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**南海控股有限公司\***

NAN HAI CORPORATION LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 680)**

**CONNECTED TRANSACTION  
CAPITAL INJECTION INTO GUANGDONG DADI  
CINEMA CONSTRUCTION LIMITED**

**CAPITAL INJECTION AGREEMENT**

The Board hereby announces that on 24 December 2019 (after trading hours), Dadi Cinema (HK), Dadi Century, Ningbo Yishan and Guangdong Dadi entered into the Capital Injection Agreement in relation to the Capital Injection of RMB1,200,000,000 into the registered capital of Guangdong Dadi made by Dadi Cinema (HK) and Dadi Century. The registered capital of Guangdong Dadi will be increased from RMB1,146,427,999 to RMB2,346,427,999, of which Dadi Cinema (HK) and Dadi Century will inject RMB526,330,442 and RMB673,669,558 to Guangdong Dadi respectively by converting their respective shareholder's loans into equity. Upon completion of the Capital Injection, the equity interest of Dadi Cinema (HK), Dadi Century and Ningbo Yishan in Guangdong Dadi will be 41.74%, 53.42% and 4.84%, respectively. No further capital injection will be made by Ningbo Yishan under the Capital Injection Agreement.

\* For identification purpose only

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, 20% interest in Ningbo Yishan is held by Ms. Liu, an executive Director of the Company, and 80% interest in Ningbo Yishan is held by Dadi Dreamworks, an associate of Ms. Liu. As such, Ningbo Yishan is an associate of Ms. Liu, and thus a connected person of the Company under Chapter 14A of the Listing Rules. Pursuant to the Capital Injection Agreement, the equity interest of Ningbo Yishan in Guangdong Dadi will be diluted from 9.9% to 4.84% upon completion of the Capital Injection. As such, the effective equity interest of the Group in Guangdong Dadi will be increased from 90.1% to 95.16%, which shall be deemed as an acquisition of 5.06% equity interest in Guangdong Dadi from Ningbo Yishan by the Group for a deemed consideration of RMB118,800,000 (which corresponds to 9.9% (being the equity interest of Ningbo Yishan in Guangdong Dadi prior to the Capital Injection) of RMB1,200,000,000) and shall constitute a connected transaction of the Company.

As the applicable percentage ratios in respect of the connected transaction contemplated under the Capital Injection Agreement exceed 0.1% but less than 5%, the transaction contemplated under the Capital Injection Agreement is subject to the reporting and announcement requirements but is exempt from the circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **I. CAPITAL INJECTION AGREEMENT**

The Board hereby announces that on 24 December 2019 (after trading hours), Dadi Cinema (HK), Dadi Century, Ningbo Yishan and Guangdong Dadi entered into the Capital Injection Agreement. The major terms and conditions of the Capital Injection Agreement are as follows:

### **Date**

24 December 2019

### **Parties**

- (1) Dadi Cinema (HK);
- (2) Dadi Century;
- (3) Ningbo Yishan; and
- (4) Guangdong Dadi, as the target company.

## Capital Injection

Pursuant to the terms and conditions of the Capital Injection Agreement, Capital Injection of RMB1,200,000,000 into the registered capital of Guangdong Dadi shall be made by Dadi Cinema (HK) and Dadi Century. The registered capital of Guangdong Dadi will be increased from RMB1,146,427,999 to RMB2,346,427,999, of which Dadi Cinema (HK) and Dadi Century will inject RMB526,330,442 and RMB673,669,558 into Guangdong Dadi respectively by converting their respective shareholder's loans into equity. Upon completion of the Capital Injection, the equity interest of Dadi Cinema (HK), Dadi Century and Ningbo Yishan in Guangdong Dadi will be 41.74%, 53.42% and 4.84%, respectively. No further capital injection will be made by Ningbo Yishan under the Capital Injection Agreement.

Prior to and immediately after the Capital Injection, the registered capital of Guangdong Dadi and the shareholdings held by its shareholders are as follows:

| Name of shareholders | Prior to the completion of the Capital Injection |                  | Capital Injection contemplated under the Capital Injection Agreement<br>(RMB) | After the completion of the Capital Injection |                  |
|----------------------|--|------------------|---|---|------------------|
|                      | Registered capital of Guangdong Dadi<br>(RMB)    | Shareholding (%) |   | Registered capital of Guangdong Dadi<br>(RMB) | Shareholding (%) |
| Dadi Cinema (HK)     | 453,052,800                                      | 39.52            | 526,330,442   | 979,383,242                                   | 41.74            |
| Dadi Century         | 579,878,827                                      | 50.58            | 673,669,558   | 1,253,548,385                                 | 53.42            |
| Ningbo Yishan        | 113,496,372                                      | 9.90             | —   | 113,496,372                                   | 4.84             |
| Total                | <u>1,146,427,999</u>                             | <u>100.00</u>    | <u>1,200,000,000</u>  | <u>2,346,427,999</u>                          | <u>100.00</u>    |

## Total Capital Injection

The Capital Injection into Guangdong Dadi in an aggregate amount of RMB1,200,000,000 was determined after arm's length negotiations among the parties with a view to lowering the debt-to-equity ratio.

