204,020)
Net decrease in cash and cash equivalents	(28,480)	(290,125)
Cash and cash equivalents at 1 January	279,877	512,957
Effect of foreign exchange rate changes, on cash held	(8,884)	(5,040)
Cash and cash equivalents at 30 June	242,513	217,792
Analysis of balances of cash and cash equivalents		
Cash at banks and in hand	242,513	217,792

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY — UNAUDITED

For the six months ended 30 June 2015

	Equity attributable to the Company's owners						Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	General reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000			
At 1 January 2014	686,455	965,911	1,911,436	172,918	713,062	(470,737)	3,979,045	711,846	4,690,891
Transaction with owners — Release of non-controlling interests upon disposal and dissolution of subsidiaries (note 18)	-	-	-	-	-	-	-	(2,278)	(2,278)
Loss for the period	-	-	-	-	-	(102,190)	(102,190)	(12,108)	(114,298)
Other comprehensive income									
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	(100,687)	-	(100,687)	(540)	(101,227)
Exchange differences reclassified on disposal and dissolution of subsidiaries (note 18)	-	-	-	-	7,775	-	7,775	-	7,775
Total comprehensive income for the period	-	-	-	-	(92,912)	(102,190)	(195,102)	(12,648)	(207,750)
Transfer to general reserve	-	-	-	824	-	(824)	-	-	-
At 30 June 2014	686,455	965,911	1,911,436	173,742	620,150	(573,751)	3,783,943	696,920	4,480,863
At 1 January 2015	686,455	965,911	1,911,436	177,619	592,860	(1,177,169)	3,157,112	665,231	3,822,343
Profit for the period	-	-	-	-	-	4,060	4,060	2,290	6,350
Other comprehensive income									
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	(6,449)	-	(6,449)	(2,172)	(8,621)
Exchange differences reclassified on disposal of an associate classified as non-current assets held for sale	-	-	-	-	(10,299)	-	(10,299)	-	(10,299)
Total comprehensive income for the period	-	-	-	-	(16,748)	4,060	(12,688)	118	(12,570)
Transfer to general reserve	-	-	-	20	-	(20)	-	-	-
At 30 June 2015	686,455	965,911	1,911,436	177,639	576,112	(1,173,129)	3,144,424	665,349	3,809,773

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Bermuda. The address of the Company's registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and its principal place of business in Hong Kong is 26/F., Siu On Centre, 188 Lockhart Road, Wanchai, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

The principal business of the Group are culture and media services, property development and corporate IT application services.

These condensed consolidated interim financial statements are presented in Hong Kong dollars ("HK\$"), unless otherwise stated.

These condensed consolidated interim financial statements are unaudited, but have been reviewed by the audit committee of the Company and approved and authorised for issue by the Board on 28 August 2015.

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable provisions of Appendix 16 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"). These condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2014.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2015

3. SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated interim financial statements have been prepared on the historical cost basis except for financial instruments classified as available-for-sale and at fair value through profit or loss which are stated at fair values. The accounting policies used in the preparation of these condensed consolidated interim financial statements are consistent with those set out in the Group's annual financial statements for the year ended 31 December 2014, except that the Group has applied, for the first time, the following new amendments issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2015.

HKFRSs (Amendments)	Annual Improvements 2010–2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011–2013 Cycle

The adoption of above amendments to HKFRSs has no material impact on the amounts reported and/or disclosures set out in these condensed consolidated interim financial statements.

The following new or amended HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Annual Improvements 2012–2014 Cycle ¹
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ¹
HKFRS 9 (2014)	Financial Instruments ³
HKFRS 15	Revenue from Contracts with Customers ²

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2017

³ Effective for annual periods beginning on or after 1 January 2018

The Group is in the process of making an assessment of the potential impact of these new or amended HKFRSs and the directors are not yet in a position to quantify the effects on the Group's accounting policies and financial statements.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2015

4. ESTIMATES

The preparation of interim financial statement requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2014.

5. SEGMENT INFORMATION

The Group identified operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

The Group has identified the following reportable segments:

- (a) Corporate IT application services
- (b) Property development
- (c) Culture and media services

Information about other business activities and operating segments that are not reportable are combined and disclosed in "all other segments". All other segments included trading of securities and property management.

Each of these operating segments is managed separately as each of the product and services lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2015

5. SEGMENT INFORMATION *(Continued)*

The segment results for the six months ended 30 June 2015 and 30 June 2014 are as follows:

	For the six months ended 30 June 2015 (Unaudited)				
	Corporate IT application services	Property development	Culture and media services	All other segments	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue					
From external customers	395,449	105,199	1,421,045	20,909	1,942,602
From other segments	–	–	–	1,107	1,107
Reportable and all other segments revenue	395,449	105,199	1,421,045	22,016	1,943,709
Reportable and all other segments (loss)/profit	(20,537)	(101,786)	46,497	(2,919)	(78,745)
	For the six months ended 30 June 2014 (Unaudited)				
	Corporate IT application services	Property development	Culture and media services	All other segments	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue					
From external customers	376,570	52,109	998,295	20,400	1,447,374
From other segments	–	–	–	519	519
Reportable and all other segments revenue	376,570	52,109	998,295	20,919	1,447,893
Reportable and all other segments (loss)/profit	(55,240)	(32,749)	21,201	(4,142)	(70,930)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2015

5. SEGMENT INFORMATION (Continued)

The reportable segment assets and liabilities as at 30 June 2015 and 31 December 2014 are as follows:

	As at 30 June 2015 (Unaudited)				Total HK\$'000
	Corporate IT application services HK\$'000	Property development HK\$'000	Culture and media services HK\$'000	All other segments HK\$'000	
Reportable and all other segment assets	1,195,369	7,719,082	4,008,748	185,177	13,108,376
Reportable and all other segment liabilities	(622,426)	(2,387,204)	(3,911,106)	(29,463)	(6,950,199)

	As at 31 December 2014 (Audited)				Total HK\$'000
	Corporate IT application services HK\$'000	Property development HK\$'000	Culture and media services HK\$'000	All other segments HK\$'000	
Reportable and all other segment assets	1,004,425	7,607,326	3,558,975	184,703	12,355,429
Reportable and all other segment liabilities	(645,978)	(2,894,238)	(4,057,197)	(71,154)	(7,668,567)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2015

5. SEGMENT INFORMATION *(Continued)*

The total presented for the Group's operating segment results are reconciled to the Group's key financial figures as presented in these condensed consolidated interim financial statements as follows:

