

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



# 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 2012

### INTERIM RESULTS

The directors of Nan Hai Corporation Limited (the "Company") hereby announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2012 together with the comparative figures for 2011 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT — UNAUDITED

For the six months ended 30 June 2012

	Notes	For the six months ended 30 June	
		2012 HK\$'000	2011 HK\$'000 (Re-presented)
<b>Continuing operations</b>			
Revenue/Turnover	4(a)	<b>929,213</b>	1,223,865
Cost of sales and services provided		<b>(362,439)</b>	(475,851)
Gross profit		<b>566,774</b>	748,014
Other operating income	4(b)	<b>39,072</b>	51,060
Selling and marketing expenses		<b>(340,942)</b>	(274,922)
Administrative expenses		<b>(230,668)</b>	(271,533)
Other operating expenses		<b>(182,361)</b>	(178,562)
Finance costs		<b>(104,018)</b>	(148,371)
Share of results of associates		<b>(3,553)</b>	(491)
<b>Loss before income tax</b>	5	<b>(255,696)</b>	(74,805)
Income tax expense	6	<b>(5,712)</b>	(64,760)
Loss for the period from continuing operations		<b>(261,408)</b>	(139,565)
<b>Discontinued operations</b>			
Loss for the period from discontinued operations		—	(23,791)
<b>Loss for the period</b>		<b>(261,408)</b>	(163,356)

\* For identification purpose only

# CONDENSED CONSOLIDATED INCOME STATEMENT — UNAUDITED *(continued)*

For the six months ended 30 June 2012

	Notes	For the six months ended 30 June	
		2012 HK\$'000	2011 HK\$'000 (Re-presented)
<b>Loss for the period attributable to:</b>			
Owners of the Company		<b>(234,551)</b>	(120,661)
Non-controlling interests		<b>(26,857)</b>	(42,695)
<b>Loss for the period</b>		<b>(261,408)</b>	(163,356)
		<b>HK cent</b>	HK cent
<b>Loss per share for loss from continuing operations attributable to the owners of the Company during the period</b>			
— Basic	7(b)	<b>(0.342)</b>	(0.154)
— Diluted		<b>N/A</b>	N/A
<b>Loss per share for loss from discontinued operations attributable to the owners of the Company during the period</b>			
— Basic	7(c)	—	(0.022)
— Diluted		<b>N/A</b>	N/A
<b>Loss per share for loss attributable to the owners of the Company during the period</b>			
— Basic	7(a)	<b>(0.342)</b>	(0.176)
— Diluted		<b>N/A</b>	N/A

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME — UNAUDITED

For the six months ended 30 June 2012

	For the six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
<b>Loss for the period</b>	<b>(261,408)</b>	(163,356)
<b>Other comprehensive income, including reclassification adjustments:</b>		
Exchange differences on translation of financial statements of foreign operations	<b>(44,575)</b>	89,202
<b>Total comprehensive income for the period</b>	<b>(305,983)</b>	(74,154)
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	<b>(277,194)</b>	(31,554)
Non-controlling interests	<b>(28,789)</b>	(42,600)
<b>Total comprehensive income for the period</b>	<b>(305,983)</b>	(74,154)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Notes	(Unaudited) 30 June 2012 HK\$'000	(Audited) 31 December 2011 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		1,615,976	1,511,961
Prepaid land lease payments under operating leases		28,050	28,365
Interest in associates		109,688	114,385
Available-for-sale financial assets		478	479
Deposits and other receivables		161,985	153,571
Intangible assets		323,146	332,528
Deferred tax assets		111,130	112,268
Pledged bank deposits		29,318	25,670
		<b>2,379,771</b>	<b>2,279,227</b>
<b>Current assets</b>			
Inventories		8,312,676	8,039,098
Financial assets at fair value through profit or loss		2,546	1,684
Trade receivables	8	36,961	41,988
Deposits, prepayments and other receivables		1,133,756	1,072,174
Prepaid tax		1,367	—
Amounts due from associates		2,070	530
Pledged bank deposits		244,336	246,822
Cash and cash equivalents		193,924	138,675
		<b>9,927,636</b>	<b>9,540,971</b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 30 June 2012

