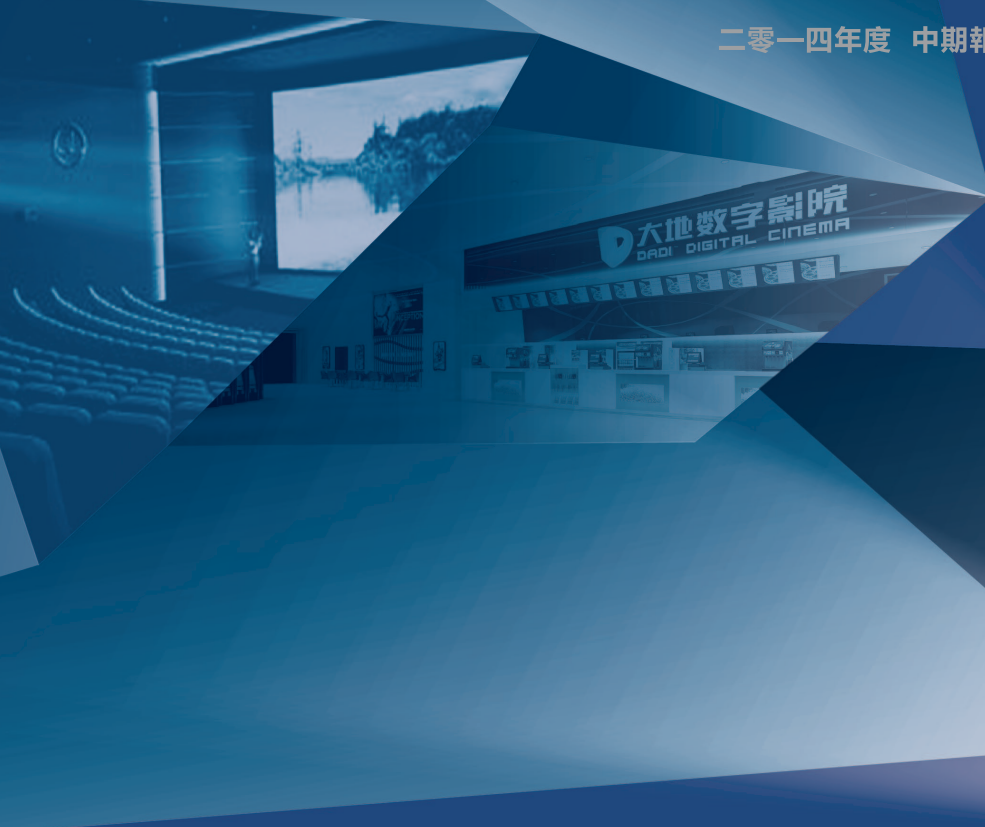


南海控股 有限公司

二零一四年度 中期報告



CORPORATE INFORMATION

Directors

Executive

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

Non-executive

Mr. WANG Gang
Mr. LAM Bing Kwan

Independent Non-executive

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

Company Secretary

Mr. WATT Ka Po James

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 2014 together with the comparative figures for 2013 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT — UNAUDITED

For the six months ended 30 June 2014

	Notes	For the six months ended 30 June	
		2014 HK\$'000	2013 HK\$'000
Revenue/Turnover	6(a)	1,447,374	1,191,999
Cost of sales and services provided		(497,264)	(415,002)
Gross profit		950,110	776,997
Other operating income	6(b)	83,755	63,620
Loss on disposal and dissolution of subsidiaries	16	(3,618)	—
Selling and marketing expenses		(563,710)	(460,315)
Administrative expenses		(267,593)	(225,662)
Other operating expenses		(202,648)	(173,215)
Finance costs	7	(134,973)	(178,820)
Fair value change on financial liability at fair value through profit or loss		52,596	—
Share of results of associates		(16,311)	(4,791)
Loss before income tax	8	(102,392)	(202,186)
Income tax expense	9	(11,906)	(18,587)
Loss for the period		(114,298)	(220,773)
Loss for the period attributable to:			
Owners of the Company		(102,190)	(215,769)
Non-controlling interests		(12,108)	(5,004)
Loss for the period		(114,298)	(220,773)
		HK cent	HK cent
Loss per share for loss attributable to the owners of the Company during the period			
— Basic	10(a)	(0.149)	(0.314)
— Diluted	10(b)	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME — UNAUDITED

For the six months ended 30 June 2014

	For the six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
Loss for the period	(114,298)	(220,773)
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	(101,227)	82,542
Exchange differences reclassified on disposal and dissolution of subsidiaries	7,775	–
Total comprehensive income for the period	(207,750)	(138,231)
Total comprehensive income attributable to:		
Owners of the Company	(195,102)	(137,941)
Non-controlling interests	(12,648)	(290)
Total comprehensive income for the period	(207,750)	(138,231)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