	(Unaudited)	
	For the six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Reportable segment revenue	1,921,693	1,426,974
All other segments revenue	22,016	20,919
Elimination of inter-segment revenue	(1,107)	(519)
Group revenue	1,942,602	1,447,374
Reportable segment results	(75,826)	(66,788)
All other segments results	(2,919)	(4,142)
Bank interest income	14,189	39
Other interest income	1,915	1,880
Total interest income on financial assets not at fair value through profit or loss	16,104	1,919
Depreciation and amortisation	(546)	(153)
Loss on disposal and dissolution of subsidiaries	–	(3,618)
Finance costs	(49,363)	(1)
Share of results of associates	(3,053)	(2,895)
Gain on disposal of an associate classified as non-current assets held for sale	165,554	–
Gain on disposal of an associate	1,446	–
Unallocated corporate expenses	(39,590)	(26,714)
Profit/(Loss) before income tax	11,807	(102,392)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2015

6. REVENUE AND OTHER OPERATING INCOME — UNAUDITED

(a) This represents revenue from its principal activities as set out below:

	For the six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Corporate IT application services	395,449	376,570
Sales of properties and car parks	105,199	52,109
Property management	20,909	20,400
Culture and media services	38,714	56,356
Cinema ticketing income	1,202,763	820,458
Confectionery and merchandises sales	177,683	121,481
Online ticketing sales services	1,885	–
	1,942,602	1,447,374

(b) Other operating income:

	For the six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Bank interest income	35,847	9,786
Other interest income	20,809	19,052
Total interest income on financial assets not at fair value through profit or loss	56,656	28,838
Exchange gain	1,083	3,742
Government grants	23,477	35,323
Sundry income	40,150	15,852
	121,366	83,755

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2015

7. FINANCE COSTS — UNAUDITED

	For the six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Interest on bank and other borrowings wholly repayable within five years	309,372	187,892
Finance costs on finance from a third party wholly repayable within five years	2,141	11,653
Interest on finance leases	35	29
Total financial costs on financial liabilities not at fair value through profit or loss	311,548	199,574
Less: Amounts capitalised to properties under development	(74,078)	(64,601)
Amounts capitalised to construction in progress	(25,638)	–
	211,832	134,973

8. PROFIT/(LOSS) BEFORE INCOME TAX — UNAUDITED

	For the six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Profit/(Loss) before income tax is arrived at after charging/(crediting):		
Amortisation of intangible assets other than goodwill	5,352	12,796
Depreciation of property, plant and equipment — owned assets	206,684	137,093
Depreciation of property, plant and equipment — leased assets	332	128
Operating lease charges on prepaid land lease	276	278
Net fair value (gain)/loss on financial assets at fair value through profit or loss	(141)	115
Write-off of property, plant and equipment	3,501	5,629

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2015

9. INCOME TAX EXPENSE — UNAUDITED

	For the six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
The tax expense comprises:		
Current tax		
— Hong Kong Profits Tax		
Tax charge for the period	5,500	5,759
— The People's Republic of China ("PRC") Enterprise Income Tax ("EIT")		
Tax charge for the period	2,985	6,147
Over-provision in prior years	(1,803)	—
	6,682	11,906
Deferred tax		
— Credit for the period	(1,225)	—
	5,457	11,906

For the six months ended 30 June 2015, Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2014: 16.5%) on the estimated assessable profits for the period.

PRC EIT has been provided on the estimated assessable profits of subsidiaries operating in Mainland China at 25% (six months ended 30 June 2014: 25%), unless preferential rates are applicable in the cities where the subsidiaries are located.

PRC Land Appreciation Tax is levied at progressive rates from 30% to 60% (six months ended 30 June 2014: 30% to 60%) on the estimated appreciation of land value, being the proceeds of sales of properties less deductible expenditure including cost of land use rights and development and construction expenditure.

Certain subsidiaries that are located in the Beijing Economic-Technological Development Area are entitled to preferential PRC EIT rate of 15% (six months ended 30 June 2014: 15%).

For the six months ended 30 June 2014, certain subsidiaries of the Group are wholly-owned foreign enterprise in accordance with the Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises and are entitled to full exemption from EIT for two years and a 50% reduction in the following three years thereafter starting from the first profit making year after offsetting prior years' tax losses.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2015

10. EARNINGS/(LOSS) PER SHARE — UNAUDITED

- (a) The calculation of basic earnings/(loss) per share is based on the profit for the period attributable to the owners of the Company of HK\$4,060,000 (six months ended 30 June 2014: loss for the period attributable to the owners of the Company of HK\$102,190,000) and on 68,645,535,794 (six months ended 30 June 2014: 68,645,535,794) ordinary shares in issue during the period.
- (b) Diluted earnings/(loss) per share for the six months ended 30 June 2015 and 30 June 2014 was not presented as there was no potentially dilutive ordinary shares in issue during the periods.

11. PROPERTY, PLANT AND EQUIPMENT — UNAUDITED

During the six months ended 30 June 2015, the Group acquired property, plant and equipment with a total cost of HK\$614,359,000 (six months ended 30 June 2014: HK\$253,097,000).

During the six months ended 30 June 2015, property, plant and equipment with net carrying amount of HK\$3,501,000 (six months ended 30 June 2014: HK\$5,629,000) were written off by the Group.

12. TRADE RECEIVABLES

Trade receivables are due on presentation of invoices. Based on the invoice dates, the ageing analysis of the trade receivables is as follows:

	(Unaudited) 30 June 2015 HK\$'000	(Audited) 31 December 2014 HK\$'000
0–90 days	240,495	74,770
91–180 days	34,180	42,349
181–270 days	24,843	13,289
271–360 days	32,533	5,189
Over 360 days	28,528	20,849
Trade receivables, gross	360,579	156,446
Less: Provision for impairment of receivables	(18,471)	(18,523)
Trade receivables, net	342,108	137,923
Less: Non-current portion of trade receivables	(7,311)	–
Current portion of trade receivables	334,797	137,923

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2015

13. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

In January 2015, the Group entered into a sale and purchase agreement with an independent third party, under which the Group as a vendor disposed of its 20% equity interest in Loongson Technology Co., Ltd at a total consideration of RMB200,000,000. The disposal was accomplished during the six months ended 30 June 2015, and a gain of HK\$165,554,000 was recorded.

