南海控股有限公司*

NAN HAI CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 680)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

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

		For the six months ended 30 June	
		2014	2013
	Notes	**HK$'000**	HK$'000
Revenue/Turnover	5(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	5(b)	**83,755**	63,620
Loss on disposal and dissolution of subsidiaries	12	**(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		**(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	6	**(102,392)**	(202,186)
Income tax expense	7	**(11,906)**	(18,587)
Loss for the period		**(114,298)**	(220,773)

* *For identification purpose only*

CONDENSED CONSOLIDATED INCOME STATEMENT — UNAUDITED

(continued)

For the six months ended 30 June 2014

	Notes	For the six months ended 30 June **2014** **HK$'000**	2013 HK$'000
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	8(a)	**(0.149)**	(0.314)
— Diluted	8(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	2013
	HK$'000	HK$'000
Loss for the period	**(114,298)**	(220,773)
Other comprehensive income, including reclassification adjustments		
Items that may be reclassified subsequently to profit or loss:		
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

	Notes	(Unaudited) 30 June 2014 HK$'000	(Audited) 31 December 2013 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**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	9	**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

	Notes	**(Unaudited) 30 June 2014 HK$'000**	(Audited) 31 December 2013 HK$'000
Current liabilities			
Trade payables	10	**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		**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		**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

	Notes	**(Unaudited) 30 June 2014 HK$'000**	(Audited) 31 December 2013 HK$'000
EQUITY			
Share capital	11	**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

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.

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. 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

4. 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)

4. 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 HK$'000	**Property development HK$'000**	**Culture and media services HK$'000**	**All other segments HK$'000**	**Total 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 HK$'000	Property development HK$'000	Culture and media services HK$'000	All other segments HK$'000	Total 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)

4. 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 HK$'000	2013 HK$'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)

5. 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

6. 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

7. 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.

7. INCOME TAX EXPENSE — UNAUDITED *(continued)*

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%).

8. 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.

9. 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

10. 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

11. 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**

12. 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.

12. 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**

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 Technology Limited ("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 costal 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.

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 for Securities Transactions by Directors of Listed Issuers (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.

PUBLICATION OF THE INTERIM RESULTS AND REPORT

This results announcement is published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.nanhaicorp.com). The 2014 interim report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the respective websites of the Hong Kong Stock Exchange and the Company in due course.

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

Hong Kong, 29 August 2014

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

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