		(Unaudited) 30 June 2014 HK\$'000	(Audited) 31 December 2013 HK\$'000
	Notes		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	2,634,146	2,587,325
Prepaid land lease payments under operating leases		27,519	28,469
Interests in associates		770,202	775,154
Loan receivable from an associate		297,675	283,611
Available-for-sale financial assets		324	324
Deposits and other receivables		356,267	338,129
Intangible assets		226,521	221,562
Deferred tax assets		112,951	115,758
Pledged and restricted bank deposits		45,625	46,759
		4,471,230	4,397,091
Current assets			
Inventories		5,833,484	5,863,146
Financial assets at fair value through profit or loss		852	931
Trade receivables	12	116,073	71,314
Deposits, prepayments and other receivables		813,047	811,554
Amounts due from associates		530	5,631
Pledged and restricted bank deposits		1,206,647	999,233
Time deposits maturing over three months		625	653
Cash and cash equivalents		217,792	512,957
		8,189,050	8,265,419

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 30 June 2014

		(Unaudited) 30 June 2014 HK\$'000	(Audited) 31 December 2013 HK\$'000
	Notes		
Current liabilities			
Trade payables	13	430,922	205,747
Other payables and accruals		1,324,506	1,007,949
Deferred revenue		64,653	42,633
Provision for tax		999,320	1,023,608
Amount due to a director		7,823	19,939
Amounts due to shareholders		2,306	5,006
Amounts due to associates		37,662	15,109
Bank and other borrowings, secured	14	3,173,363	3,690,722
Finance lease liabilities		417	118
Finance from a third party		427,463	764,923
		6,468,435	6,775,754
Net current assets		1,720,615	1,489,665
Total assets less current liabilities		6,191,845	5,886,756
Non-current liabilities			
Bank and other borrowings, secured	14	1,670,061	1,102,358
Finance lease liabilities		905	110
Deferred tax liabilities		31,601	32,386
Financial liability at fair value through profit or loss		8,415	61,011
		1,710,982	1,195,865
Net assets		4,480,863	4,690,891

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 30 June 2014

		(Unaudited) 30 June 2014 HK\$'000	(Audited) 31 December 2013 HK\$'000
	Notes		
EQUITY			
Share capital	15	686,455	686,455
Reserves		3,097,488	3,292,590
Equity attributable to the Company's owners		3,783,943	3,979,045
Non-controlling interests		696,920	711,846
Total equity		4,480,863	4,690,891

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS — UNAUDITED

For the six months ended 30 June 2014

	For the six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
Net cash generated from operating activities	447,371	322,124
Net cash used in investing activities	(533,476)	(379,354)
Net cash (used in)/generated from financing activities	(204,020)	112,098
Net (decrease)/increase in cash and cash equivalents	(290,125)	54,868
Cash and cash equivalents at 1 January	512,957	187,116
Effect of foreign exchange rate changes, on cash held	(5,040)	5,281
Cash and cash equivalents at 30 June	217,792	247,265
Analysis of balances of cash and cash equivalents		
Cash at banks and in hand	217,792	211,165
Cash at banks and in hand included in assets of a disposal group classified as held for sale	–	36,100
	217,792	247,265

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY — UNAUDITED

For the six months ended 30 June 2014

	Equity attributable to the Company's owners							Amounts recognised in other comprehensive income and accumulated in equity relating to assets of a disposal group classified as held for sale	Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	General reserve	Exchange reserve	Accumulated losses	Total			
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 1 January 2013	686,455	965,911	1,911,436	172,918	735,723	(1,335,934)	-	3,136,509	715,082	3,851,591
Loss for the period	-	-	-	-	-	(215,769)	-	(215,769)	(5,004)	(220,773)
Other comprehensive income										
<i>Items that may be reclassified subsequently to profit or loss</i>										
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	77,828	-	-	77,828	4,714	82,542
Total comprehensive income for the period	-	-	-	-	77,828	(215,769)	-	(137,941)	(290)	(138,231)
Transfer for disposal group	-	-	-	-	(158,307)	-	158,307	-	-	-
At 30 June 2013	686,455	965,911	1,911,436	172,918	655,244	(1,551,703)	158,307	2,998,568	714,792	3,713,360
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 16)	-	-	-	-	-	-	-	-	(2,278)	(2,278)
Loss for the period	-	-	-	-	-	(102,190)	-	(102,190)	(12,108)	(114,298)
Other comprehensive income										
<i>Items that may be reclassified subsequently to profit or loss</i>										
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	-	-	-	-	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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

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 Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

The principal business of the Group are property development, culture and media services 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 for issue by the Board of the Company on 29 August 2014.

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 2013.

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

For the six months ended 30 June 2014

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 2013, except that the Group has applied, for the first time, the following new standards, amendments and interpretations (the "new/amended HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2014.

HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities
HK (IFRIC) 21	Levies

Other than as noted below, the adoption of these new/amended HKFRSs did not change the Group's accounting policies as followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

Amendments to HKAS 32 — Offsetting Financial Assets and Financial Liabilities

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Group.

HK (IFRIC) 21 — Levies

HK(IFRIC) 21 clarifies that an entity recognises a liability to pay a levy imposed by government when the activity that triggers payment, as identified by the relevant legislation, occurs. The adoption of HK(IFRIC) 21 did not have an impact on these condensed consolidated interim financial statements.

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 2013.