14. TRADE PAYABLES

Based on the invoice dates, the ageing analysis of the trade payables is as follows:

	(Unaudited) 30 June 2015 HK\$'000	(Audited) 31 December 2014 HK\$'000
0-90 days	185,147	115,433
91-180 days	166,375	1,622
181-270 days	54,480	2,131
271-360 days	5,357	2,026
Over 360 days	140,324	150,807
Trade payables	551,683	272,019
Less: Non-current portion of trade payables	(63,010)	-
Current portion of trade payables	488,673	272,019

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2015

15. BANK AND OTHER BORROWINGS, SECURED

At 30 June 2015, the bank and other borrowings were repayable as follows:

	(Unaudited) 30 June 2015 HK\$'000	(Audited) 31 December 2014 HK\$'000
Within one year	2,780,995	3,049,047
In the second year	3,853,986	207,894
In the third to fifth years	202,045	2,201,148
Wholly repayable within five years	6,837,026	5,458,089
Less: Portion due within one year under current liabilities	(2,780,995)	(3,049,047)
Portion due over one year under non-current liabilities	4,056,031	2,409,042

Movements in borrowings is analysed as follows:

	(Unaudited) For the six months ended 30 June 2015 HK\$'000
Opening amount as at 1 January 2015	5,458,089
Proceeds of borrowings	2,780,411
Repayments of borrowings	(1,416,432)
Interest accrued on amortised costs	18,116
Exchange difference	(3,158)
Closing amount as at 30 June 2015	6,837,026

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2015

15. BANK AND OTHER BORROWINGS, SECURED *(Continued)*

	(Unaudited) For the six months ended 30 June 2014 HK\$'000
Opening amount as at 1 January 2014	4,793,080
Proceeds of borrowings	1,730,412
Repayments of borrowings	(1,616,538)
Interest accrued on amortised costs	44,490
Exchange difference	(108,020)
Closing amount as at 30 June 2014	4,843,424

16. SHARE CAPITAL

	Number of ordinary shares of HK\$0.01 each	HK\$'000
Authorised: At 1 January 2014, 31 December 2014 (audited) and 30 June 2015 (unaudited)	500,000,000,000	5,000,000
Issued and fully paid: At 1 January 2014, 31 December 2014 (audited) and 30 June 2015 (unaudited)	68,645,535,794	686,455

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2015

17. BUSINESS COMBINATIONS — UNAUDITED

On 25 May 2015, the Group entered in to a sale and purchase agreement to acquire 100% equity interests in 數碼辰星科技發展(北京)有限公司 (Digicine Oristar Technology Development (Beijing) Company Limited) ("Oristar"), a company incorporated in the PRC. Oristar is principally engaged in sales of film projection equipment and provision of ticketing sales technologies. The acquisition was completed on 1 June 2015 (the "Acquisition Date").

The fair values of the identifiable assets and liabilities of Oristar as at the Acquisition Date and the corresponding carrying amounts immediately prior to the acquisition are as follows:

	Carrying amount HK\$'000	Fair value adjustment HK\$'000	Fair value HK\$'000
Property, plant and equipment	4,308	87	4,395
Other intangible assets	9,633	41,664	51,297
Long term trade receivables	57,891	–	57,891
Trade receivables	23,721	92	23,813
Deposits, prepayment and other receivables (note (c))	10,932	(342)	10,590
Cash and cash equivalents	4,595	–	4,595
Inventories	27,981	(96)	27,885
Trade payables	(66,781)	–	(66,781)
Other payables and accruals	(62,555)	–	(62,555)
Long term trade payables	(41,420)	–	(41,420)
Provision for warranty	(5,208)	–	(5,208)
Deferred tax liabilities	(131)	(10,416)	(10,547)
Bank and other borrowings	(5,896)	–	(5,896)
Total identifiable net liabilities at fair value	(42,930)	30,989	(11,941)
Goodwill (note (b))			11,941
Fair value of consideration			–
Purchase consideration settled in cash			–
Add: Cash and cash equivalents in subsidiary acquired			4,595
Net cash inflows			4,595

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2015

17. BUSINESS COMBINATIONS — UNAUDITED *(Continued)*

Notes:

- (a) Pursuant to the sale and purchase agreement, the consideration for the acquisition is a cash of RMB1 (equivalent to approximately HK\$1).
- (b) The goodwill arising from the acquisition of Oristar represents the synergetic effect by enabling the Group to ensure the quality of movie projector servers in cinema operations.
- (c) None of these receivables was impaired and it was expected that the full contractual amounts could be collected.
- (d) The Group incurred transaction cost of HK\$62,000 for the acquisition which have been expensed and recognised as administrative expense in the profit or loss for the six months ended 30 June 2015.
- (e) Oristar contributed revenue of HK\$1,885,000 and net loss of HK\$2,283,000 to the Group since the Acquisition Date to 30 June 2015. Had the acquisition occurred on 1 January 2015, a consolidated revenue and consolidated loss for the six months ended 30 June 2015 would have been HK\$1,991,033,000 and HK\$6,788,000 respectively.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2015

18. LOSS ON DISPOSAL AND DISSOLUTION OF SUBSIDIARIES — UNAUDITED

The Group entered into sale and purchase agreement to dispose of 32.49% equity interests in a subsidiary, namely 北京共創開源軟件有限公司, to an independent third party at a consideration of approximately HK\$62,000. The disposal was completed on 28 May 2014. In addition, a subsidiary was dissolved during the six months ended 30 June 2014.

The carrying amount of the net liabilities of the above subsidiaries at the date of disposal and dissolution were as follows:

	For the six months ended 30 June 2014 HK\$'000
Net liabilities disposed of:	
Cash and cash equivalents	1
Other payables and accruals (including deferred government grants)	(1,818)
Non-controlling interests	(2,278)
	(4,095)
Exchange reserve released on disposal and dissolution	7,775
Loss on disposal and dissolution of subsidiaries	(3,618)
	62
Total consideration	62
Satisfied by:	
Cash	62

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2015

19. CONTINGENT LIABILITIES

Guarantees given in connection with credit facilities granted to:

	(Unaudited) 30 June 2015 HK\$'000	(Audited) 31 December 2014 HK\$'000
Associates (note (a))	2,988,047	2,566,476
Third parties (note (b))	31,978	43,185
	3,020,025	2,609,661

Notes:

- (a) There have been no material developments in respect of pending litigation with the loan borrowed by an associate since the disclosures in the Group's annual audited financial statements for the year ended 31 December 2014. Due to the pending litigation, the Group cannot ascertain the fair value of the guarantee in respect of the loan borrowed by the associate.
- (b) Up to the reporting date, information of the outstanding balance of the indebtedness under the ICBC Loan ("ICBC Indebtedness") disclosed in the Group's annual audited financial statements for the year ended 31 December 2014 for ascertaining the fair value of the guarantee for ICBC Indebtedness has yet been available.

