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 2019

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 2019 together with the comparative figures for 2018 as follows:

* *For identification purpose only*

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2019

	Notes	**For the six months ended 30 June** **2019** ***HK$'000*** **(Unaudited)**	2018 *HK$'000* (Unaudited)
Revenue	5(a)	**5,607,886**	8,635,655
Cost of sales and services provided		**(2,504,311)**	(2,703,856)
Gross profit		**3,103,575**	5,931,799
Other operating income	5(b)	**285,531**	303,474
Selling and marketing expenses		**(1,225,988)**	(1,711,593)
Administrative expenses		**(534,967)**	(672,680)
Other operating expenses		**(956,129)**	(921,339)
Finance costs		**(765,229)**	(522,270)
Gain on fair value change on financial liabilities at fair value through profit or loss		**23,551**	29,406
Expected credit loss on financial assets		**(19,369)**	(16,372)
Gain on disposal of non-current assets held-for-sale		**–**	21,710
Share of results of associates		**(14,105)**	6,741
Share of results of joint ventures		**(511)**	521
Gain on fair value change on investment properties		**1,428,853**	1,053
Profit before income tax	6	**1,325,212**	2,450,450
Income tax expense	7	**(1,315,959)**	(1,452,849)
Profit for the period		**9,253**	997,601
Profit/(Loss) for the period attributable to:			
Owners of the Company		**90,956**	984,438
Non-controlling interests		**(81,703)**	13,163
		9,253	997,601
		HK cent	*HK cent*
Earnings per share for profit attributable to the owners of the Company during the period			
— Basic	9(a)	**0.13**	1.43
— Diluted	9(b)	**0.13**	1.43

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period	**9,253**	997,601
Other comprehensive income, including reclassification adjustments		
Item that will not be reclassified subsequently to profit or loss:		
Fair value change on financial assets at fair value through other comprehensive income, net of tax	**37,267**	16,117
Items that may be reclassified subsequently to profit or loss:		
Exchange loss on translation of financial statements of foreign operations	**(23,094)**	(225,394)
Exchange loss on translation of financial statements of foreign associates	**(186)**	(1,562)
Exchange loss on translation of financial statements of foreign joint ventures	**(9)**	(88)
Other comprehensive income for the period, including reclassification adjustments	**13,978**	(210,927)
Total comprehensive income for the period	**23,231**	786,674
Total comprehensive income attributable to:		
Owners of the Company	**112,366**	787,994
Non-controlling interests	**(89,135)**	(1,320)
	23,231	786,674

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	**30 June 2019** *HK$'000* **(Unaudited)**	31 December 2018 *HK$'000* (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**9,823,527**	5,217,394
Investment properties		**4,172,258**	757,669
Prepaid land lease payments under operating leases		**–**	22,860
Interests in associates		**113,083**	134,326
Interests in joint ventures		**30,168**	30,688
Intangible assets		**6,441,440**	6,516,732
Deferred tax assets		**1,245,400**	930,791
Amounts due from related parties		**169,019**	430,711
Financial assets at fair value through other comprehensive income		**229,700**	192,436
Financial assets at fair value through profit or loss		**41**	112
Long term trade receivables	10	**414**	764
Deposits, prepayments and other receivables		**804,302**	770,140
Pledged and restricted bank deposits		**2,744,233**	3,755,612
		25,773,585	18,760,235
Current assets			
Inventories		**11,902,707**	14,359,683
Financial assets at fair value through profit or loss		**5,472**	82,481
Trade receivables	10	**463,962**	538,800
Deposits, prepayments and other receivables		**3,424,985**	2,923,593
Amounts due from associates		**21,663**	15,129
Amounts due from joint ventures		**98**	2,327
Amounts due from related parties		**273,155**	2,004
Pledged and restricted bank deposits		**9,437,254**	3,207,363
Cash and cash equivalents		**726,288**	1,334,598
		26,255,584	22,465,978

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
As at 30 June 2019

	Notes	**30 June 2019** *HK$'000* **(Unaudited)**	31 December 2018 *HK$'000* (Audited)
ASSETS AND LIABILITIES			
Current liabilities			
Trade payables	11	**2,570,475**	1,894,306
Other payables and accruals		**1,856,887**	2,123,644
Contract liabilities	5(a)	**8,874,231**	4,337,189
Provision for tax		**4,554,865**	4,844,022
Amount due to a director		**22,144**	65,132
Amounts due to associates		**5,695**	5,492
Amounts due to related parties		**125,833**	178,959
Other employee benefits		**20,435**	16,923
Bank and other borrowings		**13,742,504**	6,805,091
Finance lease liabilities		**–**	42,078
Lease liabilities		**351,633**	–
Convertible and exchangeable bonds		**–**	1,150,721
Financial liability at fair value through profit or loss		**–**	21,476
		32,124,702	21,485,033
Net current (liabilities)/assets		**(5,869,118)**	980,945
Total assets less current liabilities		**19,904,467**	19,741,180
Non-current liabilities			
Long term trade payables	11	**285**	409
Other employee benefits		**27,247**	27,260
Bank and other borrowings		**6,476,351**	11,913,914
Finance lease liabilities		**–**	48,012
Lease liabilities		**5,682,266**	–
Provision for warranty		**3,580**	3,886
Financial liability at fair value through profit or loss		**3,360**	5,435
Deferred tax liabilities		**1,521,153**	786,925
		13,714,242	12,785,841
Net assets		**6,190,225**	6,955,339
EQUITY			
Share capital	12	**686,455**	686,455
Reserves		**4,919,767**	5,513,308
Equity attributable to the Company's owners		**5,606,222**	6,199,763
Non-controlling interests		**584,003**	755,576
Total equity		**6,190,225**	6,955,339

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Bermuda. The address of the Company's registered office is, as at the date hereof, Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM10, Bermuda, and its principal place of business is 12/F., The Octagon, No. 6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

The Group is principally engaged in culture and media services, property development, enterprise cloud services, news media business and innovative business.

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34, Interim Financial Reporting ("HKAS 34"), issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of Main Board Listing Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"). These condensed consolidated interim financial statements were authorised for issue on 29 August 2019.

These condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2018 annual financial statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2019. This is the first set of the Group's financial statements in which HKFRS 16, Leases ("HKFRS 16"), has been adopted. Details of any changes in accounting policies are set out in note 3. Except for the adoption of HKFRS 16, the adoption of other new or amended Hong Kong Financial Reporting Standards ("HKFRSs") have no material effect on these condensed consolidated interim financial statements. The Group has not early adopted any new or amended HKFRSs that has been issued but not yet effective in the current accounting period.

The preparation of these condensed consolidated interim financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

These condensed consolidated interim financial statements are presented in Hong Kong Dollars ("HK$"), unless otherwise stated. These condensed consolidated interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 annual financial statements. These condensed consolidated interim financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with HKFRSs and should be read in conjunction with the 2018 annual financial statements.