Completion of the Capital Injection shall take place on the date upon which all procedures with the relevant competent authorities in the PRC in respect of the Capital Injection are completed by Guangdong Dadi. Pursuant to the Capital Injection Agreement, Dadi Cinema (HK) and Dadi Century shall inject capital by converting their respective shareholder's loans into equity. Such conversion will be completed by 31 December 2020.

## **II. REASONS FOR AND BENEFITS OF THE CAPITAL INJECTION**

The Directors consider that the Capital Injection is beneficial to the Group as it will strengthen the capital base and enhance competitiveness of Guangdong Dadi, strive for long-term business development and hence create better returns for its shareholders.

The Directors (including the independent non-executive Directors) are of the view that although the Capital Injection Agreement was not entered into in the ordinary and usual course of business of the Group, the terms of the Capital Injection Agreement are on normal commercial terms, which are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

## **III. FINANCIAL EFFECT OF THE CAPITAL INJECTION**

Upon completion of the Capital Injection, Guangdong Dadi will be owned as to 41.74%, 53.42% and 4.84% by Dadi Cinema (HK), Dadi Century and Ningbo Yishan respectively. Given Dadi Cinema (HK) and Dadi Century are indirect wholly-owned subsidiaries of the Company, the effective equity interest of the Group in Guangdong Dadi will be increased from 90.1% to 95.16% upon completion of the Capital Injection, representing an increase of 5.06%. Guangdong Dadi will remain as a subsidiary of the Company and its financial results will continue to be consolidated in the Company's financial statements. The Company considers that the Capital Injection will not have any material financial impact on the Group.

## **IV. INFORMATION OF THE PARTIES**

### **1. The Company**

The Company is an investment holding company whose securities are listed and traded on the Main Board of the Stock Exchange. The Group is principally engaged in (i) culture and media services (mainly in cinemas business on a nationwide basis in the PRC and other media related businesses); (ii) property development; and (iii) enterprise cloud services. In the meantime, the Group has also tapped into the business sectors in news media business and innovative business.

### **2. Dadi Cinema (HK)**

Dadi Cinema (HK) is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in investment holding and film distribution and production.

### **3. Dadi Century**

Dadi Century is a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. Its principal scope of business is film planning.

#### 4. Ningbo Yishan

Ningbo Yishan is a limited partnership established in the PRC. It is principally engaged in investment management. 20% interest in Ningbo Yishan is held by Ms. Liu, an executive Director of the Company, and 80% interest in Ningbo Yishan is held by Dadi Dreamworks, an associate of Ms. Liu. Dadi Dreamworks is a general partner of Ningbo Yishan. Dadi Dreamworks is used as a platform for employees of Guangdong Dadi who have made significant contributions to Guangdong Dadi to hold its equity interests they acquired pursuant to the Incentive Scheme (as defined in the announcement of the Company dated 11 November 2016). As referred to in the Company's announcement dated 11 November 2016 and circular dated 19 December 2016, 10% equity interest in Guangdong Dadi was purchased for a total consideration of RMB150,000,000.

#### 5. Guangdong Dadi

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

The unaudited consolidated financial information of Guangdong Dadi and its subsidiaries is as follows:

|                                   | <b>For the<br/>year ended<br/>31 December<br/>2018<br/>(HK\$'000)</b> | <b>For the<br/>year ended<br/>31 December<br/>2017<br/>(HK\$'000)</b> |
|-----------------------------------|---|---|
| Net (loss)/profit before taxation | (67,587)  | (185,454)   |
| Net (loss)/profit after taxation  | (76,121)  | (168,097)   |

According to the unaudited consolidated financial statements of Guangdong Dadi, the consolidated net assets of Guangdong Dadi and its subsidiaries as at 31 December 2018 were approximately HK\$1,167,501,000.