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

For the six months ended 30 June 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 2014

5. SEGMENT INFORMATION *(continued)*

The segment results for the six months ended 30 June 2014 and 30 June 2013 are as follows:

	For the six months ended 30 June 2014 (Unaudited)				
	Corporate IT application services HK\$'000	Property development HK\$'000	Culture and media services HK\$'000	All other segments HK\$'000	Total 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	(58,859)	(32,749)	21,201	(4,142)	(74,549)
	For the six months ended 30 June 2013 (Unaudited)				
	Corporate IT application services HK\$'000	Property development HK\$'000	Culture and media services HK\$'000	All other segments HK\$'000	Total HK\$'000
Revenue					
From external customers	317,364	47,618	815,623	11,394	1,191,999
From other segments	-	-	-	-	-
Reportable and all other segments revenue	317,364	47,618	815,623	11,394	1,191,999
Reportable and all other segments (loss)/profit	(40,197)	(136,095)	11,086	(5,808)	(171,014)

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

For the six months ended 30 June 2014

5. SEGMENT INFORMATION *(continued)*

The reportable segment assets and liabilities as at 30 June 2014 and 31 December 2013 are as follows:

	As at 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
Reportable and all other segment assets	1,101,107	7,321,889	3,782,062	189,310	12,394,368
Reportable and all other segment liabilities	(603,707)	(3,556,853)	(3,611,408)	(29,421)	(7,801,389)

	As at 31 December 2013 (Audited)				
	Corporate IT application services	Property development	Culture and media services	All other segments	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable and all other segment assets	1,151,332	7,426,026	3,641,429	196,186	12,414,973
Reportable and all other segment liabilities	(513,059)	(2,774,211)	(3,555,791)	(55,007)	(6,898,068)

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

For the six months ended 30 June 2014

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	
	2014	2013
	HK\$'000	HK\$'000
Reportable segment revenue	1,426,974	1,180,605
All other segments revenue	20,919	11,394
Elimination of inter-segment revenue	(519)	–
Group revenue	1,447,374	1,191,999
Reportable segment results	(70,407)	(165,206)
All other segments results	(4,142)	(5,808)
Bank interest income	39	9
Other interest income	1,880	1,625
Total interest income on financial assets not at fair value through profit or loss	1,919	1,634
Depreciation and amortisation	(153)	(130)
Finance costs	–	(1,216)
Share of results of associates	(2,895)	(4,791)
Unallocated corporate expenses	(26,714)	(26,669)
Loss before income tax	(102,392)	(202,186)

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

For the six months ended 30 June 2014

6. REVENUE/TURNOVER AND OTHER OPERATING INCOME — UNAUDITED

- (a) The Group's turnover represents revenue from its principal activities as set out below:

	For the six months ended	
	30 June	
	2014	2013
	HK\$'000	HK\$'000
Corporate IT application services	376,570	317,364
Sales of properties and car parks	52,109	47,618
Property management	20,400	11,394
Culture and media services	56,356	36,430
Cinema ticketing income	820,458	689,869
Confectionery sales	121,481	89,324
	1,447,374	1,191,999

- (b) Other operating income:

	For the six months ended	
	30 June	
	2014	2013
	HK\$'000	HK\$'000
Bank interest income	9,786	9,295
Other interest income	19,052	4,763
Total interest income on financial assets not at fair value through profit or loss	28,838	14,058
Exchange gain	3,742	1,061
Government grants	35,323	24,338
Sundry income	15,852	24,163
	83,755	63,620

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

For the six months ended 30 June 2014

7. FINANCE COSTS — UNAUDITED

	For the six months ended	
	30 June	
	2014	2013
	HK\$'000	HK\$'000
Interest on bank and other borrowings wholly repayable within five years	187,892	161,773
Finance costs on finance from a third party/connected party wholly repayable within five years	11,653	161,682
Interest on finance leases	29	7
Total financial costs on financial liabilities not at fair value through profit or loss	199,574	323,462
Less: Amounts capitalised to properties under development	(64,601)	(144,642)
	134,973	178,820

8. LOSS BEFORE INCOME TAX — UNAUDITED

	For the six months ended	
	30 June	
	2014	2013
	HK\$'000	HK\$'000
Loss before income tax is arrived at after charging:		
Amortisation of intangible assets other than goodwill	12,796	22,987
Depreciation of property, plant and equipment — owned assets	137,093	92,224
Depreciation of property, plant and equipment — leased assets	128	72
Operating lease charges on prepaid land lease	278	279
Net fair value loss on financial assets at fair value through profit or loss	115	349
Write-off of property, plant and equipment	5,629	1,765

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

For the six months ended 30 June 2014

9. INCOME TAX EXPENSE — UNAUDITED

	For the six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
The tax expense comprises:		
Current tax charge for the period		
— Hong Kong Profits Tax	5,759	4,858
— People's Republic of China ("PRC") Enterprise Income Tax ("EIT")	6,147	13,729
	11,906	18,587

For the six months ended 30 June 2014, Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2013: 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 2013: 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 2013: 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 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.

In addition, 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 2013: 15%).

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

For the six months ended 30 June 2014

10. LOSS PER SHARE — UNAUDITED

- (a) The calculation of basic loss per share is based on the loss for the period attributable to the owners of the Company of HK\$102,190,000 (six months ended 30 June 2013: HK\$215,769,000) and on 68,645,535,794 (six months ended 30 June 2013: 68,645,535,794) ordinary shares in issue during the period.
- (b) Diluted loss per share for the six months ended 30 June 2014 and 30 June 2013 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 2014, the Group acquired property, plant and equipment with a cost of HK\$253,097,000 (six months ended 30 June 2013: HK\$286,267,000).