2. BASIS OF PREPARATION (Continued)

These condensed consolidated interim financial statements have been prepared on a going concern basis which assumes the realisation of assets and satisfaction of liabilities in the ordinary course of business notwithstanding that the Group had net current liabilities of approximately HK$5,869,118,000 as at 30 June 2019 (31 December 2018: net current assets of approximately HK$980,945,000). The Board of the Company considers that the Group will have sufficient resources to satisfy its future working capital and other financing requirements in the foreseeable future based on the followings: (i) the Board considers that the Group will be able to generate positive cash flows from operation within the next twelve months; and (ii) with certain right-of-use assets, buildings, other property, plant and equipment, properties under development and completed properties held for sale, investment properties and pledged bank deposits amounting to approximately HK$14,383,923,000 (31 December 2018: HK$11,997,194,000) being pledged for existing credit facilities, the Board believes that the Group will be able to renew or replace the existing facilities upon expiry.

In view of above, the Board is of the opinion that the Group will have sufficient financial resources to satisfy its future working capital and other financing requirements for at least the next twelve months from the reporting date. Accordingly, these condensed consolidated financial statements have been prepared on a going concern basis.

3. CHANGES IN HKFRSs

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, Business Combinations
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 11, Joint Arrangements
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 12, Income Taxes
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 23, Borrowing Costs

The impact of the adoption of HKFRS 16 has been summarised below. The other new or amended HKFRSs that are effective from 1 January 2019 did not have any material impact on the Group's accounting policies.

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17, Leases ("HKAS 17"), HK(IFRIC)-Int 4, Determining whether an Arrangement contains a Lease ("HK(IFRIC)-Int 4"), HK(SIC)-Int 15, Operating Leases – Incentives, and HK(SIC)-Int 27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (v) of this note.

3. CHANGES IN HKFRSs (Continued)

(i) Impact of the adoption of HKFRS 16 (Continued)

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained profits and non-controlling interests at the date of initial application. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following tables summarised the impact of transition to HKFRS 16 on the condensed consolidated statement of financial position as of 31 December 2018 to that of 1 January 2019 (increase/(decrease)):

	HK$'000 **(Unaudited)**
Impact on the condensed consolidated statement of financial position as at 1 January 2019	
Non-current assets	
Property, plant and equipment — right-of-use assets	**5,025,820**
Property, plant and equipment — equipment	**(141,189)**
Prepaid land lease payments under operating leases	**(22,860)**
Deferred tax assets	**228,815**
	5,090,586
Current assets	
Deposits, prepayments and other receivables	**(42,244)**
	(42,244)
Current liabilities	
Other payables and accruals	**(197,319)**
Lease liabilities	**334,277**
Finance lease liabilities	**(42,078)**
	94,880
Non-current liabilities	
Lease liabilities	**5,687,918**
Finance lease liabilities	**(48,012)**
	5,639,906
Net assets	**(686,444)**
Equity	
Retained profits	**(604,006)**
Non-controlling interests	**(82,438)**
	(686,444)

3. CHANGES IN HKFRSs (Continued)

(i) Impact of the adoption of HKFRS 16 (Continued)

The following reconciliation explains how the operating lease commitments disclosed by applying HKAS 17 as at 31 December 2018 could be reconciled to the lease liabilities at the date of initial application of HKFRS 16 recognised in the condensed consolidated statement of financial position as at 1 January 2019:

Reconciliation of operating lease commitments to lease liabilities

	HK$'000
Operating lease commitments as at 31 December 2018 (audited)	**13,363,397**
Less: Short term leases for which lease terms end within 31 December 2019	**(174,386)**
Less: Lease contracted for but not yet commenced on 1 January 2019	**(3,718,049)**
Less: Future interest expenses	**(3,635,619)**
Add: Leases included in extension option which the Group considers reasonably certain to exercise	**96,762**
Add: Finance lease liabilities as at 31 December 2018	**90,090**
Total lease liabilities as at 1 January 2019 (unaudited)	**6,022,195**

The lessee's weighted average incremental borrowing rates applied to calculate lease liabilities in the condensed consolidated statement of financial position as at 1 January 2019 are ranged from 5.16% to 11.34%.

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead, account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and account for all each lease component and any associated non-lease components as a single lease component for all leases.

3. CHANGES IN HKFRSs (Continued)

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets by applying a cost model. Under the cost model, the Group measures the right-of-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. For right-of-use asset that meets the definition of an investment property, they are carried at fair value and for right-of-use asset that meets the definition of a leasehold land and buildings held for own use, they are carried at depreciated cost. The right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease terms.

For the Group, leasehold land and buildings that were held to earn rental or for capital appreciation purpose would continue to be accounted for under HKAS 40 and would be carried at fair value. The adoption of HKFRS 16 therefore does not have any material impact on these right-of-use assets. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises its judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use assets arising from the properties under tenancy agreements are carried at depreciated cost.

3. CHANGES IN HKFRSs (Continued)

(iii) Accounting as a lessee (Continued)

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the lessee's incremental borrowing rate.

The following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g. a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) Accounting as a lessor

The Group has leased out its investment properties to a number of tenants. As the accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17, the adoption of HKFRS 16 does not have material impact on these condensed consolidated interim financial statements.

(v) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effects of initially applying HKFRS 16 as an adjustment to the opening balance of retained profits and non-controlling interests at the date of initial application (1 January 2019). The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases by applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019.

3. CHANGES IN HKFRSs (Continued)

(v) Transition (Continued)

The Group has elected to recognise all the right-of-use assets at 1 January 2019 for leases previously classified as operating leases under HKAS 17 on a lease-by-lease basis, to measure at either: (i) as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application; and (ii) equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36, Impairment of Assets, at 1 January 2019 to assess if there was any impairment as on that date.

The Group has also applied the following practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 January 2019) and accounted for those leases as short-term leases; (iii) exclude the initial direct costs from the measurement of the right-of-use assets at 1 January 2019 and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases by applying HKAS 17 and HK(IFRIC)-Int 4; and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int 4.

The Group has also leased certain projection equipment which previously were classified as finance leases under HKAS 17. As the Group has elected to adopt the cumulative effect method over the adoption of HKFRS 16, for those finance leases under HKAS 17, the right-of-use assets and the corresponding lease liabilities at 1 January 2019 were the carrying amount of the lease assets and lease liabilities under HKAS 17 immediately before that date. For those leases, the Group has accounted for the right-of-use assets and the lease liabilities by applying HKFRS 16 from 1 January 2019.

4. SEGMENT INFORMATION

The Group identifies 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 products and service lines.

The Group has identified the following five reportable segments:

(a) Enterprise cloud services

(b) Property development

(c) Culture and media services

(d) News media business*

(e) Innovative business

* Despite operating in the novel form of internet, the core value of this segment is news media communication. Therefore, the name of the segment was amended from "Internet lifestyle platform" to "News media business" to reflect its commercial substance.

4. SEGMENT INFORMATION (Continued)

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 service lines requires different resources as well as marketing approaches.

Inter-segment transactions are priced with reference to prices charged to external parties for similar order. Certain corporate income and expenses are not allocated to the operating segments as they are not included in the measure of segment's profit or loss that is used by the chief operating decision-maker for assessment of segment performance.

As further explained in note 3(v), the Group has adopted cumulative effect approach on the adoption of HKFRS 16. As a result, right-of-use assets and lease liabilities under HKFRS 16 have been recognised but comparative information is not restated.

