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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)

**DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO
THE TRANSFER OF 10% EQUITY INTEREST IN GUANGDONG DADI**

THE EQUITY TRANSFER AGREEMENT

On 11 November 2016 (after trading hours), Dadi Century Film Culture, an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with Dadi Dreamworks, pursuant to which Dadi Century Film Culture agreed to sell and Dadi Dreamworks agreed to buy, 10% equity interest in Guangdong Dadi for a total consideration of RMB150,000,000.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Equity Transfer Agreement exceed(s) 5% but is/are less than 25%, the Equity Transfer Agreement and the transactions contemplated thereunder constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Dadi Dreamworks is owned as to 50% and 50% by Ms. Liu Rong (an executive Director of the Company and the chairlady of Guangdong Dadi) and Ms. Yu Xin (a director of certain subsidiaries of the Company and the general manager of Guangdong Dadi) respectively. Ms. Liu Rong is the general partner of Dadi Dreamworks and Ms. Yu Xin is the limited partner of Dadi Dreamworks. As such, Dadi Dreamworks is an associate of Ms. Liu Rong and Ms. Yu Xin, and thus a connected person of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Equity Transfer Agreement exceed(s) 5%, the Equity Transfer is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

* For identification purpose only

SHAREHOLDERS' WRITTEN APPROVAL

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has material interest in the transactions contemplated under the Equity Transfer Agreement and therefore none of the Shareholders is required to abstain from voting if a general meeting of the Company was convened to approve the Equity Transfer Agreement and the transactions contemplated thereunder. As no Shareholder is required to abstain from voting if a general meeting of the Company was convened to approve the Equity Transfer Agreement and the transactions contemplated thereunder, the Company has obtained a written approval from the Controlling Shareholder Group, which held 36,622,130,679 Shares as at the date of this announcement (representing approximately 53.35% of the issued share capital of the Company) for the approval of the Equity Transfer Agreement and the transactions contemplated thereunder. Pursuant to Rule 14A.37 of the Listing Rules, an application has been made by the Company to the Stock Exchange for a waiver from the requirement for the Company to convene a Shareholders' meeting, on the basis that the Equity Transfer Agreement and the transactions contemplated thereunder have been approved by the written approval of a closely allied group of Shareholders who together hold more than 50% of the voting rights in the general meeting.

GENERAL

The Independent Board Committee (comprising all the independent non-executive Directors) has been established to advise and provide recommendation to the Independent Shareholders in respect of the Equity Transfer Agreement and the transactions contemplated thereunder. VBG Capital Limited has been appointed as the Independent Financial Adviser by the Company to advise the Independent Board Committee and the Independent Shareholders in the same respect.

A circular containing, among other things, (i) further details of the Equity Transfer Agreement and the transactions contemplated thereunder; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; and (iii) the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, will be despatched to the Shareholders on or before 2 December 2016.

INTRODUCTION

On 11 November 2016 (after trading hours), Dadi Century Film Culture, an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with Dadi Dreamworks, pursuant to which Dadi Century Film Culture agreed to sell and Dadi Dreamworks agreed to buy, 10% equity interest in Guangdong Dadi at a total consideration of RMB150,000,000.

THE EQUITY TRANSFER AGREEMENT

Date

11 November 2016 (after trading hours)

Parties

Transferor: Dadi Century Film Culture, an indirect wholly-owned subsidiary of the Company

Transferee: Dadi Dreamworks

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Dadi Dreamworks is owned as to 50% and 50% by Ms. Liu Rong (an executive Director of the Company and the chairlady of Guangdong Dadi) and Ms. Yu Xin (a director of certain subsidiaries of the Company and the general manager of Guangdong Dadi) respectively. Ms. Liu Rong is the general partner of Dadi Dreamworks and Ms. Yu Xin is the limited partner of Dadi Dreamworks. As such, Dadi Dreamworks is an associate of Ms. Liu Rong and Ms. Yu Xin, and thus is a connected person of the Company under Chapter 14A of the Listing Rules.

Subject matter

Pursuant to the Equity Transfer Agreement, Dadi Century Film Culture agreed to sell and Dadi Dreamworks agreed to buy, 10% equity interest in Guangdong Dadi.

Consideration and Payment

The total consideration of RMB150,000,000 is payable by Dadi Dreamworks in cash within three months after the Completion Date.