During the six months ended 30 June 2014, property, plant and equipment with net book value of HK\$5,629,000 (six months ended 30 June 2013: HK\$1,765,000) were written off by the Group.

12. TRADE RECEIVABLES

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

	(Unaudited) 30 June 2014 HK\$'000	(Audited) 31 December 2013 HK\$'000
0–90 days	74,208	41,043
91–180 days	23,664	20,800
181–270 days	14,678	7,614
271–360 days	2,224	4,960
Over 360 days	20,011	16,138
Trade receivables, gross	134,785	90,555
Less: Provision for impairment of receivables	(18,712)	(19,241)
Trade receivables, net	116,073	71,314

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

For the six months ended 30 June 2014

13. TRADE PAYABLES

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

	(Unaudited) 30 June 2014 HK\$'000	(Audited) 31 December 2013 HK\$'000
0–90 days	224,107	33,431
91–180 days	48,577	6,432
181–270 days	1,169	906
271–360 days	2,499	10,737
Over 360 days	154,570	154,241
	430,922	205,747

14. BANK AND OTHER BORROWINGS, SECURED

At 30 June 2014, the bank and other borrowings were repayable as follows:

	(Unaudited) 30 June 2014 HK\$'000	(Audited) 31 December 2013 HK\$'000
Within one year	3,173,363	3,690,722
In the second year	309,385	877,220
In the third to fifth years	1,360,676	225,138
Wholly repayable within five years	4,843,424	4,793,080
Less: Portion due within one year under current liabilities	(3,173,363)	(3,690,722)
Portion due over one year under non-current liabilities	1,670,061	1,102,358

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

For the six months ended 30 June 2014

14. BANK AND OTHER BORROWINGS, SECURED *(continued)*

Movements in borrowings is analysed as follows:

	(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
	(Unaudited) For the six months ended 30 June 2013 HK\$'000
Opening amount as at 1 January 2013	3,988,089
Proceeds of borrowings	2,176,327
Borrowings classified as held for sale	(741,813)
Repayments of borrowings	(1,792,979)
Interest accrued on amortised costs	55,472
Exchange difference	51,060
Closing amount as at 30 June 2013	3,736,156

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

For the six months ended 30 June 2014

15. SHARE CAPITAL

	Number of ordinary shares of HK\$0.01 each	HK\$'000
Authorised:		
At 1 January 2013, 31 December 2013 (audited) and 30 June 2014 (unaudited)	500,000,000,000	5,000,000
Issued and fully paid:		
At 1 January 2013, 31 December 2013 (audited) and 30 June 2014 (unaudited)	68,645,535,794	686,455

16. DISPOSAL AND DISSOLUTION OF SUBSIDIARIES

During the six months ended 30 June 2014, a 62.85% owned subsidiary of the Group, 北京高銀投資顧問有限公司, was dissolved.

In addition, the Group entered into a sale and purchase agreement to dispose of 32.49% equity interests in a subsidiary, 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.

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

For the six months ended 30 June 2014

16. DISPOSAL AND DISSOLUTION OF SUBSIDIARIES *(continued)*

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

	(Unaudited) For the six months ended 30 June 2014 HK\$'000
Net assets/(liabilities) disposed of:	
Cash and cash equivalents	1
Other payables and accruals	(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)
Total consideration	62
Satisfied by:	
Cash	62

17. CONTINGENT LIABILITIES

Guarantees given in connection with credit facilities granted to:

	(Unaudited) 30 June 2014 HK\$'000	(Audited) 31 December 2013 HK\$'000
Associates (note (a))	2,530,926	2,614,798
Third parties (note (b))	50,910	54,513
	2,581,836	2,669,311

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

For the six months ended 30 June 2014

17. CONTINGENT LIABILITIES *(continued)*

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 2013. 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 2013 for ascertaining the fair value of the guarantee for ICBC Indebtedness has yet been available.

18. CAPITAL COMMITMENTS

At 30 June 2014, the Group had outstanding capital commitments as follows:

	(Unaudited)	(Audited)
	30 June	31 December
	2014	2013
	HK\$'000	HK\$'000
<hr/>		
Contracted but not provided for in respect of:		
— construction in progress	106,744	120,560
— property, plant and equipment	385,344	418,258
	<hr/>	<hr/>
	492,088	538,818
	<hr/>	<hr/>