		(Unaudited) 30 June 2012 HK\$'000	(Audited) 31 December 2011 HK\$'000
	Notes		
<b>Current liabilities</b>			
Trade payables	9	610,783	465,255
Other payables and accruals		1,334,081	863,997
Deferred revenue		49,799	44,304
Provision for tax		835,972	880,107
Amount due to a director		129,768	124,309
Amounts due to shareholders		5,006	5,006
Amount due to an associate		5,502	5,502
Amount due to a former subsidiary		52,667	59,035
Bank and other borrowings, secured		1,465,334	1,125,110
Finance lease liabilities		123	120
Finance from a third party		2,540,668	2,543,762
		<b>7,029,703</b>	6,116,507
<b>Net current assets</b>			
		<b>2,897,933</b>	3,424,464
<b>Total assets less current liabilities</b>			
		<b>5,277,704</b>	5,703,691
<b>Non-current liabilities</b>			
Bank and other borrowings, secured		1,132,003	1,248,270
Finance lease liabilities		292	354
Deferred tax liabilities		263,872	267,547
		<b>1,396,167</b>	1,516,171
<b>Net assets</b>			
		<b>3,881,537</b>	4,187,520
<b>EQUITY</b>			
Share capital	10	686,455	686,455
Reserves		2,484,180	2,761,367
<b>Equity attributable to the Company's owners</b>			
<b>Non-controlling interests</b>			
		<b>3,170,635</b>	3,447,822
		<b>710,902</b>	739,698
<b>Total equity</b>			
		<b>3,881,537</b>	4,187,520

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2012

## 1. 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 Stock Exchange of Hong Kong Limited. 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 2011.

The Group’s total indebtedness to a third party financier as at 30 June 2012 was approximately HK\$2,540,668,000 of which approximately HK\$1,562,673,000 was overdue. The financier and the Group have reached a consensus in extension of repayment date of the aforesaid indebtedness, which may include the disposal of a certain percentage of the issued share capital of the investment holding entity of the Guangzhou property project for partial settlement of the indebtedness. In view of the amicably progress of discussions between the financier and the Group, the directors are optimistic to the settlement of the aforesaid indebtedness, therefore, the financial statements for the six months ended 30 June 2012 were prepared on a going-concern basis.

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 directors (the “Board”) of the Company on 30 August 2012.

## 2. 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 2011, except that the Group has applied, for the first time, the following new standards, amendments and interpretations (the “new 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 2012.

Amendments to HKFRS 7

Disclosures — Transfers of Financial Assets

Other than as noted below, the adoption of these new/revised 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 2011.

### *Amendments to HKFRS 7 — Disclosures — Transfers of Financial Assets*

The amendments to HKFRS 7 improve the disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

The adoption of these new HKFRSs has no material impact on the Group’s results and financial position for the current and prior periods.

The HKICPA has also issued a number of new standards, amendments to standards and interpretations which are not yet effective. The Group has not early adopted these standards. The directors are currently assessing the impact of these new and amended HKFRSs upon initial application but are not yet in a position to state whether they would have material financial impact on the Group’s results and financial position.

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

For the six months ended 30 June 2012

## 3. SEGMENT INFORMATION

The executive directors have identified the Group's five product and service lines as operating segments: corporate IT application services, financial information services, distance learning education services, property development and 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. Subsequent to the disposal of the financial information services and distance learning education services businesses during the year ended 31 December 2011, the Group principally focuses on the provision of corporate IT application services, property development and culture and media services. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results. For the purpose of presenting discontinued operations, the comparative unaudited condensed consolidated income statement and the related notes have been re-presented as if the operations had been discontinued at the beginning of the comparative period as consistent with the annual audited consolidated financial statements of the Group for the year ended 31 December 2011.

The segment results for the six months ended 30 June 2012 and 30 June 2011 are as follows:

	For the six months ended 30 June 2012 (Unaudited)								Total HK\$'000
	Continuing operations				Discontinued operations				
	Corporate IT application services HK\$'000	Property development HK\$'000	Culture and media services HK\$'000	All other segments HK\$'000	Total HK\$'000	Financial information services HK\$'000	Distance learning education services HK\$'000	Total HK\$'000	
<b>Revenue</b>									
From external customers	322,834	361	589,352	16,666	929,213	—	—	—	929,213
From other segments	—	—	—	—	—	—	—	—	—
<b>Reportable and all other segments revenue</b>	<b>322,834</b>	<b>361</b>	<b>589,352</b>	<b>16,666</b>	<b>929,213</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>929,213</b>
<b>Reportable and all other segments loss</b>	<b>(99,953)</b>	<b>(92,321)</b>	<b>(33,513)</b>	<b>(6,194)</b>	<b>(231,981)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(231,981)</b>