The segment results for the six months ended 30 June 2019 and 30 June 2018 are as follows:

	For the six months ended 30 June 2019 (Unaudited)						
	Enterprise cloud services *HK$'000*	Property development *HK$'000*	Culture and media services *HK$'000*	News media business *HK$'000*	Innovative business *HK$'000*	All other segments *HK$'000*	Total *HK$'000*
Revenue							
From external customers	**469,332**	**2,532,919**	**2,356,817**	**39,844**	**166,472**	**42,502**	**5,607,886**
From inter-segments	**3,940**	**–**	**–**	**–**	**–**	**9,324**	**13,264**
Reportable and all other segments revenue	**473,272**	**2,532,919**	**2,356,817**	**39,844**	**166,472**	**51,826**	**5,621,150**
Reportable and all other segments (loss)/profit before income tax	**(45,655)**	**2,387,743**	**(451,085)**	**(209,079)**	**(185,136)**	**11,769**	**1,508,557**

4. SEGMENT INFORMATION (Continued)

	For the six months ended 30 June 2018 (Unaudited)						
	Enterprise cloud services *HK$'000*	Property development *HK$'000*	Culture and media services *HK$'000*	News media business *HK$'000*	Innovative business *HK$'000*	All other segments *HK$'000*	Total *HK$'000*
Revenue							
From external customers	503,883	5,106,057	2,691,571	20,916	288,473	24,755	8,635,655
From inter-segments	4,633	–	28,995	81,461	7,634	10,446	133,169
Reportable and all other segments revenue	508,516	5,106,057	2,720,566	102,377	296,107	35,201	8,768,824
Reportable and all other segments (loss)/profit before income tax	(68,752)	3,291,124	2,801	(180,517)	(363,482)	(56,724)	2,624,450

Revenue is disaggregated by primary geographical markets and timing of revenue recognition as follows:

	For the six months ended 30 June 2019 (Unaudited)						
	Enterprise cloud services ***HK$'000***	**Property development** ***HK$'000***	**Culture and media services** ***HK$'000***	**News media business** ***HK$'000***	**Innovative business** ***HK$'000***	**All other segments** ***HK$'000***	**Total** ***HK$'000***
Primary geographical markets							
Mainland China	**469,231**	**2,532,919**	**2,356,816**	**–**	**13,854**	**42,502**	**5,415,322**
Hong Kong	**101**	**–**	**1**	**39,844**	**11,594**	**–**	**51,540**
North America	**–**	**–**	**–**	**–**	**89,386**	**–**	**89,386**
Europe	**–**	**–**	**–**	**–**	**30,823**	**–**	**30,823**
Australia	**–**	**–**	**–**	**–**	**7,921**	**–**	**7,921**
Others	**–**	**–**	**–**	**–**	**12,894**	**–**	**12,894**
Total	**469,332**	**2,532,919**	**2,356,817**	**39,844**	**166,472**	**42,502**	**5,607,886**
Timing of revenue recognition							
At a point in time	**103,699**	**2,532,919**	**259,093**	**395**	**160,278**	**–**	**3,056,384**
Transferred over time	**365,633**	**–**	**2,097,724**	**39,449**	**6,194**	**42,502**	**2,551,502**
Total	**469,332**	**2,532,919**	**2,356,817**	**39,844**	**166,472**	**42,502**	**5,607,886**

4. SEGMENT INFORMATION (Continued)

	For the six months ended 30 June 2018 (Unaudited)						
	Enterprise cloud services *HK$'000*	Property development *HK$'000*	Culture and media services *HK$'000*	News media business *HK$'000*	Innovative business *HK$'000*	All other segments *HK$'000*	Total *HK$'000*
Primary geographical markets							
Mainland China	503,863	5,106,057	2,691,571	–	4,252	24,755	8,330,498
Hong Kong	20	–	–	20,685	40,805	–	61,510
North America	–	–	–	231	133,303	–	133,534
Europe	–	–	–	–	50,554	–	50,554
Australia	–	–	–	–	29,374	–	29,374
Others	–	–	–	–	30,185	–	30,185
Total	503,883	5,106,057	2,691,571	20,916	288,473	24,755	8,635,655
Timing of revenue recognition							
At a point in time	154,005	5,106,057	313,599	489	288,473	–	5,862,623
Transferred over time	349,878	–	2,377,972	20,427	–	24,755	2,773,032
Total	503,883	5,106,057	2,691,571	20,916	288,473	24,755	8,635,655

The reportable segment assets and liabilities as at 30 June 2019 and 31 December 2018 are as follows:

	As at 30 June 2019 (Unaudited)						
	Enterprise cloud services ***HK$'000***	**Property development** ***HK$'000***	**Culture and media services** ***HK$'000***	**News media business** ***HK$'000***	**Innovative business** ***HK$'000***	**All other segments** ***HK$'000***	**Total** ***HK$'000***
Reportable and all other segments assets	**560,196**	**30,961,274**	**15,885,526**	**79,383**	**1,400,111**	**116,702**	**49,003,192**
Reportable and all other segments liabilities	**(398,612)**	**(21,302,458)**	**(10,922,189)**	**(26,343)**	**(835,209)**	**(99,880)**	**(33,584,691)**

	As at 31 December 2018 (Audited)						
	Enterprise cloud services *HK$'000*	Property development *HK$'000*	Culture and media services *HK$'000*	News media business *HK$'000*	Innovative business *HK$'000*	All other segments *HK$'000*	Total *HK$'000*
Reportable and all other segments assets	502,754	25,408,671	10,970,795	80,277	1,523,799	355,114	38,841,410
Reportable and all other segments liabilities	(352,225)	(14,765,569)	(6,203,916)	(22,539)	(909,853)	(99,264)	(22,353,366)

4. SEGMENT INFORMATION (Continued)

The totals presented for the Group's operating segments 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	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Reportable segments revenue	**5,569,324**	8,733,623
All other segments revenue	**51,826**	35,201
Elimination of inter-segment revenue	**(13,264)**	(133,169)
Group revenue	**5,607,886**	8,635,655
Reportable segments results before income tax	**1,496,788**	2,681,174
All other segments results before income tax	**11,769**	(56,724)
Bank interest income	**4,034**	32,398
Other interest income	**25,614**	900
Finance costs	**(159,446)**	(110,568)
Depreciation and amortisation	**(3,517)**	(2,002)
Unallocated corporate expenses	**(50,030)**	(94,728)
Profit before income tax	**1,325,212**	2,450,450

5. REVENUE AND OTHER OPERATING INCOME

(a) Revenue

The Group's revenue represents revenue from its principal activities as set out below:

	For the six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Sales of properties and car parks	**2,505,781**	5,048,162
Sales of decoration materials	**27,138**	57,895
Enterprise cloud services	**469,332**	503,883
Property management services	**42,502**	24,755
Film distribution services	**470**	1,508
Cinema ticketing income	**1,833,480**	2,073,604
Sales of food and beverages	**257,892**	295,087
Cinema advertising income	**132,019**	147,704
Sales and leases of projection equipment	**1,198**	18,512
Digital media technology services	**131,758**	155,156
Publication of magazines and advertising income	**39,844**	20,916
Sales of botanic-based personal care and fragrance products	**160,278**	287,890
Innovative catering and fitness services	**6,194**	583
	5,607,886	8,635,655

All the Group's revenue is derived from contracts with customers.