20. CAPITAL COMMITMENTS

At 30 June 2015, the Group had outstanding capital commitments as follows:

	(Unaudited) 30 June 2015 HK\$'000	(Audited) 31 December 2014 HK\$'000
Contracted but not provided for in respect of:		
— construction in progress	84,890	99,634
— property, plant and equipment	417,463	460,810
	502,353	560,444

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2015

21. CREDIT FACILITIES

At 30 June 2015 (unaudited) and 31 December 2014 (audited), the Group's credit facilities were secured by the following:

- (a) charge over interest in certain leasehold land with a net carrying value of approximately HK\$26,713,000 (31 December 2014: HK\$27,017,000);
- (b) charge over certain buildings and construction in progress (31 December 2014: certain buildings) with a net carrying value of approximately HK\$610,554,000 (31 December 2014: HK\$610,971,000);
- (c) charge over certain properties under development and completed properties held for sale with a total carrying value of approximately HK\$3,711,992,000 (31 December 2014: HK\$1,907,221,000);
- (d) personal guarantee given by directors (31 December 2014: directors);
- (e) charge over certain financial assets at fair value through profit or loss with a net carrying value of approximately HK\$239,000 (31 December 2014: HK\$270,000);
- (f) pledge of 11,162,999,000 (31 December 2014: 11,162,999,000) shares in Sino-i Technology Limited ("Sino-i"), a listed subsidiary of the Company, held by the Company indirectly in favour of certain securities brokers and a financial institution, the total of which represents approximately 89.19% (31 December 2014: 89.19%) of total interest of the Company in Sino-i. The market value of such listed shares as at 30 June 2015 was approximately HK\$2,109,807,000 (31 December 2014: HK\$502,335,000);
- (g) pledge of certain bank deposits of approximately HK\$1,436,462,000 (31 December 2014: HK\$1,120,308,000) within which approximately HK\$1,269,192,000 (31 December 2014: HK\$943,952,000) were for standby letters of credit issued by banks for a total amounts of US\$139,142,000 and RMB130,000,000 (31 December 2014: US\$96,292,000 and RMB130,000,000);
- (h) charge over certain intangible assets with net carrying value of approximately HK\$3,882,000 (31 December 2014: HK\$4,479,000);
- (i) charge over certain property, plant and equipment other than buildings and construction in progress disclosed in note 21(b), with net carrying value of approximately HK\$357,038,000 (31 December 2014: HK\$387,187,000);
- (j) charge over certain trade receivables with carrying value of approximately HK\$31,731,000 (31 December 2014: HK\$38,462,000); and
- (k) pledge of various shares mortgage of certain subsidiaries, bank accounts charges and assignment of shareholders' loan of certain subsidiaries and an associate and corporate guarantee of the Company.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2015

22. RELATED PARTY TRANSACTIONS — UNAUDITED

Remuneration for key management personnel which represents amounts paid to the directors were as follows:

	For the six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Directors' fees	586	579
Basic salaries, housing, other allowances and benefits in kind	1,039	1,017
Pension scheme contributions	124	113
	1,749	1,709

Except as disclosed above and elsewhere in these condensed consolidated interim financial statements, there was no material related party transaction carried out during the period (six months ended 30 June 2014: Nil).

23. LITIGATIONS

There have been no material changes and developments in respect of pending litigations of the Group since the disclosure in the Group's annual financial statements for the year ended 31 December 2014.

24. FAIR VALUE MEASUREMENTS

The fair value of available-for-sale financial assets with standard terms and conditions and trade on active liquid markets are determined with reference to quoted market prices.

The following table presents financial assets and liabilities measured at fair value in the condensed consolidated statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted price (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable of the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2015

24. FAIR VALUE MEASUREMENTS *(Continued)*

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets and liabilities of the Group measured at fair value in the condensed consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 30 June 2015 (Unaudited)				
Assets				
Available-for-sale financial assets	–	324	–	324
Listed securities held for trading	1,728	–	–	1,728
Total fair values	1,728	324	–	2,052
Liabilities				
Financial liability at fair value through profit or loss — put option	–	–	61,715	61,715
Total fair values	–	–	61,715	61,715
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 31 December 2014 (Audited)				
Assets				
Available-for-sale financial assets	–	324	–	324
Listed securities held for trading	1,587	–	–	1,587
Total fair values	1,587	324	–	1,911
Liabilities				
Financial liability at fair value through profit or loss — put option	–	–	59,423	59,423
Total fair values	–	–	59,423	59,423

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2015

24. FAIR VALUE MEASUREMENTS *(Continued)*

There have been no significant transfers between level 1, 2 and 3 in the reporting period. The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

The fair value of the put option is determined using discounted cashflow model. The significant unobservable input used in the period end fair value measurement together with the relationship of unobservable inputs to fair value are set out as follows:

- (a) The directors' assessment on the probability of the different scenario of the cashflow forecasts with the best case, base case and worst case scenario each with the probability of 5%, 90% and 5% respectively. A higher probability assigned to the worst case will result in a higher fair value.
- (b) The selling price for the remaining phases of the property project for the worst case which is assumed to be reduced to in average of RMB9,000 (31 December 2014: RMB9,000) per square meter. A lower expected selling price assigned to the worst case will result in a higher fair value.
- (c) The discount rate used for the valuation is 18.11% (31 December 2014: 18.63%). A lower discount rate assigned will result in a higher fair value.

Changes in level 3 fair values are analysed at each reporting date by the management, with the assistance of valuation carried out by an independent professional valuer. The fair value of the put option as at 30 June 2015 and 31 December 2014 amounted to HK\$61,715,000 and HK\$59,423,000 respectively. The aforesaid amounts are recorded as financial liability at fair value through profit or loss and the difference of HK\$2,292,000 between such amounts was charged to profit or loss.

INTERIM DIVIDEND

The Board does not recommend the declaration of the payment of an interim dividend for the six months ended 30 June 2015 (30 June 2014: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period under review, the Group continuously engaged in culture and media businesses and property development, and also committed to corporate IT application services business through its listed subsidiary, Sino-i Technology Limited ("Sino-i").

During the period, turnover of the Group was approximately HK\$1,942.6 million (for the six months ended 30 June 2014: HK\$1,447.4 million), representing an increase of approximately 34.2% as compared with the corresponding period last year. Net profit attributable to the owners of the Company was approximately HK\$4.1 million (for the six months ended 30 June 2014: net loss of HK\$102.2 million). The net assets attributable to the owners of the Company were approximately HK\$3,144.4 million (31 December 2014: HK\$3,157.1 million), representing a value of approximately HK\$0.046 (31 December 2014: HK\$0.046) per share.

During the period, the Group recorded a gain of approximately HK\$165.6 million from the disposal of all its 20% equity interest in 龍芯中科技術有限公司 (Loongson Technology Co., Ltd.) ("Loongson"), a company incorporated in the PRC and an associate of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW *(Continued)*

Culture and Media

The Company continued to focus on the development of its businesses in the culture and media sector through its Dadi group. During the period, turnover of this business segment was approximately HK\$1,421.0 million (for the six months ended 30 June 2014: HK\$998.3 million), representing an increase of approximately 42.3% as compared with the corresponding period last year; net profit before income tax was approximately HK\$46.5 million (for the six months ended 30 June 2014: HK\$21.2 million), representing an increase of approximately 119.3% as compared with the corresponding period last year. During the period, apart from expanding its presence in numerous second and third tier cities in the PRC, the Group's cinema business aimed at those first tier cities having room for development as well as certain towns and cities with potentiality. As at 30 June 2015, the Company's 廣東大地影院建設有限公司 (Guangdong Dadi Cinema Construction Limited) and its subsidiaries (collectively, "Dadi Cinema") had an aggregate of 263 cinemas in operation having a total of 1,333 screens. During the period, total number of audiences hit a record high, having more than 30.34 million audiences, doing well at the box office (before value-added tax) of RMB1,000 million. The box office (after value-added tax) was RMB970 million (for the six months ended 30 June 2014: box office (after value-added tax) was RMB650 million), representing an increase of 49.2% as compared with the corresponding period last year.