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

For the six months ended 30 June 2012

## 3. SEGMENT INFORMATION *(continued)*

	For the six months ended 30 June 2011 (Unaudited) (Re-presented)								Total HK\$'000
	Continuing operations				Discontinued operations				
	Corporate IT application services HK\$'000	Property development HK\$'000	Culture and media services HK\$'000	All other segments HK\$'000	Total HK\$'000	Financial information services HK\$'000	Distance learning education services HK\$'000	Total HK\$'000	
<b>Revenue</b>									
From external customers	365,559	502,726	341,220	14,360	1,223,865	8,838	4,545	13,383	1,237,248
From other segments	—	—	—	—	—	—	—	—	—
<b>Reportable and all other segments revenue</b>	365,559	502,726	341,220	14,360	1,223,865	8,838	4,545	13,383	1,237,248
<b>Reportable and all other segments (loss)/profit</b>	(98,941)	102,804	(58,501)	8,220	(46,418)	(21,971)	(1,820)	(23,791)	(70,209)

The reportable segment assets as at 30 June 2012 and 31 December 2011 are as follows:

	Continuing operations				Discontinued operations				Total HK\$'000
	Corporate IT application services HK\$'000	Property development HK\$'000	Culture and media services HK\$'000	All other segments HK\$'000	Total HK\$'000	Financial information services HK\$'000	Distance learning education services HK\$'000	Total HK\$'000	
<b>As at 30 June 2012 (unaudited)</b>	951,819	9,299,021	1,767,395	15,883	12,034,118	—	—	—	12,034,118
<b>As at 31 December 2011 (audited)</b>	1,018,904	8,985,809	1,526,142	19,974	11,550,829	—	—	—	11,550,829

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

For the six months ended 30 June 2012

## 3. 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:

	For the six months ended 30 June (Unaudited)	
	2012 HK\$'000	2011 HK\$'000 (Re-presented)
Reportable segment revenue — continuing operations	<b>912,547</b>	1,209,505
All other segments revenue — continuing operations	<b>16,666</b>	14,360
Reportable segment revenue — discontinued operations	—	13,383
Elimination of inter-segment revenue	—	—
<b>Group revenue</b>	<b>929,213</b>	1,237,248
Reportable segment results — continuing operations	<b>(225,787)</b>	(54,638)
All other segments results — continuing operations	<b>(6,194)</b>	8,220
Reportable segment results — discontinued operations	—	(23,791)
Bank interest income	<b>3</b>	17
Other interest income	<b>2,323</b>	995
Total interest income on financial assets not at fair value through profit or loss	<b>2,326</b>	1,012
Depreciation and amortisation	<b>(95)</b>	(95)
Finance costs	<b>(3,278)</b>	(3,114)
Share of results of associates	<b>(3,553)</b>	(491)
Unallocated corporate expenses	<b>(19,115)</b>	(25,699)
<b>Loss before income tax (note)</b>	<b>(255,696)</b>	(98,596)

Note:

	For the six months ended 30 June (Unaudited)	
	2012 HK\$'000	2011 HK\$'000 (Re-presented)
Loss before income tax — continuing operations	<b>(255,696)</b>	(74,805)
Loss before income tax — discontinued operations	—	(23,791)
	<b>(255,696)</b>	(98,596)

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

For the six months ended 30 June 2012

## 4. REVENUE/TURNOVER AND OTHER OPERATING INCOME — UNAUDITED

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

	Continuing operations		For the six months ended 30 June Discontinued operations		Total	
	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000 (Re-presented)	HK\$'000	HK\$'000 (Re-presented)	HK\$'000	HK\$'000 (Re-presented)
Corporate IT application services	322,834	365,559	—	—	322,834	365,559
Financial information services	—	—	—	8,838	—	8,838
Distance learning education services	—	—	—	4,545	—	4,545
Sales of properties and car parks	361	502,726	—	—	361	502,726
Property management	16,666	14,360	—	—	16,666	14,360
Culture and media services	45,002	17,687	—	—	45,002	17,687
Cinema ticketing income	464,747	282,129	—	—	464,747	282,129
Confectionery sales	79,603	41,404	—	—	79,603	41,404
	<b>929,213</b>	<b>1,223,865</b>	<b>—</b>	<b>13,383</b>	<b>929,213</b>	<b>1,237,248</b>