The consideration was determined after arm's length negotiation between Dadi Century Film Culture and Dadi Dreamworks with reference to the following factors: (i) the valuation of 100% equity interest of Guangdong Dadi in the amount of RMB1,313,414,000 as at 31 August 2016 conducted by an independent valuer using assets approach; and (ii) the business and financial performance of Guangdong Dadi, and taking into account that (i) Dadi Dreamworks is and shall be owned by employees of Guangdong Dadi; (ii) the Equity Transfer is to provide incentive to employees of Guangdong Dadi (currently including Ms. Liu Rong and Ms. Yu Xin) who have made significant contributions to Guangdong Dadi; and (iii) the undertakings required to be made by the partners of Dadi Dreamworks as set out in the paragraph headed "Undertakings of partners of Dadi Dreamworks" below.

Conditions precedent to the Equity Transfer Agreement

Completion of the Equity Transfer Agreement is conditional upon the obtaining of the necessary authorization and approval on the Equity Transfer Agreement and the transactions contemplated thereunder as required by applicable laws and regulations (including the approval of Shareholders at general meeting of the Company, if necessary).

Completion Date

The Completion Date shall be on the date which the approval of Shareholders at general meeting of the Company in relation to the Equity Transfer Agreement has been obtained (if required), or on the date which the Transferor informs the Transferee to complete the Equity Transfer Agreement subject to the fulfillment of the conditions precedent to the Equity Transfer Agreement.

UNDERTAKINGS OF PARTNERS OF DADI DREAMWORKS

The Equity Transfer Agreement is entered to implement the Incentive Scheme. Under the Incentive Scheme, additional employees of Guangdong Dadi who have made significant contributions to Guangdong Dadi may be nominated to become limited partners of Dadi Dreamworks at Guangdong Dadi's shareholders meeting and the nominated employee is required to pay a consideration proportional to his/her acquired interests in Dadi Dreamworks with reference to the original total consideration of RMB150,000,000. Existing partners must agree to the transfer of equity interests to the nominated employee. All partners of Dadi Dreamworks have to remain in service with Guangdong Dadi for at least an additional of five years. In the event that any of the partners (i) fails to remain in service for this five additional years; or (ii) is summarily dismissed in accordance with the law for reasons such as serious neglectful of duties or violation of the relevant laws or the articles of association of Guangdong Dadi, such partner shall be required to transfer his/her equity interests back to the general partner of Dadi Dreamworks at the original consideration he/she paid. In addition, the Incentive Scheme requires all partners of Dadi Dreamworks not to dispose or transfer his/her interests in Dadi Dreamworks prior to Guangdong Dadi being listed except pursuant to the terms of the Incentive Scheme as mentioned above. All partners are required to sign an undertaking when joining Dadi Dreamworks pursuant to which they undertake to comply with all the terms of the Incentive Scheme.

INFORMATION ON THE PARTIES

Dadi Century Film Culture

Dadi Century Film Culture is a limited liability company incorporated in the PRC and is an indirect wholly-owned subsidiary of the Company. Dadi Century Film Culture is principally engaged in the distribution of film.

The Company

The Company is an investment holding company whose securities are listed and traded on the Main Board of the Stock Exchange. The Group is principally engaged in (i) culture and media services (mainly in cinemas business on a nationwide basis in the PRC including film distribution and other media related businesses); (ii) property development; and (iii) corporate IT application services (through its listed subsidiary, Sino-i Technology Limited (stock code: 250), a company having its shares listed and traded on the Main Board of the Stock Exchange) as at the date of this announcement. In 2015, the Group also started to tap into new business segments such as "New Media" and "Innovative Business" and sparing no effort to make them as the fourth and fifth business segment of the Group within two to three years.

Dadi Dreamworks

Dadi Dreamworks is a limited partnership established in the PRC and is principally engaged in management of investment. Dadi Dreamworks is used as a platform for employees of Guangdong Dadi who have made significant contributions to Guangdong Dadi to hold the equity interests of Guangdong Dadi they acquired pursuant to the Incentive Scheme. As at the date of this announcement, Dadi Dreamworks is owned as to 50% and 50% by Ms. Liu Rong (an executive Director of the Company and the chairlady of Guangdong Dadi) and Ms. Yu Xin (a director of certain subsidiaries of the Company and the general manager of Guangdong Dadi) respectively. Ms. Liu Rong is the general partner of Dadi Dreamworks and Ms. Yu Xin is the limited partner of Dadi Dreamworks. As such, Dadi Dreamworks is an associate of Ms. Liu Rong and Ms. Yu Xin, and thus a connected person of the Company under Chapter 14A of the Listing Rules.

