

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 2011

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 2011 together with the comparative figures for 2010 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED

For the six months ended 30 June 2011

	Notes	For the six months ended 30 June	
		2011 HK\$'000	2010 HK\$'000
Revenue/Turnover	4 (a)	1,237,248	1,069,919
Cost of sales and services provided		(482,756)	(451,996)
Gross profit		754,492	617,923
Other operating income	4 (b)	51,066	25,007
Selling and marketing expenses		(281,645)	(183,158)
Administrative expenses		(294,474)	(188,833)
Other operating expenses		(179,173)	(246,536)
Finance costs		(148,371)	(139,264)
Share of results of associates		(491)	(17)
Loss before income tax	5	(98,596)	(114,878)
Income tax expense	6	(64,760)	(63,113)
Loss for the period		(163,356)	(177,991)
Loss for the period attributable to:			
Owners of the Company		(120,661)	(133,821)
Non-controlling interests		(42,695)	(44,170)
Loss for the period		(163,356)	(177,991)
		HK cent	HK cent
Loss per share for loss attributable to the owners of the Company during the period	7		
– Basic		(0.176)	(0.195)
– Diluted		N/A	N/A

* For identification purpose only

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED

For the six months ended 30 June 2011

	For the six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Loss for the period	(163,356)	(177,991)
Other comprehensive income, including reclassification adjustments:		
Exchange differences on translation of financial statements of foreign operations	89,202	56,078
Other comprehensive income for the period, including reclassification adjustments, and net of tax	89,202	56,078
Total comprehensive income for the period	(74,154)	(121,913)
Total comprehensive income attributable to:		
Owners of the Company	(31,554)	(79,671)
Non-controlling interests	(42,600)	(42,242)
Total comprehensive income for the period	(74,154)	(121,913)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Notes	(Unaudited) 30 June 2011 HK\$'000	(Audited) 31 December 2010 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		1,162,856	848,545
Prepaid land lease payments under operating leases		14,831	14,713
Interest in associates		110,520	108,802
Available-for-sale financial assets		476	473
Deposits and other receivables		239,787	248,921
Intangible assets		472,413	470,123
Deferred tax assets		64,109	62,831
Pledged bank deposits		21,182	–
		2,086,174	1,754,408
Current assets			
Inventories		7,641,712	7,394,682
Financial assets at fair value through profit or loss		2,662	212,506
Trade receivables	8	88,900	137,847
Deposits, prepayments and other receivables		557,829	542,538
Amount due from an associate		3,921	5,153
Pledged bank deposits		242,648	37,446
Cash and cash equivalents		312,085	397,405
		8,849,757	8,727,577
Non-current assets classified as held for sale		–	75,225
		8,849,757	8,802,802

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 30 June 2011

		(Unaudited) 30 June 2011 HK\$'000	(Audited) 31 December 2010 HK\$'000
	Notes		
Current liabilities			
Trade payables	9	297,272	345,475
Other payables and accruals		710,544	795,434
Deferred revenue		67,088	64,030
Provision for tax		630,995	569,697
Amount due to a director		117,148	107,046
Amounts due to shareholders		5,006	5,006
Amount due to a minority shareholder		546	495
Amount due to an associate		5,505	5,505
Bank and other borrowings, secured		902,028	280,137
Finance lease liabilities		9,179	16
Finance from third parties		2,538,215	2,834,233
		5,283,526	5,007,074
Net current assets		3,566,231	3,795,728
Total assets less current liabilities		5,652,405	5,550,136
Non-current liabilities			
Bank and other borrowings, secured		700,204	795,478
Finance lease liabilities		256,128	34
Deferred tax liabilities		239,175	234,404
		1,195,507	1,029,916
Net assets		4,456,898	4,520,220
EQUITY			
Share capital	10	686,455	686,455
Reserves		3,023,893	3,053,736
Equity attributable to the Company's owners		3,710,348	3,740,191
Non-controlling interests		746,550	780,029
Total equity		4,456,898	4,520,220

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2011

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 2010.

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 2011.

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 2010, 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 2011.

HKFRSs (Amendments)	Improvements to HKFRSs 2010
Amendments to HKAS 32	Classification of Rights Issues
Amendment to HK(IFRIC) – Interpretation 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
HKAS 24 (Revised)	Related Party Disclosures

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

For the six months ended 30 June 2011

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Other than as noted below, the adoption of these new 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 2010.