(b) Other operating income:

	Continuing operations		For the six months ended 30 June Discontinued operations		Total	
	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000 (Re-presented)	HK\$'000	HK\$'000 (Re-presented)	HK\$'000	HK\$'000 (Re-presented)
Dividend income	—	5	—	—	—	5
Bank interest income	2,684	1,281	—	4	2,684	1,285
Other interest income	6,063	3,795	—	—	6,063	3,795
Total interest income on financial assets not at fair value through profit or loss	8,747	5,076	—	4	8,747	5,080
Exchange gains	3,831	—	—	—	3,831	—
Net fair value gain on financial assets at fair value through profit or loss	—	10,602	—	—	—	10,602
Gain on disposal of non-current assets classified as held for sale	—	31,052	—	—	—	31,052
Government grants	6,560	—	—	—	6,560	—
Sundry income	19,934	4,325	—	2	19,934	4,327
	<b>39,072</b>	<b>51,060</b>	<b>—</b>	<b>6</b>	<b>39,072</b>	<b>51,066</b>

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

For the six months ended 30 June 2012

## 5. LOSS BEFORE INCOME TAX — UNAUDITED

	For the six months ended 30 June			
	Continuing operations		Discontinued operations	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Re-presented)		(Re-presented)
Loss before income tax is arrived at after charging/(crediting):				
Amortisation of intangible assets other than goodwill	<b>18,297</b>	32,908	—	—
Gross depreciation of property, plant and equipment — owned assets	<b>75,490</b>	71,846	—	300
Less: Amounts capitalised in intangible assets	—	(41)	—	—
Net depreciation of property, plant and equipment — owned assets	<b>75,490</b>	71,805	—	300
Depreciation of property, plant and equipment — leased assets	<b>91</b>	42	—	—
Operating lease charges on prepaid land lease	<b>169</b>	165	—	—
Loss on disposal of property, plant and equipment	<b>337</b>	181	—	42
Net fair value loss/(gain) on financial assets at fair value through profit or loss	<b>578</b>	(10,602)	—	—
Gain on disposal of non-current assets classified as held for sale	—	(31,052)	—	—
Write-off of property, plant and equipment	<b>4,461</b>	—	—	—

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

For the six months ended 30 June 2012

## 6. INCOME TAX EXPENSE — UNAUDITED

	Continuing operations		For the six months ended 30 June Discontinued operations		Total	
	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Re-presented)		(Re-presented)		(Re-presented)
The tax expense comprises:						
Current tax charge for the period						
— Hong Kong Profits Tax	4,797	4,365	—	—	4,797	4,365
— PRC Enterprise Income Tax ("EIT")	915	52,718	—	—	915	52,718
— PRC Land Appreciation Tax ("LAT")	—	7,677	—	—	—	7,677
	<b>5,712</b>	64,760	—	—	<b>5,712</b>	64,760

For the six months ended 30 June 2012, Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2011: 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 2011: 25%), unless preferential rates are applicable in the cities where the subsidiaries are located.

PRC LAT is levied at progressive rates from 30% to 60% (six months ended 30 June 2011: 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, and in accordance with the Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises, they 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 2011: 15%).

No provision for United States ("US") federal income tax and state income tax was made as the subsidiaries of the Group did not derive any assessable profits in US for the six months ended 30 June 2011.

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

For the six months ended 30 June 2012

## 7. LOSS PER SHARE — UNAUDITED

### (a) From continuing and discontinued operations

The calculation of basic loss per share from continuing and discontinued operations is based on the loss attributable to the owners of the Company for the period of HK\$234,551,000 (six months ended 30 June 2011: HK\$120,661,000) and on 68,645,535,794 (six months ended 30 June 2011: 68,645,535,794) ordinary shares in issue during the period.