INFORMATION ON GUANGDONG DADI

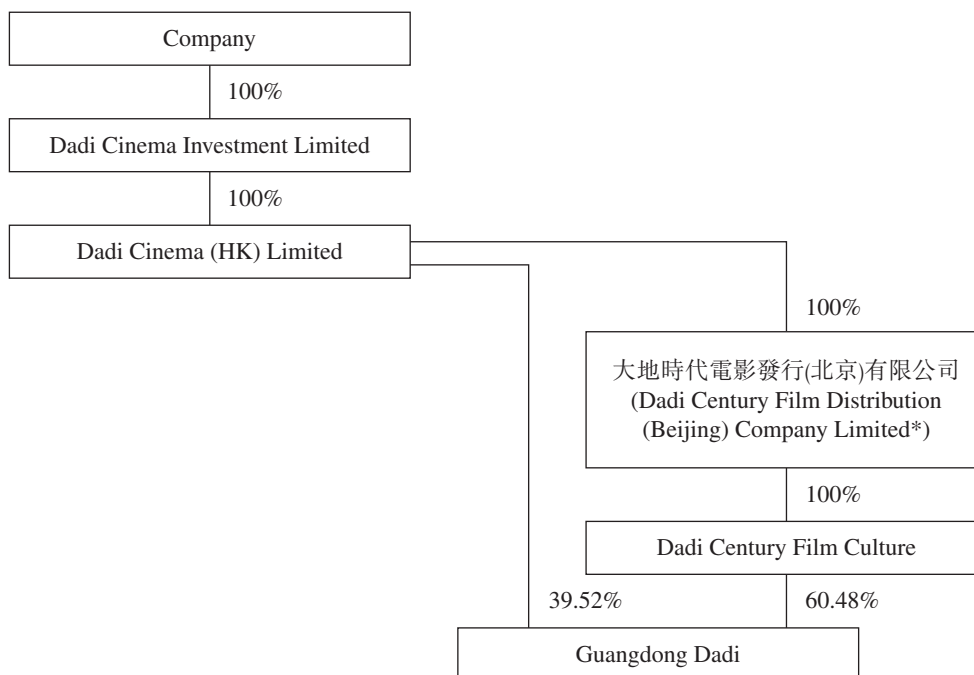
Guangdong Dadi is a limited liability company incorporated in the PRC and is an indirect wholly-owned subsidiary of the Company. Guangdong Dadi is principally engaged in the business of cinema construction and operation, related concessions and derivatives sales, and related advertisement sales.

The unaudited consolidated financial information of Guangdong Dadi and its subsidiaries are set out as below:

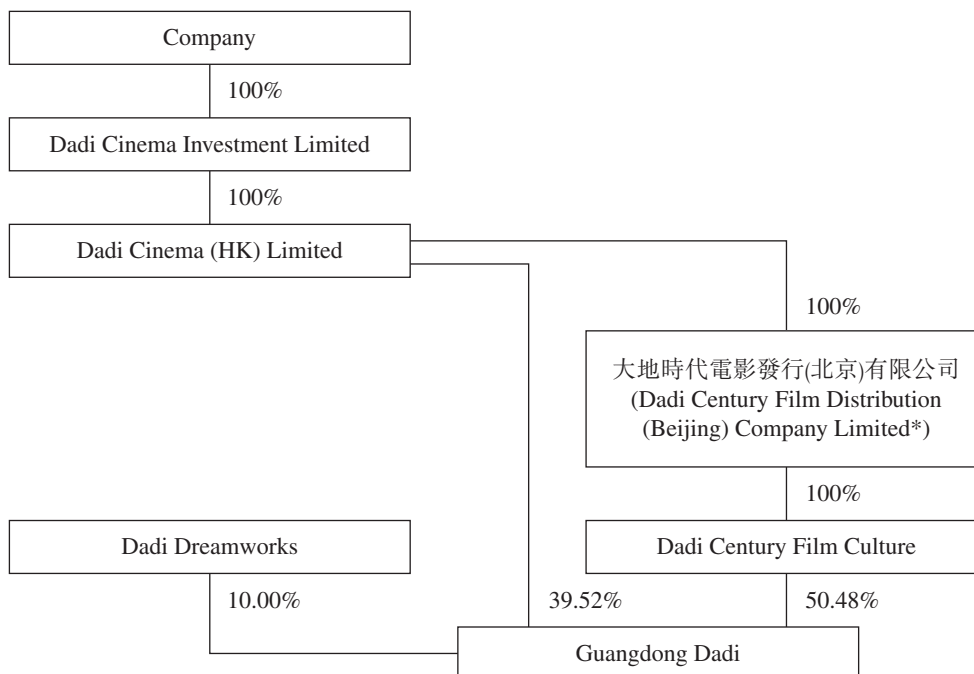
	For the year ended 31 December 2014 HK\$'000	For the year ended 31 December 2015 HK\$'000
Net (loss)/profit before taxation	(265,955)	276,193
Net (loss)/profit after taxation	(288,960)	259,056