The following table provides information about trade receivables and contract liabilities from contracts with customers:

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**464,376**	539,564
Contract liabilities	**8,874,231**	4,337,189

The contract liabilities mainly relate to the advance consideration received from customers. Approximately HK$2,947,548,000 of the contract liabilities as at 31 December 2018 has been recognised as revenue for the six months ended 30 June 2019 (six months ended 30 June 2018: HK$1,334,000) from performance obligations satisfied in the current period due to the changes in the estimate stage of completion of some contract liabilities.

5. REVENUE AND OTHER OPERATING INCOME (Continued)

(b) Other operating income:

	For the six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Bank interest income	**59,976**	98,845
Other interest income	**26,174**	17,766
Gain on fair value change on financial assets at fair value through profit or loss	**9,375**	–
Gain on disposal of property, plant and equipment	**17,367**	203
Government grants	**25,668**	41,876
Exchange gain	**11,897**	–
Rental income	**21,797**	18,091
Realised gain on trading of financial assets at fair value through profit or loss	**6,124**	22,283
Dividend income on financial assets at fair value through profit or loss	**3,702**	3,543
Sundry income	**103,451**	100,867
	285,531	303,474

6. PROFIT BEFORE INCOME TAX

	For the six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit before income tax is arrived at after charging/(crediting):		
Amortisation of intangible assets other than goodwill*	**79,533**	65,034
Depreciation of property, plant and equipment — owned assets*	**457,103**	492,183
Depreciation of property, plant and equipment — leased assets*	**–**	9,612
Depreciation of property, plant and equipment — right-of-use assets*	**260,512**	–
Costs of sales and services provided	**2,504,311**	2,703,856
(Gain)/Loss on fair value change on financial assets at fair value through profit or loss		
— Listed equity investments	**(9,446)**	21,661
— Derivatives	**71**	(174)
Gain on fair value change on financial liabilities at fair value through profit or loss		
— Derivatives	**(23,551)**	(29,406)
Write-off of property, plant and equipment*	**4,806**	2,691
Write-off of inventories*	**–**	6,195
Write-off of intangible assets other than goodwill*	**–**	2,789
Minimum lease payments	**–**	492,602
Contingent rentals	**–**	9,563
Operating lease charges on land and buildings	**–**	502,165
Operating lease charges on prepaid land lease*	**–**	272
Interest on lease liabilities	**258,862**	–
Short-term leases expenses	**43,135**	–
Variable lease payments	**3,668**	–
Provision for impairment of trade receivables#	**–**	28
Provision for impairment of deposits and other receivables#	**19,369**	16,344
Provision for impairment of intangible assets other than goodwill*	**–**	1,410
Provision for impairment of property, plant and equipment*	**–**	844
Provision for impairment of goodwill*	**–**	76,417
Loss on disposal of property, plant and equipment*	**5,439**	164
Gain on disposal of non-current assets held-for-sale	**–**	(21,710)
Research and development expenses*	**79,453**	61,606

* included in other operating expenses
\# included in expected credit loss on financial assets

7. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
The income tax expense comprises:		
Current tax		
— Hong Kong Profits Tax		
Tax charge for the period	**5,222**	5,222
— The People's Republic of China ("PRC") Enterprise Income Tax ("EIT")		
Tax charge for the period	**301,840**	798,978
Under/(Over)-provision in respect of prior years	**150**	(943)
— Taxation for other jurisdictions		
Over-provision in respect of prior years	**–**	(31)
— PRC Land Appreciation Tax ("LAT")		
Tax charge for the period	**354,772**	828,121
	661,984	1,631,347
Deferred tax		
— Charge/(Credit) for the period	**653,975**	(178,498)
	1,315,959	1,452,849

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity is taxed at 8.25%, and profits above HK$2 million is taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors considered the amount involved upon implementation of the two-tiered profits tax rates is insignificant to the condensed consolidated interim financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

For the six months ended 30 June 2019, PRC EIT has been provided on the estimated assessable profits of subsidiaries operating in Mainland China at 25% (six months ended 30 June 2018: 25%), unless preferential rates are applicable in the cities where the subsidiaries are located.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

For the six months ended 30 June 2019, PRC LAT is levied at progressive rates from 30% to 60% (six months ended 30 June 2018: 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.

8. DIVIDEND

No dividend was paid and declared during the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

A final dividend in respect of the year ended 31 December 2018 of 0.15 HK cent per ordinary share (for the year ended 31 December 2017: 0.23 HK cent per ordinary share), amounting to a total dividend of approximately HK$102,968,000 (six months ended 30 June 2018: approximately HK$157,885,000) was proposed and approved at the annual general meeting of the Company held on 30 May 2019.

9. EARNINGS PER SHARE

(a) The calculation of basic earnings per share is based on the profit for the period attributable to the owners of the Company of approximately HK$90,956,000 (six months ended 30 June 2018: approximately HK$984,438,000) and on 68,645,535,794 (six months ended 30 June 2018: 68,645,535,794) ordinary shares in issue during the period.

(b) The calculation of diluted earnings per share is based on the profit for the period attributable to the owners of the Company and adjusted to reflect the interests, unrealised exchange difference and fair value change of embedded derivatives on the convertible and exchangeable bonds and profit or loss attributable to non-controlling interests. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, which is the same as the basic earnings per share calculation.

Diluted earnings per share for the six months ended 30 June 2019 and 30 June 2018 are the same as the basic earnings per share as the convertible and exchangeable bonds outstanding during the periods had an anti-dilutive effect on the basic earnings per share.

10. 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 2019	31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0–90 days	**235,599**	331,166
91–180 days	**96,770**	110,863
181–270 days	**37,549**	26,088
271–360 days	**30,776**	22,884
Over 360 days	**145,133**	130,030
Trade receivables, gross	**545,827**	621,031
Less: Provision for impairment of trade receivables	**(81,451)**	(81,467)
Trade receivables, net	**464,376**	539,564
Less: Long term trade receivables	**(414)**	(764)
Current portion of trade receivables	**463,962**	538,800

11. TRADE PAYABLES

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

	30 June 2019 *HK$'000* **(Unaudited)**	31 December 2018 *HK$'000* (Audited)
0–90 days	**1,810,307**	1,636,391
91–180 days	**381,312**	89,254
181–270 days	**253,047**	51,998
271–360 days	**10,827**	26,970
Over 360 days	**115,267**	90,102
Trade payables	**2,570,760**	1,894,715
Less: Long term trade payables	**(285)**	(409)
Current portion of trade payables	**2,570,475**	1,894,306

12. SHARE CAPITAL

	Number of ordinary shares of HK$0.01 each	**HK$'000**
Authorised:		
At 1 January 2018, 31 December 2018 (audited) and **30 June 2019 (unaudited)**	**500,000,000,000**	**5,000,000**
Issued and full paid:		
At 1 January 2018, 31 December 2018 (audited) and **30 June 2019 (unaudited)**	**68,645,535,794**	**686,455**