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

For the six months ended 30 June 2014

19. CREDIT FACILITIES

At 30 June 2014 (unaudited) and 31 December 2013 (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\$27,298,000 (31 December 2013: HK\$28,240,000);
- (b) charge over certain buildings and construction in progress (31 December 2013: certain buildings) with a net carrying value of approximately HK\$618,605,000 (31 December 2013: HK\$635,567,000);
- (c) charge over certain properties under development and completed properties held for sale with a total carrying value of approximately HK\$1,861,210,000 (31 December 2013: HK\$1,911,137,000);
- (d) personal guarantee given by directors (31 December 2013: directors);
- (e) charge over certain financial assets at fair value through profit or loss with a net carrying value of approximately HK\$206,000 (31 December 2013: HK\$227,000);
- (f) pledge of 11,162,999,000 (31 December 2013: 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 2013: 89.19%) of total interest of the Company in Sino-i. The market value of such listed shares as at 30 June 2014 was approximately HK\$502,335,000 (31 December 2013: HK\$524,661,000);
- (g) pledge of certain bank deposits of approximately HK\$1,252,272,000 (31 December 2013: HK\$1,042,789,000) within which approximately HK\$780,000,000 (31 December 2013: HK\$799,385,000) were for standby letters of credit issued by banks for a total amounts of US\$75,150,000 and RMB130,000,000 (31 December 2013: US\$75,150,000 and RMB130,000,000);
- (h) charge over certain intangible assets with net carrying value of approximately HK\$11,193,000 (31 December 2013: HK\$31,500,000);
- (i) charge over certain property, plant and equipment other than buildings and construction in progress disclosed in note 19(b), with net carrying value of approximately HK\$268,882,000 (31 December 2013: HK\$299,289,000);
- (j) charge over certain trade receivables with carrying value of approximately HK\$3,255,000 (31 December 2013: Nil); 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 2014

20. 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	
	2014	2013
	HK\$'000	HK\$'000
Directors' fees	579	576
Basic salaries, housing, other allowances and benefits in kind	1,017	1,048
Pension scheme contributions	113	104
	1,709	1,728

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 2013: Nil).

21. LITIGATIONS

In March 2014, the Group took legal action against Baitak Asian Shenzhen Peninsula Co., Ltd., an independent third party financier, in respect of its wrongful appointment of receivers and managers over the mortgaged shares of a subsidiary of the Company. In June 2014, the parties thereof entered into a settlement agreement. Details of the aforesaid case were disclosed in the announcements dated 10 March 2014, 14 March 2014 and 13 June 2014. Save and except the foregoing, 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 2013.

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

For the six months ended 30 June 2014

22. 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 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).

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 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 2014 (Unaudited)				
Assets				
Available-for-sale financial assets	–	324	–	324
Listed securities held for trading	852	–	–	852
Total fair values	852	324	–	1,176
Liabilities				
Financial liability at fair value through profit or loss — put option	–	–	8,415	8,415
Total fair values	–	–	8,415	8,415

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

22. FAIR VALUE MEASUREMENTS (continued)

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 31 December 2013 (Audited)				
Assets				
Available-for-sale financial assets	–	324	–	324
Listed securities held for trading	931	–	–	931
Total fair values	931	324	–	1,255
Liabilities				
Financial liability at fair value through profit or loss — put option	–	–	61,011	61,011
Total fair values	–	–	61,011	61,011

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:

- 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.
- 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 2013: RMB9,700) per square meter. A lower expected selling price assigned to the worst case will result in a higher fair value.

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

For the six months ended 30 June 2014

22. FAIR VALUE MEASUREMENTS *(continued)*

- (c) The discount rate used for the valuation is 18.81% (31 December 2013: 21.09%). 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 2014 and 31 December 2013 amounted to HK\$8,415,000 and HK\$61,011,000 respectively. The aforesaid amounts are recorded as financial liability at fair value through profit or loss and the difference of HK\$52,596,000 between such amounts was charged to profit or loss.

INTERIM DIVIDEND

The directors do not recommend the declaration of the payment of an interim dividend for the six months ended 30 June 2014 (30 June 2013: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

During the period, turnover of the Group was approximately HK\$1,447.4 million (six months ended 30 June 2013: HK\$1,192.0 million), an increase of approximately 21.4% as compared with the corresponding period last year. Net loss attributable to the owners of the Company was approximately HK\$102.2 million (six months ended 30 June 2013: HK\$215.8 million), a decrease of approximately HK\$113.6 million as compared with the corresponding period last year. The net assets attributable to the owners of the Company were approximately HK\$3,783.9 million (31 December 2013: HK\$3,979.0 million), representing a value of approximately HK\$0.055 (31 December 2013: HK\$0.058) per share.

Culture and Media Division

According to statistics released by the State Administration of Press, Publication, Radio, Film and Television on 18 July 2014, the film industry in the PRC continued to grow rapidly in the first half of 2014. The gross box office receipts nationwide hit a record high and amounted to RMB13.74 billion during the period, representing a growth of approximately 25% over the corresponding period last year.

During the period, turnover of this division was approximately HK\$998.3 million (six months ended 30 June 2013: HK\$815.6 million), an increase of approximately 22.4% as compared with the corresponding period last year and net profit before income tax was approximately HK\$21.2 million (six months ended 30 June 2013: HK\$11.1 million), an increase of approximately 91.0% as compared with the corresponding period last year. The Group's 240 cinemas in operation contributed an operating income of approximately HK\$952.4 million (six months ended 30 June 2013: HK\$779.2 million), an increase of approximately 22.2% as compared with the corresponding period last year, which was in the similar growth rate of the national gross box office.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

Culture and Media Division *(continued)*

The Group through its Dadi group continued to focus on the development of its businesses in culture and media sector. During the period, in addition to expanding its presence in the second and third tier cities in the PRC, the Group's cinema business namely "Dadi Cinema" aimed at those first tier cities with room for development and certain potential towns as well. In the first half of 2014, Dadi Cinema set up additional 25 cinemas with 137 screens in such cities as Beijing, Guangzhou, Chongqing, Tianjin, Changzhou and etc. As of 30 June 2014, Dadi Cinema had 240 cinemas in operation, having 1,170 screens and providing 166,726 seats, growing by approximately 42%, 49% and 38% over the corresponding period last year respectively. Meanwhile, additional 38 cinemas with 234 screens were under pre-opening preparation or under construction, which were scheduled to be put into operation in this year.