In addition to expansion of its cinema base, Dadi Cinema continued to dedicate to enhance the overall profitability of its cinemas. During the period, Dadi Cinema comprehensively improved both the quality in projection and service; updated its operating standards as well as set up and implemented a new training system. In addition, Dadi Cinema continued to improve its merchandise packages for increasing the profit margin of its merchandises as well as actively cooperated with third parties for selling its merchandises on online ticketing platforms. There was a prominent growth of approximately 46.3% in sales proceeds from merchandises during the period as compared with the last corresponding period.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW *(Continued)*

Culture and Media *(Continued)*

With respect to marketing strategy, Dadi Cinema focused on flexible e-commerce strategies to enhance its brand image impact, and has established stable cooperation relationships with such major third-party online ticketing platforms in the industry as maoyan.com, nuomi.com, dianying.taobao.com and wepiao.com as well as developed its own e-commerce platform application program. In June 2015, the online box office attributed to over 50% of the total box office, having achieved the leading level in the industry. In addition, Dadi Cinema has accumulated 5.6 million users by means of its own and third-party e-commerce channels, by which its membership development would be enhanced.

Moreover, the Company actively developed its advertising business as well as enhanced innovation of cinema advertising products and market development for branded customers through its Dadi Cinema advertisement centre and 時代廣告(北京)有限公司 (Century Advertising (Beijing) Limited) for laying a solid foundation for its business growth in the future.

During the period, the Company continued to enhance its professional autonomy distribution ability through its subsidiary 大地時代電影發行(北京)有限公司 (Dadi Century Film Distribution (Beijing) Co. Ltd.) (“Dadi Distribution”) as well as actively established external partnerships and developed its film distribution businesses. During the period, Dadi Distribution jointly with other renowned distributors released the film, namely “Two Thumbs Up” (《衝鋒車》) in the PRC, which recorded a box office of approximately RMB20.9 million. During the period, 五洲電影發行有限公司 (WuZhou Film Distribution Co., Limited), a distributor jointly established by Dadi Distribution, 萬達影視 (Wanda Media), 金逸影視 (Jinyi Cinemas) and 橫店電影 (Hengdian Film), released as the major or one of the joint distributors such films as “Running Man” (《奔跑吧兄弟》); “Zhong Kui: Snow Girl and the Dark Crystal” (《鍾馗伏魔：雪妖魔靈》); “We Get Married” (《咱們結婚吧》); and “Helios” (《赤道》), accumulating a total box office of over RMB1 billion.

During the period, the Group acquired 數碼辰星科技發展(北京)有限公司 (Digicine Oristar Technology Development (Beijing) Company Limited) (“Oristar”). Oristar has dedicated to research and development of technologies of film projection and ticketing sales, and held several technology patents. As a result, Oristar and Dadi Cinema are expected to achieve synergy for mutual advancement and development in the future.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW *(Continued)*

Culture and Media *(Continued)*

On 19 August 2015, Ms. Liu Rong (“Ms. Liu”), an executive director of the Company, gained an effective control of over 80% equity interest of 廣東大地電影院線有限公司 (Guangdong Dadi Cinema Circuit Limited) (“GD Cinema Circuit”) which has become an associate of Ms. Liu. As a result, the continuing transactions contemplated under several cooperation agreements, which have been entered into between GD Cinema Circuit and each of Dadi Cinema prior to gaining controlling interest in GD Cinema Circuit by Ms. Liu, have become continuing connected transactions effect from 19 August 2015. Pursuant to the Listing Rules, the Company must comply with annual review, disclosure requirements and annual reporting during the term specified in each of the cooperation agreements. The Company has issued an announcement with respect to the foregoing matters on 19 August 2015. When any such cooperation agreement is renewed upon expiration of its term or any other terms thereof are varied, the Company must comply with all continuing connected transactions requirements pursuant to the Listing Rules.

As per the prevailing governing laws or rules in the PRC, all cinema operators must join in as members of a cinema circuit company, and only a cinema circuit company shall have right to license and acquire films directly from the producers and distributors, and to subsequently sub-license such licensed or acquired motion pictures to its cinema operator members. Each of Dadi Cinema is a cinema operator in the PRC, and has been a member of GD Cinema Circuit since early 2009. GD Cinema Circuit’s entitlement to the net box office of a film is at 1% which is a relatively lower level in light of the range of entitlement from approximately 1% to 7% in the market. In addition to the lower entitlement to net box office, GD Cinema Circuit also provides its members such value-added services as advisory services and analyses without additional charges, which are useful in formulating and implementing strategic, marketing and operation plans. Furthermore, GD Cinema Circuit is operating on a nationwide basis, it has approximately 540 join-in cinemas, therefore, its bargaining power in distribution terms and conditions with film distributors and producers should be stronger than those small scale cinema circuit companies. Given the foregoing, the Company expects that it will continue be beneficial by cooperating with GD Cinema Circuit despite the transactions contemplated under the cooperation agreements constitute continuing connected transactions under the Listing Rules. For the avoidance of conflict of interest, Ms. Liu shall abstain from voting in respect of all transactions and matters between GD Cinema Circuit and the Company and its subsidiaries, including Dadi Cinema.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW *(Continued)*

Property Development

During the period, turnover of this business segment was approximately HK\$105.2 million (for the six months ended 30 June 2014: HK\$52.1 million), representing an increase of approximately 101.9% as compared with the corresponding period last year. Net loss before income tax was approximately HK\$101.8 million (for the six months ended 30 June 2014: HK\$32.7 million), a further loss of approximately HK\$69.1 million as compared with the corresponding period last year. Net loss before income tax increased mainly due to a significant decrease of fair value gain on financial liability at fair value through profit or loss as compared with the corresponding period last year.

During the period, revenue from Phase 2 of “The Peninsula” in Shenzhen were approximately HK\$105.2 million, which were mainly from the sales of remaining residential units in Phase 2. Phase 3 of the project is currently under active development, of which the construction works commenced in October 2014, and pre-sales is expected to commence in the first half of 2016.