13. EVENT AFTER REPORTING DATE

On 15 June 2016, an indirect wholly-owned subsidiary of the Company (the "Issuer"), issued an aggregate of RMB1,000,000,000 convertible and exchangeable bonds (the "Bonds"). Pursuant to the terms of the Bonds, the guarantee provided by the Company and various discussions between the management of the Issuer and the investor over the past year, the Company will redeem the Bonds on or before 15 September 2019. The Company has informed the investor that it would redeem the Bonds accordingly (details please refer to the announcements of the Company dated 9 May 2016, 15 June 2016 and 13 August 2019 and circular of the Company dated 23 June 2016).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group continued to operate in the areas of culture and media services, property development and enterprise cloud services, through Dadi Media (HK) Limited and its subsidiaries, Dadi Cinema Investment Limited and its subsidiaries and Oristar Technology (HK) Limited and its subsidiaries (collectively referred to as "Dadi Media"), Nan Hai Development Limited and its subsidiaries (collectively referred to as "Nan Hai Development") and Sino-i Technology Limited (stock code: 250) and its subsidiaries (collectively referred to as "Sino-i"), and the businesses have developed steadily. In the meantime, the Group has also commenced businesses stably through Dadi News Media (HK) Limited together with its subsidiaries (collectively referred to as "News Media Business") and Dadi Innovation (HK) Limited together with its subsidiaries (collectively referred to as "Innovative Business").

During the reporting period, revenue of the Group was approximately HK$5,607.9 million (for the six months ended 30 June 2018: HK$8,635.7 million). Profit for the period was approximately HK$9.3 million (for the six months ended 30 June 2018: HK$997.6 million). The decrease in profit was primarily due to: (i) the decrease of the profit from property development segment which is affected by the revenue recognition of the property development business and the accrued expenses of deferred income tax; and (ii) the drop in the performance of culture and media services which is affected by the decrease of the box office and admission of audiences in China, and the first-time adoption of HKFRS 16-Leases. The net assets of the Group were approximately HK$6,190.2 million (31 December 2018: HK$6,955.3 million).

Culture and Media Services

Business Review

During the reporting period, revenue of this business segment was approximately HK$2,356.8 million (for the six months ended 30 June 2018: HK$2,691.6 million). Loss before income tax was approximately HK$451.1 million (for the six months ended 30 June 2018: Profit before income tax was approximately HK$2.8 million).

Cinema Operation

During the reporting period, the national box office in China amounted to RMB28.852 billion (excluding service charges), representing a year-on-year decrease of 3.73%. The admission of audiences was approximately 809 million, representing a year-on-year decrease of 10.11%. There are 5 films with box office more than RMB1 billion, including 3 domestic films, and 44 films with box office over RMB100 million.

Culture and Media Services (Continued)

Cinema Operation (Continued)

During the reporting period, the cinema business of the Group achieved a box office revenue (tax included) of RMB1,629 million (excluding service charges), representing a decrease of approximately 6.65% as compared to corresponding period in 2018. The main reason for the decrease was the overall decreasing trend of the PRC movie market, and the increase in ticket cost of the audiences due to the prohibition of online ticket fee discount. Box office contributes to approximately 5.65% of the national box office receipts (tax included). Admission of audiences reached 44.77 million, that consolidates its status of ranking second among cinema investment and management companies throughout China. As at 30 June 2019, this business segment had an aggregate of 499 cinemas with 3,065 screens operating in 29 provinces and 184 cities in China. In addition, there are approximately 174 cinemas contracted to be opened but not yet in operation.

During the reporting period, the business segment continuously explored the value of its business scenario and members to enhance the operating efficiency of the cinemas and further strengthen the advantageous market position of the PRC cinema operation industry. Leverage on the scale advantage of cinema operation, the business segment further implement its user-oriented "Film +" strategy through diversified expansion of cinema scenario based on the demand of audiences. Our cinemas provided a wide range of products and consumption privileges through industries alliance and external cooperation together with its own brand. In 2019, the business segment extended the official authorization to sell Disney's plush toys and catering products. "Shi Bu (十步)", the Group's food and beverage brand, achieved a stable improvement in its market size.

Besides optimizing the movie experience and increasing the number of audience, the business segment has also actively provided a great variety of integrated entertainment including e-sports, live performance and other cultural activities, so as to enrich the integrated entertainment of the cinema and extend the time spent by audiences in our cinemas, covering more users and enhance their entertainment and consumption experience. Through continuous introduction of diversified consumption privileges and provision of a wide range of entertainment contents, the Group wishes to provide its members with a movie-oriented and in-depth derived value, gradually expand its membership base and improve the ecosystem of cinema experience. Currently, the Group's membership operation has achieved its results in the early stage, number of members increased steadily, proportion of active members increased continuously and more resources came from other industries. Positive momentum has been formed between products, resources and members. This would further enhance the resources consolidating ability and brand influence of the Group.

Culture and Media Services (Continued)

Cinema Operation (Continued)

During the reporting period, the business segment cooperated with Disney, established a cinema interactive platform to further facilitate its innovative product system, enrich the offline entertainment scenario and strengthen the integrated marketability of all scenario of our cinemas. With the improvement of the attractiveness of the cinema scenario as well as the consolidation of members' privilege, the ability to make precise and in-depth marketing of the business segment has been improving. With a higher degree of understanding towards our target customers and specific industry, we have commenced on the in-depth marketing tools and customized industry solutions and achieved a positive result. With the expansion of advertising business, the establishment of sales team was further strengthened, the sales arrangement was optimized for a quicker response to customers demand. As the local sales terminal becomes more optimized, the business segment's ability to provide professional cinema entertainment integrated marketing solution for three types of core customers such as national customers, regional customers and business district customers has also been improving.

Dadi Film

In the first half of 2019, the overall film market did not meet the expectation. Box office of imported film was in the lead. There is a need for more high quality and appealing PRC movies to enter into the market.

During the reporting period, Dadi Media (HK) Limited and its subsidiaries (collectively referred to as "Dadi Film") under Dadi Media continued to develop its business in three aspects of film content, animation and distribution.

During the reporting period, Dadi Film hold on to its stable content making philosophy and keep looking for room for improvement. It identified and developed projects with market potential on its own or cooperate with the leading production team in the industry. While investing in quality film, it also actively cooperates with top corporate team in the industry to discuss matters such as future promotion and distribution of films. At the same time, investment was made into quality project in the market. The team also actively identified new business models and developed synchronization of cinema and internet through ways such as cooperation with video website. During the Shanghai film festival in June 2019, "Dadi Night (大地之夜)" was successfully organized to promote its own brand, enhance its influence in the industry and build up its brand value.