In addition to expansion of its cinema base, Dadi Cinema streamlined and integrated cinema network on a nationwide basis and dedicated to improve the operating efficiency of individual cinemas, including carrying out comprehensive operational assessment on operating cinemas and formulating appropriate measures to enhance and improve its performance. Besides having supported by IBM, a professional consultancy service institution, Dadi Cinema carried out a comprehensive optimization in its organizational and operational system and upgraded informatization construction, with an aim to provide better services for the customers. This laid a sound foundation for the continuous improvement of operational effectiveness and efficiency in the future.

The Group's subsidiary, 大地時代電影發行（北京）有限公司 (Dadi Century Film Distribution (Beijing) Co. Ltd.) ("Dadi Distribution"), continued to concentrate on developing its film distribution business, while 時代廣告（北京）有限公司 (Century Advertising (Beijing) Limited) ("Century Advertising"), another subsidiary of the Group, remained its focus on cinema advertising and sales business. The operating income contributed by these two businesses recorded an increase as compared with the corresponding period last year, was approximately 30.5% and 27.7% respectively.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

Property Development Division

During the period, turnover of this division was approximately HK\$52.1 million (six months ended 30 June 2013: HK\$47.6 million), an increase of approximately 9.5% as compared with the corresponding period last year. Net loss before income tax was approximately HK\$32.7 million (six months ended 30 June 2013: HK\$136.1 million), a substantial decrease of approximately HK\$103.4 million as compared with the corresponding period last year.

During the period, sales proceeds of Phase 2 of “The Peninsula” in Shenzhen were approximately HK\$52.1 million, which were mainly from the sales of remaining residential units and shops in Phase 2. 深圳南海益田置業有限公司 (Shenzhen Nanhai Yitian Realty Company Limited), a project company of the Group, has been working aggressively on the preparation for commencement of construction of Phase 3. The project bidding, planning and design, construction application, product enhancement, marketing and investment planning of Phase 3 were all progressed as scheduled. The construction plan will be implemented during the year.

During the period, 廣州東鏡新城房地產有限公司 (Guangzhou Dongjing Xincheng Properties Co., Ltd.) (“Guangzhou Dongjing”), an associate of the Group, commenced the sales of the remaining units in Phase 1 of “Free Man Garden”. As of 30 June 2014, a total of 1,504 units in Phase 1 were launched for sale, of which 1,329 units were sold (31 December 2013: 1,504 units launched for sale with 1,214 units sold), posting accumulated sales of approximately RMB1.548 billion and accumulated area sold of approximately 174,000 sq.m.. There were 175 units remained unsold, of which 96 units were contracted for sale with its customers. It is expected that all remaining units will be sold out in the second half of 2014. All sales proceeds from Phase 1 will be recorded as turnover of its associate, Guangzhou Dongjing, according to the accounting standard while the cost and profit so incurred will be recognized during the year. The Group will also recognize the investment income derived accordingly. The construction of Phase 2 of “Free Man Garden” commenced at the beginning of the year, which is currently moving forward as scheduled. It is expected that the pre-sale conditions will be fulfilled early next year.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

Corporate IT Application Services Division

During the period, Sino-i group continued to use its key subsidiary namely 中企動力科技股份有限公司 (CE Dongli Technology Company Limited) (“CE Dongli”) together with 北京新網數碼信息技術有限公司 (Beijing Xinnet Cyber Information Company Limited) (“Xinnet”), a newly acquired subsidiary, as the core operation arm of its corporate IT application services business. During the period, turnover of this division was approximately HK\$376.6 million (six months ended 30 June 2013: HK\$317.4 million), an increase of approximately 18.7% as compared with the corresponding period last year, which was mainly attributable to the consolidation of turnover of Xinnet since November 2013. Net loss before income tax was approximately HK\$58.9 million (six months ended 30 June 2013: HK\$40.2 million).

In addition to traditional businesses such as website constructions and corporate communications, CE Dongli put much more efforts in research and development of new products and market development in the sectors of corporate self-developed e-commerce platform and application services. However, CE Dongli’s major target customer group — SMEs in the PRC remained conservative in corporate IT investments due to economic downturn and its unawareness of the importance of informatization, and research and development of and marketing of new products for catering the market development were still in incubation period and its contribution was not readily reflected. Given the foregoing, the development of CE Dongli experienced its periodic limitation in the short run, so it was unable to achieve growth in revenue during the period.