During the period, Phase 1 of the “Free Man Garden” in Guangzhou, an associated project of the Group, is currently at the last stage of sales. A total number of 1,507 units of Phase 1 of the project, having a total gross floor area of approximately 206,116 sq.m., were launched for sale. As at 30 June 2015, accumulated number of 1,354 units, having gross floor area of approximately 179,040 sq.m., were sold (92 units out of the remaining 153 units were engaged by letters of intent to purchase signed by customers). Sales proceeds from the sold units of Phase 1 were recognized as accumulated sales revenue of approximately RMB1,645 million in accordance with the accounting standards, in which proceeds of approximately RMB47 million were recognized during the period. A total number of 1,299 units of Phase 2 of the “Free Man Garden”, having a total gross floor area of approximately 141,666 sq.m., obtained pre-sales permit on 11 February 2015. As of 30 June 2015, 982 units were launched, of which 602 units having a total gross floor area of approximately 62,840 sq.m. were sold, and the sales proceeds were approximately RMB632 million (120 units out of the remaining 697 units were engaged by letters of intent to purchase signed by customers). The remaining units of Phase 2 are expected to be sold out next year in light of the sales condition of Phase 2. Construction of the main structure of Phase 2 has completed, and the whole construction of Phase 2 is expected to be completed in March 2016.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW *(Continued)*

Corporate IT Application Services

During the period, the Group's key subsidiaries, namely 中企動力科技股份有限公司 (CE Dongli Technology Company Limited) ("CE Dongli") and 北京新網數碼信息技術有限公司 (Beijing Xinnet Cyber Information Company Limited) ("Xinnet") continued as the core operation arm of its corporate IT application services business. During the period, turnover of the business segment was approximately HK\$395.4 million (for the six months ended 30 June 2014: HK\$376.6 million), representing an increase of approximately 5.0% as compared with the corresponding period last year. The net loss before income tax was approximately HK\$20.5 million (for the six months ended 30 June 2014: HK\$55.2 million).

During the period, CE Dongli continued to focus on providing the IT application services for SMEs, and put much more efforts into such traditional businesses as website constructions and corporate communications. Given that CE Dongli intensified its efforts at the research and development as well as the market development of its internet value-added service products for the segment of corporate self-developed e-commerce platform and related application services, there was a slight increase in operating income for the period as compared with the corresponding period last year. For continuing to cultivate the SME market, CE Dongli will strengthen the research and development and promotion of its new products. CE Dongli will one after another launch certain e-commerce solutions during the second half of 2015. Such solutions are currently under the stage of market testing and functionality modification, and are targeted to be officially launched within the year.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW *(Continued)*

Corporate IT Application Services *(Continued)*

Given a number of structured agreements, Xinnet shall be deemed as a subsidiary of the Company pursuant to the Companies Ordinance, Chapter 622 of the laws of Hong Kong despite the beneficial ownership of Xinnet's equity interest has yet passed to the Company. In addition, the structured agreements do not violate any prevailing laws, rules and regulations in the PRC. the Ministry of Commerce of the PRC has issued 草案徵求意見稿 (Consultation Paper) based on a bill, namely 《中華人民共和國外國投資法》 (Foreign Investment Law of the PRC) (the "Bill") in January 2015. As per a section of the Bill, any foreign investment in any business under the catalogue of restricted investment shall apply for an access permit from foreign investment authority under the State Council of the PRC. So far, the Bill is still in the process of consultation and no specified legislative timetable has been framed. If such section remains when the Bill is enacted, the application for such permit will be viewed as a kind of administrative procedure rather than a prohibitive threshold. Failure in obtaining the permit is not high. Beside the application for the aforesaid permit, there is no indication in the Bill that contracts (including the aforesaid structured agreements) under any contractual arrangement would be void.

During the period, the overall development of Xinnet progressed as scheduled. With the continuous expansion of range of product series and variety of services of Xinnet, its domain name business has widened to provide domain name trading services in addition to its current domain name registration services. Moreover, Xinnet launched a series of products of 馳雲服務器 (Cloud Server) under the storage business division which are suitable for construction of corporate websites, and provided various application programs for website construction, and such programs were available for download and installation in addition to increment of application services at a later stage. Given the capital market and major domestic internet providers beginning to focus on the information services to SMEs, a large number of basic application service providers have emerged, therefore, the competition in such businesses as website, domain names and servers is intensifying. In addition to maintaining the steady growth of its principal businesses, Xinnet will actively develop internet application and service market aiming at segmented products and services of the SMEs. Subsequent to continuing efforts put into the cloud computing business, breakthrough in certain technical bottlenecks was achieved, and the cloud computing related products are expected to be launched in the second half of the year.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW *(Continued)*

Corporate IT Application Services *(Continued)*

During the period, the decrease in operating loss from corporate IT application services segment as compared with the corresponding period last year was due to the adjustments to the sales strategies of products, which led to an increase in the sales of those products having higher profit margin, as a result, there was an increase in gross profit.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL

The Group continued to adopt prudent funding and treasury policies. As at 30 June 2015, the net assets attributable to the owners of the Company amounted to approximately HK\$3,144.4 million (31 December 2014: HK\$3,157.1 million), including cash and bank balances of approximately HK\$1,679.0 million (31 December 2014: HK\$1,400.8 million), which were mainly denominated in US dollars, Renminbi and Hong Kong dollars. As at 30 June 2015, the Group's aggregate borrowings were approximately HK\$6,838.5 million (31 December 2014: HK\$5,751.8 million), of which approximately HK\$4,862.9 million (31 December 2014: HK\$3,845.1 million) were bearing interest at fixed rates while approximately HK\$1,975.6 million (31 December 2014: HK\$1,906.7 million) were at floating rates. As at 30 June 2015, the gearing ratio of the Group, which is calculated as the net debt (aggregate borrowings less cash and bank balances) divided by total equity plus net debt was approximately 57.52% as at 30 June 2015 (31 December 2014: 53.23%).

The capital commitment of the Group as at 30 June 2015 was approximately HK\$502.4 million, of which approximately HK\$84.9 million would be used for the construction of the headquarters of corporate IT application services, and approximately HK\$417.5 million would be used as capital expenditures for the expansion of its cinema business.

The Group's contingent liabilities as at 30 June 2015 were approximately HK\$3,020.0 million in connection with the guarantees given to secure credit facilities and guaranteed returns.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL *(Continued)*

As at 30 June 2015, certain interests in leasehold land, construction in progress, buildings, other property, plant and equipment, intangible assets, properties under development and completed properties held for sale, bank deposits and trade receivables with a total net carrying value of approximately HK\$6,178.4 million were pledged to secure the credit facilities granted to the Group. In addition, trading securities with a carrying value of approximately HK\$0.2 million and certain shares of several subsidiaries were pledged; bank accounts were charged and shareholders' loan of certain subsidiaries and an associate were assigned for securing the Group's credit facilities.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATE

The majority of the Group's borrowings and transactions were primarily denominated in US dollars, Renminbi and Hong Kong dollars. Both the operating expenses and revenue were primarily denominated in Renminbi. The exchange rate of Renminbi is expected to fluctuate. The Group's reported assets, liabilities and results may be affected by the Renminbi exchange rates. Although Renminbi exchange risk exposure did not have significant impact on the Group during the period under review, the Group will keep on reviewing and monitoring the fluctuation in exchange rate between Renminbi and Hong Kong dollars. For the funding in US dollars, although Hong Kong dollars are adopted as the reporting currency of the Group, the management of the Group considers the exposure to exchange risk is insignificant owing to the linked exchange rate system that pegs Hong Kong dollars to US dollars. The Group may make appropriate foreign exchange hedging arrangements when necessary.