Culture and Media Services (Continued)

Dadi Film (Continued)

As for animation content area, focus was put on K12 market. "驚奇樂園" brand was established surrounding areas such as animation, children books, IP operation etc., gradually becoming a new development force in the animation field. For animation, animation IP matrix was optimized. Emphasis was put on the production of "Mini Force X". The first part of the film was published on iQIYI and Tencent in October 2018, and on CCTV Children's Channel in March 2019. The second part of "Mini Force X" was published in May 2019 and remained on top of Tencent Children Hot Search List (騰訊少兒熱搜榜) and iQIYI Children Hot List (愛奇藝兒童類熱播榜), driving up the distribution of the film and sales of its authorized products. As at 30 June 2019, 16 products has been launched into the market and the sales volume has been increasing. For the children books, "Mini Force" book series was launched in May 2019. The book become the best-seller for children comic in offline physical store within a short period of time. As for IP operation, we media (自媒體號) was established on more than 30 platform including toutiao (今日頭條), ixigua (西瓜視頻), iQIYI (愛奇藝), Tencent (騰訊), YOUKU (優酷), and Douyin (抖音) etc. to publish high-quality "驚奇樂園" series derived program or drama show, in order to increase the familiarity by the children and the emotional cohesion of the children's family. Total hit rate was approximately 800 million. A large scale family stage show featuring "Mini Force" transforming machine was produced. As at 30 June 2019, around 10 shows have been performed in Tianjin, Beijing, Shanghai, Yiwu etc. for the first round and favorable comments were received from children and parents.

Oristar

In 2019, Oristar Technology (HK) Limited and its subsidiaries (collectively referred to as "Oristar") has successfully transformed itself from a traditional software and equipment service provider to a cinema business internet company. A brand new revenue management SaaS (Software as a Service) service platform was launched for the cinemas. More than 200 functions upgrade was made on the new cloud structure and big data system to increase cost efficiency. As at 30 June 2019, the number of cinemas with Oristar service reached more than 1,701, covering approximately 12,070 halls in 31 provinces, municipalities and autonomous regions of the PRC.

During the reporting period, Oristar focused on"Huiyingyun" (慧影雲) advertisement business function. It was the pioneer in the industry which introduced the "Huiyingyun advertisement business platform", fully realized digitalization and commercialization management of the cinema advertising materials. It provides cinemas with different forms of advertisement in four dimensions, i.e. time, space, contents, and receivers. It also provides advertising clients with comprehensive broadcasting monitoring and user analysis data service.

Culture and Media Services (Continued)

Prospects

Although China film market experienced a short fallback in the first half of 2019, the Group remains positive towards the future development of China film market. As the number of screen keep increasing and the quality of films have improved gradually, China film market still possesses potential for growth. In the future, besides devoting more efforts in market expansion and optimizing the cinema layout and structure throughout the country, the Group will strategically focus on the cinemas of those important regions, to create an innovative cinema service model, establishing a new benchmark for cinema service and spreading to the entire nation.

For the cinema operation business, the Group will continue to implement the OMO (Online — Merge — Offline) business model. We will use "U+" as our unified member brand and promote in nearly 500 cinemas. From the membership operation perspective, the Group will further develop its "Film +" strategy. In the future, the Group will continue to introduce more value-added services including children entertainment activities, live performance, other cultural activities and IP related products to further enrich members' privilege and perfect the service ecosystem of the cinemas. Relying on the diversified and unique member activities, the user consumption experience will be further enhanced and the Group's big data resources will be increased, providing support for the further enhancement of members experience and precise marketing.

Thanks to the increase in the number of cinema advertising products, the level of digitalization, the recognition of the market towards cinema media and the number of cinemas that can screen advertisements. With the further expansion of the cinemas of the Group, focusing strategically on the major box office cities, increase of members privilege and loyalty will continue to increase. The Group's advantage in scale and competitive edge in the cinema advertisement market will be further improved, and its ability in precise marketing and product innovation will also be strengthened, which will have a positive impact on the brand awareness and operating results of the Group's advertising business.

As for the content, there will be more uncertainties in the film market in the second half of 2019. The overview on the general condition could not be too optimistic. Adapting flexibly and capturing opportunity will be the main theme of the film market in the second half of the year. In the second half of the year, Dadi Film will still pay close attention to the film market and identify leading corporation with high quality to commence multi-dimension and multi-level cooperation, so as to make use of the resource advantage of Dadi Film to participate in more quality projects. Meanwhile, it will continue to promote its existing films, identify business partners such as good promoters and distributors to coordinate relevant distribution work.

Culture and Media Services (Continued)

Prospects (Continued)

As for the animation content, the upgrading strategy of domestic contents will be implemented. Content production of "Mini Force" will be improved. A "Mini Force" film will be released by the end of 2019, followed by a brand new season 52 episodes domestic animation series. To enhance its IP operation, the Group will participate in Licensing Expo China, to show its "驚奇樂園" IP matrix for the first time and unify the external authorization. It will also increase the cooperation with different industries, to commence authorized cooperation with units such as the national AAAA grade Qinglongxia Scenic Area and stage performance organization etc.

As for the cinema revenue services, regarding the fast-growing cinema industry in China, Oristar will actively promote the "Huiyingyun" platform, so as to enhance the core competitiveness of the cinemas and improve its operational efficiency and profitability, and strives to provide quality one-stop and internet products and services for cinemas.

Property Development

Business Review

During the reporting period, revenue of this business segment was approximately HK$2,532.9 million (for the six months ended 30 June 2018: HK$5,106.1 million) and profit before income tax was approximately HK$2,387.7 million (for the six months ended 30 June 2018: HK$3,291.1 million).

"The Peninsula" Project in Shenzhen

"The Peninsula" project of Nan Hai Development locates in the prime triangle zone formed by Qianhai Shenzhen-Hong Kong cooperation free trade zone, Houhai financial and commercial center and Shekou Sea World free trade zone, establishing a diversified business combining high-end housing, intelligent commercial, smart hotel, sharing office, creative theater and yacht club etc.

Phase 1 and 2 of "The Peninsula" have been sold out. The sale of Phase 3 was launched in April 2016 and almost sold out till now. The sale of Phase 4 of "The Peninsula" was launched on 23 April 2019, sell through rate reached 82% on the same date. As of 30 June 2019, accumulated sales of Phase 4 amounted to RMB6.859 billion. The Group is holding 55,800 m^2 of the commercial portion to establish businesses including smart hotel, social and creative business and shared offices according to the ideology of "world citizen style and stay with the trend". Operation will be commenced by 2020.

Property Development (Continued)

Business Review (Continued)

"Free Man Garden" Project in Guangzhou

"Free Man Garden" project of Nan Hai Development in Guangzhou is located at the Guangzhou airport economic development area, with a total gross floor area of 1.5 million m^2. It is a living complex consists of housing, commercial facilities, cinema, school, garden, clubhouse and various large scale sports facilities, introducing the concept of ecological, sports and living, advocating a modern living style which is environmental friendly, sporty and healthy. It is a high quality large scale ecological oxygen community. There are a total of eight phases in "Free Man Garden" project, of which Phase 1, 2, 4 and 7 have been sold out. The sale of Phase 5 and 6 was launched on 1 December 2018. As of 30 June 2019, a total of 297 flats were sold with the area of 37,345 m^2 and sales amount of RMB906 million. Phase 3 will be self-owned for commercial use with diversified business of catering, entertainment and culture. Operation will be commenced in the second half of 2019.

Moreover, the Group actively created a new model of operation in real estate business and developed quality projects in various ways. Leveraging on the experience in "The Peninsula" and "Free Man Garden" Project, the Group will continuously invest in the construction of various quality projects.