### (b) From continuing operations

The basic loss per share from continuing operations attributable to the owners of the Company is calculated based on the following data:

Loss figures are calculated as follows:

	For the six months ended	
	30 June	
	2012	2011
	HK\$'000	HK\$'000
		(Re-presented)
Loss for the period from continuing operations	<b>(261,408)</b>	(139,565)
Less: Loss for the period from continuing operations attributable to non-controlling interests	<b>26,857</b>	33,914
Loss for the period from continuing operations attributable to owners of the Company	<b>(234,551)</b>	(105,651)

The denominators used are the same as those detailed above for basic loss per share from continuing and discontinued operations.

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

For the six months ended 30 June 2012

## 7. LOSS PER SHARE — UNAUDITED *(continued)*

### (c) From discontinued operations

The basic loss per share from discontinued operations attributable to the owners of the Company is calculated based on the following data:

Loss figures are calculated as follows:

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
		(Re-presented)
Loss for the period from discontinued operations	—	(23,791)
Less: Loss for the period from discontinued operations attributable to non-controlling interests	—	8,781
Loss for the period from discontinued operations attributable to owners of the Company	—	(15,010)

The denominators used are the same as those detailed above for basic loss per share from continuing and discontinued operations.

- (d) Diluted per share amount for the six months ended 30 June 2012 is not presented as there were no potentially dilutive ordinary shares in issue during the period.

The share options had no dilutive effect on the loss per share for the six months ended 30 June 2011, as the exercise price of the options outstanding during the period exceeds the average market price of ordinary shares.

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

For the six months ended 30 June 2012

## 8. 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:

	<b>(Unaudited)</b>	(Audited)
	<b>30 June</b>	31 December
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
0-90 days	<b>19,031</b>	18,986
91-180 days	<b>8,897</b>	18,964
181-270 days	<b>6,699</b>	3,698
271-360 days	<b>3,030</b>	4,019
Over 360 days	<b>9,714</b>	6,837
Trade receivables, gross	<b>47,371</b>	52,504
Less: Provision for impairment of receivables	<b>(10,410)</b>	(10,516)
Trade receivables, net	<b>36,961</b>	41,988

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

For the six months ended 30 June 2012

## 9. TRADE PAYABLES

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

	<b>(Unaudited)</b> <b>30 June</b> <b>2012</b> <b>HK\$'000</b>	(Audited) 31 December 2011 HK\$'000
0-90 days	<b>377,253</b>	170,935
91-180 days	<b>12,555</b>	60,670
181-270 days	<b>4,526</b>	4,919
271-360 days	<b>18,972</b>	8,235
Over 360 days	<b>197,477</b>	220,496
	<b>610,783</b>	465,255

## 10. SHARE CAPITAL

	<b>Number of</b> <b>ordinary</b> <b>shares of</b> <b>HK\$0.01 each</b>	<b>HK\$'000</b>
Authorised: At 1 January 2011, 31 December 2011 (audited) and <b>30 June 2012 (unaudited)</b>	<b>500,000,000,000</b>	<b>5,000,000</b>
Issued and fully paid: At 1 January 2011, 31 December 2011 (audited), and <b>30 June 2012 (unaudited)</b>	<b>68,645,535,794</b>	<b>686,455</b>

## 11. COMPARATIVE FIGURES

The comparative figures of depreciation of property, plant and equipment for owned assets and leased assets have been reclassified to consistent with 2011 annual report presentation.

## **INTERIM DIVIDEND**

The directors do not recommend the declaration of the payment of an interim dividend for the six months ended 30 June 2012 (30 June 2011: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

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

During the period, turnover of the Group was approximately HK\$929.2 million (six months ended 30 June 2011: HK\$1,237.2 million, comprising HK\$1,223.8 million from continuing operations and HK\$13.4 million from discontinued operations), and net loss attributable to the owners of the Company was approximately HK\$234.6 million (six months ended 30 June 2011: HK\$120.7 million). The net assets attributable to the owners of the Company were approximately HK\$3,170.6 million (31 December 2011: HK\$3,447.8 million), representing a value of approximately HK\$0.046 per share.

### **Property Development Sector**

During the period, turnover of this division was approximately HK\$0.4 million (six months ended 30 June 2011: HK\$502.7 million) and net loss before income tax was approximately HK\$92.3 million (six months ended 30 June 2011: net profit before income tax of HK\$102.8 million).