#### V. LISTING RULES IMPLICATIONS

As at the date of this announcement, 20% interest in Ningbo Yishan is held by Ms. Liu, an executive Director of the Company, and 80% interest in Ningbo Yishan is held by Dadi Dreamworks, an associate of Ms. Liu. As such, Ningbo Yishan is an associate of Ms. Liu, and thus a connected person of the Company under Chapter 14A of the Listing Rules. Pursuant to the Capital Injection Agreement, the equity interest of Ningbo Yishan in Guangdong Dadi will be diluted from 9.9% to 4.84% upon completion of the Capital Injection. As such, the effective equity interest of the Group in Guangdong Dadi will be increased from 90.1% to 95.16%, which shall be deemed as an acquisition of 5.06% equity interest in Guangdong Dadi from Ningbo Yishan by the Group for a

deemed consideration of RMB118,800,000 (which corresponds to 9.9% (being the equity interest of Ningbo Yishan in Guangdong Dadi prior to the Capital Injection) of RMB1,200,000,000) and shall constitute a connected transaction of the Company.

As the applicable percentage ratios in respect of the connected transaction contemplated under the Capital Injection Agreement exceed 0.1% but less than 5%, the Transaction is subject to the reporting and announcement requirements but is exempt from the circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **VI. APPROVAL BY THE BOARD**

Since Ms. Liu has a material interest in the Capital Injection, she has abstained from voting on the Board resolution to approve the Capital Injection.

Save as disclosed above, none of the Directors has a material interest in the Capital Injection or are required to abstain from voting on the relevant Board resolution to approve the Capital Injection Agreement and the transaction contemplated thereunder.

## **VII. DEFINITIONS**

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

|                               |  |
|-------------------------------|--|
| “associate”                   | has the meaning ascribed thereto in the Listing Rules  |
| “Board”                       | the board of Directors   |
| “Capital Injection”           | the capital injection into Guangdong Dadi in an aggregate amount of RMB1,200,000,000 made by Dadi Cinema (HK) and Dadi Century pursuant to the Capital Injection Agreement                 |
| “Capital Injection Agreement” | the capital injection agreement dated 24 December 2019 entered into among Guangdong Dadi, Dadi Cinema (HK), Dadi Century and Ningbo Yishan   |
| “Company”                     | Nan Hai Corporation Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed and traded on the Main Board of the Stock Exchange (stock code: 680) |
| “connected person(s)”         | has the meaning ascribed thereto in the Listing Rules  |
| “connected transaction”       | has the meaning ascribed thereto in the Listing Rules  |

|                    |  |
|--------------------|--|
| “Dadi Century”     | 大地時代電影文化傳播(北京)有限公司 (Dadi Century Film Culture Media (Beijing) Company Limited*), a company established in the PRC with limited liability, an indirect wholly-owned subsidiary of the Company |
| “Dadi Cinema (HK)” | Dadi Cinema (HK) Limited, a company incorporated in Hong Kong with limited liability, an indirect wholly-owned subsidiary of the Company   |
| “Dadi Dreamworks”  | 北京大地夢工廠投資合夥企業(有限合夥) (Beijing Dadi Dreamworks Investment Partnership (Limited Partnership)*), a limited partnership established in the PRC  |
| “Director(s)”      | the director(s) of the Company   |
| “Group”            | the Company and its subsidiaries   |
| “Guangdong Dadi”   | 廣東大地影院建設有限公司 (Guangdong Dadi Cinema Construction Limited*), a company established in the PRC with limited liability, an indirect non-wholly owned subsidiary of the Company                  |
| “HK\$”             | Hong Kong dollars, the lawful currency of Hong Kong  |
| “Hong Kong”        | the Hong Kong Special Administrative Region of the PRC   |
| “Listing Rules”    | the Rules Governing the Listing of Securities on the Stock Exchange  |
| “Ms. Liu”          | Ms. Liu Rong, an executive Director of the Company   |
| “Ningbo Yishan”    | 寧波移山影視投資管理合夥企業(有限合夥) (Ningbo Yishan Cinema Investment Partnership (Limited Partnership)*), a limited partnership established in the PRC, a connected person of the Company                   |
| “PRC”              | the People’s Republic of China, for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan                                    |
| “RMB”              | Renminbi, the lawful currency of the PRC   |
| “Shareholder(s)”   | the holder(s) of shares of the Company   |
| “Stock Exchange”   | The Stock Exchange of Hong Kong Limited  |
| “subsidiary”       | has the meaning ascribed thereto in the Listing Rules  |

“Transaction” the transaction under the Capital Injection Agreement

“%” per cent.

\* *For identification purpose only*

By Order of the Board  
**Nan Hai Corporation Limited**  
**Liu Rong**  
*Executive Director and Chief Executive Officer*

Hong Kong, 24 December 2019

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

*Executive Directors:*

Mr. Yu Pun Hoi

Ms. Liu Rong

*Non-executive Director:*

Mr. Lam Bing Kwan

*Independent non-executive Directors:*

Mr. Lau Yip Leung

Mr. Xiao Sui Ning

Mr. Ho Yeung Nang