Prospects

For the real estate industry, despite the increase in PRC policy regulation, and corporate finance tightening in 2019, there are still plenty of new opportunities for value expansion. In light of the circumstances, Nan Hai Development will take advantage on its existing projects, integrate its resources to develop quality projects through commercial real estate, urban renewal, city transformation and upgrade etc., so as to further optimize the strategic network and to create room for development in the future. At the same time, Nan Hai Development will further strengthen its corporate governance and talent optimization, establish an effective internal operation and risk management and control by adopting sound funding strategy, laying a foundation for sustainable development.

Enterprise Cloud Services

Business Review

By virtue of the comprehensive cloud computing infrastructure services, e-commerce and total "Internet+" solutions offered for corporate clients in China, this segment spent unremitting efforts on the development of digitalization and smart operation. Leveraging on its unremitting efforts, this segment has successfully established an outstanding nation-wide business and localized service network in the industry, so as to effectively address "the last kilometer" problems from service providers to corporate clients. With the rapid development of mobile internet and establishment of de-centralized network ecosystem represented by WeChat applet, 中企動力科技股份有限公司 (CE Dongli Technology Company Limited, "CE Dongli"), a subsidiary of this business segment, launched full network responsive portal on top of its original portal product as well as online and offline marketing and operating one-stop solutions such as "Youyi" (有翼) intelligent business. Together with 北京新網數碼信息技術有限公司 (Beijing Xinnet Cyber Information Company Limited, "Xinnet")'s cloud computing services played a significant role in promoting the growth of the number of users.

During the reporting period, with key subsidiaries CE Dongli and Xinnet as its main business entities, efforts were continuously made in the development of cloud services for corporate digitalization and smart operation by providing comprehensive IaaS (Infrastructure as a service), cloud application, corporate e-commerce services, "corporate digitalization transformation" total solutions and big databased business intelligence cloud service to China market. During the reporting period, revenue of this business segment was approximately HK$469.3 million (for the six months ended 30 June 2018: HK$503.9 million), representing a decrease of approximately 6.9% over the corresponding period last year. Loss before income tax was approximately HK$45.7 million (for the six months ended 30 June 2018: HK$68.8 million).

CE Dongli

With 20 years' experience of being a service provider for enterprises in China, CE Dongli has successfully established a corporate "Internet+" product operating system as well as an extensive business and localized service network, providing corporate digitalization and operation solutions. During the reporting period, with 5G network launching in the near future, CE Dongli introduced the full network responsive portal product targeting optimization of mobile internet experience. Hence, the number of potential users increased while enhancing users' experience. For industrial solutions, the launching of foreign trading portal were well-received by the market. Number of foreign trade customers increased by more than 1,200 within six months. For the smart business aspect, CE Dongli launched "Youyi" (有翼) cloud product, providing mobile mall and smart store digital services for customers in the retail service industry. In addition to providing digitalization and operation solutions for SMEs, CE Dongli also expands its major client base by providing more high-end customers with a "MarTech" digitalization and smart operation flagship service. Since the launching of high-end customized brand CE Ultimate (中企高呈), it has provided digital operation services for more than 150 companies that are Fortune Global 500 companies or 100 top companies in various industries in China, enjoying a better competitiveness in various industries including finance, real estate, medical and retail etc.. In the meantime, in the process of meeting the complex digital needs of high-end customers, CE Dongli has continued to build its product

Enterprise Cloud Services (Continued)

Business Review (Continued)

CE Dongli (Continued)

and service capabilities, perform sampling and integration, and rely on the support of the product research center, gradually forming specific products and industry solutions for different industries and meeting the needs of customers at different stages, achieving effective integration with small and medium business regarding marketing and design service. For research of new products, CE Dongli is gradually forming a development structure supported by the middle structure of business (業務中台). A flexible and feasible product and industry solution can be made promptly according to the needs of different industry and customer of different stage. Hence, the delivery efficiency of the product development is significantly improved.

Xinnet

During the reporting period, Xinnet continued its cloud services such as IaaS, domain name hosting and synergistic communication for SMEs and micro-enterprises through internet online and distributor channels established across China. In 2017, after Xinnet officially launched"Arrow Cloud (箭頭雲)", its self-developed new generation cloud computing product, this business segment continued to increase its investment in research and development, making reservation with cloud technology, while optimizing and perfecting the existing cloud business platform and operation platform, hence improving the operational efficiency while bringing better experience to customers. On this basis, Xinnet regard its own cloud products as its core and provides users with more extensive value-added products and a more comprehensive cloud service experience through the application and service market.

Prospects

The management of the business segment considers that with the rapid development of mobile internet and gradual establishment of a de-centralized business model, enterprises in China will be facing a wave of digitalization transformation, and business intelligence services based on big data will be developed. Although it still takes time for market ramp-up and promotion, cloud services for corporate digitalization and smart operation and industrial solutions will enjoy the enormous room for development. Going forward, this segment will continue to improve its ground services capability by putting users as its core, relying on the industry and making full use of the Internet, which allows it to quickly respond to the needs of enterprises and provide timely solutions to issues. Meanwhile, this segment will enhance its overall operational capability and online services capability. In respect of product application, with an in-depth understanding of the industry's business scenarios, the Group will quickly respond to the needs of business scenarios in different industries based on the cloud product model and the middle structure of business (業務中台). Furthermore, this segment will also increase its capital investment in the data centre, cloud computing technology, automatic operation and maintenance technology as well as big data technology, and enhance its overall technical core competence to further develop and optimize its products and services for the enterprise's digital intelligent business scenario.

News Media Business

Business Review

There are two business divisions under the news media business, namely "HK01" and "Duowei Media". During the reporting period, revenue of this business segment was approximately HK$39.8 million (for the six months ended 30 June 2018: HK$102.4 million), of which revenue from third parties increased from approximately HK$20.9 million to approximately HK$39.8 million. Loss before income tax was approximately HK$209.1 million (for the six months ended 30 June 2018: HK$180.5 million).

Based in Hong Kong, "HK01" has more than 750 employees. It is a pioneer of innovative media, aiming to create an internet lifestyle platform for Hong Kong people, which is a new conception of combining internet with news media business. During the reporting period, besides developing the news media business, HK01 also continued to increase its effort in developing charity platform "01 heart (01心意)", running services platform "01 marathon (01齊跑)" and food order and takeaway platform "eatojoy (e肚仔)". It also organized different activities including debate competition, singing contest and martial arts expo etc., with an aim to provide Hong Kong people with a more comprehensive and quality internet service in all aspects based on news and information.

During the reporting period, active users of webpages and mobile applications reached 2 million at the peak, and active users of mobile applications increased by two times as compared with that of last year. In respect of views, the average number of daily page views of the website and mobile applications of HK01 exceeded 10 million, which increased about two times as compared to that in 2018. Page views reached approximately 23.50 million at peak. Number of members increased to approximately 500,000, representing an increase of about 3 times as compared to that in last year. With high quality news reports, HK01 achieved remarkable results by winning many news awards, including 4 US Telly Awards, an internationally recognised award and the Excellent Journalism Award (《年度卓越新聞獎》) by The Society of Publishers in Asia.

During the reporting period, we commenced the integration of the content and editing business of "HK01" and "Duowei Media" to enhance synergy effect and cost effectiveness. "Duowei Media" implements the concept of "data-driven operation, operation-driven content". During the reporting period, Duowei Media webpage views reached 140 million. As of the end of June 2019, the number of members of "Duowei Media" has reached 94,000, representing an increase of more than 60% as compared with that of last year.