HKAS 24 (Revised) – Related Party Disclosures

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

The adoption of other 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 effective for the financial year beginning after 1 January 2011. 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.

3. SEGMENT INFORMATION

The executive directors have identified the Group's five product and services line 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. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

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

For the six months ended 30 June 2011

3. SEGMENT INFORMATION *(continued)*

The segment results for the six months ended 30 June 2011 and 30 June 2010 are as follows:

	For the six months ended 30 June 2011						
	Corporate IT application services HK\$'000	Financial information services HK\$'000	Distance learning education 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	365,559	8,838	4,545	502,726	341,220	14,360	1,237,248
From other segments	-	-	-	-	-	-	-
Reportable and all other segments revenue	365,559	8,838	4,545	502,726	341,220	14,360	1,237,248
Reportable and all other segments (loss)/profit	(98,941)	(21,971)	(1,820)	102,804	(58,501)	8,220	(70,209)
	For the six months ended 30 June 2010						
	Corporate IT application services HK\$'000	Financial information services HK\$'000	Distance learning education 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	292,133	9,710	3,724	539,494	216,550	8,308	1,069,919
From other segments	-	-	-	-	-	-	-
Reportable and all other segments revenue	292,133	9,710	3,724	539,494	216,550	8,308	1,069,919
Reportable and all other segments (loss)/profit	(76,929)	(19,421)	(1,061)	85,788	5,421	(84,515)	(90,717)

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

For the six months ended 30 June 2011

3. SEGMENT INFORMATION *(continued)*

The reportable segment assets as at 30 June 2011 and 31 December 2010 are as follows:

	Corporate IT application services HK\$'000	Financial information services HK\$'000	Distance learning education services HK\$'000	Property development HK\$'000	Culture and media services HK\$'000	All other segments HK\$'000	Total HK\$'000
As at 30 June 2011	947,141	5,132	3,819	8,403,728	1,298,170	24,400	10,682,390
As at 31 December 2010	1,075,058	8,194	4,229	8,290,409	769,550	147,903	10,295,343

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	
	2011 HK\$'000	2010 HK\$'000
Reportable segment revenue	1,222,888	1,061,611
All other segments revenue	14,360	8,308
Elimination of inter segment revenue	–	–
Group revenue	1,237,248	1,069,919
Reportable segment results	(78,429)	(6,202)
All other segments results	8,220	(84,515)
Bank interest income	17	75
Other interest income	995	1,440
Total interest income on financial assets not at fair value through profit or loss	1,012	1,515
Depreciation and amortisation	(95)	(118)
Finance costs	(3,114)	(1)
Gain on deemed disposal of partial interest in an associate	–	4,969
Share of results of associates	(491)	(17)
Loss on disposal of subsidiaries	–	(58)
Unallocated corporate expenses	(25,699)	(30,451)
Loss before income tax	(98,596)	(114,878)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2011

4. REVENUE/TURNOVER AND OTHER OPERATING INCOME

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

	For the six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Corporate IT application services	365,559	292,133
Financial information services	8,838	9,710
Distance learning education services	4,545	3,724
Sales of properties	502,726	539,494
Property management	14,360	8,308
Culture and media services	17,687	10,466
Ticketing income	282,129	181,963
Confectionery sales	41,404	24,121
	1,237,248	1,069,919

(b) Other operating income:

	For the six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Dividend income	5	855
Interest income on financial assets designated at fair value through profit or loss	–	1,538
Bank interest income	1,285	1,052
Other interest income	3,795	3,475
Total interest income on financial assets not at fair value through profit or loss	5,080	4,527
Net fair value gain on financial assets at fair value through profit or loss	10,602	–
Government grants	–	7,449
Gain on disposal of non-current assets classified as held for sale	31,052	–
Gain on deemed disposal of partial interest in an associate	–	4,969
Sundry income	4,327	5,669
	51,066	25,007

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2011

5. LOSS BEFORE INCOME TAX

	For the six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Loss before income tax is arrived at after charging/(crediting):		
Amortisation of intangible assets other than goodwill	32,908	33,881
Gross depreciation of property, plant and equipment		
– owned assets	50,949	40,861
Less: Amounts capitalised in intangible assets	(41)	(14)
Net depreciation of property, plant and equipment – owned assets	50,908	40,847
Depreciation of property, plant and equipment – leased assets	21,239	13
Depreciation of investment property	–	54
Operating lease charges on prepaid land lease	165	659
Loss on disposal of property, plant and equipment	223	232
Net fair value (gain)/loss on financial assets at fair value through profit or loss	(10,602)	80,009
Loss on disposal of subsidiaries	–	58
Gain on disposal of non-current assets classified as held for sale	(31,052)	–

6. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
The tax expense comprises:		
Current tax charge for the period		
– Hong Kong Profits Tax	4,365	4,317
– PRC Enterprise Income Tax	52,718	53,401
– PRC Land Appreciation Tax	7,677	5,395
	64,760	63,113

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

For the six months ended 30 June 2011

6. INCOME TAX EXPENSE *(continued)*

For the six months ended 30 June 2011, Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2010: 16.5%) on the estimated assessable profits for the period.

PRC Enterprise Income Tax ("EIT") has been provided on the estimated assessable profits of subsidiaries operating in Mainland China at 25% (six months ended 30 June 2010: 25%), unless preferential rates are applicable in the cities where the subsidiaries are located.

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 2010: 15%).

No provision for US federal income tax and state income tax was made as the subsidiaries of the Group did not derive any assessable profit in US for the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

7. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to the owners of the Company for the period of HK\$120,661,000 (six months ended 30 June 2010: HK\$133,821,000) and on the weighted average number of 68,645,535,794 (six months ended 30 June 2010: 68,645,527,507) 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.

Diluted per share amount for the six months ended 30 June 2010 was not presented because the impact of the exercise of the share options was anti-dilutive.

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

For the six months ended 30 June 2011

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:

	30 June 2011 HK\$'000	31 December 2010 HK\$'000
0-90 days	59,415	72,500
91-180 days	7,610	4,755
181-270 days	4,749	68,587
271-360 days	11,816	882
Over 360 days	17,112	2,717
Trade receivables, gross	100,702	149,441
Less: Provision for impairment of receivables	(11,802)	(11,594)
Trade receivables, net	88,900	137,847

9. TRADE PAYABLES

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

	30 June 2011 HK\$'000	31 December 2010 HK\$'000
0-90 days	90,439	49,722
91-180 days	7,148	12,069
181-270 days	1,196	6,303
271-360 days	11,369	249,847
Over 360 days	187,120	27,534
	297,272	345,475

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

For the six months ended 30 June 2011

10. SHARE CAPITAL

	Number of ordinary shares of HK\$0.01 each	HK\$'000
Authorised:		
At 1 January 2010, 31 December 2010 and 30 June 2011	500,000,000,000	5,000,000
Issued and fully paid:		
At 1 January 2010	68,645,035,794	686,450
Issue of ordinary shares upon exercise of share options	500,000	5
At 31 December 2010 and 30 June 2011	68,645,535,794	686,455

INTERIM DIVIDEND

The directors do not recommend the declaration of the payment of an interim dividend for the six months ended 30 June 2011 (30 June 2010: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period under review, the Group was continuously engaged in property development as its principal business and committed to culture and media business through its subsidiary, Dadi Media (HK) Limited ("Dadi Media"). Also, the Group through its listed subsidiary, Sino-i Technology Limited, involved in corporate IT application services, financial information services and distance learning education services.

During the period, turnover was approximately HK\$1,237.2 million (6 months ended 30 June 2010: HK\$1,069.9 million), and net loss attributable to the owners of the Company was approximately HK\$120.7 million (6 months ended 30 June 2010: HK\$133.8 million). The net assets attributable to the owners of the Company were approximately HK\$3,710.3 million (31 December 2010: HK\$3,740.2 million), representing a value of approximately HK\$0.054 per share.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

Property Development Sector

During the period, turnover of this division was approximately HK\$502.7 million (6 months ended 30 June 2010: HK\$539.5 million) and net profit before income tax was approximately HK\$102.8 million (6 months ended 30 June 2010: HK\$85.8 million).

During the period, Phase 2 of “The Peninsula” in Shenzhen recorded approximately RMB421.6 million in sales. The above ground gross floor area of Phases 1 and 3 of “Free City” (自由城) in Guangzhou is approximately 250,000 sq.m. of which approximately 40,000 sq.m. are for ancillary facilities. Currently, part of the main structure of “Free City” has been completed, and the relevant facilities and gardening works etc. are also underway. The sale of this project is expected to commence in the second half of the year.