The development of Xinnet was progressed as scheduled by launching certain upgraded products such as “Cloud Hosting” and “New Freemail”, but such products were still in the market introduction stage. Since gaining full control over Xinnet by Sino-i group, Xinnet increased investments in research and development of new products and cloud computing platform, and such investments in research and development would reinforce and improve Xinnet’s competitiveness in internet-based application services market.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

Corporate IT Application Services Division *(continued)*

During the period, the increase in Sino-i group's operating loss as compared with the corresponding period last year was due to the following reasons. Firstly, Sino-i group recognized its accumulated foreign exchange differences arising from disposal and dissolution of certain subsidiaries as investment losses in an aggregate sum of approximately HK\$7.8 million according to the accounting standard in the first half of the year. Secondly, in order to reinforce and expand its market shares, CE Dongli devoted more resources to the construction of its marketing system, especially providing more incentives for its frontline business teams for enhancing its competitiveness in remuneration. As a result, the sales expenses in the first half of the year recorded a substantial increase as compared with the corresponding period last year. Although informatization measures had improved the operational and management procedures, which in turn led to reduction in both administrative and management expenses, the overall expenses still recorded a considerable growth as compared with the corresponding period last year. Furthermore, Sino-i group increased its investments in research and development of Xinnet during the period so as to step up and strengthen the strategic planning for its IT application services business, and such investments would cause the Group for higher loss in the short run, but it is expected that such investments would gradually achieve its return in the coming few years.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL

The Group continued to adopt prudent funding and treasury policies. As at 30 June 2014, the net assets attributable to the owners of the Company amounted to approximately HK\$3,783.9 million (31 December 2013: HK\$3,979.0 million), including cash and bank balances of approximately HK\$1,470.7 million (31 December 2013: HK\$1,559.6 million), which were mainly denominated in US dollars, Renminbi and Hong Kong dollars. As at 30 June 2014, the Group's aggregate borrowings were approximately HK\$5,272.2 million (31 December 2013: HK\$5,558.2 million), of which approximately HK\$3,226.7 million (31 December 2013: HK\$3,044.4 million) were bearing interest at fixed rates while approximately HK\$2,045.5 million (31 December 2013: HK\$2,513.8 million) were at floating rates. The gearing ratio of the Group which is calculated as the net debt divided by the adjusted capital plus net debt, decreased from approximately 46.02% as at 31 December 2013 to approximately 45.90% as at 30 June 2014.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL

(continued)

The capital commitment of the Group as at 30 June 2014 was approximately HK\$492.1 million, of which approximately HK\$106.7 million would be used for the construction of the headquarters of corporate IT application services, and approximately HK\$385.4 million would be used as capital expenditures for the expansion of its cinema business.

The Group's contingent liabilities as at 30 June 2014 were approximately HK\$2,581.8 million in connection with the guarantees given to secure credit facilities and guaranteed returned.

As at 30 June 2014, 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\$4,042.7 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 continued growth in the economy of the PRC is expected to warrant a continued appreciation of Renminbi. 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

EMPLOYEE

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 of the Company. In general, salary review is conducted annually. As at 30 June 2014, the Group had approximately 13,272 employees (30 June 2013: 11,156 employees). The salaries of and allowances for employees for the six months ended 30 June 2014 were approximately HK\$489.0 million (six months ended 30 June 2013: HK\$368.2 million).

PROSPECT

With regard to the culture and media segment, cinema and its related businesses, being operated in the core brand of Dadi Cinema, is still at a stage that requires ongoing massive investment in expansion. Growth and potential profitability of the operating cinemas will be gradually driven up and realized by the fast and continuous growing domestic film market and the continuous implementation of a series of improvement measures for the operation and management of Dadi Cinema. In the second half of the year, Dadi Cinema will optimize its marketing strategies so as to maintain its rapid growth in terms of number of cinemas and screens, and in turn reinforcing and expanding its market share. In addition to expansion of cinema business, Dadi Cinema will step up its operational strategies with a view to continuously improve the operating efficiency of individual cinemas. Furthermore, as for the business segments of Century Advertising and Dadi Distribution, the Group will continue to strive for better operating results in the second half of the year through development of Dadi Group.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

PROSPECT *(continued)*

With regard to the property development segment, the Group will commence the construction works of Phase 3 of "The Peninsula" in Shenzhen during the year. Total gross floor area of Phase 3 is over 190,000 sq.m.. Moreover, the Group will also work on the planning and design and preparation for commencement of construction of Phase 4 in the second half of the year, targeting at commencing the construction works in the first half of next year. There will be more units in "The Peninsula" commanding panoramic view of Shenzhen Bay. Coupled with innovative ancillary commercial facilities, the Group strives to establish "The Peninsula" as an international coastal humanity community in the South China Sea, and realize profit maximization. In the second half of the year, the Group is committed to sell all remaining units of Phase 1 of "Free Man Garden", its associated project in Guangzhou, and commence the construction of Phase 2 as scheduled. It is expected that the pre-sale conditions will be fulfilled early next year.