Based on the unaudited financial statements of Guangdong Dadi, the consolidated net assets of Guangdong Dadi and its subsidiaries as at 31 December 2015 was HK\$1,265,959,000 approximately.

As at the date of this announcement, the simplified shareholding structure of Guangdong Dadi is set out below:



Upon completion of the Equity Transfer, the simplified shareholding structure of Guangdong Dadi is set out below:



Guangdong Dadi will remain a subsidiary of the Company and its results will continue to be consolidated into the Group's financial results upon completion of the Equity Transfer.

REASONS FOR THE EQUITY TRANSFER

To recognize the significant contributions made by Ms. Liu Rong, Ms. Yu Xin and other employees of Guangdong Dadi (who may be nominated to become partners of Dadi Dreamworks in the future) and to provide incentive to them, the Company proposes to implement the Incentive Scheme through transferring 10% equity interests in Guangdong Dadi to Dadi Dreamworks. The Company considers that the Equity Transfer is the best option to increase the sense of belonging and motivation of Guangdong Dadi's employees as well as aligning their interests with the Company, therefore the Company did not consider other alternatives.

In view of the above, the Directors (other than members of the Independent Board Committee who will give their opinion after having considered the recommendation from the Independent Financial Adviser) are of the view that the terms of the Equity Transfer Agreement including the consideration, are fair and reasonable so far as the Shareholders are concerned and the transactions contemplated under the Equity Transfer Agreement are in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE EQUITY TRANSFER AND USE OF PROCEEDS

As the Group will still retain control over Guangdong Dadi after the Equity Transfer, the Company does not expect to record any gain or loss in its consolidated income statement for the current financial year ending 31 December 2016. The proceeds from the Equity Transfer will be utilized as general working capital for the Group.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Equity Transfer Agreement exceed(s) 5% but is/are less than 25%, the Equity Transfer Agreement and the transactions contemplated thereunder constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Dadi Dreamworks is owned as to 50% and 50% by Ms. Liu Rong (an executive Director of the Company and the chairlady of Guangdong Dadi) and Ms. Yu Xin (a director of certain subsidiaries of the Company and the general manager of Guangdong Dadi) respectively. Ms. Liu Rong is the general partner of Dadi Dreamworks and Ms. Yu Xin is the limited partner of Dadi Dreamworks. As such, Dadi Dreamworks is an associate of Ms. Liu Rong and Ms. Yu Xin, and thus a connected person of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Equity Transfer Agreement exceed(s) 5%, the Equity Transfer Agreement is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

APPROVAL BY THE BOARD

To avoid any conflicts of interests, Ms. Liu Rong, an executive Director who owns 50% equity interests in Dadi Dreamworks, has abstained from voting on the Board resolutions for approval the Equity Transfer Agreement.

Save as disclosed above, none of the Directors has a material interest in the Equity Transfer Agreement nor was required to abstain from voting on the relevant Board resolutions approving the Equity Transfer Agreement and the transactions contemplated thereunder.

SHAREHOLDERS' WRITTEN APPROVAL

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has material interest in the transactions contemplated under the Equity Transfer Agreement and therefore none of the Shareholders is required to abstain from voting if a general meeting of the Company was convened to approve the Equity Transfer Agreement and the transactions contemplated thereunder. As no Shareholder is required to abstain from voting if a general meeting of the Company was convened to approve the Equity Transfer Agreement and the transactions contemplated thereunder, the Company has obtained a written approval from the Controlling Shareholder Group, which held 36,622,130,679 Shares as at the date of this announcement (representing approximately 53.35% of the issued share capital of the Company) for the approval of the Equity Transfer Agreement and the transactions contemplated thereunder. Pursuant to Rule 14A.37 of the Listing Rules, an application has been made by the Company to the Stock Exchange for a waiver from the requirement for the Company to convene a Shareholders' meeting, on the basis that the Equity Transfer Agreement and the transactions contemplated thereunder have been approved by the written approval of a closely allied group of Shareholders who together hold more than 50% of the voting rights in the general meeting.