During the period, Phase 1 of “Free Man Garden” in Guangzhou, seven residential blocks, a community centre and a kindergarten have been topped-out, while the pre-sale condition of the remaining four residential blocks is about to fulfill. Approximately 30,000 sq.m. of the project were initially launched for sale in May 2012, and approximately 27,000 sq.m. were successfully sold, accounting for 90.0% of the area initially launched for sale, with sales proceeds amounting to approximately RMB220 million. It is expected that Phase 1 with a residential area of approximately 180,000 sq.m. will be fully launched for sale in the second half of this year.

# **MANAGEMENT DISCUSSION AND ANALYSIS** *(continued)*

## **BUSINESS REVIEW** *(continued)*

### **Culture and Media Sector**

During the period, turnover of this division was approximately HK\$589.4 million (six months ended 30 June 2011: HK\$341.2 million), and net loss before income tax was approximately HK\$33.5 million (six months ended 30 June 2011: HK\$58.5 million). The Group's 132 digital cinemas in operation contributed an operating income of approximately HK\$544.4 million (six months ended 30 June 2011: HK\$323.5 million), increased 68.3% as compared with the corresponding period last year.

During the period, the Group continues to focus on the commitment to and development of its businesses in culture and media sector through its subsidiary, Dadi Cinema Investment Limited ("Dadi Cinema"). In the first half of this year, this film operation sector having cinema construction as its core business achieved considerable results, which could be demonstrated by the increase of HK\$220.9 million in income as compared with the corresponding period last year. Meanwhile, such investment projects introduced at the end of last year and in the first half of this year grew rapidly and entered into its maturity stage during the period, and thus contributed stable income for Dadi Cinema.

As of 30 June 2012, 132 digital cinemas of 廣東大地影院建設有限公司 (Guangdong Dadi Cinema Construction Limited) ("Dadi Cinema Construction"), a wholly-owned subsidiary of Dadi Cinema, and its subsidiaries were constructed and commenced operation, having 586 screens and providing 94,060 seats. Meanwhile, additional 33 cinemas with 173 screens and 25,950 seats are under construction, showing an accelerating pace of investment growth. During the period, the box office of Dadi digital cinemas amounted to RMB378.7 million, representing a growth of 60.1% as compared with the corresponding period last year.

### **Corporate IT Application Services Sector**

During the period, turnover of Sino-i Group was approximately HK\$322.8 million (six months ended 30 June 2011: HK\$378.9 million, comprising HK\$365.5 million from continuing operations and HK\$13.4 million from discontinued operations), and income from principal business decreased by 14.8% as compared with the corresponding period last year, mainly because of the corresponding decrease in operating income from those disposed loss-making businesses in last year end. A net loss attributable to the owners of Sino-i was approximately HK\$69.2 million (six months ended 30 June 2011: HK\$82.6 million), decreased by 16.2% as compared to the corresponding period last year.

# **MANAGEMENT DISCUSSION AND ANALYSIS** *(continued)*

## **BUSINESS REVIEW** *(continued)*

### **Corporate IT Application Services Sector** *(continued)*

Sino-i Group's continuing business is corporate IT application services business. Extensive reorganization commenced by the end of the second half of last year in view of sales efficiency of its branches, including the closing of certain branches which recorded recurring operating losses or failed to meet specific targets, and establishment of new branches in areas having market potential. However, these new branches are still in their early stage, and need more time for marketing development, thus their contribution towards the Group's business growth has yet been seen in the first half of this year. The reorganization in the view of sales efficiency of branches resulted in a decrease of 12.0% in operating income of the business as compared to the corresponding period last year. Meanwhile, as new branches have successfully explored the market, and each of the divisions of the business has carried out a series of personnel streamlining and integration since the fourth quarter of last year, the operating income and results of such business are expected to improve and make certain contribution to the Group's profit.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL**

The Group continued to adopt prudent funding and treasury policies. As at 30 June 2012, the net assets attributable to the owners of the Company amounted to approximately HK\$3,170.6 million (31 December 2011: HK\$3,447.8 million), including cash and bank balances of approximately HK\$467.6 million (31 December 2011: HK\$411.2 million) which were denominated mainly in US dollars, Renminbi and Hong Kong dollars. As at 30 June 2012, the Group's aggregate borrowings were approximately HK\$5,138.4 million (31 December 2011: HK\$4,917.6 million), of which approximately HK\$2,840.6 million (31 December 2011: HK\$3,154.9 million) were bearing interest at fixed rates while approximately HK\$2,297.8 million (31 December 2011: HK\$1,762.7 million) were at floating rates. As at 30 June 2012, the gearing ratio of the Group, which is calculated as the net debt divided by the adjusted capital plus net debt, increased from 51.8% as at 31 December 2011 to 54.6% as at 30 June 2012.