Prospects

"HK01" strives to establish an internet lifestyle platform for Hong Kong people. For the media aspect, we plan to improve the contents of social news, entertainment news and lifestyle articles in the future, coupled with online and offline promotion to reach wider audiences and obtain the leading position in Hong Kong media. Moreover, we will launch the "一網打盡" shopping guide platform, "卜卜遊" travel service platform and emphasize on the development of membership economy. We will also activate "01 points (01積分)" to path the way for internet lifestyle platform and membership economy of "HK01".

Innovative Business

Business Review

During the reporting period, revenue of this business segment was approximately HK$166.5 million (for the six months ended 30 June 2018: HK$288.5 million) and loss before income tax was approximately HK$185.1 million (for the six months ended 30 June 2018: HK$363.5 million). The decrease in revenue but improvement in profitability were due to the effective execution of the innovative business restructuring initiated in November 2018. Crabtree & Evelyn's new focus on direct E-Commerce drove e-commerce revenue to approximately HK$64 million, an increase of approximately 69% as compared to corresponding period in 2018. Sales in Mainland China increased to approximately HK$8.2 million, representing an increase of approximately 93% as compared to corresponding period in 2018.

Crabtree & Evelyn's strategy is to transform from traditional retail to OMO operating model, which is determined to pursue the OMO development path starting from e-commerce. During the reporting period, Crabtree & Evelyn completed its restructuring by successfully shedding all of its traditional retail stores (over 150 stores in 8 countries), shifting its manufacturing and distribution to third party providers and selling its Australian warehouse facility. While traditional retail companies continue to struggle or close, Crabtree & Evelyn is now ahead of the market in meeting the challenges of the current and future business environment.

Crabtree & Evelyn will begin the launch of its new brand, business model, and product portfolio in the second half of 2019, which are the result of two years of research and development on innovative new products. All of these products have been manufactured by third party partnerships, the first result of a faster, more flexible, and lower cost global supply chain. A new global digital platform with full e-commerce and social functionality will be introduced in 35 markets, with corresponding investment in internal teams and capabilities. The new products will also be launched on online shopping malls via exclusive arrangements with TMall global, Amazon, and Feelunique. Initial feedback from both the new millennial consumer and retail partners has been extremely positive.

Prospects

The relaunch of Crabtree & Evelyn in the second half of 2019 will inject new vitality, new concept, new product and new model, presenting a new look to our customers. We have prepared for this relaunch with the brand communication, product portfolio, digital communication and distribution model, and the transformation of the operating model along with business restructuring required to attract more users to become loyal customers.

Financial Resources and Liquidity

The Group continued to adopt prudent funding and treasury policies. As at 30 June 2019, net assets attributable to the owners of the Company amounted to approximately HK$5,606.2 million (31 December 2018: HK$6,199.8 million), including cash and bank balances of approximately HK$12,907.8 million (31 December 2018: HK$8,297.6 million) which were mainly denominated in Renminbi, Hong Kong dollars and United States dollars. As at 30 June 2019, the Group's aggregate borrowings were approximately HK$20,218.9 million (31 December 2018: HK$19,959.8 million), of which approximately HK$9,736.1 million (31 December 2018: HK$11,759.1 million) were bearing interest at fixed rates while approximately HK$10,482.8 million (31 December 2018: HK$8,200.7 million) were at floating rates. The Group has partially managed interest rate risk through interest rate swap.

As at 30 June 2019, the gearing ratio of the Group, which is calculated as the net debt divided by the adjusted capital plus net debt was approximately 54.15% (31 December 2018: 62.64%).

As at 30 June 2019, the capital commitment of the Group was approximately HK$548.5 million (31 December 2018: HK$263.6 million), of which approximately HK$3.0 million would be used for the renovation of the owned properties, approximately HK$53.7 million would be used as capital expenditures for the expansion of its cinema business, approximately HK$491.8 million would be used for property development.

As at 30 June 2019, the Group's contingent liabilities were approximately HK$20.7 million in connection with the guarantees given to secure credit facilities (31 December 2018: HK$20.4 million).

As at 30 June 2019, certain right-of-use assets, buildings, other property, plant and equipment, properties under development and completed properties held for sale, investment properties and bank deposits with a total net carrying value of approximately HK$14,383.9 million (31 December 2018: HK$11,997.2 million) were pledged to secure the credit facilities granted to the Group. In addition, trading securities with a carrying value of approximately HK$200,000 (31 December 2018: HK$200,000) and certain shares of several subsidiaries of the Company were pledged and bank accounts were charged for securing the Group's credit facilities.

Exposure to Fluctuation in Exchange Rates

The Group operated mainly in the PRC, and its operating expenses and revenue were primarily denominated and settled in Renminbi. The Group adopted Hong Kong dollars as its reporting currency, and the reported assets, liabilities and results may be affected by Renminbi exchange rate. As the majority of the Group's borrowings were primarily denominated in US dollars and Renminbi, it was exposed to foreign exchange risk. The Group has partially managed such risk through cross currency swap. The Group will keep reviewing and monitoring the fluctuation in exchange rates between relevant currencies and consider using foreign exchange hedging instruments from time to time to minimize the risk exposure arising from changes in exchange rates. The Group will also proactively choose the type of currency for assets and liabilities based on its prejudgment of currency trend under practicable circumstances.

Employee and Remuneration Policy

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 2019, the Group had approximately 20,081 employees (30 June 2018: 22,496 employees). The total salaries of and allowances for employees for the six months ended 30 June 2019 were approximately HK$1,074.7 million (for the six months ended 30 June 2018: HK$1,216.5 million).

The Group focuses on providing skill and quality training for various levels of staff, and provides on-the-job capability training to its staff; in respect of staff quality, corresponding training on personal work attitude and work habits is also provided.

Events After Reporting Date

Save as disclosed in note 13 of this announcement, there was no other significant event after the reporting date up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

As referred to in the Company's announcement dated 17 May 2018, Top Yield Ventures Limited (a wholly-owned subsidiary of the Company) ("Top Yield") issued the US$120,000,000 guaranteed senior notes ("2018 Notes") that bear interest at 9.75% per annum due 2019, which was listed on the Hong Kong Stock Exchange. Top Yield has fully repaid the principal amount of the outstanding 2018 Notes together with the accrued interest upon its maturity on 23 May 2019.

Saved as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities during the six months ended 30 June 2019.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (for the six months ended 30 June 2018: Nil).

CORPORATE GOVERNANCE

In the opinion of the Board, the Company has complied with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2019.

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 2019.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises all the independent non-executive directors of the Company, namely Mr. Lau Yip Leung, Mr. Xiao Sui Ning and Mr. Ho Yeung Nang. 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 2019, 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 2019 interim report containing all the information required by the Listing Rules will be despatched 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
Liu Rong
Executive Director and Chief Executive Officer

Hong Kong, 29 August 2019

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

Executive Directors:	*Non-executive Director:*	*Independent non-executive Directors:*
Mr. Yu Pun Hoi	Mr. Lam Bing Kwan	Mr. Lau Yip Leung
Ms. Liu Rong		Mr. Xiao Sui Ning
		Mr. Ho Yeung Nang