GENERAL

The Independent Board Committee (comprising all the independent non-executive Directors) has been established to advise and provide recommendation to the Independent Shareholders in respect of the Equity Transfer Agreement and the transactions contemplated thereunder. VBG Capital Limited has been appointed as the Independent Financial Adviser by the Company to advise the Independent Board Committee and the Independent Shareholders in the same respect.

A circular containing, among other things, (i) further details of the Equity Transfer Agreement and the transactions contemplated thereunder; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; and (iii) the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, will be despatched to the Shareholders on or before 2 December 2016.

DEFINITIONS

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

“associate(s)”	has the meaning given to it under the Listing Rules
“Board”	the board of Directors
“China” or “PRC”	the People’s Republic of China, for the purposes of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Company”	Nan Hai Corporation Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed and traded on the Stock Exchange (stock code: 680)
“Completion Date”	the date which the Equity Transfer shall be completed pursuant to the terms and conditions of the Equity Transfer Agreement
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto in the Listing Rules
“Controlling Shareholder Group”	Rosewood Assets Ltd., Pippen Limited, Staverley Assets Limited and First Best Assets Limited, companies indirectly wholly-owned by Mr. Yu Pun Hoi (an executive Director) through Dadi Holdings Limited, which together held 36,622,130,679 Shares, representing approximately 53.35% of the issued share capital of the Company
“Dadi Century Film Culture” or the “Transferor”	大地時代電影文化傳播(北京)有限公司 (Dadi Century Film Culture Media (Beijing) Company Limited*), a company established in the PRC, an indirect wholly-owned subsidiary of the Company
“Dadi Dreamworks” or the “Transferee”	北京大地夢工廠投資合夥企業(有限合夥) (Beijing Dadi Dreamworks Investment Partnership (Limited Partnership)*), a limited partnership established in the PRC and is owned as to 50% and 50% by Ms. Liu Rong (an executive Director of the Company and the chairlady of Guangdong Dadi) and Ms. Yu Xin (a director of certain subsidiaries of the Company and the general manager of Guangdong Dadi) respectively
“Director(s)”	the director(s) of the Company
“Equity Transfer”	the equity transfer of 10% of the equity interest in Guangdong Dadi from Dadi Century Film Culture to Dadi Dreamworks pursuant to the Equity Transfer Agreement

“Equity Transfer Agreement”	the equity transfer agreement dated 11 November 2016 between Dadi Century Film Culture and Dadi Dreamworks, pursuant to which Dadi Century Film Culture agreed to sell and Dadi Dreamworks agreed to buy, 10% equity interest in Guangdong Dadi for a total consideration of RMB150,000,000
“Group”	the Company and its subsidiaries
“Guangdong Dadi”	廣東大地影院建設有限公司 (Guangdong Dadi Cinema Construction Limited*), a company established in the PRC, an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Incentive Scheme”	the incentive scheme adopted by Guangdong Dadi to provide incentives to employees of Guangdong Dadi who have made significant contributions to Guangdong Dadi. The Incentive Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules
“Independent Board Committee”	the independent committee of the Board, comprising Mr. Ho Yeung Nang, Mr. Lau Yip Leung and Mr. Xiao Sui Ning, the independent non-executive Directors, established for the purpose of making recommendations to the Independent Shareholders in respect of the Equity Transfer Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	VBG Capital Limited, a corporation licensed by the Securities and Futures Commission to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders
“Independent Shareholders”	the Shareholders who are not required to abstain from voting in respect of the Equity Transfer Agreement and the transactions contemplated thereunder
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company, or if there has been a sub-division, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

By the order of the Board
Nan Hai Corporation Limited
Chen Dan
Executive Director

Hong Kong, 11 November 2016

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

<i>Executive Directors:</i>	<i>Non-executive Director:</i>	<i>Independent non-executive Directors:</i>
Mr. Yu Pun Hoi Ms. Chen Dan Ms. Liu Rong Mr. Lung King Cheong	Mr. Lam Bing Kwan	Mr. Ho Yeung Nang Mr. Lau Yip Leung Mr. Xiao Sui Ning