Culture and Media Sector

In 2011, Dadi Media continues to focus and enhance the commitment to and development of its businesses in culture and media sector. During the period, Dadi Media’s 95 digital cinemas were in operations, having 391 screens and providing 66,236 seats. Meanwhile, additional 73 cinemas with 376 screens and 56,400 seats are under construction. In the first half of 2011, the box office of Dadi digital cinemas recorded a growth of 55% as compared with the same period last year.

Benefiting from the continuous investment since 2006, the server “ORISTAR AQ10” (智辰AQ10), developed by 大地辰星科技發展(北京)有限公司 (Dadi Oristar Technology Development (Beijing) Co., Ltd.) (“Oristar Technology”), a wholly-owned subsidiary of Dadi Media, has passed JPEG200 Interop Certification from CINECERT in the USA, an international authoritative in accreditation of digital cinema and 2K Chinese Digital Cinema Interop Certification from China Research Institute of Film Science and Technology. The server has been in its on-trial stage. “ORISTAR AQ10” equipped with an MB panel specializing for digital movie server, of which intellectual property is intact and free from third party rights. The panel is applying for the accreditation of the FIPS 140-2 at security level 3. Oristar Technology is expected to contribute a stable income for Dadi Media from 2012.

During the period, the development of “www.hipiao.com”, an on-line ticketing system, was growing rapidly, which had about 800,000 paid members. In the first half of 2011, the aggregate amount topped up by members increased 192% as compared with the same period last year, showing promising development potential.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

Culture and Media Sector *(continued)*

As the business of Dadi cinema together with other related businesses under this division were all in expansion mode, continuous and sustainable investments were inevitable, and income from cinema operation was subject to the seasonal limitation of the industry, this division recorded an expected temporarily loss. It is expected that each business of this division will enter its maturity stage of return, and the overall business performance of this division will have a significant improvement.

During the period, turnover of this division was approximately HK\$341.2 million (6 months ended 30 June 2010: HK\$216.6 million), and net loss before income tax was approximately HK\$58.5 million (6 months ended 30 June 2010: net profit before income tax was approximately HK\$5.4 million). The Group's 95 digital cinemas in operation contributed an operating income of approximately HK\$323.5 million (6 months ended 30 June 2010: HK\$206.1 million), increased 57% as compared with the same period last year.

IT Sector

Corporate IT Application Services

During the period, turnover of this division was approximately HK\$365.6 million (6 months ended 30 June 2010: HK\$292.1 million), having an increase of approximately 25.2% by comparing with the same period last year, and net loss before income tax was approximately HK\$98.9 million (6 months ended 30 June 2010: HK\$76.9 million).

During the period, this division carried out internal integration. Both 中企動力科技股份有限公司 (CE Dongli Technology Company Limited) ("CE Dongli") and 北京新網數碼信息技術有限公司 (Beijing Xinnet Cyber Information Company Limited) ("Xinnet") are this division's key operation arms, continuing to focus on developing informationization market of the SME. Sales of its self-developed products increased 64.95% as compared with the same period last year. In order to expand its market coverage in different regions, CE Dongli has proceeded a new round of expansion by establishing more direct branches and increasing investment in marketing. Meanwhile, Xinnet has restructured its agency business; optimized the hierarchical management system of the agents; and formulated a more precise market developmental strategy. For the technology R&D, the Group continued to follow its previous investment strategy. Due to the effect brought by expansion of branch offices, the marketing investment and the on-going R&D investment, this division recorded a greater loss during the period. Nevertheless, the Group believes that such investments will have a positive impact on the business development of this division in the second half of the year and onwards.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

IT Sector *(continued)*

Financial Information Services

During the period, turnover of this division was approximately HK\$8.8 million (6 months ended 30 June 2010: HK\$9.7 million) and net loss before income tax was approximately HK\$22.0 million (6 months ended 30 June 2010: HK\$19.4 million).

During the period, 北京世華國際金融信息有限公司 (Beijing Shihua International Financial Information Company Limited) (“Shihua”), the financial information services arm of the Group, continuously implemented new developmental strategy in three core businesses—information, data and data analysis. By leveraging the advantage in its advanced product portfolio, it briskly enhanced the satisfaction of the end-product users. Shihua has achieved a significant increase in sales of its main product line in the first half of the year as compared with the same period last year, and adjustments were made to some of its old product lines. Although the adjustments affected the total sales, the benefits to be brought by the integration of resources will, to a certain extent, enhance the overall level of operation in the second half of the year and for the year of 2012.