EMPLOYEES AND REMUNERATION POLICY

The Company employs and remunerates its employees based on their qualifications, experience and performance. In addition to basic salary payments, other benefits include housing, contributions to mandatory provident fund, group medical insurance, group personal accident insurance and examination leave etc. Employees are eligible to be granted share options under the Company's share option scheme at the discretion of the Board. In general, salary review is conducted annually. As at 30 June 2015, the Group had approximately 16,876 employees (30 June 2014: 13,272 employees). The total salaries of and allowances for employees for the six months ended 30 June 2015 were approximately HK\$534.4 million (six months ended 30 June 2014: HK\$489.0 million).

MANAGEMENT DISCUSSION AND ANALYSIS

(Continued)

PROSPECT

With respect to the culture and media segment, with the rapid growth of the national economy and strong support from the state government for cultural development, the film industry in the PRC will continue to expand rapidly, and it is expected that the gap of the film industry between the PRC and the U.S.A., the largest film market in the world, will be further narrowed down. The Group looks forward to seizing new opportunities in the development of film industry and continuing to increase the number of cinemas and screens. At the same time, the Group will implement multi-brands strategy on its cinema business, aiming at providing differentiated products and services for different market segments so as to solidify and continue to expand its market share. The Group will pursue both the rapid expansion of new cinema erection projects and quality enhancement of such projects, and will continue to increase the proportion of contracts entered with renowned property developers; improve the film-showing quality and operating efficiency; strengthen up brand-building progress; expand the base of talented staff as well as enhance its core competitiveness. The Internet has driven the development and reform of such stages as production, marketing, distribution, film-showing and merchandise sales of the film industry. Facing industry changes and keen market competition, the Group will continue to expand cooperation with third-party online ticketing platforms and put more efforts in its own e-commerce platform in order to embrace such reformation brought by the Internet. In addition, the Group will upgrade the ticketing and film-showing technologies of its cinemas through Oristar, which would generate synergy effect for achieving mutual benefit and development. In the meantime, with regard to the film distribution sector, the Group will make use of the extensive coverage of its cinemas, to continue to expand its distribution network throughout the nation for enhancing its competitiveness in the middle and upstream of the industrial chain.

With respect to the property development sector, the Group has commenced the construction works of Phase 3 of "The Peninsula" in Shenzhen in October 2014. Total gross floor area of Phase 3 is over 190,000 sq.m.. Moreover, the Group will actively work on the planning and design and preparation for commencement of construction of Phase 4 during the year, of which the engineering works have commenced in July 2015. "The Peninsula" will provide more units commanding panoramic view of Shenzhen Bay, coupled with innovative ancillary commercial facilities so that the Group can strive to establish "The Peninsula" as an international costal humanity community in the South China Sea, and realize profit maximization. In the second half of the year, the Group will continue to put effort in selling all remaining units of Phase 2 of "Free Man Garden", its associated project in Guangzhou, and will continue the construction of next phase as scheduled. It is expected that the pre-sale conditions will be fulfilled in the first half of next year.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

PROSPECT *(Continued)*

The Group remains positive towards the segment of domestic corporate self-developed e-commerce platform and related application services, and expects this segment will have a promising future and substantial market potentiality. Therefore, the Group will continue to cultivate and develop this market. Subsequent to the change of technology and market in the IT service segment, the Group will use endeavours to make timely adjustments to its products and sales strategies, and expedite the research and development and the promotion process of its new products and services, such as e-commerce solutions and domain name trading platforms, for capturing the market demand in a more accurate manner. The continuing improvement in technology and products of cloud computing not only satisfies the demanding market but also enhances the Group's core competitiveness which in turn solidifies the position and influence of the Group in the corporate IT application service industry. In addition, the Group will have bigger market share by means of strengthening up the development of its marketing system. Further improvement in operation procedures and construction of information platform will be beneficial to enhancing quality of service and improving efficiency in operations.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2015, the interests and short positions of the directors and chief executive of the Company in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

The Company

Long position in shares in issue

Name of Director	Number of shares of HK\$0.01 each				Approximate percentage holding
	Personal interest	Corporate interest	Family interest	Total interest	
Yu Pun Hoi ("Mr. Yu")	–	36,096,430,679 (Note 1)	–	36,096,430,679	52.58%
Chen Dan	32,000,000	–	–	32,000,000	0.05%

Notes:

- These 36,096,430,679 shares were collectively held by Rosewood Assets Ltd., Pippen Limited, Staverley Assets Limited and First Best Assets Limited, companies indirectly wholly owned by Mr. Yu through Dadi Holdings Limited, a company wholly owned by Mr. Yu.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (Continued)

Associated Corporations

As disclosed above, Mr. Yu is 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 of the associated corporations of the Company within the meaning of Part XV of the SFO. Sino-i is a company whose shares are listed on the Hong Kong Stock Exchange, and is an associated corporation of the Company within the meaning of Part XV of the SFO. As at 30 June 2015, 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	Number of shares			Total interest	Approximate percentage holding
	Personal interest	Corporate interest	Family interest		
Yu Pun Hoi	–	12,515,795,316 <i>(Note 1)</i>	–	12,515,795,316	62.85%

Notes:

- 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.

Save as disclosed above, as at 30 June 2015, none of the directors nor chief executive of the Company had any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules.

SHARE OPTION SCHEME

On 28 May 2012, the Company adopted a share option scheme (the "Scheme"). Under the Scheme, share options may be granted to directors, employees of the Group and those who have contributed or will contribute to the Group at any time within ten years after its adoption at the discretion of the Board of the Company.

