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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

Reference is made to the announcement of the Company dated 24 December 2019. On 24 December 2019, Dadi Cinema (HK), Dadi Century, Ningbo Yishan and Guangdong Dadi entered into the 2019 Capital Injection Agreement, pursuant to which, the 2019 Capital Injection of RMB1,200,000,000 as the additional registered capital of Guangdong Dadi shall be made by Dadi Cinema (HK) and Dadi Century. The registered capital of Guangdong Dadi was increased from RMB1,146,427,999 to RMB2,346,427,999.

The Board hereby announces that on 30 November 2020 (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 RMB600,000,000 as the additional registered capital of Guangdong Dadi made by Dadi Century. The registered capital of Guangdong Dadi will be increased from RMB2,346,427,999 to RMB2,946,427,999, among which Dadi Century will inject RMB600,000,000 into Guangdong Dadi by converting its shareholder's loans into equity. Upon completion of the Capital Injection, the equity interest of the Group Companies and Ningbo Yishan in Guangdong Dadi will be 96.15% and 3.85% respectively. No further capital injection will be made by Dadi Cinema (HK) and 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 would be diluted and decreased from 4.84% to 3.85% upon the completion of the Capital Injection. As such, the effective equity interest of the Group in Guangdong Dadi will be increased from 95.16% to 96.15%, which shall be deemed as an acquisition of 0.99% equity interest in Guangdong Dadi from Ningbo Yishan by the Group for a deemed consideration of RMB29,040,000, representing 4.84% (being the equity interest of Ningbo Yishan in Guangdong Dadi prior to the Capital Injection) of RMB600,000,000, and constituting a connected transaction of the Company.

The Capital Injection Agreement and the 2019 Capital Injection Agreement are required to be aggregated as a single transaction according to Rules 14A.81 and 14A.82 of the Listing Rules, as they constitute a series of transactions conducted and entered into by the same entities within a 12-month period.

As the applicable percentage ratios in respect of the connected transaction contemplated under the Capital Injection Agreement and 2019 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

Reference is made to the announcement of the Company dated 24 December 2019. On 24 December 2019, Dadi Cinema (HK), Dadi Century, Ningbo Yishan and Guangdong Dadi entered into the 2019 Capital Injection Agreement, pursuant to which, the 2019 Capital Injection of RMB1,200,000,000 as the additional registered capital of Guangdong Dadi shall be made by Dadi Cinema (HK) and Dadi Century. The registered capital of Guangdong Dadi was increased from RMB1,146,427,999 to RMB2,346,427,999.

The Board hereby announces that on 30 November 2020 (after trading hours), Dadi Cinema (HK), Dadi Century, Ningbo Yishan and Guangdong Dadi entered into the Capital Injection Agreement. Its major terms and conditions are as follows:

Date

30 November 2020

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 RMB600,000,000 as the additional registered capital of Guangdong Dadi shall be made by Dadi Century. The registered capital of Guangdong Dadi will be increased from RMB2,346,427,999 to RMB2,946,427,999, among which Dadi Century will inject RMB600,000,000 into Guangdong Dadi by converting its shareholder's loans into equity. Upon the completion of the Capital Injection, the equity interest of the Group Companies and Ningbo Yishan in Guangdong Dadi will be 96.15% and 3.85% respectively. No further capital injection will be made by Dadi Cinema (HK) and Ningbo Yishan under the Capital Injection Agreement.

Total Capital Injection

The Capital Injection in an aggregate amount of RMB600,000,000 was determined after an arm's length negotiations among the parties with a view to lowering the debt-to-equity ratio of Guangdong Dadi.

Completion of the Capital Injection shall take place on the date upon which all stages of the Capital Injection is completed by accomplishing all the procedures with the relevant competent authorities in the PRC by Guangdong Dadi. Pursuant to the Capital Injection Agreement, Dadi Century shall inject capital by converting its shareholder's loans into equity. Capital Injection will be completed by 30 October 2036 as will the 2019 Capital Injection.

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 the competitiveness of Guangdong Dadi, thereby enabling long-term benefits from its 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, given its nature, was not implemented in the ordinary and usual course of business of the Group, the terms of the Capital Injection Agreement are on normal commercial terms and 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, equity interest in Guangdong Dadi will be held as to 96.15% and 3.85% by the Group Companies and Ningbo Yishan respectively. The effective equity interest of the Group in Guangdong Dadi will be increased from 95.16% to 96.15% upon the completion of the Capital Injection, representing an increase of 0.99%. 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, the securities of which 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 is also engaged 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 its 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:

	For the year ended 31 December 2019 (HK\$'000)	For the year ended 31 December 2018 (HK\$'000)
Net loss before taxation	(232,986)	(67,587)
Net loss after taxation	(214,030)	(76,121)

According to the unaudited consolidated financial statements of Guangdong Dadi, the consolidated net assets of Guangdong Dadi and its subsidiaries as at 31 December 2019 were approximately HK\$1,082,775,000.

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 would be diluted and decreased from 4.84% to 3.85% upon the completion of the Capital Injection. As such, the effective equity interest of the Group in Guangdong Dadi will be increased from 95.16% to 96.15%, which shall be deemed as an acquisition of 0.99% equity interest in Guangdong Dadi from Ningbo Yishan by the Group for a deemed consideration of RMB29,040,000, representing 4.84% (being the equity interest of Ningbo Yishan in Guangdong Dadi prior to the Capital Injection) of RMB600,000,000, and constituting a connected transaction of the Company.

The Capital Injection Agreement and the 2019 Capital Injection Agreement are required to be aggregated as a single transaction according to Rules 14A.81 and 14A.82 of the Listing Rules, as they constitute a series of transactions conducted and entered into by the same entities within a 12-month period.

As the applicable percentage ratios in respect of the connected transaction contemplated under the Capital Injection Agreement and 2019 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.

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 any material interest in the Capital Injection or is 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 RMB600,000,000 made by Dadi Century pursuant to the Capital Injection Agreement
“Capital Injection Agreement”	the agreement in respect of Capital Injection dated 30 November 2020 entered into among Guangdong Dadi, Dadi Cinema (HK), Dadi Century and Ningbo Yishan
“2019 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 2019 Capital Injection Agreement
“2019 Capital Injection Agreement”	the agreement in respect of the 2019 Capital Injection 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
“Group Companies”	Dadi Cinema (HK) and Dadi Century, both of which are wholly-owned subsidiaries of the Company
“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 and 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

“%” per cent.

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

Hong Kong, 30 November 2020

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

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