Distance Learning Education Services

During the period, turnover of this division was approximately HK\$4.5 million (6 months ended 30 June 2010: HK\$3.7 million) and net loss before income tax was approximately HK\$1.8 million (6 months ended 30 June 2010: HK\$1.1 million).

During the period, by strengthening the franchised marketing, 北京華夏大地遠程教育網絡服務有限公司 (Beijing Chinese Dadi Distance Education Company Limited), a subsidiary of the Company, boosted the sales growth in the private learning market and enhanced its efforts in expanding the group learning market. Although sales income increased in the first half of the year, the cost incurred in developing the market was relatively higher and thus the business was in a loss position during the period.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL

The Group continues to adopt prudent funding and treasury policies. As at 30 June 2011, the net assets attributable to the owners of the Company amounted to approximately HK\$3,710.3 million (31 December 2010: HK\$3,740.2 million), including cash and bank balances of approximately HK\$575.9 million (31 December 2010: HK\$434.9 million) which were denominated mainly in US dollars, Renminbi and Hong Kong dollars. As at 30 June 2011, the Group's aggregate borrowings were approximately HK\$4,405.8 million (31 December 2010: HK\$3,909.9 million), of which approximately HK\$2,964.8 million (31 December 2010: HK\$3,270.7 million) were bearing interest at fixed rates while approximately HK\$1,441.0 million (31 December 2010: HK\$639.2 million) were at floating rates. As at 30 June 2011, the gearing ratio of the Group, which is calculated as the net debt divided by the adjusted capital plus net debt, increased from 43.46% as at 31 December 2010 to 46.22% as at 30 June 2011.

The capital commitment of the Group as at 30 June 2011 was approximately HK\$139.0 million, of which approximately HK\$125.0 million would be used as the funding for the construction of the headquarters of corporate IT application services, and approximately HK\$14.0 million would be used as capital expenditure for expanding cinema business.

The Group's contingent liabilities as at 30 June 2011 were approximately HK\$79.6 million due to the guarantees given in connection with credit facilities.

As at 30 June 2011, interest in leasehold land, construction in progress, certain properties held for development and in development for sale with a total net carrying value of approximately HK\$1,684.7 million as well as bank deposits of approximately HK\$263.8 million were pledged to secure credit facilities granted to the Group. In addition, trading securities having carrying value of approximately HK\$400,000, certain shares of three subsidiaries were pledged and shareholders' loan of two subsidiaries 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 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 profits may be affected by Renminbi exchange rate. 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 exchange fluctuation 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 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 2011, the Group had approximately 12,301 employees (30 June 2010: 10,021 employees). The salary of and allowances for employees for the six months ended 30 June 2011 were approximately HK\$432.7 million (6 months ended 30 June 2010: HK\$ 309.9 million).

PROSPECT

For property development sector, in view of the overall property market of China in the first half of 2011, both the central and local governments of China continued to upgrade and intensify the austerity measures on private and public dwellings in order to consolidate and enhance the expected result of austerity. It is expected that the property market of China will maintain a low and stable growing trend in the second half of the year. Under such background, the Group will continue to build up its property brand name, control the pace of development and sale of its projects in order to maintain a continuous and stable growth in property development business.

For culture and media sector, the Group will continue to increase its investment in the areas of cinema construction and film distribution etc. As each business of this division will enter its maturity stage of return; and there will be a healthy, organized and highly efficient development for digital cinemas, the Group will optimize the value for its shareholders.

For IT sector, the Group will endeavor to expand its corporate IT application services business ; launch new products in a timely manner to cater the market demand; expand the market share by speeding up branch business expansion; continue to facilitate the integration of internal resources; and curtail the operating loss significantly, in a bid to lead its operations into a new era of growth.

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 2011.

CORPORATE GOVERNANCE

In the opinion of the Board of the Company, the Company has complied with the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2011, 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.

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 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 2011.

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 2011, 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) and the Company (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 2011

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

Mr. Wang Gang

Non-executive directors:

Mr. Qin Tian Xiang

Mr. Lam Bing Kwan

Independent non-executive directors:

Mr. Huang Yaowen

Prof. Jiang Ping

Mr. Lau Yip Leung