The capital commitment of the Group as at 30 June 2012 was approximately HK\$405.5 million, of which approximately HK\$192.9 million would be used as the funding for the construction of the headquarters of corporate IT application services, and approximately HK\$212.6 million would be used as capital expenditure for expanding cinema business.

# **MANAGEMENT DISCUSSION AND ANALYSIS** *(continued)*

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL**

*(continued)*

The Group's contingent liabilities as at 30 June 2012 were approximately HK\$80.2 million in connection with the guarantees given to secure credit facilities.

As at 30 June 2012, certain interests in leasehold land, construction in progress, properties under development and completed properties held for sale, bank deposits, intangible assets and property, plant & equipment and trade receivable with a total carrying value of approximately HK\$3,239.1 million were pledged to secure credit facilities granted to the Group. In addition, trading securities having carrying value of approximately HK\$0.2 million and certain shares of several subsidiaries were pledged; bank accounts were charged and shareholders' loan of three subsidiaries was assigned for securing the Group's credit facilities.

## **EXPOSURE TO FLUCTUATION IN EXCHANGE RATE**

The majority of the Group's borrowings and transactions were denominated in US dollars, Renminbi and Hong Kong dollars. Both the operating expenses and revenue were primarily denominated in Renminbi. The ever-growing economy of China 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 rates 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.

## **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 option 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 2012, the Group had approximately 12,062 employees (30 June 2011: 12,301 employees). The salaries of and allowances for employees for the six months ended 30 June 2012 were approximately HK\$431.1 million (six months ended 30 June 2011: HK\$432.7 million).

# **MANAGEMENT DISCUSSION AND ANALYSIS** *(continued)*

## **PROSPECT**

For the property development segment, in the first half in 2012, the Chinese government continued and further enhanced the austerity measures adopted last year, as a result of which the operating environment of property development business remained difficult. However, signs of rigid demand in domestic self-consumption have already emerged. The Group therefore holds an optimistic view towards the prospect of property market in the second half of this year. The initial batch of Phase 1 of “Free Man Garden” in Guangzhou launched for sale in the first half of this year has got progressive feedback from the market. In light of this, the Group will fully devote to the sale of such project in the second half of this year and will develop the next phase in due course.

Since Dadi Cinema Construction, acting as a core element of various businesses, is still in continual and sizeable investment stage, the overall growth of revenue of Dadi Cinema has been affected. The management of Dadi Cinema will optimize its organizational structure in the second half of this year so as to further improve its management and operational efficiency.

Sino-i will continuously endeavour to expand its corporate IT application services business; step up the marketing efforts for its self-developed products; speed up the development of newly established branch operations; strengthen its overall business development ability; enhance performance contribution; facilitate the integration of internal resources; and improve operation efficiency, aiming at reducing the operating loss substantially during the year.

## **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 2012.

## **CORPORATE GOVERNANCE**

In the opinion of the Board of the Company, the Company has complied with the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2012, except for the deviations mentioned below:

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

## **CORPORATE GOVERNANCE** *(continued)*

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 stipulated 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.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (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 2012.

## **AUDIT COMMITTEE**

The Audit Committee comprises all the independent non-executive directors of the Company, namely Mr. Huang Yaowen, Prof. Jiang Ping 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 2012, 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 Hong Kong Exchanges and Clearing Limited ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company ([www.nanhaicorp.com](http://www.nanhaicorp.com)). The interim report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and available on the same websites in due course.

By order of the Board  
**Yu Pun Hoi**  
*Chairman*

Hong Kong, 30 August 2012

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

*Executive directors:*

Mr. Yu Pun Hoi  
Ms. Chen Dan  
Ms. Liu Rong

*Non-executive directors:*

Mr. Wang Gang  
Mr. Lam Bing Kwan

*Independent non-executive directors:*

Mr. Huang Yaowen  
Prof. Jiang Ping  
Mr. Lau Yip Leung