The Group still holds an optimistic view towards the development of domestic corporate self-developed e-commerce platforms in application services market. As it is expected that there will be promising prospect and enormous development space for this market, the Group will therefore continue to put more efforts to develop this market through Sino-i. In the second half of the year, Sino-i will continue to put more efforts into the research and development of new products and the construction of operating infrastructure, in particular, devoting more resources to the research and development and marketing of e-commerce solutions as well as accelerating its pace of development of cloud computing, with an aim to optimize its products, improve its services, satisfy and induce the demands of its clients and enhance its core competitiveness in the long term. Besides, Sino-i will also further facilitate the optimization of its operating procedures, step up informatization, improve its operating efficiencies and enhance its operational effectiveness.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2014, 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)	3,811,819,898 (Note 2)	39,908,250,577	58.13%
Chen Dan	32,000,000	-	-	32,000,000	0.05%
Wang Gang	8,500,000	-	-	8,500,000	0.01%

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.
- Out of these 3,811,819,898 shares, 69,326,400 shares were held by Redmap Resources Limited, a company wholly owned by Ms. Kung Ai Ming, the spouse of Mr. Yu; 3,742,493,498 shares were held by Macro Resources Ltd., a company held as to 50% each by Ms. Kung Ai Ming and Mr. Yu Ben Hei, the son of Mr. Yu and Ms. Kung Ai Ming.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(continued)*

Associated Corporations

As disclosed above, Mr. Yu, together with his family and corporate interests, are entitled to control the exercise of more than one-third of the voting power at general meetings of the Company. As such, Mr. Yu is taken to be interested in the shares that the Company or its controlled corporations hold in the associated corporations of the Company within the meaning of Part XV of the SFO, including interests held by the Company in the shares of Sino-i. Sino-i is a company the shares of which are listed on the Hong Kong Stock Exchange and is also an associated corporation of the Company within the meaning of Part XV of the SFO. As at 30 June 2014, 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 of HK\$0.01 each				Approximate percentage holding
	Personal interest	Corporate interest	Family interest	Total interest	
Yu Pun Hoi	–	12,515,795,316 <i>(Note 1)</i>	44,000,000 <i>(Note 2)</i>	12,559,795,316	63.07%

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.
- These 44,000,000 shares were held by Redmap Resources Limited, a company wholly owned by Ms. Kung Ai Ming, the spouse of Mr. Yu.

Save as disclosed above, as at 30 June 2014, 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.

During the six months ended 30 June 2014, no share options have been granted under the Scheme by the Company.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 30 June 2014, 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
Kung Ai Ming	Family and Corporate interest	39,908,250,577	58.13%	1 & 2
Yu Ben Hei	Corporate interest	3,742,493,498	5.45%	2
Macro Resources Ltd.	Beneficial interest	3,742,493,498	5.45%	2
Dadi Holdings Limited	Corporate interest	36,096,430,679	52.58%	3
Rosewood Assets Ltd.	Beneficial interest	7,668,000,210	11.17%	3
Pippen Limited	Beneficial interest	14,830,245,497	21.60%	3
Staverley Assets Limited	Beneficial interest	4,893,197,974	7.12%	3
First Best Assets Limited	Beneficial interest	8,704,986,998	12.68%	3
CITIC Group Corporation	Corporate interest	10,100,000,000	14.71%	4

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
CITIC Limited	Corporate interest	10,100,000,000	14.71%	4
CITIC Capital Holdings Limited	Corporate interest	10,100,000,000	14.71%	4
CITIC Capital Credit Limited	Security interest	10,100,000,000	14.71%	4
Lim Siew Choon	Corporate interest	8,819,673,777	12.85%	5
Empire Gate Industrial Limited	Beneficial interest	5,514,986,997	8.03%	5
Lee Tat Man	Beneficial interest	60,900,000	0.09%	
	Security interest	7,700,000,000	11.22%	

Notes:

- Ms. Kung Ai Ming is the spouse of Mr. Yu and was taken to be interested in those shares in which Mr. Yu and herself (together with their respective corporate interests) held an interest.
- Macro Resources Ltd. is held as to 50% each by Ms. Kung Ai Ming and Mr. Yu Ben Hei, the son of Mr. Yu and Ms. Kung Ai Ming. Its interest in shares was included as the corporate interests of Ms. Kung Ai Ming and Mr. Yu Ben Hei respectively.
- Rosewood Assets Ltd., Pippen 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.
- CITIC Group Corporation, CITIC Limited and CITIC Capital Holdings Limited were each taken to be interested in those security interests of 10,100,000,000 shares in which CITIC Capital Credit Limited held an 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 2014, 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 2014.

CORPORATE GOVERNANCE

In the opinion of the Board of the Company, the Company has complied with the Corporate Governance Code (the "CG Code") and Corporate Governance Report as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2014, except for the deviations mentioned below:

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 of the Company 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.

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 of the Company 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.

Code Provision A.6.7 stipulates that independent non-executive directors and non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

One independent non-executive director of the Company was unable to attend the annual general meeting held on 26 May 2014 (the "2014 AGM") due to his personal engagement.

CORPORATE GOVERNANCE *(continued)*

Code Provision E.1.2 stipulates that the chairman of the board should attend annual general meeting.

The chairman of the board of the Company was unable to attend the 2014 AGM due to his unexpected illness.

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 2014.

AUDIT COMMITTEE

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 2014, 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, 29 August 2014



南海控股

NANHAI CORPORATION LIMITED

Stock Code: 680 股份代號: 680

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