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南海控股有限公司*

NAN HAI CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 680)

VOLUNTARY ANNOUNCEMENT CONCERNING LEGAL PROCEEDINGS

This announcement is made on a voluntary basis by Nan Hai Corporation Limited (the “**Company**”) in relation to legal proceedings commenced by Giant Harvest Limited (“**GHL**”), a subsidiary of Orange Sky Golden Harvest Entertainment (Holdings) Limited (“**OSGH**”) against True Vision Limited (“**True Vision**”) (a subsidiary of the Company) and the Company on 4 September 2018. Unless otherwise defined, terms used in this announcement shall have the same meaning as set out in the Circular (as defined below).

BACKGROUND

As previously disclosed in the Company’s announcements dated 25 January 2017, 17 February 2017, 7 March 2017 and 15 June 2017 and circular dated 23 June 2017 (the “**Circular**”), True Vision (as purchaser) and the Company (as guarantor) entered into a sale and purchase agreement dated 25 January 2017 (the “**Agreement**”) with GHL and OSGH. Pursuant to the terms of the Agreement, True Vision agreed to purchase and GHL agreed to sell the entire equity interests in City Entertainment Corporation Limited at a consideration (the “**Consideration**”) based on an enterprise value of RMB3.387 billion.

The terms of the Agreement provided for adjustment to the Consideration, which was to be determined taking into account certain figures to be derived from a closing audit.

In accordance with the terms of the Agreement, on completion of the above-mentioned transaction, True Vision deposited a sum of US\$44,528,223 with an escrow agent on 28 July 2017. The amount to be released from escrow was to be agreed upon by True Vision and GHL following the determination of the adjustment to the Consideration.

* *For identification purpose only*

THE DISPUTE

According to GHL, the amount to be released from escrow is RMB252,207,249 (equivalent to US\$37,383,975) but according to True Vision's calculation, the amount to be released to GHL should be significantly lower. Since the parties were unable to reach a consensus on the adjustment to the Consideration, the obligation to release funds held in escrow has not been triggered pursuant to the terms of the Agreement.

GHL and OSGH commenced legal proceedings against True Vision and the Company on 4 September 2018 claiming a sum of US\$37,383,975 (being the Third Guarantee Amount as determined by GHL) and seeking other remedies, including interest and costs. It should be noted that the amount placed in escrow (i.e. US\$44,528,223) far exceeds the amount of US\$37,383,975 claimed by GHL and OSGH.

The Company and True Vision will take all legal measures to strenuously defend the aforementioned claim. Based on currently available information, the Company's board of directors considers that the claim will not have any impact on the Group's normal business and operation.

By order of the Board
Nan Hai Corporation Limited
Liu Rong
Executive Director

Hong Kong, 5 September 2018

As at the date of this announcement, the directors of the Company are as follows:

Executive directors:

Mr. Yu Pun Hoi
Ms. Liu Rong

Non-executive directors:

Mr. Lam Bing Kwan
Mr. Lung King Cheong

Independent non-executive directors:

Mr. Lau Yip Leung
Mr. Xiao Sui Ning
Mr. Ho Yeung Nang