Since the adoption of the Scheme and during the six months ended 30 June 2015, no share option has been granted under the Scheme by the Company.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 30 June 2015, those persons (other than directors and chief executive of the Company) who had interests and short positions in shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

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
Dadi Holdings Limited	Corporate interest	36,096,430,679	52.58%	1
Rosewood Assets Ltd.	Beneficial interest	7,668,000,210	11.17%	1
Pippen Limited	Beneficial interest	14,830,245,497	21.60%	1
Staverley Assets Limited	Beneficial interest	4,893,197,974	7.12%	1
First Best Assets Limited	Beneficial interest	8,704,986,998	12.68%	1
Kung Ai Ming	Corporate interest	3,811,819,898	5.55%	2
Yu Ben Hei	Corporate interest	3,742,493,498	5.45%	2

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS *(Continued)*

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
Macro Resources Ltd.	Beneficial interest	3,742,493,498	5.45%	2
CITIC Capital Holdings Limited	Corporate interest	10,100,000,000	14.71%	3
CITIC Capital Credit Limited	Security interest	10,100,000,000	14.71%	3
Lim Siew Choon	Corporate interest	8,819,673,777	12.85%	4
Empire Gate Industrial Limited	Beneficial interest	5,514,986,997	8.03%	4
Lee Tat Man	Security interest	7,700,000,000	11.22%	

Notes:

- Rosewood Assets Ltd., Phippen Limited, Staverley Assets Limited and First Best Assets Limited are companies indirectly wholly owned by Mr. Yu through Dadi Holdings Limited, a company wholly owned by Mr. Yu. Their interests in shares are disclosed as the corporate interests of Mr. Yu above.
- Macro Resources Ltd. is held as to 50% each by Ms. Kung Ai Ming and Mr. Yu Ben Hei, the son of Mr. Yu. Its interest in shares was included as interest held by Ms. Kung Ai Ming.
- CITIC Capital Credit Limited is a wholly-owned subsidiary of CITIC Capital Holdings Limited. CITIC Capital Holdings Limited was taken to be interested in those shares in which CITIC Capital Credit Limited held a security interest.
- 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.

Save as disclosed above, as at 30 June 2015, no person (other than directors and chief executive of the Company) had notified to the Company any interests or short positions in shares or underlying shares of the Company which was required to be recorded in the register kept by the Company under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2015.

CORPORATE GOVERNANCE

In the opinion of the Board, the Company has complied with the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2015, except for the deviations mentioned below:

CG Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer (the "CEO") should be separated and should not be performed by the same individual.

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

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

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

UPDATED INFORMATION PURSUANT TO RULE 13.51B(1) IN RESPECT OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

The following is the updated information since the date of the Company's 2014 Annual Report regarding all directors, and chief executive of the Company, required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2):

Positions held with the Company and other members of the Group

Ms. Yu Xin, General Manager of 廣東大地影院建設有限公司 (Guangdong Dadi Cinema Construction Limited), has been appointed as the member of the Executive Committee of the Company with effect from 5 August 2015.

MODEL CODE FOR SECURITIES TRANSACTIONS

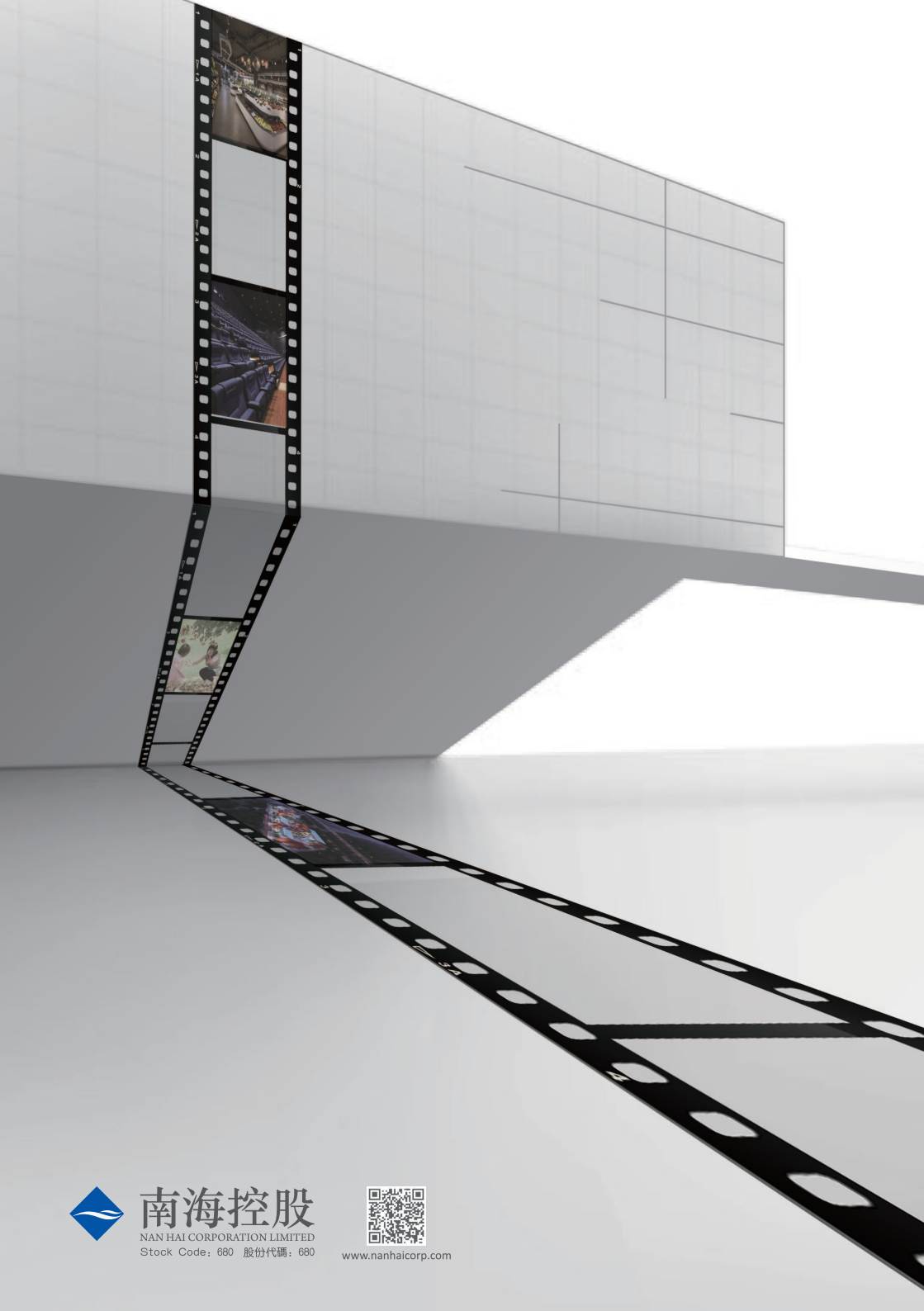
The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all the directors, and the directors have confirmed that they have complied with the Model Code as set out in Appendix 10 to the Listing Rules throughout the six months ended 30 June 2015.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises all the independent non-executive directors of the Company, namely Prof. Jiang Ping, Mr. Hu Bin and Mr. Lau Yip Leung. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group, the unaudited interim results for the six months ended 30 June 2015, and discussed the financial control, internal control and risk management systems.

By order of the Board
Nan Hai Corporation Limited
Yu Pun Hoi
Chairman

Hong Kong, 28 August 2015



南海控股

NAN HAI CORPORATION LIMITED
Stock Code: 680 股份代碼: 680



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